

**SPRINGFIELD FIREFIGHTERS' PENSION FUND**  
**(A Fiduciary Component Unit of the City of Springfield, Illinois)**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended February 28, 2021**

SPRINGFIELD FIREFIGHTERS' PENSION FUND  
CITY OF SPRINGFIELD, ILLINOIS

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July 8, 2021

Board of Trustees  
City of Springfield, Illinois  
Springfield Firefighters' Pension Fund

**INDEPENDENT AUDITOR'S REPORT**

We have audited the basic financial statements of the Springfield Firefighters' Pension Fund (the Plan), a fiduciary component unit of the City of Springfield, Illinois (the City) as of and for the year ended February 28, 2021, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the accompanying table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the Plan net position of the Springfield Firefighters' Pension Fund as of February 28, 2021, and the respective changes in the Plan net position for the year then ended in accordance with accounting principles generally accepted in the United States.

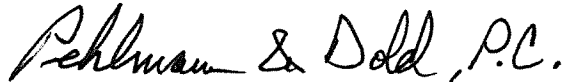
**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States require that the schedule of changes in the employers' net pension liability, the schedule of employers' net pension liability, the schedule of contributions from employers and other contributing entities, and the schedule of investment returns on pages 14-16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Springfield Firefighters' Pension Fund has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Respectfully submitted,



PEHLMAN & DOLD, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
SPRINGFIELD, ILLINOIS

SPRINGFIELD FIREFIGHTERS' PENSION FUND  
CITY OF SPRINGFIELD, ILLINOIS

STATEMENT OF PLAN NET POSITION

February 28, 2021

**ASSETS**

Cash and cash equivalents		\$ 5,314,410
<i>Investments, at fair value</i>		
U.S. governments securities	\$15,130,560	
U.S. agency securities	6,527,766	
Corporate bonds	27,926,499	
Municipal bonds	1,814,244	
Mutual funds	82,463,603	
Common stocks	6,524,688	
U.S. property-separate account	<u>13,303,652</u>	
<b>Total investments, at Fair Value</b>		153,691,012
Prepaid expenses		16,045
<i>Receivables</i>		
Interest and dividends		302,383
<b>Total assets</b>		<u>159,323,850</u>

**LIABILITIES**

Accounts payable		<u>26,189</u>
<b>Total liabilities</b>		<u>26,189</u>

**PLAN NET POSITION RESTRICTED  
FOR PENSION BENEFITS**

\$159,297,661

The Notes to the Financial Statements are an integral part of this statement.

**SPRINGFIELD FIREFIGHTERS' PENSION FUND  
CITY OF SPRINGFIELD, ILLINOIS**

**STATEMENT OF CHANGES IN PLAN NET POSITION**

**For the Year Ended February 28, 2021**

<b>ADDITIONS</b>	
<i>Contributions</i>	
Employer	\$ 13,550,355
Participants	<u>1,807,386</u>
<b>Total contributions</b>	<u>15,357,741</u>
<i>Investment income</i>	
Net appreciation (depreciation) in fair value of investments (unrealized)	19,585,323
Interest, dividends and other income	<u>2,803,332</u>
<b>Total investment income (loss)</b>	22,388,655
Less investment expense	<u>213,046</u>
<b>Net investment income (loss)</b>	<u>22,175,609</u>
<b>Total other income</b>	<u>1,414</u>
<b>Total additions</b>	<u>37,534,764</u>
<b>DEDUCTIONS</b>	
<i>Pension benefits and refunds</i>	
Pension benefits	16,317,321
<i>Administrative expenses</i>	
Professional fees	70,291
Insurance	18,944
Personal services	9,000
Other	<u>12,285</u>
<b>Total deductions</b>	<u>16,167,797</u>
<b>Net Increase in Plan Net Assets</b>	21,106,923
<b>PLAN NET POSITION RESTRICTED FOR PENSION BENEFITS</b>	
March 1, 2020	<u>138,190,738</u>
<b>PLAN NET POSITION RESTRICTED FOR PENSION BENEFITS</b>	
February 28, 2021	<u>\$159,297,661</u>

The Notes to the Financial Statements are an integral part of this statement.

