



**CITY OF ST. CHARLES, ILLINOIS**

**FIREFIGHTERS' PENSION FUND**  
**(A FIDUCIARY COMPONENT UNIT OF THE**  
**CITY OF ST. CHARLES)**

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**ANNUAL FINANCIAL REPORT**

**For the Years Ended April 30, 2021 and 2020**



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**CITY OF ST. CHARLES, ILLINOIS**  
**FIREFIGHTERS' PENSION FUND**  
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## **INDEPENDENT AUDITOR'S REPORT**

The Honorable President  
Members of the Board of Trustees  
Firefighters' Pension Fund  
City of St. Charles, Illinois

We have audited the financial statements of the City of St. Charles Firefighters' Pension Fund (the Fund), a fiduciary component unit of the City of St. Charles, Illinois (the City) as of April 30, 2021 and 2020 and for the years then ended and the related notes to financial statements which collectively comprise the basic financial statements of the Fund 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 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 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 opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of St. Charles Firefighters' Pension Fund, a fiduciary component unit of the City of St. Charles, Illinois, as of April 30, 2021 and 2020, and the changes in fiduciary net position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 audits 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.

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that comprise the Fund's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Sikich LLP*

Naperville, Illinois  
September 28, 2021

# City of St. Charles, Illinois

## Firefighters' Pension Fund

### Management's Discussion and Analysis

April 30, 2021

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This section presents management's discussion and analysis (MD&A) of the St. Charles Firefighters' Pension Fund's financial statements. The MD&A addresses the major factors affecting the operations and investment performance of the fund during the fiscal year ended April 30, 2021 and includes comparative information for the fiscal years ended April 30, 2020 and April 30, 2019.

The St. Charles Firefighters' Pension Fund (the "Fund") is a defined benefit, single-employer public employees' retirement system in accordance with Illinois statutes. It is a pension trust fund and a fiduciary component unit of the City of St. Charles, Illinois (the "City"). As of April 30, 2021, the Fund's membership included 46 active vested and nonvested employees, 31 benefit recipients, and 3 inactive plan members not yet receiving benefits.

#### Overview of Financial Statements and Accompanying Information

This discussion and analysis is intended to serve as an introduction to the Fund's financial reporting which is comprised of the following components:

1. **Basic Financial Statements:** This information presents the plan net position held in trust for pension benefits for the Fund as of April 30, 2021 and April 30, 2020. This financial information also summarizes the changes in plan net position held in trust for pension benefits for the years then ended.
2. **Notes to Basic Financial Statements:** The notes to basic financial statements provide additional information that is essential to achieve a full understanding of the data provided in the basic financial statements.
3. **Required Supplementary Information:** The required supplementary information consists of schedules and related notes concerning actuarial information, employer contributions, and investment returns.
4. **Other Supplementary Information:** This section includes a schedule of changes in plan net position with budget versus actual comparisons.

The Fund implemented Statement No. 67 of the Governmental Accounting Standards Board (GASB), *Financial Reporting for Pension Plans*, for the fiscal year ended April 30, 2015. The new financial reporting standard modified the Fund's notes to the basic financial statements and required supplementary information as well as required the calculation of a total pension liability and a net pension liability. The Fund adopted GASB Statement No. 84, *Fiduciary Activities*, for the fiscal year ended April 30, 2020. The implementation of this new reporting standard changed the reporting entity of the Fund which is now a fiduciary component unit of the City.

**City of St. Charles, Illinois**  
**Firefighters' Pension Fund**  
**Management's Discussion and Analysis (Continued)**

**Plan Net Position**

The statement of plan net position is presented for the Fund as of April 30, 2021, April 30, 2020, and April 30, 2019. The financial statement reflects the resources available to pay benefits to members, including retirees and beneficiaries, at the end of the years reported. A summary of the Fund's Plan Net Position is presented below:

**Condensed Statement of Plan Net Position**

	FY 2021	FY 2020	Dollar Change	FY 2019
Cash and Equivalents	\$ 944,444	\$ 1,077,956	\$(133,512)	\$ 581,910
Investments, at FairValue	50,276,214	38,677,502	11,598,712	40,237,140
Receivables	59,296	66,744	(7,448)	82,174
Prepaid Expenses	29,840	23,602	6,238	25,116
Total Assets	<u>\$51,309,794</u>	<u>\$39,845,804</u>	<u>\$11,463,990</u>	<u>\$ 40,926,340</u>
Liabilities	<u>---</u>	<u>---</u>	<u>---</u>	<u>145</u>
Total Net Plan Position	<u><u>\$51,309,794</u></u>	<u><u>\$39,845,804</u></u>	<u><u>\$11,463,990</u></u>	<u><u>\$ 40,926,195</u></u>

