

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

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

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

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INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

December 15, 2016

Members of the Pension Board of Trustees
Champaign Firefighters' Pension Fund
City of Champaign, Illinois

We have audited the basic financial statements of the Champaign Firefighters' Pension Fund (the "Pension Fund"), a pension trust fund of the City of Champaign, Illinois, as of and for the year ended June 30, 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 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 opinions 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.

As discussed in Note 1, these basic financial statements present only the Pension Fund and are not intended to present fairly the financial position and changes in financial position of the City of Champaign, Illinois, in conformity with accounting principles generally accepted in the United States of America.

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 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 Pension Fund'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 Pension Fund'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 opinions.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the plan net position of the Champaign Firefighters' Pension Fund, Illinois, as of June 30, 2016, and the changes in plan net position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

In addition, 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 Pension Fund has not presented a Management's Discussion and Analysis as required supplementary information that accounting principles generally accepted in the United States of America 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.


LAUTERBACH & AMEN, LLP

FINANCIAL STATEMENTS

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

**Statement of Fiduciary Net Position
June 30, 2016**

ASSETS	
Cash and Cash Equivalents	\$ 2,480,059
Investments, at Fair Value	
U.S. Treasury Securities	6,216,826
U.S. Agency Securities	727,195
State and Local Securities	790,208
Corporate Bonds	7,621,477
Mutual Funds	32,955,516
Common Stock	6,428,368
Annuities	18,959,054
Mortgages	125,190
Receivables	
Accrued Interest	<u>137,212</u>
Total Assets	76,441,105
LIABILITIES	
Accounts Payable	<u>10,610</u>
NET POSITION	
Net Position Restricted for Pensions	<u><u>76,430,495</u></u>

The notes to the financial statements are an integral part of this statement.

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

**Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2016**

Additions	
Contributions - Employer	\$ 3,363,170
Contributions - Plan Members	744,085
Other Income	1,335
Total Contributions	<u>4,108,590</u>
Investment Income	
Interest Earned	1,342,686
Net Change in Fair Value	347,980
	<u>1,690,666</u>
Less Investment Expenses	(189,813)
Net Investment Income	<u>1,500,853</u>
Total Additions	<u>5,609,443</u>
Deductions	
Administration	33,824
Benefits and Refunds	4,995,612
	<u>5,029,436</u>
Change in Fiduciary Net Position	580,007
Net Position Restricted for Pensions	
Beginning	<u>75,850,488</u>
Ending	<u>76,430,495</u>

The notes to financial statements are an integral part of this statement.

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

**Notes to the Financial Statements
June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Firefighters' Pension Fund of the City of Champaign, Illinois have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. 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 Pension Fund's accounting policies are described below.

REPORTING ENTITY

The Pension Fund is a fiduciary fund, and specifically, a pension trust fund of the City of Champaign (City), Illinois pursuant to GASB Statement No. 61. The decision to include the Firefighters' Pension Fund in the City's reporting entity was made based upon the significance of its operational or financial relationships with the City.

The City's sworn firefighter employees participate in the Firefighters' Pension System (FPS). FPS functions for the benefit of these employees and is governed by a five-member pension board, with two members appointed by the Mayor, two elected from active participants of the Fund, and one elected from the Retired Members Fund. The City and FPS participants are obligated to fund all FPS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the City is authorized to approve the actuarial assumptions used in the determination of contribution levels. The FPS is included in the City's annual financial report as a blended component unit and is reported as a pension trust fund.

BASIS OF PRESENTATION

Pension Trust Funds

Pension trust funds are used to account for assets held in a trustee capacity for pension benefit payments. The Firefighters' Pension Fund accounts for the accumulation of resources to pay retirement and other related benefits for sworn members of the City's Fire Department.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded. Basis of accounting refers to "when" transactions are recorded, regardless of the measurement focus applied.

Measurement Focus

Pension trust funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of changes in net position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Pension trust fund equity is classified as net position restricted for pensions.

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

**Notes to the Financial Statements
June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

Basis of Accounting

The accrual basis of accounting is utilized by pension trust funds. Under this method, additions to net plan assets are recorded when earned and deductions from net plan assets are recorded when the time related liabilities are incurred. Plan member 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 plan.

ASSETS, LIABILITIES AND NET POSITION

Cash and Investments

For the purpose of the Statement of Net Position, cash and cash equivalents are considered to be cash on hand and demand deposits.

Investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value. For investments, the Pension Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Receivables

Pension Fund receivables consist of all revenues earned at year-end and not yet received. The major receivable balance for the Pension Fund is accrued interest from cash and investments.

