

**CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND
(A Pension Trust Fund of the City of Springfield, Illinois)**

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

For the Year Ended February 29, 2016



**CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the basic financial statements of the Springfield Police Pension Fund, a pension trust fund of the City of Springfield, Illinois, as of and for the year ended February 29, 2016 and the related notes to the financial statements, which collectively comprise the Pension Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 basic 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 basic 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 basic financial statements referred to above present fairly, in all material respects, the plan net position of the Springfield Police Pension Fund, a pension trust fund of the City of Springfield, Illinois as of February 29, 2016, and the changes in plan net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1a, these basic financial statements present only the Springfield Police Pension Fund, a pension trust fund of the City of Springfield, Illinois, and are not intended to present fairly the financial position and changes in financial position of the City of Springfield, Illinois in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 Springfield Police 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 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
August 31, 2016

BASIC FINANCIAL STATEMENTS

CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND
(A Pension Trust Fund of the City of Springfield, Illinois)

STATEMENT OF FIDUCIARY NET POSITION

February 29, 2016

| ASSETS | |
|---|------------------------------|
| Cash and cash equivalents | <u>\$ 2,886,161</u> |
| Investments, at fair value | |
| Fixed income securities | 48,271,841 |
| Domestic equity securities | 43,469,248 |
| International equity securities | 24,833,983 |
| Global Tactical Asset Allocation | 3,425,838 |
| Insurance Contracts - Real Estate | <u>14,224,356</u> |
| Total investments | <u>134,225,266</u> |
| Accrued interest | 235,396 |
| Other receivables | <u>213,742</u> |
| | <u>449,138</u> |
| Total assets | <u>137,560,565</u> |
| LIABILITIES | |
| Accounts payable | <u>9,015</u> |
| Total liabilities | <u>9,015</u> |
| NET POSITION RESTRICTED FOR PENSION BENEFITS | <u><u>\$ 137,551,550</u></u> |

See accompanying Notes to Financial Statements.

CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND
(A Pension Trust Fund of the City of Springfield, Illinois)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended February 29, 2016

ADDITIONS

| | |
|---|--------------|
| Contributions | |
| Employer contributions | \$ 9,050,592 |
| Participant contributions | 1,895,118 |
| Total contributions | 10,945,710 |
| Miscellaneous income | 7,757 |
| Investment income | |
| Net appreciation (depreciation) in fair value of investments | (9,656,495) |
| Interest and dividends | 3,235,155 |
| Total investment income | (6,421,340) |
| Less investment expense | (269,329) |
| Net investment income | (6,690,669) |
| Total additions | 4,262,798 |

DEDUCTIONS

| | |
|---|------------|
| Pension benefits and refunds | |
| Retired | 10,938,562 |
| Disabled | 310,000 |
| Widows and dependents | 703,613 |
| Contributions refunded | 114,641 |
| Total pension benefits and refunds | 12,066,816 |
| Administrative expenses | |
| Legal | 94,452 |
| Professional services | 81,905 |
| Office supplies, equipment, and postage | 3,046 |
| Other | 49,474 |
| Total administrative expenses | 228,877 |
| Total deductions | 12,295,693 |

NET DECREASE (8,032,895)

NET POSITION RESTRICTED FOR PENSION BENEFITS

| | |
|-------------------|----------------|
| March 1, 2015 | 145,584,445 |
| February 29, 2016 | \$ 137,551,550 |

See accompanying Notes to Financial Statements.

CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND
(A Pension Trust Fund of the City of Springfield, Illinois)

NOTES TO FINANCIAL STATEMENTS

February 29, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Springfield Police Pension Fund, a pension trust 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.

a. Reporting Entity

The Police Pension Fund is a fiduciary (pension trust) fund of the City of Springfield, Illinois (City), pursuant to GASB Statement No. 61.

b. Fund Accounting

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

c. Basis of Accounting

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Basis of Accounting (Continued)

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.

d. Investments

Investments are reported at fair value at February 29, 2016. 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 transaction 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 29, 2016, the Plan's membership consisted of:

| | |
|---|------------|
| Inactive plan members or beneficiaries currently receiving benefits | 228 |
| Inactive plan members entitled to, but not yet receiving benefits | 3 |
| Active plan members | |
| Vested | 199 |
| Nonvested | 55 |
| Total | <u>485</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.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3.0% compounded. 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 10 years may retire at or after age 50 and received a reduced benefit (i.e. ½% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Non-compounding increases occur annually, each January thereafter. The increase is the lesser of 3.0% or ½ of the change in the Consumer Price Index for the preceding calendar year.