**SPRINGFIELD FIREFIGHTERS' PENSION FUND  
CITY OF SPRINGFIELD, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS  
February 28, 2021**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Springfield Firefighters' Pension Fund of the City of Springfield, Illinois (Plan), have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units hereinafter referred to as generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Plan's accounting policies are described below.

*Reporting Entity*

The Springfield Firefighters' Pension Fund is a blended fiduciary component unit of the City of Springfield, Illinois because of the significance of its operational and financial relationship with the City. For financial reporting purposes the Fund is reported as a pension trust fund of the City.

The Board of Trustees is the administrator of the Fund that was established by the City in accordance with the City Charter and Illinois Compiled Statutes.

*Fund Accounting*

The Plan uses funds to report on its net position and the changes in its net positions. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The Plan is classified in this report in the fiduciary category.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When pension plan assets are held under the terms of a formal trust agreement, a pension trust fund is used.

*Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

*Measurement Focus and Basis of Accounting*

The Plan is accounted for with a flow of economic resources measurement focus. With this measurement focus, all assets, deferred inflows, liabilities and deferred outflows associated with the operation of this fund are included on the statement of fiduciary net position. Pension trust fund operating statements present increases (e.g., additions) and decreases (e.g., deductions) in net position restricted for pensions.

The accrual basis of accounting is utilized by the pension trust fund. Under this method, additions are recorded when earned and deductions are recorded at the time the liabilities are incurred.

*Investments*

Investments are reported at fair value at February 28, 2021. Securities traded on common exchanges are reported at the last quoted market price. Shares of mutual funds are valued at quoted market prices, which represent the net asset value of shares held by the Fund at year-end. Investment income is recognized as earned. Gains and losses on sales and exchanges of investment securities are recognized on the transaction date.

**SPRINGFIELD FIREFIGHTERS' PENSION FUND  
CITY OF SPRINGFIELD, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS - continued  
February 28, 2021**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Management's Review and Subsequent Events*

Management has evaluated subsequent events for recognition and disclosure in the financial statements through July 8, 2021, which is the date the financial statements were available to be issued.

*Recent Accounting Pronouncements*

In June 2012, the Governmental Accounting Standards Board issued GASB 67. GASB 67 addresses reporting by pension plans that administer benefits for governments and outlines basic framework for the separately issued financial reports of defined benefit pension plans, and details note disclosure requirements for defined benefit and defined contribution pension plans. The Plan adopted GASB 67 effective March 1, 2014. The adoption changed various reporting terminology, footnote disclosures, and required supplementary information.

**Note 2. FIREFIGHTERS'S PENSION PLAN DESCRIPTION**

*Plan Administration*

The City's firefighter pension plan is a single-employer defined benefit pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-1) and may be amended only by the Illinois Legislature.

The Fund is governed by a five-member Board of Trustees. Two members of the Board are appointed by the City's Mayor, one member is elected by pension beneficiaries and two members are elected by active firefighters.

*Plan Membership*

At February 28, 2021, the date of the most recent actuarial valuation, the plan covered substantially all City firefighter personnel, including those retired, disabled, and survivors, as follows:

Retirees and beneficiaries currently receiving benefits	251
Inactive employees entitled to, but not yet receiving benefits	2
Active plan members	<u>217</u>
Total	<u>470</u>

*Benefits Provided*

The Firefighter's Pension Plan provided retirement benefits, as well as, death and disability benefits. For persons who first become firefighters prior to January 1, 2011 (Tier I employees), covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the monthly salary attached to the rank held at the date of retirement. The pension shall be increased by 1/12 of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years of service, to a maximum of 75% of such monthly salary. Employees with at least 10 years, but less than 20 years, of credited service may retire at or after age 60 and receive a reduced benefit. The monthly pension of a firefighter who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.