**Financial Highlights**

The Fund's net position grew \$11.5 million or 28.8% during the fiscal year ended April 30, 2021. The change in net position was due primarily to an increase in the fair value of investments from \$38.7 million to \$50.3 million. During the fiscal year ended April 30, 2020, the Fund's net position decreased \$1,080,391 because during the months of February 2020 and March 2020 the fair value of investments declined significantly due to the downturn in the economy resulting from the COVID-19 pandemic. During FY 20-21, the financial markets not only rebounded from the pandemic induced economic slowdown but rallied and produced substantial investment returns which increased market value.

The Fund was actuarially funded at 69.2 % as of April 30, 2021, compared to 67.0% as of April 30, 2020 and 69.1% as of April 30, 2019, using the actuarial methodology for funding purposes. Under the new actuarial methodology required for accounting purposes in accordance with GASB Statement No. 67, the Fund was actuarially funded at 75.74% at April 30, 2021, compared to 61.76% at April 30, 2020, and 67.53% at April 30, 2019. The difference in the funded status under these two methodologies is due to the immediate recognition of certain transactions as part of the total pension liability under GASB Statement No. 67 that were deferred and amortized into contributions in the previous guidance (e.g., changes in fair values of investments not meeting the actuarial assumption).

The annual money-weighted rate of return for the fund was 27.31% during FY 2021, net of fees, compared to -3.09% during FY 2019 and 5.25% during FY 2019.

**City of St. Charles, Illinois  
Firefighters' Pension Fund  
Management's Discussion and Analysis (Continued)**

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**Funded Ratio**

The funded ratio of the plan measures the ratio of net position against actuarially determined liabilities and is one indicator of the fiscal strength of a pension fund's ability to meet obligations to its members. An annual actuarial valuation is required by statute. The most recent available valuation showed that the funded status of the Fund as of April 30, 2021 increased to 69.2% from 67.0% at April 30, 2020 and was 69.1% funded as of April 30, 2019. The employer's net pension liability (NPL), a new measure required by GASB Statement No. 67, is calculated by subtracting the Fiduciary Net Position from the Total Pension Liability. The NPL was \$16.4 million on April 30, 2021 as compared with \$24.7 million on April 30, 2020, a decrease of \$8.3 million from year to year. The latest valuation reported that plan experience was favorable overall when compared to the plan's actuarial assumptions. Specifically, the investment return of 7.92% exceeded the 6.75% assumption and there were fewer retirements than expected. These factors contributed to the increase in funding percentage and decline in NPL. For more information, please refer to the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios included in the Required Supplementary Information section of this report.

As of April 30, 2021, the Fund had 46 active employees, 31 benefit recipients, and 3 inactive plan members not yet receiving benefits. During fiscal year 2020, the fund had 45 active participants, 31 benefit recipients and 4 inactive members not yet receiving benefits. The fund had 46 active participants, 29 benefit recipients, and 3 inactive members not yet receiving benefits for fiscal year 2019.

**Investments**

The allocation of cash and investment assets for the Fund as of April 30, 2021, April 30, 2020, and April 30, 2019 were as follows:

	<u><b>FY 2021</b></u>	<u><b>FY 2020</b></u>	<u><b>FY 2019</b></u>
Cash and Equivalents	\$944,444	\$ 1,077,956	\$ 581,910
Certificates of Deposit	640,955	1,486,177	1,135,031
Government Securities	9,150,684	7,038,905	7,859,924
Corporate Bonds	4,692,744	5,045,442	4,064,937
Mutual Funds	24,541,206	16,153,273	18,222,299
Equity Securities	11,250,625	8,953,705	8,954,949
Total	<u>\$51,220,658</u>	<u>\$39,755,458</u>	<u>\$40,819,050</u>

Proper implementation of the Fund's investment policy requires that the performance of the investment portfolio be periodically evaluated and that the portfolio be analyzed to insure compliance with established asset allocation targets and statutory requirements. On a quarterly basis, the Board of Trustees of the Fund evaluates its investment portfolio, in consultation with UBS Financial Services, Inc. As shown in the table above, during FY 2021, the Fund expanded its position in Government Securities, Mutual Funds and Equity Securities and reduced its holdings in Certificates of Deposit and Corporate Bonds.