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 29, 2016, the City's contribution was 44.69% 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. Changes to the investment policy during the fiscal year related to the listing of investment managers used.

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 | Long-Term Expected Real Rate of Return |
|----------------------------------|--------|--|
| Fixed Income | 35% | 1.5% |
| Domestic Equities | 34% | 6.0% |
| International Equities | 20% | 6.3% |
| Real Estate | 8% | 5.9% |
| Global Tactical Asset Allocation | 3% | 4.1% |
| Cash and Cash Equivalents | 0% | 0.3% |

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. 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. Also, no single security should comprise more than 10% of the portfolio's overall allocation after accounting for price appreciation and the portfolio may not exceed 10% in cash or cash equivalents.

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 August 2016 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 and by adding expected inflation. Best estimates of arithmetic real rate of return for each major asset class included in the Plan's target asset allocation as of February 29, 2016 are listed in the table above.

Concentrations

There were no significant investments (other than U.S. government and agencies' securities, mutual funds, 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 29, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -4.74%. 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.

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.

Interest Rate Risk

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

As of the February 29, 2016, 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 | \$48,271,841 | \$4,485,665 | \$28,499,140 | \$11,486,646 | \$3,800,390 |
| Total | <u>\$48,271,841</u> | <u>\$4,485,665</u> | <u>\$28,499,140</u> | <u>\$11,486,646</u> | <u>\$3,800,390</u> |

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

3. DEPOSITS AND INVESTMENTS (Continued)

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 29, 2016, the portfolio consisted of U.S. treasury securities, Federal Home Loan Mortgage notes (rated Aaa by Moody's), Federal National Mortgage Association (rated Aaa by Moody's). The portfolio also consisted of Corporate Bonds with ratings ranging from BAA3 – AAA. The U.S government agencies investments that were not rated by Moody's included Federal National Mortgage Association Pass-Through Certificates, GNMA, GNMA Pass-Through Certificates Small Business Administration Partnership Certificates, and Vendee Mortgage Trust Securities.

4. PENSION LIABILITY OF THE CITY

a. Net Pension Liability

The components of the net pension liability of the Plan as of February 29, 2016 were as follows:

| | |
|---|----------------|
| Total Pension Liability | \$ 336,491,095 |
| Plan Fiduciary Net Position | 137,551,550 |
| City's Net Pension Liability | 198,939,545 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 40.9% |

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 29, 2016 valuation are summarized below:

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

4. PENSION LIABILITY OF THE CITY (Continued)

b. Actuarial Assumptions (Continued)

Mortality rates are based on the assumption study prepared by Lauterbach & Amen, LLP in 2016. The table combines observed experience of Illinois Police Officers with the RP-2014 mortality table for blue collar workers.

Salary progression: 4.0% to 17.04% with a projected increase in total payroll of 3.25%.

Inflation rate: 2.5% per year, compounded annually.

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

Marital status: 80% of participants were assumed to be married.

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 entry age normal method.

c. Discount Rate

The discount rate used to measure the total pension liability was 5.89%. 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 7.0% (7.25% in 2015) was blended with a municipal bond rate of 3.34% (3.75% in 2015) based on the Bond Buyer G.O. 20-Bond Municipal Bond Index to arrive at a discount rate of 5.89% (6.92% in 2015) used to determine the total pension liability.

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

4. PENSION LIABILITY OF THE CITY (Continued)

d. 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 5.89% as well as what the City' net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.89%) or 1 percentage point higher (6.89%) then the current rate:

| | 1% Decrease (4.89%) | Current Discount Rate (5.89%) | 1% Increase (6.89%) |
|-----------------------|------------------------|-------------------------------------|------------------------|
| Net Pension Liability | \$ 250,092,829 | \$ 198,939,545 | \$ 155,348,101 |

4. 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 29, 2016 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 Pension Trust Fund of the City of Springfield, Illinois)**