NOTE 2 – DETAIL NOTES ON FINANCIAL STATEMENTS

DEPOSITS, INVESTMENTS AND CONCENTRATIONS

The deposits and investments of the Pension Fund are held separately from those of other City funds. Statutes authorize the Pension Fund to make deposits/invest in interest bearing direct obligations of the United States of America; obligations that are fully guaranteed or insured as to the payment of principal and interest by the United States of America; bonds, notes, debentures, or similar obligations of agencies of the United States of America; savings accounts or certificates of deposit issued by banks or savings and loan associations chartered by the United States of America or by the State of Illinois, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; credit unions, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; State of Illinois bonds; pooled accounts managed by the Illinois Funds Market Fund (Formerly known as IPTIP,

**CITY OF CHAMPAIGN, ILLINOIS
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**Notes to the Financial Statements
June 30, 2016**

NOTE 2 – DETAIL NOTES ON FINANCIAL STATEMENTS – Continued

DEPOSITS, INVESTMENTS AND CONCENTRATIONS – Continued

Illinois Public Treasurer's Investment Pool), or by banks, their subsidiaries or holding companies, in accordance with the laws of the State of Illinois; bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois; direct obligations of the State of Israel; money market mutual funds managed by investment companies that are registered under the Federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies, provided the portfolio is limited to specified restrictions; general accounts of life insurance companies; and separate accounts of life insurance companies and mutual funds, the mutual funds must meet specific restrictions, provided the investment in separate accounts and mutual funds does not exceed ten percent of the Pension Fund's plan net position; and corporate bonds managed through an investment advisor, rated as investment grade by one of the two largest rating services at the time of purchase. Pension Funds with plan net position of \$2.5 million or more may invest up to forty-five percent of plan net position in separate accounts of life insurance companies and mutual funds. Pension Funds with plan net position of at least \$5 million that have appointed an investment advisor, may through that investment advisor invest up to forty-five percent of the plan net position in common and preferred stocks that meet specific restrictions. In addition, Pension Funds with plan net position of at least \$10 million that have appointed an investment advisor, may invest up to fifty percent of its net position in common and preferred stocks and mutual funds that meet specific restrictions effective July 1, 2011 and up to fifty-five percent effective July 1, 2012.

Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits. At year-end the carrying amount of the Pension Fund's deposits totaled \$2,480,059 and the bank balances totaled \$2,491,817.

Investments. At year-end, the Fund had the following investments:

Investment Type	Fair Value
U.S. Treasuries	\$ 6,216,826
U.S. Agencies	727,195
State and Local Obligations	790,208
Corporate Bonds	7,621,477
Mutual Funds	32,955,516
Annuities	18,959,054
Common Stock	6,428,368
Mortgages	125,190
Totals	73,823,834

**CITY OF CHAMPAIGN, ILLINOIS
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**Notes to the Financial Statements
June 30, 2016**

NOTE 2 – DETAIL NOTES ON FINANCIAL STATEMENTS – Continued

DEPOSITS, INVESTMENTS AND CONCENTRATIONS – Continued

Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Investments – Continued. The Pension Fund has the following recurring fair value measurements as of June 30, 2016:

Investments by Fair Value Level	June 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
U.S. Treasuries	\$ 6,216,826	6,216,826	-	-
U.S. Agencies	727,195	727,195	-	-
State and Local Obligations	790,208	-	790,208	-
Corporate Bonds	7,621,477	-	7,621,477	-
Equity Securities				
Mutual Funds	32,955,516	32,955,516	-	-
Annuities	18,959,054	18,959,054	-	-
Common Stock	6,428,368	6,428,368	-	-
Mortgages	125,190	125,190	-	-
Total Investments by Fair Value Level	73,823,834	65,412,149	8,411,685	-

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity and investing in intermediate term portfolio.

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

**Notes to the Financial Statements
June 30, 2016**

NOTE 2 – DETAIL NOTES ON FINANCIAL STATEMENTS – Continued

DEPOSITS, INVESTMENTS AND CONCENTRATIONS – Continued

Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Interest Rate Risk – Continued. At June 30, 2016, the Fund held the following investments subject to interest rate risk:

Investment	Fair Value	Weighted Average Maturity (Years)
U.S. Treasuries	\$ 6,216,826	6.18
U.S. Agencies	727,195	20.74
Corporate Bonds	7,621,477	4.46
State and Local Obligations	790,208	9.48
	15,355,706	

The Fund also diversifies the portfolio so that the impact of a potential drop in the market value of a particular type of security will be minimized. The Fund's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees. Fund assets are managed with primary objective of earning the highest possible return with a level of risk prudent to the cash flow requirements of the Fund. The Fund's policy has the following goals concerning types of investments:

Investment	Percent Policy Minimum	Percent Policy Maximum	Percent Policy Target
Fixed Income	35.0%	45.0%	40.0%
U.S. Equity	30.0%	40.0%	35.0%
International Equity	7.5%	17.5%	12.5%
Real Estate	2.5%	12.5%	7.5%
Global Tactical Asset	0.0%	10.0%	5.0%

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Fund helps limit its exposure to credit risk by investing funds in securities issued by agencies of the United States Government that are implicitly guaranteed by the United States Government. Besides investing in securities issued by agencies of the United States Government, the Fund has no other formal policy for reducing credit risk. The investments in the securities of U.S. Government Agencies were either not rated or rated AAA by Moody's. Municipal bonds were not rated or rated AA1-AAA by Moody's. Corporate Bonds were rated BAA3-AA1 by Moody's. Besides investing in securities issued by agencies of the United States Government, the Pension Fund has no other formal policy for reducing credit risk.

