



CITY OF ST. CHARLES, ILLINOIS

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

ANNUAL FINANCIAL REPORT

For the Years Ended April 30, 2023 and 2022



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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

Report on the Audit of the Financial Statements

Opinion

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, 2023 and 2022 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the St. Charles Firefighters' Pension Fund, a fiduciary component unit of the City of St. Charles, Illinois, as of April 30, 2023 and 2022 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 20, 2023

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

April 30, 2023

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, 2023 and includes comparative information for the fiscal years ended April 30, 2022 and April 30, 2021.

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, 2023, the Fund's membership included 46 active vested and nonvested employees, 34 benefit recipients, and 1 inactive plan member 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, 2023 and April 30, 2022. 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, 2023, April 30, 2022, and April 30, 2021. 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 2023	FY 2022	Dollar Change	FY 2021
Cash and Equivalents	\$ 926,661	\$ 642,678	\$ 283,983	\$ 944,444
Investments, at Fair Value	47,917,159	47,594,024	323,135	50,276,214
Receivables	10,906	-	10,906	59,296
Prepaid Expenses	-	-	-	29,840
Total Assets	<u>48,854,726</u>	<u>48,236,702</u>	<u>618,024</u>	<u>51,309,794</u>
Liabilities	-	-	-	-
Total Net Plan Position	<u>\$ 48,854,726</u>	<u>\$ 48,236,702</u>	<u>\$ 618,024</u>	<u>\$ 51,309,794</u>

Financial Highlights

The Fund's net position is comprised primarily of investments and increased \$618,024 or 1.3% in FY 2023. The investment market was very volatile during the current year and the fund experienced five months of losses and seven months of gains but realized positive returns overall. In contrast, net position declined \$3.1 million or 6.0% in FY 2022. The fund began experiencing month over month investment losses in January 2022 due to the negative impact that persistent inflation and rising interest rates had on the financial markets. In FY 2021, net position grew \$11.5 million or 28.8%. During this time period, the financial markets not only rebounded from the pandemic induced economic slowdown experienced in February and March of 2020 but rallied and produced substantial investment returns.

The Fund was actuarially funded at 69.2% as of April 30, 2023, compared to 69.7 % as of April 30, 2022, and 69.2% as of April 30, 2021, using the actuarial methodology for funding purposes. The actuarial methodology required for accounting purposes, in accordance with GASB Statement No. 67, requires that the funding calculation be based on the market value of assets. Utilizing this approach, the Fund was actuarially funded at 63.9% at April 30, 2023, compared to 66.4% at April 30, 2022, and 75.7% at April 30, 2021. 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 0.67% during FY 2023, net of fees, compared to -7.02% during FY 2022, and 27.3% during FY 2021.

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

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 valuation showed that the funded status of the Fund as of April 30, 2023 declined slightly to 69.2% from 69.7% at April 30, 2022. 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 \$27.7 million on April 30, 2023 as compared to \$24.4 million on April 30, 2022, an increase of \$3.3 million from year to year. The latest valuation reported that plan experience was unfavorable overall when compared to the plan’s actuarial assumptions. Specifically, the actual rate of return on invested assets was 0.7% as compared to the 6.75% assumption. Negative market returns were the main cause of the decline in funding percentage and increase 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, 2023, the Fund had 46 active employees, 34 benefit recipients, and 1 inactive plan member not yet receiving benefits. During fiscal year 2022, the Fund had 46 active employees, 32 benefit recipients, and 2 inactive plan members not yet receiving benefits. The fund had 46 active participants, 31 benefit recipients and 3 inactive members not yet receiving benefits for fiscal 2021.

Investments

The allocation of cash and investment assets for the Fund as of April 30, 2023, April 30, 2022, and April 30, 2021 were as follows:

	FY 2023	FY 2022	FY 2021
Cash and Equivalents	\$ 926,661	\$ 642,678	\$ 944,444
IL Firefighters Pension Investment Fund	47,917,159	47,594,024	-
Certificates of Deposit	-	-	640,955
Government Securities	-	-	9,150,684
Corporate Bonds	-	-	4,692,744
Mutual Funds	-	-	24,541,206
Equity Securities	-	-	11,250,625
Total	<u>\$ 48,843,820</u>	<u>\$ 48,236,702</u>	<u>\$ 51,220,658</u>

In adherence with PA 101-0610, all of the investments of the City of St. Charles Firefighters’ Pension Fund were transferred to the Illinois Firefighters’ Pension Investment Fund (FPIF) on November 1, 2021. The FPIF is responsible for managing, investing, and reinvesting the assets of the 296 suburban and downstate firefighter pensions funds which were consolidated into this fund. The funds of the City of St. Charles Firefighters’ Pension Fund are now invested in accordance with the investment policy adopted by the FPIF Board of Trustees on June 18, 2021 and subsequently revised on June 17, 2022.