**SPRINGFIELD FIREFIGHTERS' PENSION FUND  
CITY OF SPRINGFIELD, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS - continued  
February 28, 2021**

**Note 2. FIREFIGHTERS'S PENSION PLAN DESCRIPTION (continued)**

Tier 2 employees hired after January 1, 2011, attaining the age of 55 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the average salary for the last 8 years of service (subject to a maximum salary). The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to a maximum of 75% of such salary. Employees with at least 10 years, but less than 20 years of credited service, may retire and receive a reduced benefit, which begins at age 60. Employees that have attained the age of 50 with at least 10 years of service may retire but their pension is reduced by ½% per month for each year the employee is under age 55. The monthly pension shall be increased annually, following the first anniversary date of retirement, and be paid upon reaching the age of at least 60 years, by the lesser of 1/12 of 3% of the original pension times the number of months the employee has been retired since age 60 (up to a maximum of 15%) or by a factor of the CPI-U, whichever is less. Dependents receive a pension of 2/3 of the member's pension at date of death. Dependents receive an annual increase under the same formula as the retired officer.

*Contributions*

Covered employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required by statute to contribute the remaining amounts necessary to finance the Plan as actuarially determined by an enrolled actuary. By the year 2040, the Net Position must accumulate to the point where the past service cost for the Firefighters' Pension Plan is at least 90% funded.

**Note 3. CASH, CASH EQUIVALENTS AND INVESTMENTS**

The deposits and investments of the Fund are held separately from those of the City and are under the control of the Fund's Board of Trustees

*Cash*

At February 28, 2021 the carrying amount of the Pension Fund's deposits totaled \$2,500,993 in the checking account, and the checking account balance totaled \$2,649,277.

*Cash, and Cash Equivalents*

Carrollton Bank Checking	\$ 2,500,993
Money market funds in custodial accounts	<u>2,813,417</u>
<b>Total Cash and Cash Equivalents</b>	<b>5,314,410</b>
Less: Cash equivalents reclassified as investments	<u>(2,813,417)</u>
<b>Carrying Amount of Deposits</b>	<b><u>\$ 2,500,993</u></b>

The Firefighter Pension Funds are held by U.S. Bank in third party custodial accounts designated by the Board of Trustees, and one separate group annuity contract.

Represented By:	
Cash, cash equivalents and investments	\$159,005,422
Less: Carrying amount of deposits	<u>( 2,500,993)</u>
<b>Total Investments</b>	<b><u>\$156,504,429</u></b>

**SPRINGFIELD FIREFIGHTERS' PENSION FUND  
CITY OF SPRINGFIELD, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS - continued  
February 28, 2021**

**Note 3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

*Summary of Deposits and Investments*

	Cash and <u>Equivalents</u>	Investments <u>at Fair Value</u>	<u>Total</u>
Cash	\$2,500,993	\$	\$ 2,500,993
Equity-type investments	520,228	88,988,291	89,508,519
Fixed income-type investments	2,293,189	51,399,069	53,692,258
Insurance managed separate real estate		<u>13,303,652</u>	<u>13,303,652</u>
<b>Total</b>	<u>\$5,314,410</u>	<u>\$153,691,012</u>	<u>\$159,005,422</u>

*Authorized Investments*

Investments made by the Firefighter's Pension Fund are governed by both the Illinois Pension Code and the Fund's own investment policy. Allowable investments by a fund with net assets in excess of \$10 million dollars and employing an investment advisor as this fund does are as follows:

- (1) interest-bearing bonds of the United States, or of the State of Illinois, or any county, city, township, incorporated town, municipal corporation in this state;
- (2) tax anticipation warrants issued by any city, township, incorporated town, or county;
- (3) notes, bonds, debentures or other similar obligations which are guaranteed as to principal and interest by the United States and issued by agencies of the United States;
- (4) insured withdrawable capital accounts of state chartered savings and loan associates;
- (5) insured withdrawable capital accounts of federally chartered federal savings and loan associations if the withdrawable capital accounts are insured by the Federal Deposit Insurance Corporation;
- (6) insured investments in credit unions if the investments are insured by the National Credit Union Administration;
- (7) savings accounts or certificates of deposit of a national or state bank;
- (8) contracts and agreements supplemental thereto providing for investments in the general account of a life insurance company authorized to do business in Illinois;
- (9) separate accounts of a life insurance company authorized to do business in Illinois, comprised of common or preferred stocks, bonds, or money market instruments;
- (10) The Illinois Funds;
- (11) separate accounts managed by a life insurance company authorized to do business in Illinois, comprised of real estate or loans upon real estate secured by first or second mortgages;
- (12) direct equities, mutual funds, and separate accounts;
- (13) direct obligations of the State of Israel; and
- (14) investment grade corporate bonds managed by an investment advisor.