**City of St. Charles, Illinois**  
**Firefighters' Pension Fund**  
**Management's Discussion and Analysis (Continued)**

The changes in the individual asset classes above represent the Board of Trustees' ongoing evaluation of the investment portfolio and market conditions to balance statutory investment requirements, safety of principal, and liquidity needs for benefits payments while maximizing investment return. Adjustments to and rebalancing of the investment portfolio occurs in consultation with UBS Financial Services, Inc. and in conjunction with the Fund's Investment Policy Statement at the quarterly Board of Trustees Meeting.

**Changes in Plan Net Position**

A condensed statement of changes in plan net position for the years ended April 30, 2021, April 30, 2020, and April 30, 2019 is presented below. The financial statement reflects the changes in the resources available to pay benefits to plan participants, including retirees and beneficiaries.

**Condensed Statement of Changes in Plan Net Position**

	FY 2021	FY 2020	Dollar Change	FY 2019
<b>Additions:</b>				
Employer Contributions	\$ 2,239,459	\$ 1,942,146	\$ 297,313	\$2,017,405
Employee Contributions	503,398	489,087	14,311	477,932
Other	---	226	(226)	100
Net Investment Income (Loss)	<u>11,102,154</u>	<u>(1,285,973)</u>	<u>12,388,127</u>	<u>2,062,650</u>
Total Additions	<u>\$13,845,011</u>	<u>\$ 1,145,486</u>	<u>\$12,699,525</u>	<u>\$4,558,087</u>
<b>Deductions:</b>				
Pension Benefits & Refunds	\$ 2,360,630	\$ 2,209,462	\$ 151,168	\$1,993,664
Administrative Expenses	<u>20,391</u>	<u>16,415</u>	<u>3,976</u>	<u>17,195</u>
Total Deductions	<u>\$ 2,381,021</u>	<u>2,225,877</u>	<u>\$ 155,144</u>	<u>\$2,010,859</u>
Net Change in Plan Net Position	<u>\$11,463,990</u>	<u>\$(1,080,391)</u>	<u>\$12,544,381</u>	<u>\$2,547,228</u>

**Additions**

Additions to plan net position include employer and employee contributions and net income from investment activities. Employer contributions were \$2.2 million in FY 2021 which represents an increase of \$297,313 or 15.3%. During FY 2020, employer contributions decreased by approximately \$75,000. Employer contributions are based on each year's actuarially determined contribution as calculated by the City's actuary. The City has a long-standing practice of funding 100% of each year's actuarially determined contribution.



**City of St. Charles, Illinois**  
**Firefighters' Pension Fund**  
**Management's Discussion and Analysis (Continued)**

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The contributions required of employees are set by state statute as a percentage of pensionable wages. The year over year change in required employee contributions was \$14,311 or 2.9%. The increase is due mainly to annual contract increases.

The Fund experienced a net investment gain of \$11.1 million during fiscal year 2021 as compared to a loss of \$1.3 million in fiscal year 2020 and a gain of \$2.1 million during fiscal year 2019. The change in investment income amounts each year is due primarily to prevailing market conditions.

**Deductions**

Deductions from plan net position are primarily benefit payments and member contribution refunds. The Fund paid out \$2.4 million in benefits and refunds during FY 2021 as compared with \$2.2 million during FY 2020 and \$2.0 million in FY 2019. Benefit payments have increased \$151,168 in FY 2021. An additional retiree is receiving benefits in FY 2021 and the retirees in FY 2020 received a full year of benefits in FY 2021. The annual cost of living adjustments also increase benefit payments. The administrative costs of the Fund represented a nominal 0.86%, 0.74%, and 0.86% of total deductions in 2021, 2020, and 2019 respectively.

**Future Outlook**

Employer contributions are expected to increase approximately \$50,000 in FY 2022 and the Fund's funded ratio is expected to rise over the course of the next several years based upon the City's commitment to fully fund the Actuarially Determined Contribution in accordance with the timelines established in state statute and the City's commitment to make the full actuarially determined contribution each year. It is also anticipated that employee contributions will increase modestly over the next few years consistent with increases in employee salaries. With respect to investment income, the Fund will continue to structure its portfolio with the goal of maximizing returns over the long term within the investment policy guidelines established by the Fund's Board of Trustees and the constraints on allowable investments imposed by state statutes.

