

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

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Year Ended February 28, 2014

SPRINGFIELD FIREFIGHTERS' PENSION FUND
CITY OF SPRINGFIELD, ILLINOIS

TABLE OF CONTENTS

	<u>Page</u>
GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS	
Management's Discussion and Analysis	1-2
Independent Auditor's Report	3-4
BASIC FINANCIAL STATEMENTS	
Statement of Plan Net Assets	5
Statement of Changes in Plan Net Assets	6
Notes to Financial Statements	7-12
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)	
Schedule of Funding Progress	13
Schedule of Employer Contributions	14-15

**SPRINGFIELD FIREFIGHTERS' PENSION FUND
CITY OF SPRINGFIELD, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following Management Discussion and Analysis (MD & A) of the Springfield Firefighters' Pension Fund's financial performance provides an introduction to the financial statements for the year ended February 28, 2014. Since the MD & A is designed to focus on current activities, resulting changes and current known facts, please read it in conjunction with the basic financial statements and required supplementary information.

Required Financial Statements

The Springfield Firefighters' Pension Fund, a component unit of the City of Springfield, Illinois, prepares its financial statements on an accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board. The Statement of Plan Net Assets Available for Benefits includes all assets and liabilities and provides information about the nature and amount of investments available to satisfy the pension benefits of the plan. All additions to and deductions from the net assets held in trust for pension benefits are accounted for in the Statement of Changes in Plan Net Assets Available for Benefits.

Financial Analysis

While the Statement of Plan Net Assets Available for Benefits and Statement of Changes in Plan Net Assets Available for Benefits measure the value of the plan net assets and the changes to them, another important factor needs to be considered in order to determine the financial health of the Springfield Firefighters' Pension Fund. That additional factor is the plan's actuarial liability. In 2014, contributions of \$11,228,545, gains on investments of \$12,077,281 and deductions to net assets of \$12,455,778 resulted in a net increase in net assets of \$10,850,048. This net increase brought the Plan's net assets base to \$114,719,513. For actuarial calculations, the Springfield Firefighter's Pension Fund uses a four-year smoothed market-related value to determine the actuarial value of assets. The smoothing prevents extreme volatility in employer contribution rates due to short-term fluctuations in the investment markets. For the February 28, 2013 valuation, the actuarial value of assets was \$103,274,478. The aggregate actuarial liability was \$226,264,341. On an actuarial basis, the assets held currently fund 45.6% of this liability. This is a decrease from the funding ratio of 45.8% for 2012.

Plan Net Assets Available for Benefits

To begin the financial analysis, a summary of the Springfield Firefighters' Pension Fund's Plan Net Assets Available for Benefits is presented below.

Condensed Statements of Plan Net Assets

	2014	2013	Dollar Change	Percent Change
Cash & equivalents	\$ 4,552,075	\$ 3,802,725	\$ 749,350	20%
Investments	110,019,668	99,851,894	10,167,774	10%
Receivables	205,606	262,426	(56,820)	(22)%
Prepaid expenses	8,680	8,693	(13)	0%
Total Assets	114,786,029	103,925,738	10,860,291	10%
Liabilities	66,516	56,273	10,243	18%
Total plan net assets	\$114,719,513	\$103,869,465	\$10,850,048	10%

As the above table shows, plan net assets increased by \$10,850,048, or 10%, in 2014. This increase reflects increases in cash and investment balances at year-end.

Changes in Plan Net Assets

Condensed Statements of Changes in Plan Net Assets

	2014	2013	Dollar Change	Percent Change
Additions				
Employer contributions	\$ 9,599,575	\$ 9,706,265	\$(106,690)	(1)%
Participant contributions	1,628,970	1,654,573	(25,603)	(2)%
Net invest income/loss	<u>12,077,281</u>	<u>8,152,248</u>	<u>3,925,033</u>	<u>48%</u>
Total additions	23,305,826	19,513,086	3,792,740	20%
Deductions				
Benefits	12,341,849	11,468,770	873,079	8%
Administration expenses	<u>113,929</u>	<u>124,750</u>	<u>(10,821)</u>	<u>(9)%</u>
Total deductions	12,455,778	11,593,520	862,258	7%
Net increase				
In plan net assets	\$10,850,048	\$ 7,919,566	\$2,930,482	37%

Additions

Additions needed to fund benefits are accumulated through contributions and returns on invested funds. Contributions for 2014 totaled \$11,228,545. This represents a decrease of 1% or \$132,293 from 2013.