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

**Notes to the Financial Statements
June 30, 2016**

NOTE 2 – DETAIL NOTES ON FINANCIAL STATEMENTS – Continued

DEPOSITS, INVESTMENTS AND CONCENTRATIONS – Continued

Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Pension Fund's deposits may not be returned to it. At year-end, the entire amount of the bank balance of the deposits was covered by federal depository insurance.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Fund does not have a formal written policy with regards to custodial credit risk for investments.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. The fund has \$32,955,516 invested in mutual funds, \$18,959,054 invested in annuity contracts, \$6,428,368 invested in common stock, and \$125,190 invested in mortgages. At year-end, the Firefighters' Pension Fund has over 5 percent of net plan assets available for retirement benefits (other than U.S. Government guaranteed obligations) invested in MetLife Annuity of \$12,971,643, Intermediate Government Bond Index Fund of \$11,948,474, Manning and Napier FD Overseas of \$7,064,152, Vanguard Mid Cap Index of \$6,564,450, and Principal Annuity of \$5,987,410.

The Fund's investment policy in accordance with Illinois Compiled Statutes (ILCS) establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	40.0%	2.0%
Domestic Equities	35.0%	6.0%
International Equities	12.5%	6.0%
Real Estate	7.5%	3.0%
Global Tactical Asset	5.0%	4.0%
Cash and Cash Equivalents	0.0%	0.0%

Illinois Compiled Statutes (ILCS) limit the Fund's investments in equities, mutual funds and variable annuities to 55%. Securities in any one company should not exceed 5% of the total fund.

The long-term expected rate of return on the Fund's investments was determined using building-block method 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 asset 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 the expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of June 30, 2016 are listed in the table above.

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

**Notes to the Financial Statements
June 30, 2016**

NOTE 2 – DETAIL NOTES ON FINANCIAL STATEMENTS – Continued

DEPOSITS, INVESTMENTS AND CONCENTRATIONS – Continued

Rate of Return

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.12%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 3 – OTHER INFORMATION

CONTINGENT LIABILITIES

Litigation

The Pension Fund is not currently involved with any lawsuits.

Compliance Audit

The Firefighters' Pension Fund is subject to a program compliance audit by the Illinois Department of Insurance. The compliance audit by the Illinois Department of Insurance for the year ended June 30, 2016 has not yet been conducted. Accordingly, the Firefighters' Pension Fund's compliance with applicable requirements will be established at some future date. The amount of any adjustments to be made by the Illinois Department of Insurance cannot be determined at this time; however, the Firefighters' Pension Fund expects such adjustments, if any, to be immaterial.

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

**Notes to the Financial Statements
June 30, 2016**

NOTE 3 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN

Plan Descriptions

Plan Administration. The Firefighters' Pension Plan is a single-employer defined benefit pension plan that covers all sworn firefighter personnel. The defined benefits and employee and minimum employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-1) and may be amended only by the Illinois legislature. The City accounts for the Fund as a pension trust fund. The Fund is governed by a five-member Board of Trustees. Two members of the Board are appointed by the City's Mayor, one member is elected by pension beneficiaries and two members are elected by active fire employees.

Plan Membership. At June 30, 2016, the measurement date, membership consisted of the following:

Inactive Plan Members Currently Receiving Benefits	92
Inactive Plan Members Entitled to but not yet Receiving Benefit	-
Active Plan Members	<u>95</u>
Total	<u><u>187</u></u>

Benefits Provided. The following is a summary of the Firefighters' Pension Plan as provided for in Illinois State Statutes.

The Firefighters' Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit of ½ 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 percent of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75 percent 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 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 percent of the original pension and 3% compounded annually thereafter.

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

**Notes to the Financial Statements
June 30, 2016**

NOTE 3 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Plan Descriptions – Continued

Benefits Provided – Continued. Covered employees hired on or after January 1, 2011 (Tier 2), 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 firefighter 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. Firefighters' salary for the pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3 percent compounded. The annual benefit shall be increased by 2.5 percent of such a salary for each additional year of service over 20 years up to 30 years to a maximum of 75 percent of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e., ½ percent for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the police office retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3 percent of ½ of the change in the Consumer Price Index for the proceeding calendar year.