**Request for Information**

This financial report is designed to provide a general overview of Fund finances for interested parties. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Stephen Siwy, President, St. Charles Firefighters' Pension Fund, 2 East Main Street, St. Charles, IL 60174.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF ST. CHARLES, ILLINOIS**

**FIREFIGHTERS' PENSION FUND**

**STATEMENTS OF FIDUCIARY NET POSITION**

April 30, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 944,444	\$ 1,077,956
Investments, at Fair Value		
Certificates of Deposit	640,955	1,486,177
U.S. Treasury and U.S. Agency Securities	9,150,684	7,038,905
Corporate Bonds	4,692,744	5,045,442
Mutual Funds	24,541,206	16,153,273
Equity Securities	11,250,625	8,953,705
Receivables (Net, Where Applicable, of Allowances for Uncollectibles)		
Accrued Interest	59,296	66,744
Prepaid Expenses	29,840	23,602
Total Assets	<u>51,309,794</u>	<u>39,845,804</u>
<b>LIABILITIES</b>		
None	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>		
	<u>\$ 51,309,794</u>	<u>\$ 39,845,804</u>

See accompanying notes to financial statements.

**CITY OF ST. CHARLES, ILLINOIS**

**FIREFIGHTERS' PENSION FUND**

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**

For the Years Ended April 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ADDITIONS</b>		
Contributions		
Employer Contributions	\$ 2,239,459	\$ 1,942,146
Employee Contributions	503,398	489,087
Other	-	226
	<u>2,742,857</u>	<u>2,431,459</u>
Investment Income		
Net Appreciation (Depreciation) in Fair Value of Investments	10,196,901	(2,375,217)
Interest and Dividends	1,074,222	1,252,196
	<u>11,271,123</u>	<u>(1,123,021)</u>
Less Investment Expense	(168,969)	(162,952)
	<u>11,102,154</u>	<u>(1,285,973)</u>
Total Additions	<u>13,845,011</u>	<u>1,145,486</u>
<b>DEDUCTIONS</b>		
Pension Benefits and Refunds	2,360,630	2,209,462
Administrative Expenses	20,391	16,415
	<u>2,381,021</u>	<u>2,225,877</u>
NET INCREASE (DECREASE)	11,463,990	(1,080,391)
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>		
May 1	<u>39,845,804</u>	<u>40,926,195</u>
April 30	<u>\$ 51,309,794</u>	<u>\$ 39,845,804</u>

See accompanying notes to financial statements.

**CITY OF ST. CHARLES, ILLINOIS**

**FIREFIGHTERS' PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS**

April 30, 2021 and 2020

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of St. Charles Firefighters' Pension Fund (the Fund) of the City of St. Charles, Illinois (the City) have been prepared in accordance 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 accounting policies are described below.

**A. Reporting Entity**

The Fund is a fiduciary component unit reported as a pension trust fund of the City of St. Charles pursuant to GASB Statement No. 84.

**B. Fund Accounting**

The Fund 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 Fund is classified in this report in the fiduciary category.

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

**C. Measurement and Basis of Accounting**

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

The accrual basis of accounting is utilized by the pension trust fund. Under this method, additions are recorded when earned and deductions are recorded at the time the liabilities are incurred.

**CITY OF ST. CHARLES, ILLINOIS**  
**FIREFIGHTERS' PENSION FUND**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Investments

Investment purchases are recorded as of the trade date. Investments are stated at fair value at April 30, 2021 and 2020 for both reporting and actuarial purposes. Securities traded on national exchanges are at the last reported sale price.

The Fund categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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; and Level 3 inputs are significant unobservable inputs.

**2. PLAN DESCRIPTION**

A. Plan Administration

Firefighter sworn personnel are covered by the Fund, a single-employer defined benefit pension plan sponsored by the City. The defined benefits and employee and minimum employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-101) and may be amended only by the Illinois legislature. The City accounts for the Firefighters' Pension Plan as a pension trust fund.

The Fund is governed by a five-member Board of Trustees. Two members of the Board of Trustees are appointed by the City's Mayor, one member is elected by pension beneficiaries and two members are elected by active firefighter employees.