*Investment Policy*

The Springfield Firefighters' Pension Fund has implemented the following targets with the respective return assumptions for broad asset classes in the Fund's portfolio:

<u>Asset Class</u>	Minimum Target(%)	Target(%)	Maximum Target(%)	Expected Rate of Return Assumption(%)	Real Rate of Return Assumption(%)
Fixed Income	30.0	35.0	40.0	4.3	2.1
U.S. Equity	29.0	34.0	39.0	7.8	5.6
International Equity	13.0	18.0	23.0	8.0	5.8
Global Tactical	0.0	3.0	6.0	5.9	3.7
Real Estate	7.0	10.0	13.0	7.2	5.0
Cash and Equivalents	0.0	0.0	3.0	2.9	0.7

The projected future expected returns of the broad asset classes shown above are based on a Monte Carlo simulation of macroeconomic factors, which are used to model monthly return outcomes of capital markets. The simulations are created by an economic scenario generator, which is the driving force behind the investment advisor's asset allocation model. The economic scenario generator simulates the future performance of the capital markets and macro-economy; the underlying models are calibrated based on the long-term historical record, so that they will reproduce the kinds of volatility and stress scenarios that have been observed over the last 120 years. The models are linked and correlated so that the behavior of different asset classes and economic variables is consistent within each random scenario.

**SPRINGFIELD FIREFIGHTERS' PENSION FUND  
CITY OF SPRINGFIELD, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS - continued  
February 28, 2021**

**Note 3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

*Concentrations*

There were not significant investments (other than mutual funds, and the U.S. property separate insurance contract) in any one organization that represent 5% or more of the Plan's investments.

*Deposits*

Custodial credit risk: Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank failure, the Firefighters Pension Fund's deposits may not be returned to it. The Firefighters Pension Fund's investment policy does not require pledging of collateral for all bank balances in excess of federal depository insurance, since flow-through FDIC insurance is available for the Firefighters and Police Pension Fund's deposits with financial institutions. The City Treasurer's Office that controls the bank account balance does require that Carrollton Bank pledge collateral on bank balances in excess of FDIC insurance. At February 28, 2021, the bank has pledged a \$2.5 million dollar federal home loan bank irrevocable letter of credit. Each month during the fiscal year, the bank has pledged a different letter of credit using the same collateral in amounts ranging from \$1.2 million to \$5.0 million dollars depending on the checking account balance at that time.

*Investments*

Custodial credit risk: Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Firefighters Pension Fund will not be able to recover the value of its investments that are in possession of an outside party. The Firefighters Pension Fund's investment policy does not specifically address custodial credit risk, except for the Fund's compliance with state statutes.

*Interest Rate Risk*

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates. The Plan limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed for expected current cash flows. The Plan's investment policy does not limit the maximum maturity length of investments.

As of February 28, 2021, the Plan had the following investments and maturities of debt securities:

Investment Type	FMV	Maturity (IRR)			
		Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Fixed income securities	\$51,399,069	\$ 3,081,534	\$24,984,056	\$19,912,701	\$ 3,420,778
<b>Total</b>	<b>\$51,399,069</b>	<b>\$ 3,081,534</b>	<b>\$24,984,056</b>	<b>\$19,912,701</b>	<b>\$ 3,420,778</b>

*Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Plan's investment policy does not specifically address credit risk for investments, except for the corporate bonds and compliance with State statutes. Corporate bonds must be rated as investment grade by one of the two largest rating agencies at the time of purchase. Subsequently, if a domestic corporate bond security is downgraded below investment grade by one of the two largest rating agencies, the security must be liquidated from the portfolio within 90 days after the downgrade.

The policies of the Firefighter's Pension Fund will minimize credit risk, the risk of loss due to failure of the security issuer or backer, by pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Pension will do business and by diversifying the portfolio so that potential losses on individual securities will be minimized.

**SPRINGFIELD FIREFIGHTERS' PENSION FUND  
CITY OF SPRINGFIELD, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS - continued  
February 28, 2021**

**Note 3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

The table below shows the distribution of fixed income investments that have any degree of credit risk across the spectrum of ratings by either Standard and Poor's or Moody's.

