

**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, 2022**

SPRINGFIELD FIREFIGHTERS' PENSION FUND  
CITY OF SPRINGFIELD, ILLINOIS

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August 17, 2022

Board of Trustees  
City of Springfield, Illinois  
Springfield Firefighter's Pension Fund

### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
City of Springfield, Illinois  
Springfield Firefighter's Pension Fund

#### ***Opinion***

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, 2022 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Plan net Position of the Springfield Firefighter's Pension Fund as of February 28, 2022, and the respective change in the Plan net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Firefighters' Pension Plan and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter***

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.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

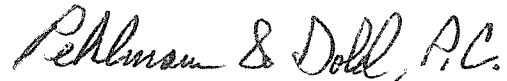
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***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 12-14 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.

Respectfully submitted,



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

SPRINGFIELD FIREFIGHTERS' PENSION FUND  
CITY OF SPRINGFIELD, ILLINOIS

STATEMENT OF PLAN NET POSITION

February 28, 2022

**ASSETS**

|                                   |                             |
|-----------------------------------|-----------------------------|
| Cash and cash equivalents         | \$ 8,457,721                |
| <i>Investments, at fair value</i> |                             |
| Pooled investment accounts        | 158,425,681                 |
| Prepaid expenses                  | 14,945                      |
| <i>Receivables</i>                |                             |
| Interest and dividends            | 1,075                       |
| <b><i>Total assets</i></b>        | <b><u>\$166,899,422</u></b> |

**LIABILITIES**

|                                 |                      |
|---------------------------------|----------------------|
| Accounts payable                | \$ 33,166            |
| <b><i>Total liabilities</i></b> | <b><u>33,166</u></b> |

**PLAN NET POSITION RESTRICTED  
FOR PENSION BENEFITS**

**\$166,866,256**

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, 2022

**ADDITIONS**

*Contributions*

|                            |                   |
|----------------------------|-------------------|
| Employer                   | \$ 14,818,690     |
| Participants               | <u>1,760,624</u>  |
| <b>Total contributions</b> | <u>16,579,314</u> |

*Investment income*

|   |                  |
|---|------------------|
| Net appreciation (depreciation) in fair value of investments (unrealized) | 4,973,141        |
| Interest, dividends and other income                                      | <u>3,209,933</u> |
| <b>Total investment income (loss)</b>                                     | <u>8,183,074</u> |

|                                     |                  |
|-------------------------------------|------------------|
| Less investment expense             | ( 242,065)       |
| <b>Net investment income (loss)</b> | <u>7,941,009</u> |

|                           |              |
|---------------------------|--------------|
| <b>Total other income</b> | <u>1,626</u> |
|---------------------------|--------------|

|                        |                   |
|------------------------|-------------------|
| <b>Total additions</b> | <u>24,521,949</u> |
|------------------------|-------------------|

**DEDUCTIONS**

*Pension benefits and refunds*

|                  |            |
|------------------|------------|
| Pension benefits | 16,801,355 |
|------------------|------------|

*Administrative expenses*

|                         |                   |
|-------------------------|-------------------|
| Professional fees       | 102,125           |
| Insurance               | 18,756            |
| Personal services       | 9,000             |
| Other                   | <u>22,117</u>     |
| <b>Total deductions</b> | <u>16,953,353</u> |

|  |           |
|--|-----------|
| <b>Net Increase in Plan Net Assets</b> | 7,568,596 |
|--|-----------|

**PLAN NET POSITION RESTRICTED FOR PENSION BENEFITS**

|               |                    |
|---------------|--------------------|
| March 1, 2021 | <u>159,297,660</u> |
|---------------|--------------------|

**PLAN NET POSITION RESTRICTED FOR PENSION BENEFITS**

|                   |                      |
|-------------------|----------------------|
| February 28, 2022 | <u>\$166,866,256</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, 2022**

**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, 2022. 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, 2022**

**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 15, 2022, which is the date the financial statements were available to be issued.

**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, 2022, 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        | 250        |
| Inactive employees entitled to, but not yet receiving benefits | 2          |
| Active plan members  | <u>200</u> |
| Total  | <u>452</u> |

*Benefits Provided*

As provided for in the Illinois Compiled Statutes, the Firemen's Pension Fund provides retirement benefits as well as death and disability benefits to employees grouped into two tiers. Tier 1 is for employees hired prior to January 1, 2011 and Tier 2 is for employees hired after that date. The following is a summary of the Firemen's Pension Fund as provided for in Illinois Compiled Statutes.