B. Plan Membership

At April 30, 2021 and 2020, the measurement date, membership consisted of:

	2021	2020
Inactive Plan Members Currently Receiving Benefits	31	31
Inactive Plan Members Entitled to but not yet Receiving Benefits	3	4
Active Plan Members	46	45
<b>TOTAL</b>	<b>80</b>	<b>80</b>

**CITY OF ST. CHARLES, ILLINOIS**  
**FIREFIGHTERS' PENSION FUND**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**2. PLAN DESCRIPTION (Continued)**

C. Benefits Provided

The Fund provides retirement benefits as well as death and disability benefits. 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 at the date of retirement. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least ten 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 covered employee 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.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the greater of the average monthly salary obtaining by dividing the total salary during the 48 consecutive months of service within the last of 60 months in which the total salary was the highest by the number of months in that period; or 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 pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% 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 firefighter 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% or ½ of the change in the Consumer Price Index for the preceding calendar year.

**CITY OF ST. CHARLES, ILLINOIS**  
**FIREFIGHTERS' PENSION FUND**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**2. PLAN DESCRIPTION (Continued)**

D. Contributions

Employees are required by Illinois Compiled Statutes (ILCS) to contribute 9.455% of their base salary to the Fund. 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 Fund, 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% of the past service cost by the year 2040. However, the City has adopted a funding policy that will result in funding of 100% of the past service cost by 2040. The City's contribution was 41.90% and 38.76% of covered payroll for the years ended April 30, 2021 and 2020, respectively.

**3. INVESTMENTS**

The deposits and investments of the Fund are held separately from those of the City and are under the control of the Fund's Board of Trustees.

A. Investment Policy

ILCS limits the Fund's investments to those allowable by ILCS and require the Fund's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Fund's investment policy authorizes the Fund to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, investment-grade corporate bonds and The Illinois Funds. The Fund may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, Illinois insurance company general and separate accounts, mutual funds, corporate equity and corporate debt securities and real estate investment trusts.



**CITY OF ST. CHARLES, ILLINOIS**  
**FIREFIGHTERS' PENSION FUND**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**3. INVESTMENTS (Continued)**

**A. Investment Policy (Continued)**

The Fund's investment policy in accordance with ILCS establishes the following target allocation across asset classes:

Asset Class	Target	Long-Term Expected Real Rate of Return
US Large Cap Equity	12.00%	5.70%
US Mid Cap Equity	5.50%	6.20%
US Small Cap Equity	4.50%	6.30%
International Developed Equity	12.00%	8.20%
Emerging Markets Equity	8.00%	9.19%
US Corp High Yield Fixed Income	4.00%	3.62%
US Fixed Income	32.00%	0.91%
US Equity - Public Real Estate	10.00%	6.62%
Hedge Funds	9.00%	4.87%
US Cash	3.00%	1.65%

ILCS limits the Fund's investments in equities, mutual funds and variable annuities to 65%. 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 an asset allocation study conducted by the Fund's investment management consultant in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation of 2.50%) 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 or arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of April 30, 2021 and 2020 are listed in the table above.

**B. Concentrations**

There are no significant investments (other than United States Government guaranteed obligations) in any one organization that represent 5% or more of Fund's investments.

**CITY OF ST. CHARLES, ILLINOIS**  
**FIREFIGHTERS' PENSION FUND**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**3. INVESTMENTS (Continued)**

C. Rate of Return

For the years ended April 30, 2021 and 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 27.31% and (3.09%) respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Fund's deposits may not be returned to them. The Fund's investment policy does not require pledging of collateral for its deposits in excess of federal depository insurance. However, all deposits at April 30, 2021 and 2020 were covered by federal depository insurance.

E. Interest Rate Risk

The following table presents the investments and maturities of the Fund's debt securities as of April 30, 2021 and 2020:

Investment Type	Fair Value	April 30, 2021			
		Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury Obligations	\$ 5,631,253	\$ 590,127	\$ 3,302,499	\$ 1,738,627	\$ -
U.S. Agency Obligations	3,519,431	-	1,087,819	668,530	1,763,082
Corporate Bonds	4,692,744	33,070	3,119,454	1,404,077	136,143
Negotiable Certificates of Deposit	640,955	-	640,955	-	-
<b>TOTAL</b>	<b>\$ 14,484,383</b>	<b>\$ 623,197</b>	<b>\$ 8,150,727</b>	<b>\$ 3,811,234</b>	<b>\$ 1,899,225</b>

Investment Type	Fair Value	April 30, 2020			
		Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury Obligations	\$ 3,499,764	\$ -	\$ 2,790,814	\$ 708,950	\$ -
U.S. Agency Obligations	3,539,141	93	681,046	790,864	2,067,138
Corporate Bonds	5,045,442	348,925	2,822,417	1,798,331	75,769
Negotiable Certificates of Deposit	1,486,177	152,072	1,334,105	-	-
<b>TOTAL</b>	<b>\$ 13,570,524</b>	<b>\$ 501,090</b>	<b>\$ 7,628,382</b>	<b>\$ 3,298,145</b>	<b>\$ 2,142,907</b>

**CITY OF ST. CHARLES, ILLINOIS**  
**FIREFIGHTERS' PENSION FUND**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**3. INVESTMENTS (Continued)**

E. Interest Rate Risk (Continued)

In accordance with its investment policy, the Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for short and long-term cash flow needs while providing a reasonable rate of return based on the current market. The investment policy does not limit the maximum maturity length of investments in the Fund.