Investment Type	Fair Value	Rating (CR)			
		AAA	AA	A	BBB
U.S. agency obligations	\$ 6,527,766	\$	\$ 6,527,766	\$	\$
Corporate bonds	27,926,499	248,551	1,964,073	16,482,624	9,231,251
Money market funds	2,813,417	2,813,417			
Municipal bonds	<u>1,814,244</u>	<u>929,161</u>	<u>81,003</u>	<u>364,577</u>	<u>439,503</u>
Sub-totals	39,081,926	<u>\$3,991,129</u>	<u>\$ 8,572,842</u>	<u>\$16,847,201</u>	<u>\$ 9,670,754</u>
U.S. property-separate insurance account	<u>13,303,652</u>	(Note)			
<b>Total Subject to Credit Risk</b>	<u>\$52,385,578</u>				

(Note) U.S. property-separate insurance account is a group annuity contract with Principal Life Insurance Company. The annuity is designed for institutional investors and meets the Illinois Pension Code definitions of authorized investments. While the specific annuity is not rated by the agencies mentioned above, Principal Life Insurance Company is rated by A.M. Best as "A+ Superior" (2<sup>nd</sup> highest of 16 rating categories):

Excluded from the credit risk grid above are securities backed by the full faith and credit of the U.S. government including treasury notes, bonds and strips totaling \$15,130,560 at February 28, 2021.

*Equity-type Investments*

Equity investments are held in custodial accounts managed by Northern Trust, PIMCO, Vanguard, Dimensional Fund Advisors, JP Morgan/Chase Bank, Great Lakes Advisors, and Chicago Equity Partners. The investment policy of the Pension Fund allows an allocation of between 45% and 65% of the plan assets in equity-type investments, and sets further allocation guidelines within that scope. Individual holdings must meet certain criteria outlined in the investment policies, and no individual holding may comprise more than 5% of the equity-type holdings in total.

At February 28, 2021 the equity-type investments consisted of the following:

Type	Acquisition Cost	Market Value	% of Plan Assets
Cash equivalents	\$ 520,228	\$ 520,228	.33%
Common stocks	5,495,349	6,524,688	4.10%
CTF/Mutual Funds	<u>56,387,745</u>	<u>82,463,603</u>	<u>51.76%</u>
<b>Totals</b>	<u>\$62,403,322</u>	<u>\$89,508,519</u>	<u>56.19%</u>

Additionally, the investment policy of the fund authorized an investment of between 7% and 13% in Core Real Estate. The Principal Life Insurance contract described earlier meets that objective.

*Related Party Transactions and Significant Investments*

There were no securities of the City of Springfield or related parties included in the assets of the pension trust fund during the year ended February 28, 2021. There are no investments (other than U.S. government, U.S. government-guaranteed obligations) in any one organization that represents 5% or more of net assets available for benefits.

*Rate of Return*

For the year ended February 28, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.10 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**SPRINGFIELD FIREFIGHTERS' PENSION FUND  
CITY OF SPRINGFIELD, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS - continued  
February 28, 2021**

**Note 4. CONTINGENCIES**

The Plan is subject to a program compliance audit by the Illinois Department of Insurance (DOI). The compliance audit for the year ended February 28, 2021 has not yet been conducted. Accordingly, the Plan's compliance with applicable requirements will be established at some future date. The amount of adjustments, if any, to be made by the DOI cannot be determined at this time, although the Plan expects such amount, if any, to be immaterial.

**Note 5. FAIR VALUE MEASUREMENT**

The Plan categorized its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in the active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Plan has the following recurring fair value measurements as of February 28, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Investments at Fair Value:</i>				
Mutual Funds	\$82,463,603	\$	\$	\$ 82,463,603
Common Stocks	6,524,688			6,524,688
U.S. Treasury Securities		15,130,560		15,130,560
U.S. Agency Securities		6,527,766		6,527,766
Corporate bonds		27,926,499		27,926,499
Municipal bonds		<u>1,814,244</u>		<u>1,814,244</u>
<b>Total by Fair Market Value</b>	<b><u>\$88,988,291</u></b>	<b><u>\$51,399,069</u></b>	<b><u>\$</u></b>	<b>140,387,360</b>
 <i>Investments Measured at the Net Asset Value (NAV):</i>				
U.S. Property (Real Estate)				<u>\$ 13,303,652</u>
<b>Total Investments at Fair Value</b>				<b><u>\$153,691,012</u></b>

As required by GAAP, certain investments that are measured at net asset value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the total investments line item in the Statement of Fiduciary Net Position.