*Tier 1* - Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of one half of the monthly salary attached to the rank held in the fire service at that date of retirement. The monthly pension shall be increased by one twelfth 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 retirement 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 paid upon reaching at least the age 55, 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, 2022**

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

Tier 2 – Covered employees attaining the age of 55 or more with 10 or more years of creditable service are entitled to receive a monthly pension of 2.5% of the final average salary for each year of creditable service. The salary was initially capped at \$106,800 but increases annually thereafter and is limited to 75% of final average salary. Final average salary is the greater of either the average monthly salary for four of the last five years or, the average monthly salary for eight of the last ten years. Employees with 10 or more years of creditable service may retire at or after age 50 and receive a reduced retirement benefit. The monthly pension of a firefighter shall be increased annually on the January 1 occurring either on or after the attainment of age 60 or the first anniversary of the pension start date, whichever is later. Each annual increase shall be calculated at 3% or one-half the annual unadjusted percentage increase in the CPI, whichever is less.

*Contributions*

Participants are required by Illinois Compiled Statutes (ILCS) to contribute a fixed percentage of their base salary to the plan. At February 28, 2022, the contribution percentage was 9.455%. The City is required to contribute the remaining amounts necessary to finance the Plan as actuarially determined by an enrolled actuary. Effective January 1, 2011, the City's contributions must accumulate to the point where the past service cost for the Plan is 90% funded by the year 2040.

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

The deposits and investments of the Fund are held separately from those of the City and were under the control of the Fund's Board of Trustees until early February when control was transferred as described later in this note.

*Cash*

At February 28, 2022 the carrying amount of the Pension Fund's deposits totaled \$4,436,024 in the checking account, and the checking account balance totaled \$4,612,779.

*Cash, and Cash Equivalents*

|  |                            |
|--|----------------------------|
| Carrollton Bank Checking                 | \$ 4,436,024               |
| Money market funds in custodial accounts | <u>4,021,697</u>           |
| <b>Total Cash and Cash Equivalents</b>   | <b><u>\$ 8,457,721</u></b> |

The Firefighter Pension Funds are held by U.S. Bank in third party custodial accounts designated by the Board of Trustees in money market accounts until such time as all pending transactions in those custodial accounts are cleared and the cash accounts are consolidated. It is projected that these custodial accounts established by the board of trustees will consolidate into the checking account used for operations or the pooled investments account during the 2022-2023 fiscal year.

*Summary of Deposits and Investments*

|                           | <u>Cash and<br/>Equivalents</u> | <u>Investments<br/>at Net Asset Value</u> | <u>Total</u>                |
|---------------------------|---------------------------------|---|-----------------------------|
| Cash                      | \$8,457,721                     | \$  | \$ 8,457,721                |
| Pooled investment account |                                 | <u>158,425,681</u>                        | <u>158,425,681</u>          |
| <b>Total</b>              | <b><u>\$8,457,721</u></b>       | <b><u>\$158,425,681</u></b>               | <b><u>\$166,883,402</u></b> |

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

**NOTES TO FINANCIAL STATEMENTS - continued  
February 28, 2022**

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

*Investment Consolidation*

The Illinois Firefighters' Pension Investment Fund (FPIF) was established as a result of Public Act 101-0610 and was officially signed by the governor on December 18, 2019. The Act took effect on January 1, 2020. The law required all 296 "Article 4" pension plans to consolidate their investments into one statewide fund in an effort to reduce costs and increase investment performance. The transfer of the investment assets from all 296 separate funds was required to occur no later than June 30, 2022. The Springfield Firefighters' Pension Fund assets, other than cash and equivalents, were transferred in early February 2022. Cash and equivalents will be retained for a period of time.

Investments of the Plan are combined in a commingled investment pool with the investments of other Illinois Firefighters' plans and held by the IFPIF. A schedule of investment assets is included in IFPIF's annual report. For additional information on IFPIF's investments, please refer to their annual report as of June 30, 2021. A copy of that report can be obtained from IFPIF at 1919 South Highland Avenue, Building A, Suite 237, Lombard, IL 60148 or at [www.ifpif.org](http://www.ifpif.org).