F. Fair Value Measurements

The Fund has the following recurring fair value measurements as of April 30, 2021: The U.S. Treasury obligations, mutual funds and equity securities are valued using quoted prices in active markets for identical assets (Level 1 inputs). The negotiable certificates of deposits, U.S. agency obligations, and the corporate bonds are valued using quoted matrix pricing models (Level 2 inputs).

G. Credit Risk

The Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in U.S. Treasury and U.S. agency obligations and investment grade corporate bonds as rated by at least two of the three rating agencies. The U.S. agency obligations are rated AAA to AA, or are not rated. The corporate bonds are rated AA to BBB. The negotiable certificates of deposit are not rated.

H. 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 Fund will not be able to recover the value of its investments that are in possession of an outside party. The Fund's policy does not address custodial credit risk over investments. In addition, the Fund allows the investment broker to also serve as custodian, but requires the investment broker to acquire an excess Securities Investor Protection Corporation (SIPC) policy to provide the same coverage over the portfolio as SIPC.

**CITY OF ST. CHARLES, ILLINOIS**  
**FIREFIGHTERS' PENSION FUND**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**4. PENSION LIABILITY OF THE CITY**

A. Net Pension Liability

The components of the net pension liability of the Firefighters' Pension Plan as of April 30, 2021 and 2020 were as follows:

	2021	2020
Total Pension Liability	\$ 67,743,066	\$ 64,518,370
Plan Fiduciary Net Position	51,309,794	39,845,804
City's Net Pension Liability	16,433,272	24,672,566
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.74%	61.76%

See the schedule of changes in the employer's net pension liability and related ratios on pages 14 and 15 of the required supplementary information for additional information related to the funded status of the Fund.

B. Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2021 and 2020 using the following actuarial methods and assumptions.

Actuarial Valuation Date	April 30, 2021	April 30, 2020
Actuarial Cost Method	Entry-Age Normal	Entry-Age Normal
Assumptions		
Inflation	2.50%	2.50%
Salary Increases	3.50% to 12.50%	3.50% to 12.50%
Interest Rate	6.75%	6.75%
Cost of Living Adjustments	3.00% (Tier 1) 1.25% (Tier 2)	3.00% (Tier 1) 1.25% (Tier 2)
Asset Valuation Method	Fair Value	Fair Value

Mortality rates were based on the PubS-2010 Table including a projection to the valuation date using Scale MP-2019. The actuarial assumptions used in the April 30, 2021 and 2020 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance dated October 5, 2017.

**CITY OF ST. CHARLES, ILLINOIS**  
**FIREFIGHTERS' PENSION FUND**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**4. PENSION LIABILITY OF THE CITY (Continued)**

C. Discount Rate

The discount rate used to measure the total pension liability for years ended April 30, 2021 and 2020 was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

D. Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate for years ended April 30, 2021 and 2020.

The table below presents the net pension liability of the City, for year ended April 30, 2021, 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 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability	\$ 26,609,065	\$ 16,433,272	\$ 8,149,460

The table below presents the net pension liability of the City, for year ended April 30, 2020, 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 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability	\$ 34,459,321	\$ 24,672,566	\$ 16,723,693