The fund had a 48% increase in net investment income for the year. This increase is due to changes in market conditions.

In 2014, the fund had net appreciation in the fair value of investments of \$9,937,809 – a \$3,938,772 increase from the \$5,999,037 of appreciation recorded in 2013. Interest and dividends income totaled \$2,394,925, an increase of \$6,129 from 2013. Investment expenses increased from \$235,585 in 2013 to \$255,453 in 2014.

Deductions

The expenses paid by the fund include benefit payments and administrative expenses. Administrative expenses for 2014 totaled \$113,929, a decrease of \$10,821 from 2013.

J. Timothy Cravens, C.P.A.
Todd J. Anderson, C.P.A.
Dorinda L. Fitzgerald, C.P.A.

Pehlman & Dold, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Joseph E. Pehlman, C.P.A. (1941 - 1984)
Joseph B. Dold, C.P.A., Retired
Robert E. Ritter, C.P.A., Retired

100 North Amos Avenue
Springfield, IL 62702
217-787-0563
FAX 217-787-9266

June 12, 2014

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of the Springfield Firefighters' Pension Fund, a blended component unit of the City of Springfield, Illinois, as of and for the year ended February 28, 2014, 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 of America. 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.

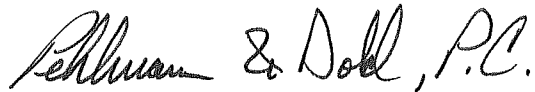
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Springfield Firefighters' Pension Fund of the City of Springfield, Illinois as of February 28, 2014, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the information on pages 13 through 15 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.

Respectfully submitted,

A handwritten signature in cursive script that reads "Pehlman & Dold, P.C.".

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

SPRINGFIELD FIREFIGHTERS' PENSION FUND
CITY OF SPRINGFIELD, ILLINOIS

STATEMENT OF PLAN NET ASSETS

February 28, 2014

ASSETS

Cash and cash equivalents		\$ 4,552,075
<i>Investments, at fair value</i>		
U.S. governments securities	\$10,980,215	
U.S. agency securities	17,527,740	
Corporate bonds	8,066,381	
Mutual funds	50,822,673	
Common stocks	13,339,710	
U.S. property-separate account	<u>9,282,949</u>	
Total investments		110,019,668
Prepaid expenses		8,680
<i>Receivables</i>		
Interest and dividends		205,606
Employee contributions receivable		
Total assets		<u>114,786,029</u>

LIABILITIES

Accounts payable	<u>66,516</u>
Total liabilities	<u>66,516</u>

**NET PLAN ASSETS HELD IN TRUST
FOR PENSION BENEFITS (A schedule of funding
progress is presented on page 13)**

\$114,719,513

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 ASSETS

For the Year Ended February 28, 2014

ADDITIONS	
<i>Contributions</i>	
Employer	\$ 9,599,575
Participants	<u>1,628,970</u>
Total contributions	<u>11,228,545</u>
 <i>Investment income</i>	
Net appreciation (depreciation) in fair value of investments (unrealized)	7,759,033
Gains and (losses) from the sale of securities (realized)	2,178,776
Interest, dividends and other income	<u>2,394,925</u>
Total investment income (loss)	12,332,734
Less investment expense	(<u>255,453</u>)
Net investment income (loss)	<u>12,077,281</u>
 Total additions	 <u>23,305,826</u>
 DEDUCTIONS	
<i>Pension benefits</i>	
Retirement	9,591,007
Disability	1,115,994
Survivor	1,609,549
Transfer to other Illinois Public Pension Funds	<u>25,299</u>
Total pension benefits	<u>12,341,849</u>
 <i>Administrative expenses</i>	
Professional fees	34,780
Other	<u>79,149</u>
Total administrative expenses	<u>113,929</u>
 Total deductions	 <u>12,455,778</u>
 Net Increase (Decrease) in Plan Net Assets	 <u>10,850,048</u>
 NET PLAN ASSETS HELD IN TRUST FOR PENSION BENEFITS	
March 1, 2013	<u>103,869,465</u>
 NET PLAN ASSETS HELD IN TRUST FOR PENSION BENEFITS	
February 28, 2014	<u>\$114,719,513</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, 2014

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 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 "blended" component unit of the City because it is fiscally dependent on the City. Blending is a financial reporting process that results in the reporting of the component unit's operations as part of the primary government's operations.