Some of the following information in this note is labeled "prior to the investment consolidation" because it refers to the policies in effect while the Board of the plan was responsible for the investments and the related compliance with laws and regulations. That compliance responsibility, as well as the financial statement reporting responsibility passed to IFPIF along with the investments in early February 2022.

*Authorized Investments Prior to the Investment Consolidation*

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 in Effect Prior to the Investment Consolidation*

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

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

**NOTES TO FINANCIAL STATEMENTS - continued  
February 28, 2022**

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

| Asset Class          | Minimum<br>Target(%) | Target(%) | Maximum<br>Target(%) | Expected<br>Rate of Return<br>Assumption(%) | Real<br>Rate of Return<br>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.

*Investment Policy in Effect After the Investment Consolidation*

IFPIF's current investment policy was adopted by the Board of Trustees on June 17, 2022. IFPIF is authorized to invest in all the investments allowed by the Illinois Compiled Statutes (ILCS) listed above. The IFPIF is not subject to any of the limitations applicable to investments of pension funds currently held by the transferor pension funds under Sections 1-113.1 through 1-113.12 of Article 4 of the Illinois Pension Code.

*Concentrations Prior to the Investment Consolidation*

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, 2022, the bank has pledged two federal home loan bank irrevocable letters of credit totaling \$5.5 million dollars. Every month or two 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 \$5.5 million dollars depending on the checking account balance at that time. The pledge in effect at February 28, 2022 extends to June 15, 2022.

*Related Party Transactions and Significant Investments Prior to the Investment Consolidation*

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, 2022. 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, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.17 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, 2022**

**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, 2022 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 / NET ASSET VALUE**

*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 held no investments subject to fair value measurement as of February 28, 2022.

*Net Asset Value*

The Net Asset Value (NAV) of the Plan's pooled investment in IFPIF was \$158,425,681 at February 28, 2022. The pooled investments consist of the investments as noted in the target allocation table available at [www.ifpif.org](http://www.ifpif.org).

Investments in IFPIF are valued at IFPIF's share price, which is the price at which the investments could be sold. IFPIF has no unfunded commitments at February 28, 2022. The Plan may redeem shares by giving notice by 5:00pm central time on or before the 1<sup>st</sup> of each month and will be processed for redemption by the 14<sup>th</sup> of that month. Expedited redemptions may be processed at the sole discretion of IFPIF.

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

*Net Pension Liability*

The components of the net pension liability of the Plan as of February 28, 2022 were as follows:

|   |                |
|---|----------------|
| Total pension liability   | \$ 358,523,884 |
| Plan fiduciary net position   | \$ 166,866,256 |
| City's net pension liability  | \$ 191,657,628 |
| Plan fiduciary net position as a percentage<br>of the total pension liability | 46.54%         |

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, 2021 using the following actuarial methods and assumptions.

|                       |                       |
|-----------------------|-----------------------|
| Measurement Date      | February 28, 2022     |
| Actuarial Cost Method | Projected Unit Credit |

CITY OF SPRINGFIELD, ILLINOIS

NOTES TO FINANCIAL STATEMENTS - continued  
February 28, 2022

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

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 | 6.21%           |
| High Quality 20 Year Tax-Exempt Bond    | 2.51%           |

|                        |              |
|------------------------|--------------|
| Asset Valuation Method | Market Value |
|------------------------|--------------|

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, 2021 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<br>Actual data used for retired and disabled members       |

*Discount Rate*

The discount rate used to measure the total pension liability was 6.21%, a decrease from the 6.49% 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 not to be available to make all projected future benefit payments of current plan members. Therefore, the expected rate of return of 7.00% was blended with a municipal bond rate of 2.51% (2.414% in 2021) based on the High Quality 20 Year Tax-Exempt Bond Rate to arrive at a discount rate of 6.21% used 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 6.21% 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 (5.21%) or 1 percentage point higher (7.21%) than the current rate:

| Type                           | 1% Decrease<br>(5.21%) | Current Discount<br>Rate<br>(6.21%) | 1% Increase<br>(7.21%) |
|--------------------------------|------------------------|-------------------------------------|------------------------|
| Employer Net Pension Liability | \$242,020,754          | \$191,657,628                       | \$150,391,067          |