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

The City records the investments of the Firefighters' Pension Fund as a single line in contrast to previous years when the investments of the fund were recorded by investment type.

Changes in Plan Net Position

A condensed statement of changes in plan net position for the years ended April 30, 2023, April 30, 2022, and April 30, 2021 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 2023	FY 2022	Dollar Change	FY 2021
Additions:				
Employer Contributions	\$ 2,581,296	\$ 2,525,862	\$ 55,434	\$ 2,239,459
Employee Contributions	539,042	529,622	9,420	503,398
Other	50	-	50	-
Net Investment Income (Loss)	337,480	(3,623,293)	3,960,773	11,102,154
Total Additions	3,457,868	(567,809)	4,025,677	13,845,011
Deductions:				
Pension Benefits & Refunds	2,821,655	2,487,428	334,227	2,360,630
Administrative Expenses	18,189	17,855	334	20,391
Total Deductions	2,839,844	2,505,283	334,561	2,381,021
Net Change in Plan Net Position	\$ 618,024	\$ (3,073,092)	\$ 3,691,116	\$ 11,463,990

Additions

Additions to plan net position include employer and employee contributions and net income from investment activities. Employer contributions were \$2.6 million in FY 2023 which represents an increase of \$55,434 or 2.2%. FY 2022 employer contributions rose approximately \$286,400 or 12.8% when compared to the previous year. 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.

The pension contributions required to be made by active fire service employees were established by Article 4 of the Illinois Pension Code. State statute currently has set the contribution rate at 9.445% of pensionable wages. The year over year change in required employee contributions were \$9,420 or 0.2%. Employee contributions are expected to keep pace with annual wage adjustments. However, during FY 2023, four positions were vacated and left open for a portion of the year which reduced contributions.

The Fund experienced a net investment gain of \$337,480 during fiscal year 2023 as compared to a net investment loss of \$3.6 million during fiscal year 2022 and a gain of \$11.1 million in fiscal year 2021. The change in investment income amounts each year is due primarily to prevailing market conditions.

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

Deductions

Deductions from plan net position are primarily benefit payments and member contribution refunds. The Fund paid out \$2.8 million in benefits and refunds during FY 2023 as compared with \$2.5 million during FY 2022 and \$2.4 million in FY 2021. Benefit payments increased \$334,227 in FY 2023. Fire pensioners receive an annual cost of living increase dependent on their hire date and years of service. These increases in pension payments and the addition of three new retirees receiving benefits account for the change in costs year over year.

Future Outlook

Employer contributions are expected to increase approximately \$270,000 to \$2,989,721 in FY 2024. The Fund's funded ratio is expected to rise over the course of the next several years as a result of the City's commitment to annually fund the cost of benefits in the current year as well as 100% of the unfunded actuarial accrued liability over the remaining period ending April 30, 2040. This funding plan surpasses the minimum contribution established by Public Act 096-1495 which requires 90% funding of the unfunded actuarial accrued liability over the period ending April 30, 2040. 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 portfolio will be structured in accordance with the investment policy adopted by the FPIF Board of Trustees. The FPIF's stated goal is to provide above market returns at below market costs.

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 Brad Wilton, 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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and Cash Equivalents	\$ 926,661	\$ 642,678
Investments, at Fair Value		
Illinois Firefighters Pension Investment Fund	47,917,159	47,594,024
Receivables (Net, Where Applicable, of Allowances for Uncollectibles)		
Other	10,906	-
	<hr/>	<hr/>
Total Assets	48,854,726	48,236,702
	<hr/>	<hr/>
LIABILITIES		
None	-	-
	<hr/>	<hr/>
Total Liabilities	-	-
	<hr/>	<hr/>
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$ 48,854,726</u>	<u>\$ 48,236,702</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ADDITIONS		
Contributions		
Employer Contributions	\$ 2,581,296	\$ 2,525,862
Employee Contributions	539,042	529,622
Nonemployer contributing entity	50	-
	<u>3,120,388</u>	<u>3,055,484</u>
Investment Income		
Net (Depreciation) in Fair Value of Investments	(113,032)	(4,051,003)
Interest and Dividends	487,772	528,173
	<u>374,740</u>	<u>(3,522,830)</u>
Less Investment Expense	(37,260)	(100,463)
	<u>337,480</u>	<u>(3,623,293)</u>
Total Additions	<u>3,457,868</u>	<u>(567,809)</u>
DEDUCTIONS		
Pension Benefits and Refunds	2,821,655	2,487,428
Administrative Expenses	18,189	17,855
	<u>2,839,844</u>	<u>2,505,283</u>
NET INCREASE (DECREASE)	618,024	(3,073,092)
NET POSITION RESTRICTED FOR PENSION BENEFITS		
May 1	<u>48,236,702</u>	<u>51,309,794</u>
April 30	<u>\$ 48,854,726</u>	<u>\$ 48,236,702</u>

See accompanying notes to financial statements.