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.

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.

Basis of Accounting

The Plan maintains its accounting records on the accrual basis, and these financial statements are issued using the accrual basis of accounting in accordance with GASB Statement No. 25, for Defined Benefit Plans. Participant contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due, and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the pension fund.

Investments

Investments are reported at fair value at February 28, 2014. Securities traded on material 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.

Management's Review and Subsequent Events

Management has evaluated subsequent events for recognition and disclosure in the financial statements through July 31, 2014, which is the date the financial statements were available to be issued.

Note 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

As February 28, 2014 the carrying amount of the Pension Fund's deposits totaled \$261,986 in bank checking, bank money market, and Illinois Funds, and the bank balances totaled \$380,292. The checking account is fully covered by FDIC insurance while the bank money market and Illinois Funds balances meet the investment guidelines to which the Pension Fund is subject.

SPRINGFIELD FIREFIGHTERS' PENSION FUND
CITY OF SPRINGFIELD, ILLINOIS

NOTES TO FINANCIAL STATEMENTS - continued
February 28, 2014

Note 2. **CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash, and Cash Equivalents

Bank checking and money market	\$ 4,002
Illinois Funds	257,984
Money market funds in custodial accounts	4,290,089
Cash in custodial investment accounts	<u>4,552,075</u>
Less: Cash equivalents reclassified as investments	<u>(4,290,089)</u>
Carrying Amount of Deposits	<u>\$ 261,986</u>

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	\$114,571,743
Less: Carrying amount of deposits	<u>(261,986)</u>
Total Investments	<u>\$114,309,757</u>

Summary of Deposits and Investments

	<u>Cash and Equivalents</u>	<u>Investments at Fair Value</u>	<u>Total</u>
Cash	\$ 261,986	\$	\$ 261,986
Equity-type investments	3,492,853	64,162,383	67,655,236
Fixed income-type investments	797,236	36,574,336	37,371,572
Insurance managed separate real estate		<u>9,282,949</u>	<u>9,282,949</u>
Total	<u>\$4,552,075</u>	<u>\$110,019,668</u>	<u>\$114,571,743</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 (revised in November of 2011). 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.

SPRINGFIELD FIREFIGHTERS' PENSION FUND
CITY OF SPRINGFIELD, ILLINOIS

NOTES TO FINANCIAL STATEMENTS - continued
February 28, 2014

Note 2. CASH, CASH EQUIVALENTS AND 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.

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.

Investment Type	FMV	Maturity (IRR)			
		Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
U.S. agency obligations	\$17,527,740	\$ 42,045	\$ 2,961,985	\$ 4,241,549	\$10,282,161
U.S. government obligations	10,980,215	1,500,405	6,559,745	2,920,065	
Corporate bonds	8,066,381	200,983	3,291,528	4,473,640	100,230
Money market funds	797,236	797,236			
Illinois funds	257,984	257,984			
Total Subject to Interest Rate Risk	<u>\$37,629,556</u>	<u>\$2,798,653</u>	<u>\$12,813,258</u>	<u>\$11,635,254</u>	<u>\$10,382,391</u>

(IRR) **Interest rate risk:** The risk that changes in interest rates will adversely affect the fair value of the investment. The Board of Trustees of the Springfield Firefighters' Pension Funds recognizes their ultimate responsibility for the value preservation and growth of the Fund's assets in its investment policies. The policies will minimize the risk that the market value of the securities in the portfolio will fall due to changes in general interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for benefit payments, thereby avoiding the need to sell securities on the open market prior to maturity.