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF ST. CHARLES, ILLINOIS**

**FIREFIGHTERS' PENSION FUND**

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

Last Seven Fiscal Years

<b>MEASUREMENT DATE APRIL 30,</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>TOTAL PENSION LIABILITY</b>							
Service Cost	\$ 1,210,345	\$ 1,413,134	\$ 1,463,666	\$ 1,541,454	\$ 1,391,065	\$ 1,373,635	\$ 1,452,082
Interest	2,791,358	3,185,463	3,296,461	3,601,739	3,715,406	4,108,727	4,373,334
Changes of Benefit Terms	-	-	-	-	-	156,190	-
Differences Between Expected and Actual Experience	(253,089)	(1,485,308)	615,920	(262,058)	465,666	488,157	(240,090)
Changes of Assumptions	1,653,927	1,599,975	682,630	(1,212,486)	2,373,832	-	-
Contributions - Buy Back	-	-	50	-	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(1,056,166)	(1,315,059)	(1,552,815)	(1,674,951)	(1,993,664)	(2,209,462)	(2,360,630)
Net Change in Total Pension Liability	4,346,375	3,398,205	4,505,912	1,993,698	5,952,305	3,917,247	3,224,696
Total Pension Liability - Beginning	40,404,628	44,751,003	48,149,208	52,655,120	54,648,818	60,601,123	64,518,370
<b>TOTAL PENSION LIABILITY - ENDING</b>	<b>\$ 44,751,003</b>	<b>\$ 48,149,208</b>	<b>\$ 52,655,120</b>	<b>\$ 54,648,818</b>	<b>\$ 60,601,123</b>	<b>\$ 64,518,370</b>	<b>\$ 67,743,066</b>
<b>PLAN FIDUCIARY NET POSITION</b>							
Contributions - Employer	\$ 1,229,574	\$ 1,162,413	\$ 1,318,803	\$ 1,749,113	\$ 2,017,405	\$ 1,942,372	\$ 2,239,459
Contributions - Member	443,468	473,869	460,623	477,541	478,032	489,087	503,398
Other	-	68	-	-	-	-	-
Net Investment Income	1,287,675	(997,908)	2,678,813	1,984,516	2,062,650	(1,285,973)	11,102,154
Benefit Payments, Including Refunds of Member Contributions	(1,056,166)	(1,315,059)	(1,552,815)	(1,674,951)	(1,993,664)	(2,209,462)	(2,360,630)
Administrative Expense	(18,064)	(18,132)	(12,033)	(13,772)	(17,195)	(16,415)	(20,391)
Net Change in Plan Fiduciary Net Position	1,886,487	(694,749)	2,893,391	2,522,447	2,547,228	(1,080,391)	11,463,990
Plan Fiduciary Net Position - Beginning	31,771,391	33,657,878	32,963,129	35,856,520	38,378,967	40,926,195	39,845,804
<b>PLAN FIDUCIARY NET POSITION - ENDING</b>	<b>\$ 33,657,878</b>	<b>\$ 32,963,129</b>	<b>\$ 35,856,520</b>	<b>\$ 38,378,967</b>	<b>\$ 40,926,195</b>	<b>\$ 39,845,804</b>	<b>\$ 51,309,794</b>
<b>EMPLOYER'S NET PENSION LIABILITY</b>	<b>\$ 11,093,125</b>	<b>\$ 15,186,079</b>	<b>\$ 16,798,600</b>	<b>\$ 16,269,851</b>	<b>\$ 19,674,928</b>	<b>\$ 24,672,566</b>	<b>\$ 16,433,272</b>

<b>MEASUREMENT DATE APRIL 30,</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.20%	68.46%	68.10%	70.23%	67.53%	61.76%	75.74%
Covered Payroll	\$ 4,627,091	\$ 4,545,823	\$ 4,826,779	\$ 5,039,014	\$ 4,970,274	\$ 5,010,852	\$ 5,344,575
Employer's Net Pension Liability as a Percentage of Covered Payroll	239.70%	334.07%	348.00%	322.88%	395.85%	492.38%	307.48%

#### Changes of benefits

For measurement date April 30, 2020, amounts reported as changes of benefit terms resulted from changes to tier two benefits.

#### Changes of assumptions

For measurement date April 30, 2019, amounts reported as changes of assumptions resulted from the following changes:  
The mortality rates were updated to reflect the PubS-2010 tables.

For measurement date April 30, 2018, amounts reported as changes of assumptions resulted from the following changes:  
Updated retirement, termination and disability rate tables.  
Updated assumed salary increase rates.  
Updated the percentage of disabilities assumed to be in the line of duty from 90% to 80%.  
Updated the percentage of deaths assumed to be in the line of duty from 5% to 20%.

For measurement date April 30, 2017, amounts reported as changes of assumptions resulted from the following changes:  
The base mortality table was updated to RP-2000 Disabled Mortality Table.  
The salary scale was updated from a flat 5% to a service based schedule.  
The assumed payroll growth rate was reduced from 5.00% to 4.50%.

For measurement date April 30, 2016, amounts reported as changes of assumptions, resulted from lowering the interest rate from 7.00% to 6.75%.