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

February 29, 2016

| | <u>2016</u> | <u>2015</u> |
|---|------------------------------|------------------------------|
| TOTAL PENSION LIABILITY | | |
| Service Cost | \$ 6,838,653 | \$ 5,469,903 |
| Interest | 16,130,049 | 18,510,532 |
| Changes of Benefit Terms | - | - |
| Differences Between Expected and Actual Experience | (8,623,937) | - |
| Changes of Assumptions | 54,324,917 | - |
| Benefit Payments, Including Refunds of Member Contributions | <u>(12,066,816)</u> | <u>(11,585,442)</u> |
| Net Change in Total Pension Liability | 56,602,866 | 12,394,993 |
| Total Pension Liability - Beginning | <u>279,888,229</u> | <u>267,493,236</u> |
| TOTAL PENSION LIABILITY - ENDING | <u>\$ 336,491,095</u> | <u>\$ 279,888,229</u> |
| PLAN FIDUCIARY NET POSITION | | |
| Contributions - Employer | \$ 9,050,592 | \$ 9,608,968 |
| Contributions - Member | 1,895,118 | 1,956,068 |
| Net Investment Income | (6,690,669) | 8,926,872 |
| Benefit Payments, Including Refunds of Member Contributions | (12,066,816) | (11,585,442) |
| Administrative Expense | (228,877) | (164,934) |
| Other | <u>7,757</u> | <u>302</u> |
| Net Change in Plan Fiduciary Net Position | (8,032,895) | 8,741,834 |
| Plan Net Position - Beginning | <u>145,584,445</u> | <u>136,842,611</u> |
| PLAN NET POSITION - ENDING | <u>\$137,551,550</u> | <u>\$145,584,445</u> |
| EMPLOYER'S NET PENSION LIABILITY | <u>\$198,939,545</u> | <u>\$134,303,784</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 40.9% | 52.0% |
| Covered-Employee Payroll | \$ 20,250,340 | \$ 18,716,719 |
| Employer's Net Pension Liability as a Percentage of Covered - Employee Payroll | 982.4% | 717.6% |

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 Pension Trust Fund of the City of Springfield, Illinois)

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Ten Fiscal Years

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Actuarially Determined Contribution | \$ 4,801,235 | \$ 5,382,890 | \$ 5,714,717 | \$ 8,008,143 | \$ 7,897,449 | \$ 8,550,052 | \$ 7,844,957 | \$ 8,519,086 | \$ 9,108,968 | \$ 9,050,592 |
| Contributions in Relation to the Actuarially Determined Contribution | 4,801,235 | 5,382,890 | 5,714,717 | 8,008,143 | 7,897,449 | 8,550,262 | 8,344,957 | 8,519,086 | 9,608,968 | 9,050,592 |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (210) | \$ (500,000) | \$ - | \$ (500,000) | \$ - |
| Covered-Employee Payroll | \$ 16,226,453 | \$ 16,019,656 | \$ 15,995,773 | \$ 17,376,447 | \$ 17,919,522 | \$ 17,539,051 | \$ 17,517,072 | \$ 18,451,326 | \$ 18,716,719 | \$ 20,250,340 |
| Contributions as a Percentage of Covered-Employee Payroll | 29.6% | 33.6% | 35.7% | 46.1% | 44.1% | 48.7% | 47.6% | 46.2% | 51.3% | 44.7% |

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of February 28 of the prior fiscal year.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry-age normal through 2010; projected unit credit from 2011 - 2016 |
| Amortization method | Level percent of pay with a closed approach; 100% through 2010 and 90% beginning in 2011 |
| Remaining amortization period | Through 2040, closed |
| Asset valuation method | Smoothing over a five-year period |
| Inflation | 4% |
| Salary increases | 5.0% compounded annually, including 4.0% inflation and 1.0% merit increase through 2015, 4.5% compounded annually in 2016 |
| Investment rate of return | 8.0% in 2007; 7.0% in 2008; 7.5% in 2009 through 2015, 7.25% in 2016 |
| Retirement age | See Note 4.b in the Notes to Financial Statements |
| Mortality | Mortality rates were based on the UP-1984 Mortality Table through 2012; the RP-2000 Mortality Table with Blue Collar Adjustment was used beginning in 2013 |

CITY OF SPRINGFIELD, ILLINOIS
POLICE PENSION FUND
(A Pension Trust Fund of the City of Springfield, Illinois)

SCHEDULE OF INVESTMENT RETURNS

February 29, 2016

| | <u>2016</u> | <u>2015</u> |
|---------------------------------------|-------------|-------------|
| Annual Money-Weighted Rate of Return, | -4.74% | 6.71% |