*Equity and Fixed Income Securities*

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets issued by pricing vendors for these securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the various pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Debt and equity securities classified in Level 3 are securities whose stated market price is unobservable by the market place, many of these securities are priced by the issuers or industry groups for these securities. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sourced by the Plan's custodian bank.

*Investments Measured at the Net Asset Value*

**SPRINGFIELD FIREFIGHTERS' PENSION FUND  
CITY OF SPRINGFIELD, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS - continued  
February 28, 2021**

**Note 5. FAIR VALUE MEASUREMENT (continued)**

**U.S. Property Separate Account** – This investment in United States real property is an open-end Private equity core real estate account managed and held by Principal Real Estate Investors (PREI), a subsidiary of Principal Life Insurance Company. Principal Life has the ability to apply contractual limitation which can delay the payment of withdrawal request for up to three years. Net assets are valued by Principal Life based upon independent appraisals or internally prepared valuations. An independent consultant selected by PREI oversees and administers the appraisal process for the account. The account's financial statements are independently audited and the real property assets held are classified within Level 3 of the valuation hierarchy.

**Note 6. PENSION LIABILITY OF THE CITY**

*Net Pension Liability*

The components of the net pension liability of the Plan as of February 28, 2021 were as follows:

Total pension liability	\$ 358,296,818
Plan fiduciary net position	\$ 159,297,661
City's net pension liability	\$ 198,999,157
Plan fiduciary net position as a percentage of the total pension liability	44.46%

See the Schedule of changes in the Employer's Net Pension Liability and Related Ratios included in the required supplementary information for additional information related to the funded status of the Plan.

*Actuarial Assumptions*

The total pension liability above was determined by an actuarial valuation performed as of March 1, 2020 using the following actuarial methods and assumptions.

Measurement Date	February 28, 2021
Actuarial Cost Method	Projected Unit Credit
Assumptions (Economic):	
Expected Rate of Return – Long Term	7.00%
Inflation Rate Included	2.25%
Consumer Price Index (Urban)	2.25%
Individual Salary Increases	3.75% to 16.54%
Projected Increase in Total Payroll	3.25%
Discount Rate – Total Pension Liability	6.49%
High Quality 20 Year Tax-Exempt Bond	2.44%
Asset Valuation Method	Market Value

CITY OF SPRINGFIELD, ILLINOIS

NOTES TO FINANCIAL STATEMENTS - continued  
February 28, 2021

Note 6. *PENSION LIABILITY OF THE CITY (continued)*

All rates shown in the economic assumptions are annual rates, compound on an annual basis. The demographic assumptions that follow are based on rates developed by the actuaries at Lauterbach & Amen, LLP (L & A) who performed the March 1, 2020 actuarial valuation.

Mortality Table	PUB-2010 Adjusted for Plan Status, Demographics and Illinois Public Pension Data
Retirement Rates	100% of L&A 2020 Illinois Firefighters' Retirement Rates Capped at Age 65
Disability Rates	100% of L&A 2020 Illinois Firefighters' Disability Rates
Termination Rates	100% of L&A 2020 Illinois Firefighters' Termination Rates
Percent Married Assumption	80% of actual members Actual data used for retired and disabled members

*Discount Rate*

The discount rate used to measure the total pension liability was 6.49%, a decrease from the 7.00% rate used in the prior fiscal year. The discount rate is impacted by the "High Quality 20 Year Tax-Exempt Bond" rate which was changed due to changing market conditions. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payment of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Discount Rate Sensitivity*

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the City calculated using the discount rate of 6.49% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.49%) or 1 percentage point higher (7.49%) than the current rate:

Type	1% Decrease (5.49%)	Current Discount Rate (6.49%)	1% Increase (7.49%)
Employer Net Pension Liability	\$251,404,029	\$198,999,157	\$156,429,156