Investment Type	Fair Value	Rating (CR)			
		AAA	AA	A	BBB
U.S. agency obligations	\$15,933,488	\$	\$15,933,488	\$	\$
Corporate bonds	8,066,381	75,853	655,100	4,478,883	2,856,545
Money market funds	797,236	797,236			
Illinois funds	257,980	257,980			
Sub-totals	25,055,085	<u>\$1,131,069</u>	<u>\$16,588,588</u>	<u>\$4,478,883</u>	<u>\$2,856,545</u>
U.S. property-separate insurance account	9,282,949	(Note)			
Total Subject to Credit Risk	<u>\$34,338,034</u>				

(CR) **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 assigned of a rating by a nationally recognized statistical rating organization.

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, 2014**

Note 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

(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" (2nd 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 as well as obligations of the Government National Mortgage Association (GNMAs) totaling \$12,574,467.

Equity-type Investments

Equity investments are held in custodial accounts managed by US Bank, PIMCO, Vanguard, Dimensional Fund Advisors, JP Morgan/Chase Bank, and G.W. Capital. The investment policy of the Pension Fund allows an allocation of between 44% and 64% 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, 2014 the equity-type investments consisted of the following:

<u>Type</u>	<u>Acquisition Cost</u>	<u>Market Value</u>	<u>% of Plan Assets</u>
Cash equivalents	\$ 3,492,853	\$ 3,492,853	3.04%
Common stocks – U.S.	9,547,952	12,774,608	11.13%
CTF/Mutual Funds	42,360,912	50,822,673	44.28%
Common stock non-U.S.	<u>476,399</u>	<u>565,102</u>	<u>.49%</u>
Totals	<u>\$55,878,116</u>	<u>\$67,655,236</u>	<u>58.94%</u>

Additionally, the investment policy of the fund authorities and investment of between 5% and 11% 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, 2014. 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.

Note 3. FIREFIGHTERS' PENSION PLAN

Plan Description

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 the Illinois Legislature.

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

**NOTES TO FINANCIAL STATEMENTS - continued
February 28, 2014**

Note 3. FIREFIGHTERS' PENSION PLAN

Plan Description - continued

At February 29, 2013, 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	240
Inactive employees entitled to, but not yet receiving benefits	3
Current employees	
Vested	115
Non-vested	<u>92</u>
Total	<u>450</u>

The Firefighters' Pension Plan provides retirement benefits, as well as, death and disability benefits. For persons who first become firefighters prior to January 1, 2011, 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.

Employees that are 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 1/2% 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.

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 to contribute the remaining amounts necessary to finance the Plan as actuarially determined by an enrolled actuary. By the year 2040, the City's contributions must accumulate to the point where the past service cost for the Firefighters' Pension Plan is at least 90% funded. The following information describes the funding status of the Plan as of February 29, 2013.

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

**NOTES TO FINANCIAL STATEMENTS - continued
February 28, 2014**

Note 3. *FIREFIGHTERS' PENSION PLAN*

The most recent actuarial valuation:

February 29, 2013:

a) Actuarial value of assets	\$103,274,478
b) Actuarial accrued liability	226,264,341
c) Unfunded actuarial accrued liability	122,989,863
d) Funded ratio (a/b)	45.60%

The required supplemental information which follows these notes to the financial statements includes a schedule of funding progress.

Actuarial Assumptions

Valuation Date	February 29, 2013
Actuarial Cost Method	Projected Unit Credit Cost
Amortization Method	Level Dollar Amount
Amortization Period	To the Year 2040
Asset Valuation Method	Actuarial Value - Smoothed Market Over A Five Year Period
Actuarial Assumptions:	
Investment Rate of Return	7.5% per year, compounded annually
Projected Salary Increases	4% compounded annually plus 1% merit increases compounded annually (5% Total)

Schedule of Employer Contributions

The actuarially determined contribution requirement of the City for the year ended February 28, 2014 was \$9,599,575. The City contributed no additional amount for the current year so the City's contributions paid were \$9,599,575 and \$9,706,265 for the years ended February 28, 2014 and February 29, 2013, respectively. A schedule of employer contributions for fifteen years is included in the required supplemental information which follows these notes to the financial statements.