Contributions. Covered employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. However, effective January 1, 2011, ILCS requires the City to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90 percent of the past service cost by the year 2040. For the year-ended June 30, 2016, the City's contribution was 44.51% of covered payroll.

Concentrations. At year end, the Pension Plan has investments (other than U.S. Government and U.S. Government-guaranteed obligations) in any one organization that represent 5 percent or more of net position available for benefits as follows:

Investment	Amount
MetLife Annuity	\$ 12,971,643
Intermediate Government Bond Index Fund	11,948,474
Manning and Napier FD Overseas	7,064,152
Vanguard Mid Cap Index	6,564,450
Principal Annuity	5,987,410

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

**Notes to the Financial Statements
June 30, 2016**

NOTE 3 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of June 30, 2016 using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	6.75%
Salary Increases	4.00%
Cost of Living Adjustments	2.50%
Inflation	2.50%

Mortality rates were based on the RP-2000 with Blue Collar Adjustment projected to 2016.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%, the same as the prior valuation. 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 the actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all project future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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

**Notes to the Financial Statements
June 30, 2016**

NOTE 3 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the City calculated using the discount rate of 6.75% as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability	\$ 43,304,485	29,285,394	17,739,111

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at June 30, 2015	\$ 91,497,081	\$ 75,850,488	\$ 15,646,593
Changes for the Year:			
Service Cost	1,965,034	-	1,965,034
Interest on the Total Pension Liability	6,352,931	-	6,352,931
Difference Between Expected and Actual Experience of the Total Pension Liability	5,224,377	-	5,224,377
Changes of Assumptions	5,672,077	-	5,672,077
Contributions - Employer	-	3,363,169	(3,363,169)
Contributions - Employees	-	744,085	(744,085)
Net Investment Income	-	1,500,853	(1,500,853)
Benefit Payments, including Refunds of Employee Contributions	(4,995,612)	(4,995,612)	-
Administration Expense	-	(32,489)	32,489
Net Changes	14,218,807	580,006	13,638,801
Balances at June 30, 2016	105,715,888	76,430,494	29,285,394

REQUIRED SUPPLEMENTARY INFORMATION

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

**Required Supplementary Information
Schedule of Employer Contributions**

June 30, 2016

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2014	\$ 3,459,609	\$ 3,842,882	\$ 383,273	\$ 7,492,470	51.29%
2015	3,362,615	3,362,615	-	7,519,024	44.72%
2016	3,340,104	3,363,169	23,065	7,555,524	44.51%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	14 Years
Asset Valuation Method	Market
Inflation	2.5%
Salary Increases	4.00%
Investment Rate of Return	6.75%
Retirement Age	See the Notes to the Financial Statements
Mortality	RP 2000 with Blue Collar Adjustment projected to 2016

Notes:

This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

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

**Required Supplementary Information
Schedule of Changes in the Employer's Net Pension Liability**

June 30, 2016

	2014	2015	2016
Total Pension Liability			
Service Cost	\$ 1,975,674	1,776,979	1,965,034
Interest	5,761,909	5,760,180	6,352,931
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	-	-	5,224,377
Change of Assumptions	-	4,046,064	5,672,077
Benefit Payments, Including Refunds of Member Contributions	(4,467,989)	(4,748,865)	(4,995,612)
Net Change in Total Pension Liability	3,269,594	6,834,358	14,218,807
Total Pension Liability - Beginning	81,393,129	84,662,723	91,497,081
Total Pension Liability - Ending	84,662,723	91,497,081	105,715,888
Plan Fiduciary Net Position			
Contributions - Employer	3,842,882	3,362,615	3,363,169
Contributions - Members	696,674	694,767	744,085
Contributions - Other	-	678	-
Net Investment Income	8,705,990	2,037,091	1,500,853
Benefit Payments, Including Refunds of Member Contributions	(4,391,631)	(4,748,865)	(4,995,612)
Administrative Expense	(39,479)	(61,622)	(32,489)
Net Change in Plan Fiduciary Net Position	8,814,436	1,284,664	580,006
Plan Net Position - Beginning	65,751,388	74,565,824	75,850,488
Plan Net Position - Ending	74,565,824	75,850,488	76,430,494
Employer's Net Pension Liability	10,096,899	15,646,593	29,285,394
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.07%	82.90%	72.30%
Covered-Employee Payroll	\$ 7,492,470	7,519,024	7,555,524
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	134.76%	208.09%	387.60%

Note:

This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

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

**Required Supplementary Information
Schedule of Investment Returns**

June 30, 2016

Fiscal Year	Annual Money- Weighted Rate of Return, Net of Investment Expense
2014	13.39%
2015	2.84%
2016	2.12%

Note:

This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.