



**CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND**
(A Fiduciary Component Unit of the City of Springfield)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Year Ended February 28, 2022



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CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND
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3051 Hollis Dr., 3rd Floor
Springfield, IL 62704
217.793.3363

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
of the Police Pension Fund
City of Springfield, Illinois

Opinions

We have audited the accompanying financial statements of the Police 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 table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of The Plan as of February 28, 2022 and the respective changes in financial position for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under these 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 Plan and to meet our 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 opinions.

Responsibilities of Management 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 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 for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility 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 opinions. 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 GAAS 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 to 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 of America require that the required supplementary information listed in the table of contents 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 of America, which consisted of inquiries 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 Police Pension Plan 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 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. Our opinion on the basic financial statements is not affected by this missing information.

Sikich LLP

Springfield, Illinois
October 20, 2022

BASIC FINANCIAL STATEMENTS

CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND
(A Fiduciary Component Unit of the City of Springfield)

STATEMENT OF PLAN NET POSITION
AVAILABLE FOR BENEFITS

February 28, 2022

ASSETS

Cash and cash equivalents	\$ 7,895,868
Investments, at fair value	
Fixed income securities	64,798,661
Domestic equity securities	69,445,417
International equity securities	41,348,511
Global Tactical Asset Allocation	5,822,447
Insurance Contracts - Real Estate	<u>18,725,350</u>
Total investments	<u>200,140,386</u>
Accrued interest	<u>149,719</u>
Total other assets	<u>149,719</u>
Total assets	<u>208,185,973</u>

LIABILITIES

Accounts payable	<u>56,127</u>
Total liabilities	<u>56,127</u>

PLAN NET POSITION RESTRICTED FOR PENSION BENEFITS \$ 208,129,846

See accompanying Notes to Financial Statements.

CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND
(A Fiduciary Component Unit of the City of Springfield)

STATEMENT OF CHANGES IN PLAN NET POSITION
AVAILABLE FOR BENEFITS

For the Year Ended February 28, 2022

ADDITIONS

Contributions	
Employer contributions	\$ 13,667,031
Participant contributions	1,942,188
Total contributions	15,609,219
Investment income	
Net appreciation (depreciation) in fair value of investments	7,853,518
Interest and dividends	4,291,084
Total investment income	12,144,602
Less investment expense	(438,570)
Net investment income	11,706,032
Total additions	27,315,251

DEDUCTIONS

Pension benefits and refunds	
Retired	16,547,576
Disabled	345,584
Widows and dependents	1,153,053
Contributions refunded	165,683
Total pension benefits and refunds	18,211,896
Administrative expenses	
Legal	36,336
Professional services	119,753
Office supplies, equipment, and postage	4,121
Other	21,037
Total administrative expenses	181,247
Total deductions	18,393,143

NET INCREASE

8,922,108

PLAN NET POSITION RESTRICTED FOR PENSION BENEFITS

March 1, 2021	199,207,738
February 28, 2022	\$ 208,129,846

See accompanying Notes to Financial Statements.

CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND
(A Fiduciary Component Unit of the City of Springfield)

NOTES TO FINANCIAL STATEMENTS

February 28, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Police Pension Fund (the Plan) of the City of Springfield, Illinois (the City), 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.

a. Reporting Entity

The Plan is a blended fiduciary component unit reported as a pension trust fund of the City pursuant to GASB Statement No. 61 and 84.

b. Fund Accounting

The Plan uses funds to report on its net position and the changes in its net position. 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 fund is classified in this report as a fiduciary fund.

Fiduciary funds are used to account for fiduciary activities (e.g., assets held on behalf of outside parties, including other governments). When pension plan assets are held under the terms of a formal trust agreement, a pension trust fund is used

c. Measurement Focus and Basis of Accounting

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

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 liabilities are incurred, and benefits are recognized as a deduction when due and payable to the participant.

CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Investments

Investments are reported at fair value at February 28, 2022. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Securities traded on material exchanges are reported at the last quoted market price. Investment income is recognized as earned. Gains and losses on sales and exchanges of investment securities are recognized on the trade date.

e. Contributions

Participant contributions are recognized in the period in which the contributions are earned. Employer contributions to the plan are recognized when due.

2. PLAN DESCRIPTION

a. Plan Administration

Police sworn personnel are covered by the Plan, which is a defined benefit single-employer pension plan sponsored by the City. The defined benefits, as well as the employee and minimum employer contributions levels are mandated by Illinois Compiled Statutes (40 ILCS 5/3) and may be amended only by the Illinois legislature.

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. The Board of Trustees includes two City appointees, one elected retiree and two elected active police officers.

At February 28, 2022, the Plan's membership consisted of:

Inactive plan members or beneficiaries, currently receiving benefits	293
Inactive plan members entitled to, but not yet receiving benefits	4
Active plan members	
Vested	147
Nonvested	<u>79</u>
Total	<u><u>523</u></u>

CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)

2. PLAN DESCRIPTION (Continued)

b. Benefits Provided

The following is a summary of the Plan as provided for in Illinois State statutes:

The Police Pension Plan provides retirement benefits as well as death and disability benefits in two tiers depending on when a participant enters a plan. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.0% of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer 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 3.0% of the original pension and 3.0% compounded annually thereafter.

Under Illinois Public Act 096-1495 and Public Act 101-0610, the retirement benefits were revised for new officers hired on or after January 1, 2011. The normal retirement age for this tier of officers is 55, with an early retirement age of 50. Officers who enter into early retirement receive a 6% reduction for each year they retire prior to age 55. The salary used for retirement will be computed using an average salary representing the highest earning 4 consecutive years during the last 5 years of service. The salary amount is also limited to a ceiling of \$106,800 with annual increases based on the consumer price index-u. Annual cost of living adjustments will be equal to the lesser of 3% or the annual unadjusted percentage increase of the consumer price index-u. Survivor benefits will be limited to two-thirds of the deceased pensioner's benefits at his or her date of death.

c. Contributions

Employees are required by ILCS to contribute 9.91% of their base salary to the 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 to contribute the remaining amounts necessary to finance the Plan as actuarially determined by an enrolled actuary. Effective January 1, 2011, the ILCS requires the City to contribution a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost for the Plan by the year 2040. For the year ended February 28, 2022, the City's contribution was 71.6% of covered payroll.

CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)

3. DEPOSITS AND INVESTMENTS

Investment Policy

The deposits and investments of the Plan are held separately from those of the City. The investment policy is adopted by the Plan's Board of Trustees and can be amended by a majority vote of the Board of Trustees.

The Plan's investment policy authorizes the pension fund to invest in securities permitted in the Illinois Compiled Statutes (40 ILCS 5/1-113). The statutes authorize the Pension Fund to invest in 1) interest bearing direct obligations of the United States of America; 2) interest bearing obligations to the extent they are fully guaranteed or insured by the United States of America; 3) interest bearing bonds, notes, debentures or other similar obligations of agencies of the United States of America; 4) interest bearing savings accounts or certificates of deposit issued by federally chartered banks or savings and loan associations, state of Illinois chartered banks or savings and loan associations, or credit unions to the extent the investments are insured by agencies or instrumentalities of the federal government; 5) interest bearing bonds of the state of Illinois; 6) pooled interest bearing accounts managed by the Illinois Public Treasurer's Pool; 7) interest bearing bonds or tax anticipation warrants of any county, township or municipal corporation of the state of Illinois; 8) direct obligations of the state of Israel subject to certain limitations as defined in the statute; 9) money market mutual funds managed by investment companies that are registered under the federal Investment Company Act of 1940 and Illinois Securities Law of 1953 and are diversified, open-ended management investment companies provided the money market portfolio is limited to bonds, notes, certificates of indebtedness, treasury bills or other securities guaranteed by the full faith and credit of the United States of America; bonds, notes, debentures or other similar obligations of the United States of America or its agencies; or certain short-term obligations of corporations; 10) corporate bonds managed through an investment advisor that must be rated as investment grade by one of the 2 largest rating services at the time of purchase and if subsequently downgraded below investment grade, must be liquidated from the portfolio within 90 days after being downgraded by the manager; 11) general accounts of life insurance companies authorized to transact business in Illinois; 12) separate accounts managed by life insurance companies authorized to transact business in Illinois that are comprised of diversified portfolios consisting of common or preferred stocks, bonds, money market instruments or real estate or loans upon real estate secured by a first or second mortgage; 13) mutual funds managed by an investment company as defined and registered under the federal Investment Company Act of 1940 and Illinois Securities Law of 1953; that have been in operation for at least five years; that have total net assets of \$250 million or more; and that are comprised of diversified portfolios consisting of common or preferred stocks, bonds, money market instruments; 14) common and preferred stocks authorized for investments of trust funds under the laws of the state of Illinois that meet certain requirements detailed in the statutes. There were no changes made to the investment policy during the fiscal year.

CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)

3. DEPOSITS AND INVESTMENTS (Continued)

Investment Policy (Continued)

The Plan's investment policy establishes the following target allocation across asset classes:

Asset Class	Target FY22	Long-Term Expected Real Rate of Return
Fixed Income	35%	2.1%
Domestic Equities	32%	5.6%
International Equities	20%	5.8%
Real Estate Funds	10%	5.0%
Global Tactical Asset Allocation	3%	3.7%
Cash and Cash Equivalents	0%	0.7%

The book value of total equities may not exceed 55% for mutual funds, separate account of an insurance company, or separate accounts of a money manager. This is in addition to the 10% equity investment allowed in Section 1-113.2 and 1-113.3 of 40 ILCS 5 through equity mutual funds and equity separate accounts. In addition, the Plan must comply with State statutes which dictate that individual holdings must meet certain criteria, and no individual investment held (with the exception of the United States Government and agencies securities) may exceed 5% of the invested assets in total.

The long-term expected rate of return on the Plan's investments was determined based upon an arithmetic average conducted by the Plan's investment manager in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rate of return for each major asset class included in the Plan's target asset allocation as of February 28, 2022 are listed in the table above.

Concentrations

There were no significant investments (other than mutual funds, U.S. Treasury Notes, and insurance contracts) in any one organization that represent 5% or more of the Plan's investments.

CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)

3. DEPOSITS AND INVESTMENTS (Continued)

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 5.39%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. The Plan'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 Plan's deposits with financial institutions.

The Plan's cash and cash equivalents at February 28, 2022, consisted of deposits with financial institutions and investments in money market mutual funds. Flow-through FDIC insurance is available for the Plan's deposits with financial institutions. Money market mutual funds are covered by Securities Investor Protection Corporation Insurance (SIPC). At February 28, 2022, all deposits with financial institutions and money market mutual funds were insured by the FDIC and SIPC.

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 Plan will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Plan has a third-party custodian acting as the Plan's agent to safe-keep the assets of the Plan. All assets are held in the name of the Plan.

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.

CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)

3. DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk (Continued)

As of the February 28, 2022, the Plan had the following investments and maturities of debt securities:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturity (In years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>>10</u>
Fixed income securities	\$64,798,661	\$4,762,250	\$42,350,264	\$16,776,857	\$ 909,290
Total	<u>\$64,798,661</u>	<u>\$4,762,250</u>	<u>\$42,350,264</u>	<u>\$16,776,857</u>	<u>\$ 909,290</u>

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.