Note 4. *CONTINGENCIES*

The Plan is subject to a program compliance audit by the Illinois Department of Insurance. The compliance audit for the year ended February 28, 2014 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 Insurance cannot be determined at this time although the Plan expects such amount, if any, to be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

SPRINGFIELD FIREFIGHTERS' PENSION FUND
CITY OF SPRINGFIELD, ILLINOIS

SCHEDULE OF FUNDING PROGRESS

February 28, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2/28/99	\$66,247,270	\$ 77,033,770	\$10,786,500	86.00%	\$ 8,954,944	120.45%
2/29/00	67,815,356	86,618,474	18,803,118	78.29%	10,277,515	182.95%
2/28/01	70,596,231	92,727,674	22,131,443	76.13%	10,264,676	215.61%
2/28/02	72,850,700	98,738,675	25,887,975	73.78%	11,066,679	233.93%
2/28/03	73,140,869	106,174,061	33,033,192	68.89%	11,197,022	295.02%
2/29/04	74,083,792	113,510,350	39,426,558	65.27%	11,473,368	343.64%
2/28/05	75,179,787	128,659,500	53,479,713	58.43%	11,227,146	476.34%
2/28/06	77,466,315	138,359,348	60,893,033	55.99%	12,688,471	479.91%
2/28/07	82,567,784	147,916,182	65,348,398	55.82%	13,113,863	498.32%
2/29/08	86,583,058	175,917,518	89,334,460	49.20%	13,914,657	642.02%
2/28/09	87,329,164	173,065,064	85,735,900	50.46%	13,774,632	622.42%
2/28/10	91,625,104	186,227,613	94,602,509	49.20%	14,160,191	668.09%
2/28/11	95,280,854	207,171,907	111,891,116	46.00%	14,557,495	768.62%
2/29/12	98,618,192	215,307,780	116,689,588	45.80%	15,956,714	731.29%
2/28/13	103,274,478	226,264,341	122,989,863	45.60%	15,938,419	771.66%

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

February 28, 2014

<u>Fiscal Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>Employer Contributions</u>	<u>Percentage of ARC Contributed</u>
2000	\$2,054,221	\$2,054,221	100.00%
2001	2,076,874	2,076,874	100.00%
2002	2,869,394	2,869,394	100.00%
2003	3,040,190	3,040,200	100.00%
2004	3,414,096	3,414,096	100.00%
2005	3,898,795	3,898,795	100.00%
2006	4,405,554	4,405,554	100.00%
2007	5,349,896	5,349,896	100.00%
2008	6,131,904	6,131,904	100.00%
2009	6,584,176	6,789,176	103.11%
2010	8,877,096	8,877,096	100.00%
2011	8,351,704	8,351,704	100.00%
2012	9,231,395	9,231,395	100.00%
2013	* 9,543,568	9,706,265	101.70%
2014	*10,198,086	9,599,575	94.13%

*Annual required contribution for GASB Statement No. 25.

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS - continued

February 28, 2014

<u>Fiscal Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>Annual Pension Cost (APC)</u>	<u>Employer Contributions</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation (Asset) (NPO)</u>
2000	\$2,054,221	\$2,051,236	\$2,054,221	100.00%	\$(112,769)
2001	2,076,874	2,073,895	2,076,874	100.00%	(115,748)
2002	2,869,394	2,866,433	2,869,394	100.00%	(118,709)
2003	3,040,190	3,037,259	3,040,200	100.00%	(121,650)
2004	3,414,096	3,411,209	3,414,096	100.00%	(124,537)
2005	3,898,795	3,895,968	3,898,795	100.00%	(127,364)
2006	4,405,554	4,402,804	4,405,554	100.00%	(130,114)
2007	5,349,896	5,347,243	5,349,896	100.00%	(132,767)
2008	6,131,904	6,129,369	6,131,904	100.00%	(135,302)
2009	6,584,176	6,581,793	6,789,176	103.11%	(342,695)
2010	8,877,096	8,871,227	8,877,096	100.00%	(348,564)
2011	8,351,704	8,346,323	8,351,704	100.00%	(353,945)
2012	9,231,395	9,225,874	9,231,395	100.00%	(359,466)
2013	* 9,543,568	9,538,696	9,706,265	101.70%	(527,035)
2014	*10,198,086	N/A	9,599,575	94.13%	N/A

* Annual required contribution for GASB Statement No. 25.