### ***REQUIRED SUPPLEMENTARY INFORMATION***

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Schedule of Changes in the Employer's Net Pension Liability
- Schedule of Employer Contributions
- Schedule of Investment Returns



SPRINGFIELD FIREFIGHTERS' PENSION FUND  
CITY OF SPRINGFIELD, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY

AND RELATED RATIOS  
February 28, 2021

Calendar Year Ended December 31	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>								
Service cost	\$ 5,322,103	\$ 5,179,220	\$ 5,205,445	\$ 5,283,043	\$ 4,951,770	\$ 5,111,168	\$ 5,438,758	\$ 4,666,656
Interest	22,140,316	21,253,481	20,465,858	17,736,353	19,481,955	17,506,592	17,749,350	16,687,209
Differences between expected and actual change of assumptions	( 4,952,431)	2,679,231	1,493,791	238,569	(2,744,644)	4,164,750	1,049,143	1,049,143
Benefit payments, including refunds of member contributions	22,785,262	( 4,494,064)	2,400,265	( 7,907,441)	(3,133,319)	(2) 14,101,572	(2) 24,694,346	(1) 24,694,346
	<u>(16,317,321)</u>	<u>(16,034,348)</u>	<u>(15,723,823)</u>	<u>(14,728,475)</u>	<u>(14,577,712)</u>	<u>(13,670,346)</u>	<u>(12,922,751)</u>	<u>(12,341,849)</u>
<b>Net Change in Total Pension Liability</b>	28,977,929	10,578,315	13,841,536	2,442,049	3,978,050	27,213,736	10,265,357	34,755,505
<b>Total Pension Liability - Beginning</b>	329,318,889	318,740,574	304,899,038	302,476,989	298,498,939	271,285,203	261,019,846	226,264,341
<b>Total Pension Liability - Ending</b>	<u>\$358,296,818</u>	<u>\$329,318,889</u>	<u>\$318,740,574</u>	<u>\$304,899,038</u>	<u>\$302,476,989</u>	<u>\$298,498,939</u>	<u>\$271,285,203</u>	<u>\$261,019,846</u>
<b>Plan Fiduciary Net Position</b>								
Contributions - employer	\$ 13,550,355	\$ 12,508,920	\$ 11,916,494	\$ 11,184,141	\$ 10,395,154	\$ 9,786,645	\$ 9,973,179	\$ 9,599,575
Contributions - member	1,807,386	1,818,701	1,700,670	1,696,447	1,718,845	1,696,300	1,704,162	1,628,970
Net investment income	22,177,023	6,079,536	2,271,252	11,568,713	14,904,623	( 5,946,400)	7,144,916	12,077,281
Benefit payments, including refunds of member contributions	( 16,317,321)	( 16,034,348)	( 15,723,823)	( 14,928,475)	( 14,577,712)	( 13,670,346)	( 12,922,751)	( 12,341,849)
Administrative expense	( 110,520)	( 133,450)	( 132,495)	( 165,250)	( 137,137)	( 109,969)	( 133,317)	( 113,929)
<b>Net Change in Plan Fiduciary Net Position</b>	21,106,923	4,257,359	32,098	9,355,576	12,303,773	( 8,243,770)	5,766,189	10,850,048
<b>Plan Fiduciary Net Position - Beginning</b>	138,190,738	133,933,379	133,901,281	124,545,705	112,241,932	120,485,702	114,719,513	103,889,465
<b>Plan Fiduciary Net Position - Ending</b>	<u>\$159,297,661</u>	<u>\$138,190,738</u>	<u>\$133,933,379</u>	<u>\$133,901,281</u>	<u>\$124,545,705</u>	<u>\$112,241,932</u>	<u>\$120,485,702</u>	<u>\$114,719,513</u>
<b>Employer's Net Pension Liability</b>	<u>\$198,999,157</u>	<u>\$191,128,151</u>	<u>\$184,807,195</u>	<u>\$170,997,757</u>	<u>\$177,931,284</u>	<u>\$186,257,007</u>	<u>\$150,799,501</u>	<u>\$146,300,333</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	44.46%	41.96%	42.02%	43.92%	41.18%	37.6%	44.4%	44.0%
<b>Covered - Employee Payroll</b>	\$ 19,050,536	\$ 19,027,608	\$ 19,807,840	\$ 19,991,231	\$ 19,361,967	\$ 16,982,730	\$ 16,985,797	\$ 16,810,957
<b>Employer's Net Pension Liability as a Percentage of Covered - Employee Payroll</b>	1,044.59%	1,004.48%	933.00%	855.36%	918.97%	1,096.7%	887.8%	870.3%