As of February 28, 2022, the portfolio consisted of U.S. treasury securities, Federal National Mortgage Association, and Federal Home Loan Mortgage notes (rated Aaa by Moody's). The portfolio also consisted of Corporate Bonds with ratings ranging from Ba1-Aaa and municipal obligations with ratings ranging from A2-Aaa. The U.S government agencies investments that were not rated by Moody's included FHLMC Structured Pass-through Certificates, Federal National Mortgage Association Pass-Through Certificates, GNMA Pass-Through Certificates, U.S. International Development Finance Corporation Investments, Overseas Private Investments, and Small Business Administration Partnership Certificates.

4. FAIR VALUE MEASUREMENTS

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets or liabilities; Level 2 inputs are significant other observable inputs; Level 3 are significant unobservable inputs.

CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)

4. FAIR VALUE MEASUREMENTS (Continued)

Valuation Techniques

Following is a description of the valuation techniques used for assets and liabilities measured at fair value on a recurring basis.

- Mutual funds, marketable equity securities, and money market mutual funds: Valued at the closing quoted price in an active market.
- Corporate bonds and municipal obligations: The investment grade corporate bonds and municipal obligations held by the Plan generally do not trade in active markets on the measurement date. Therefore, these securities are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.
- U.S. government and U.S. government agency securities: Valued by a pricing service using models that incorporate market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers and reference data.

Fair value measurements recorded on a recurring basis at February 28, 2022 were as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Investments by fair value level				
Mutual funds	\$ 87,169,911	\$ -	\$ -	\$ 87,169,911
Marketable equity securities	29,446,464	-	-	29,446,464
Corporate bonds	-	29,553,635	-	29,553,635
Municipal obligations	-	498,859	-	498,859
Money market mutual funds*	7,895,868	-	-	7,895,868
U.S. government agency securities	-	836,989	-	836,989
U.S. government securities	-	33,909,178	-	33,909,178
Total investments by fair value level	<u>\$ 124,512,254</u>	<u>\$ 64,798,661</u>	<u>\$ -</u>	<u>189,310,904</u>
Real estate fund (NAV)				<u>18,725,350</u>
Total investments				<u>\$ 208,036,254</u>

*Presented as cash and cash equivalents

CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)

4. FAIR VALUE MEASUREMENTS (Continued)

Valuation Techniques (Continued)

The following table sets forth additional disclosures of the Plan’s investments whose fair value is estimated using net asset value (NAV) per share (or its equivalent) as of February 28, 2022.

Investment	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Real estate fund (a)	\$18,725,350	\$ -	N/A	N/A

(a) This type includes one real estate fund that invests primarily in owned real estate, such as office buildings, industrial buildings, shopping centers, retail stores, and similar commercial property. The fair value of the investment in this type has been determined using the NAV per share (or its equivalent) of the Plan's ownership interest. The Plan may redeem all or a portion of this investment upon notice to Principal Life Insurance Company. When payment is made pursuant to such a notice, the amount to be paid will be generally determined and paid within seven business days of the notice, subject to Principal's right to defer a payment. Principal reserves the right to defer payments for a period as is necessary, up to three years. Such deferment will be based on unstable or disorderly market or investment conditions which do not allow for an orderly investment transfer. The deferment may include, but not be limited to, situations where regular banking has been suspended or when an emergency or other circumstances beyond Principal's control does not allow for the orderly disposal and liquidation of securities or other assets. Due to the illiquid nature of the assets in which the real estate fund is invested, Principal also reserves the right to defer payments that would exceed the amount of cash and other liquid assets held, reduced by amounts committed to purchase properties or needed for operating expenses. If payments are deferred, when made they will be paid on a prorated basis in relation to the total amount of payment requests.