### ***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, 2022

| Calendar Year Ended December 31   | 2022          | 2021          | 2020            | 2019          | 2018          | 2017           | 2016          | 2015          | 2014          |
|---|---------------|---------------|-----------------|---------------|---------------|----------------|---------------|---------------|---------------|
| <b>Total Pension Liability</b>  |               |               |                 |               |               |                |               |               |               |
| Service cost  | \$ 5,643,851  | \$ 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  | 21,259,347    | 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   | (22,251,631)  | ( 4,952,431)  | 2,679,231       | 1,493,791     | 238,569       | (2,744,644)    | 4,164,750     | 1,049,143     | 1,049,143     |
| Change of assumptions   | 12,376,764    | 22,785,262(2) | ( 4,494,064)(2) | 2,400,265(2)  | 7,907,441(2)  | (3,133,319)(2) | 14,101,572(2) |               | 24,694,346(1) |
| Benefit payments, including refunds of member contributions                           | (16,801,355)  | (16,317,321)  | (16,034,348)    | (15,723,823)  | (14,728,475)  | (14,577,712)   | (13,670,346)  | (12,922,751)  | (12,341,849)  |
| <b>Net Change in Total Pension Liability</b>  | 227,066       | 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>  | 358,296,818   | 329,318,889   | 318,740,574     | 304,899,038   | 302,476,989   | 298,498,939    | 271,285,203   | 261,019,846   | 226,284,341   |
| <b>Total Pension Liability - Ending</b>   | \$358,523,884 | \$358,296,818 | \$329,318,889   | \$318,740,574 | \$304,899,038 | \$302,476,989  | \$298,498,939 | \$271,285,203 | \$261,019,846 |
| <b>Plan Fiduciary Net Position</b>  |               |               |                 |               |               |                |               |               |               |
| Contributions - employer  | \$ 14,818,690 | \$ 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  | 1,760,624     | 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   | 7,942,634     | 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                           | (16,801,355)  | (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  | (151,9978)    | (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>                                      | 7,568,595     | 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>  | 159,297,661   | 138,190,738   | 133,933,379     | 133,901,281   | 124,545,705   | 112,241,932    | 120,485,702   | 114,719,513   | 103,869,465   |
| <b>Plan Fiduciary Net Position - Ending</b>   | \$166,866,256 | \$159,297,661 | \$138,190,738   | \$133,933,379 | \$133,901,281 | \$124,545,705  | \$112,241,932 | \$120,485,702 | \$114,719,513 |
| <b>Employer's Net Position Liability</b>  | \$191,657,628 | \$198,999,157 | \$191,128,151   | \$184,807,195 | \$170,997,757 | \$177,931,284  | \$186,257,007 | \$150,799,501 | \$146,300,333 |
| <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>     | 46.54%        | 44.46%        | 41.96%          | 42.02%        | 43.92%        | 41.18%         | 37.6%         | 44.4%         | 44.0%         |
| <b>Covered - Employee Payroll</b>   | \$ 18,539,527 | \$ 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> | 1,033.78%     | 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 nine 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>2022</u>         | <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                                  | \$14,159,124        | \$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 | <u>14,818,690</u>   | <u>13,550,355</u>   | <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>\$ (659,566)</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>\$18,539,527</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>79.93%</b>       | <b>71.13%</b>       | <b>65.74%</b>       | <b>60.16%</b>       | <b>55.94%</b>       | <b>3.86%</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 through 2022)   |
| Amortization method           | Level percent of pay   |
| Remaining amortization period | 18 years (in 2011 the funding schedule was reset to end in 2040) 90% funded in 2040                                |
| Asset valuation method        | 5-year smoothed, market value  |
| Inflation (CPI-U)             | 4% (2015), 2.5% (2016 through 2021), 2.25% (2022)  |
| Salary increases              | 5% before 2017 and 3.25% (2017 through 2021), 3.75% (2022)   |
| Investment rate of return     | 7.25% (2015) and 7.00% (2016 through 2022)   |
| Discount rate                 | 6.8% (2015), 6.62% (2016), 6.69% (2017), 6.89% (2018), 6.84% (2019), 7.00% (2020), 6.49% (2021), and 6.21% (2022)  |
| 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 through 2022) |

This schedule will eventually show ten years of comparisons of the actuarially determined contributions and actual employer contributions for analysis. Only nine 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>2022</u> | <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,<br>net of investment expense | 5.17%       | 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 eight years of information are available for this reporting period.

See independent auditor's report.