For measurement date April 30, 2015, there was a change with respect to actuarial assumptions to reflect revised expectations with respect to mortality rates, disability rates, turnover rates and retirement rates.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is

(See independent auditor's report.)



**CITY OF ST. CHARLES, ILLINOIS**

**FIREFIGHTERS' PENSION FUND**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Last Seven Fiscal Years

<b>FISCAL YEAR ENDED APRIL 30,</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Actuarially Determined Contribution	\$ 1,236,873	\$ 1,170,934	\$ 1,280,310
Contributions in Relation to the Actuarially Determined Contribution	1,229,574	1,162,413	1,318,803
<b>CONTRIBUTION DEFICIENCY (Excess)</b>	<b>\$ 7,299</b>	<b>\$ 8,521</b>	<b>\$ (38,493)</b>
Covered Payroll	\$ 4,627,091	\$ 4,545,823	\$ 4,826,779
Contributions as a Percentage of Covered Payroll	26.57%	25.57%	27.32%

Notes to Required Supplementary Information

Valuation Date: Actuarially Determined Contribution Rates are Calculated as of May 1 of the Prior Fiscal Year.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	20 Years
Asset Valuation Method	Five-Year Smoothed Market
Inflation	2.50%
Salary Increases	3.50%
Investment Rate of Return	6.75%
Retirement Age	50 to 70
Mortality	PubS-2010 Table

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
\$ 1,765,500	\$ 2,026,276	\$ 1,955,183	\$ 2,245,665
1,749,113	2,017,405	1,942,372	2,239,459
\$ 16,387	\$ 8,871	\$ 12,811	\$ 6,206
\$ 5,039,014	\$ 4,970,274	\$ 5,010,852	\$ 5,344,575
34.71%	40.59%	38.76%	41.90%

(See independent auditor's report.)

**CITY OF ST. CHARLES, ILLINOIS**  
**FIREFIGHTERS' PENSION FUND**  
**SCHEDULE OF INVESTMENT RETURNS**

Last Seven Fiscal Years

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<b>FISCAL YEAR ENDED APRIL 30,</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Annual Money-Weighted Rate of Return, Net of Investment Expense	3.91%	(2.90%)	8.07%	6.73%	5.25%	(3.09%)	27.31%

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

**SUPPLEMENTARY INFORMATION**

**CITY OF ST. CHARLES, ILLINOIS**

**FIREFIGHTERS' PENSION FUND**

SCHEDULE OF CHANGES IN PLAN NET POSITION -  
BUDGET AND ACTUAL

For the Year Ended April 30, 2021

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
<b>ADDITIONS</b>				
Contributions				
Employer Contributions	\$ 2,245,665	\$ 2,245,665	\$ 2,239,459	\$ (6,206)
Employee Contributions	516,492	516,492	503,398	(13,094)
Total Contributions	<u>2,762,157</u>	<u>2,762,157</u>	<u>2,742,857</u>	<u>(19,300)</u>
Investment Income				
Net Depreciation in Fair Value of Investments	-	-	10,196,901	10,196,901
Interest and Dividends	1,236,996	1,236,996	1,074,222	(162,774)
Total Investment Income	1,236,996	1,236,996	11,271,123	10,034,127
Less Investment Expense	(165,000)	(165,000)	(168,969)	(3,969)
Net Investment Income	<u>1,071,996</u>	<u>1,071,996</u>	<u>11,102,154</u>	<u>10,030,158</u>
Total Additions	<u>3,834,153</u>	<u>3,834,153</u>	<u>13,845,011</u>	<u>10,010,858</u>
<b>DEDUCTIONS</b>				
Pension Benefits	2,379,132	2,379,132	2,360,630	(18,502)
Administrative Expenses	33,492	33,492	20,391	(13,101)
Total Deductions	<u>2,412,624</u>	<u>2,412,624</u>	<u>2,381,021</u>	<u>(31,603)</u>
NET INCREASE (DECREASE)	<u>\$ 1,421,529</u>	<u>\$ 1,421,529</u>	11,463,990	<u>\$ 10,042,461</u>
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>				
May 1			<u>39,845,804</u>	
April 30			<u>\$ 51,309,794</u>	

Notes to Supplementary Information

**Budgets**

An annual budget is adopted for the Fund by the City Council of the City. The budget is adopted on a basis consistent with GAAP. The budget, which may not be legally exceeded at the fund level, lapses at the end of the fiscal year. Once adopted, the budget may be amended by the City Council.

(See independent auditor's report.)