5. PENSION LIABILITY OF THE CITY

a. Net Pension Liability

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

Total Pension Liability	\$ 410,214,110
Plan Fiduciary Net Position	208,129,846
City’s Net Pension Liability	202,084,264
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.7%

CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)

5. PENSION LIABILITY OF THE CITY (Continued)

a. Net Pension Liability (Continued)

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

b. Actuarial Assumptions

The actuarial methods and significant assumptions used for the February 28, 2022 valuation are summarized below:

Mortality rates were updated based on an assumption study prepared by Lauterbach & Amen, LLP in 2020. The table combines observed experience of Illinois Police Officers with the Pub-2010 mortality table adjusted for plan status, demographics and Illinois Public Pension Data. The rates were improved using the MP-2019 improvement rates applied on a fully generational basis.

Retirement rates, termination rates and disability rates were updated based on 100% of the rates from an assumption study prepared by Lauterbach & Amen, LLP in 2020. Retirement rates were capped at age 65.

Salary progression: 3.75% to 16.79% with a projected increase in total payroll of 3.25%.

Inflation rate: 2.25% per year, compounded annually.

Investment return rate: 7.0% per year, compounded annually.

Marital status: 80% of participants were assumed to be married for active members. Retiree and disabled marital status are based on actual spousal data.

Actuarial value of assets: The actuarial value of assets was determined by using the market value.

Actuarial cost method: The actuarial cost method used is the projected unit credit cost method.

CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)

5. PENSION LIABILITY OF THE CITY (Continued)

c. Discount Rate

The discount rate used to measure the total pension liability was 6.05% (5.63% in the prior year). 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 Plan's fiduciary net position was projected not to be available to make all projected future benefit payments of current plan members. Therefore, expected rate of return of 7.00% was blended with a municipal bond rate of 2.51% (2.44% in 2021) based on the Bond Buyer G.O. 20-Bond Municipal Bond Index to arrive at a discount rate of 6.05% used to determine the total pension liability.

d. Discount Rate Sensitivity

The following is a sensitivity 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 6.05% 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 (5.05%) or 1 percentage point higher (7.05%) than the current rate:

	1% Decrease (5.05%)	Current Discount Rate (6.05%)	1% Increase (7.05%)
Net Pension Liability	\$ 263,977,739	\$ 202,084,264	\$ 151,980,744

6. CONTINGENT LIABILITIES

The Plan is subject to a program compliance audit by the Illinois Department of Financial and Professional Regulation. 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 Illinois Department of Financial and Professional Regulation cannot be determined at this time; although, the Plan expects such amount, if any, to be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND
(A Fiduciary Component Unit of the City of Springfield)