Notes to Schedule:

- (1) This adjustment to increase the total pension liability is the result of changes in assumptions. The investment return rate was reduced from 7.5% to 6.8% and the "entry age normal" actuarial cost method was used as opposed to the previous use of the "projected unit credit" cost method.
- (2) These adjustments to increase or (decrease) the total pension liability are the result of changes in assumptions from the previous year. These changes included a change in the discount rate, changes in assumed salary increases, mortality rates and the expected long-term rate of return.

This schedule will eventually show ten years of changes in the employer's net pension liability. Only eight years of information are available at this time.

See independent auditor's report.

SPRINGFIELD FIREFIGHTERS' PENSION FUND  
CITY OF SPRINGFIELD, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Years Ended the Last Day of February,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$13,232,121	\$12,508,920	\$11,916,494	\$11,184,141	\$10,395,154	\$ 9,786,645	\$ 9,473,179	\$ 9,579,518
Contributions in relation to the actuarially determined contribution	13,550,355	<u>12,508,920</u>	<u>11,916,494</u>	<u>11,184,141</u>	<u>10,395,154</u>	<u>9,786,645</u>	<u>9,973,179</u>	<u>9,599,575</u>
<b>Contribution Deficiency (excess)</b>	<b>\$ (318,234)</b>	<b>\$ -----</b>	<b>\$ -----</b>	<b>\$ -----</b>	<b>\$ -----</b>	<b>\$ -----</b>	<b>\$ (500,000)</b>	<b>\$ (20,057)</b>
<b>Covered – Employee Payroll</b>	<b>\$19,050,536</b>	<b>\$19,027,608</b>	<b>\$19,807,840</b>	<b>\$19,991,231</b>	<b>\$19,361,967</b>	<b>\$ 16,982,730</b>	<b>\$16,985,797</b>	<b>\$16,810,957</b>
<b>Contributions as a percentage of Covered – Employee Payroll</b>	<b>71.13%</b>	<b>65.74%</b>	<b>60.16%</b>	<b>55.94%</b>	<b>53.86%</b>	<b>57.63%</b>	<b>58.71%</b>	<b>57.10%</b>

Notes to Schedule:

Valuation date: Actuarially determined contribution rates are calculated as of the Plan year end.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal (through 2019), projected unit credit (2020 & 2021)
Amortization method	Level percent of pay
Remaining amortization period	20 years (The funding schedule was reset to end in 2040 in 2011) 90% funded in 2040
Asset valuation method	5-year smoothed, market value
Inflation (CPI-U)	4% (2015), 2.5% (2016 through 2021)
Salary increases	5% before 2017 and 3.25% (2017 through 2021)
Investment rate of return	7.25% (2015) and 7.00% (2016 through 2021)
Discount rate	6.8% (2015), 6.62% (2016), 6.69% (2017), 6.89% (2018), 6.84% (2019), 7.00% (2020), and 6.49% (2021)
Retirement age	See the notes to the financial statements
Mortality	L&A 2016 Illinois Firefighters' Mortality Rates (through 2019) RP-2010 adjusted as appropriate (2020 & 2021)

This schedule will eventually show ten years of comparisons of the actuarially determined contributions and actual employer contributions for analysis. Only eight years of actuarially determined contributions are available for this reporting period.

See independent auditor's report.

SPRINGFIELD FIREFIGHTERS' PENSION FUND  
CITY OF SPRINGFIELD, ILLINOIS

SCHEDULE OF INVESTMENT RETURNS

Fiscal Years Ended the Last Day of February,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	16.10%	4.60%	1.73%	9.42%	13.35%	(4.86%)	6.30%

*Notes to Schedule:*

This schedule will eventually show ten years of comparisons of the actuarially determined contributions and actual employer contributions for analysis. Only seven years of information are available for this reporting period.

See independent auditor's report.