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY
AND RELATED RATIOS

Last Eight Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY								
Service Cost	\$ 6,732,848	\$ 6,270,637	\$ 5,433,549	\$ 5,402,823	\$ 5,748,820	\$ 5,393,901	\$ 6,838,653	\$ 5,469,903
Interest	23,276,563	23,765,466	22,328,221	21,610,194	20,741,627	21,725,059	16,130,049	18,510,532
Changes of Benefit Terms	-	-	1,385,547	-	-	-	-	-
Differences Between Expected and Actual Experience	(16,425,003)	535,492	1,239,833	(1,646,679)	184,291	1,874,991	(8,623,937)	-
Changes of Assumptions	(24,376,044)	44,807,789	27,952,499	(1,351,671)	(7,183,405)	(30,742,288)	54,324,917	-
Benefit Payments, Including Refunds of Member Contributions	<u>(18,211,896)</u>	<u>(16,696,378)</u>	<u>(15,232,522)</u>	<u>(14,426,367)</u>	<u>(13,748,823)</u>	<u>(12,646,059)</u>	<u>(12,066,816)</u>	<u>(11,585,442)</u>
Net Change in Total Pension Liability	(29,003,532)	58,683,006	43,107,127	9,588,300	5,742,510	(14,394,396)	56,602,866	12,394,993
Total Pension Liability - Beginning	<u>439,217,642</u>	<u>380,534,636</u>	<u>337,427,509</u>	<u>327,839,209</u>	<u>322,096,699</u>	<u>336,491,095</u>	<u>279,888,229</u>	<u>279,888,229</u>
TOTAL PENSION LIABILITY - ENDING	<u>\$ 410,214,110</u>	<u>\$ 439,217,642</u>	<u>\$ 380,534,636</u>	<u>\$ 337,427,509</u>	<u>\$ 327,839,209</u>	<u>\$ 322,096,699</u>	<u>\$ 336,491,095</u>	<u>\$ 279,888,229</u>
PLAN FIDUCIARY NET POSITION								
Contributions - Employer	\$ 13,667,031	\$ 11,908,796	\$ 10,991,768	\$ 10,844,009	\$ 10,116,706	\$ 9,942,505	\$ 9,050,592	\$ 9,608,968
Contributions - Member	1,942,188	1,980,847	2,040,242	2,040,972	2,063,652	1,900,135	1,895,118	1,956,068
Net Investment Income	11,706,032	28,692,339	7,672,565	2,054,001	15,487,818	17,594,578	(6,690,669)	8,926,872
Benefit Payments, Including Refunds of Member Contributions	(18,211,896)	(16,696,378)	(15,232,522)	(14,426,366)	(13,748,823)	(12,646,059)	(12,066,816)	(11,585,442)
Administrative Expense	(181,247)	(176,869)	(171,151)	(168,690)	(191,854)	(216,033)	(228,877)	(164,934)
Other	-	-	-	-	-	-	7,757	302
Net Change in Plan Fiduciary Net Position	8,922,108	25,708,735	5,300,902	343,926	13,727,499	16,575,126	(8,032,895)	8,741,834
Plan Net Position - Beginning	<u>199,207,738</u>	<u>173,499,003</u>	<u>168,198,101</u>	<u>167,854,175</u>	<u>154,126,676</u>	<u>137,551,550</u>	<u>145,584,445</u>	<u>136,842,611</u>
PLAN NET POSITION - ENDING	<u>\$208,129,846</u>	<u>\$199,207,738</u>	<u>\$173,499,003</u>	<u>\$168,198,101</u>	<u>\$167,854,175</u>	<u>\$154,126,676</u>	<u>\$137,551,550</u>	<u>\$145,584,445</u>
EMPLOYER'S NET PENSION LIABILITY	<u>\$ 202,084,264</u>	<u>\$ 240,009,904</u>	<u>\$207,035,633</u>	<u>\$ 169,229,408</u>	<u>\$159,985,034</u>	<u>\$167,970,023</u>	<u>\$198,939,545</u>	<u>\$134,303,784</u>

CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND
(A Fiduciary Component Unit of the City of Springfield)

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY
AND RELATED RATIOS

Last Eight Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.7%	45.4%	45.6%	49.8%	51.2%	47.9%	40.9%	52.0%
Covered Payroll	\$ 19,074,828	\$ 20,775,455	\$ 19,932,784	\$ 22,047,109	\$ 22,186,171	\$ 21,487,817	\$ 20,250,340	\$ 18,716,719
Employer's Net Pension Liability as a Percentage of Covered Payroll	1059.4%	1155.3%	1038.7%	767.6%	721.1%	781.7%	982.4%	717.6%

Note to Required Supplementary Information:

These schedules are intended to present information for a ten-year period. As updated information becomes available, additional years will be presented.

Year Ended February 28, 2022 - Changes in assumptions related to changes in the discount and bond rate. The discount rate went from 5.63% to 6.05% and the bond rate from 2.27% to 2.44%.

Year Ended February 28, 2021 - Changes in assumptions related to changes in the discount and bond rate. The discount rate went from 6.38% to 5.63% and the bond rate from 2.27% to 2.44%.

Year Ended February 29, 2020 - Changes in assumptions related to changes in the discount, bond rate, pay increases, CPI, inflation, mortality rates, retirement rates, termination rates, disability rates and marital assumptions. The discount rate went from 6.77% to 6.38% and the bond rate from 4.19% to 2.27%. Projected individual pay increases, CPI and inflation all decreased by 0.25%. The demographic assumption changes are based on a comprehensive study of Police Officers and Police Pension Funds in Illinois performed by the actuary in 2020.

Year Ended February 28, 2019 - Changes in assumptions related to changes in the discount rate and bond rate used since the prior measurement date. The discount rate went from 6.74% to 6.77% and the bond rate from 3.86% to 4.19%.

Year Ended February 28, 2018 - Changes in assumptions related to changes in the discount rate and bond rate used since the prior measurement date. The discount rate went from 6.58% to 6.74% and the bond rate from 3.95% to 3.86%.

Year Ended February 28, 2017 - Changes in assumptions related to changes in the discount rate and bond rate used since the prior measurement date. The discount rate went from 5.89% to 6.58% and the bond rate from 3.34% to 3.95%. The mortality assumptions included mortality improvements stated in the most recently released MP-2016 table and the rates were applied on a fully-generational basis.

Year Ended February 29, 2016 - Changes in assumptions related to changes in the discount rate and the mortality tables used since the prior measurement date. The discount rate went from 6.92% to 5.89%. The mortality tables used were previously the RP-2000 mortality tables projected to the appropriate years, while the current mortality tables were based upon assumption studies performed by Lauterbach & Amen, LLP in 2016.

CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND
(A Fiduciary Component Unit of the City of Springfield)

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Ten Fiscal Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially Determined Contribution	\$ 7,844,957	\$ 8,519,086	\$ 9,108,968	\$ 9,050,592	\$ 9,942,505	\$ 10,116,706	\$ 10,843,009	\$ 10,991,768	\$ 11,637,707	\$ 13,029,355
Contributions in Relation to the Actuarially Determined Contribution	7,844,957	8,519,086	9,108,968	9,050,592	9,942,505	10,116,706	10,843,009	10,991,768	11,637,707	13,029,355
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional voluntary contribution	\$ 500,000	\$ -	\$ 500,000	\$ -	\$ -	\$ -	\$ 1,000	\$ -	\$ 271,809	\$ 637,676
Covered Payroll	\$ 17,517,072	\$ 18,451,326	\$ 18,716,719	\$ 20,250,340	\$ 21,487,817	\$ 22,186,171	\$ 22,047,109	\$ 19,932,784	\$ 20,775,455	\$ 19,074,828
Contributions as a Percentage of Covered Payroll	47.6%	46.2%	51.3%	44.7%	46.3%	45.6%	49.2%	55.1%	57.3%	71.6%

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of March 1 of the previous fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay with a closed approach; 90%
Remaining amortization period	Through 2040, closed
Asset valuation method	Smoothing over a five-year period
Inflation	4% through 2017, 2.50% through 2021, 2.25% beginning in 2022
Salary increases	5.0% compounded annually, including 4.0% inflation and 1.0% merit increase through 2015, 4.5% compounded annually in 2016 and 2017, 3.25% compounded annually beginning in 2018
Investment rate of return	7.5% in 2012 through 2015, 7.25% in 2016 and 2017, 7.00% beginning in 2018
Retirement age	Retirement ages were determined by the L&A assumption study cap age 65 for Police 2020
Mortality	Mortality rates were based on the UP-1984 mortality table through 2012; RP-2000 mortality table with blue collar adjustment used from 2013 through 2017, L&A assumption study for Police 2016 used in 2018, RP-2014 adjusted for plan status, blue collar, and improved generationally using MP-2016 improvement rates, as appropriate through 2021. Beginning in 2022, Pub-2010 adjusted for plan status, demographics, and Illinois Public Pension Data

CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND
(A Fiduciary Component Unit of the City of Springfield)

SCHEDULE OF INVESTMENT RETURNS

Last Eight Fiscal Years

	<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,	5.39%	16.80%	4.82%	1.45%	10.27%	13.02%	-4.74%	6.71%

These schedules are intended to present information for a ten-year period. As updated information becomes available, additional years will be presented.