CITY OF ST. CHARLES, ILLINOIS

FIREFIGHTERS' PENSION FUND

NOTES TO FINANCIAL STATEMENTS

April 30, 2023 and 2022

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)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Investments

The Fund categorizes 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. The Fund held no investments subject to fair value measurement at April 30, 2023.

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, 2023 and 2022, the measurement date, membership consisted of:

	2023	2022
Inactive Plan Members Currently Receiving Benefits	34	32
Inactive Plan Members Entitled to but not yet Receiving Benefits	1	2
Active Plan Members	46	46
TOTAL	81	80

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

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)

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 43.81% and 45.87% of covered payroll for the years ended April 30, 2023 and 2022, respectively.

3. INVESTMENTS

A. Illinois Firefighters' Pension Investment Fund

The Illinois Firefighters' Pension Investment Fund (IFPIF) is an investment trust fund responsible for the consolidation and fiduciary management of the pension assets of Illinois suburban and downstate firefighter pension funds. IFPIF was created by Public Act 101-0610, and codified within the Illinois Pension Code, becoming effective January 1, 2020, to streamline investments and eliminate unnecessary and redundant administrative costs, thereby ensuring assets are available to fund pension benefits for the beneficiaries of the participating pension funds. Participation in IFPIF by Illinois suburban and downstate firefighter pension funds is mandatory.

B. Rate of Return

For the years ended April 30, 2023 and 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.67% and (7.02%), respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Deposits with Financial Institutions

The plan retains all of its available cash with one financial institution. Available cash is determined to be that amount which is required for the current expenditures of the plan. The excess of available cash is required to be transferred to IFPIF for purposes of the long-term investment for the plan.

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

3. INVESTMENTS (Continued)

C. Deposits with Financial Institutions (Continued)

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Fund's deposits may not be returned to it. 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, 2023 and 2022 were covered by federal depository insurance.

D. Investments

Investments of the plan are combined in a commingled external investment pool and held by IFPIF. A schedule of investment expenses is included in IFPIF's annual report. For additional information on IFPIF's investments, please refer to their annual report as of June 30, 2022. A copy of that report can be obtained from IFPIF at 1919 South Highland Avenue, Building A, Suite 237, Lombard, IL 60148 or at www.ifpif.org.

E. Fair Value Measurement

The plan categorizes 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. The plan held no investments subject to fair value measurement at April 30, 2023 and 2022.

F. Investment Policy

IFPIF's current investment policy was adopted by the Board of Trustees on June 17, 2022. IFPIF is authorized to invest in all investments allowed by Illinois Compiled Statutes (ILCS). The IFPIF shall not be subject to any of the limitations applicable to investments of pension fund assets currently held by the transferor pension funds under Sections 1-113.1 through 1-113.12 or Article 4 of the Illinois Pension Code.

G. Net Asset Value

The Net Asset Value (NAV) of the plan's pooled investment in IFPIF was \$47,917,159 and \$47,594,024 at April 30, 2023 and 2022, respectively. The pooled investments consist of the investments as noted in the target allocation table available at www.ifpif.org. Investments in IFPIF are valued at IFPIF's share price, which is the price the investment could be sold. There are no unfunded commitments at April 30, 2023. The plan may redeem shares by giving notice by 5:00 pm central time on the 1st of each month. Requests properly submitted on or before the 1st of each month will be processed for redemption by the 14th of the month. Expedited redemptions may be processed at the sole discretion of IFPIF.

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

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, 2023 and 2022 were as follows:

	2023	2022
Total Pension Liability	\$ 76,512,216	\$ 72,607,408
Plan Fiduciary Net Position	48,854,726	48,236,702
City's Net Pension Liability	27,657,490	24,370,706
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.85%	66.43%

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, 2023 and 2022 using the following actuarial methods and assumptions.

	April 30, 2023	April 30, 2022
Actuarial Valuation Date	April 30, 2023	April 30, 2022
Actuarial Cost Method	Entry-Age Normal	Entry-Age Normal
Assumptions		
Inflation	2.25%	2.50%
Salary Increases	4.00% to 12.50%	3.50% to 12.50%
Interest Rate	6.75%	6.75%
Cost of Living Adjustments	3.00% (Tier 1) 1.125% (Tier 2)	3.00% (Tier 1) 1.25% (Tier 2)
Asset Valuation Method	Fair Value	Fair Value

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

4. PENSION LIABILITY OF THE CITY (Continued)

B. Actuarial Assumptions (Continued)

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, 2023 and 2022 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance dated October 5, 2017. The Pub-2010 Mortality Table was applied with generational improvement scale MP-2021 in the April 30, 2023 and 2022 valuations.

C. Discount Rate

The discount rate used to measure the total pension liability for years ended April 30, 2023 and 2022 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, 2023 and 2022.

The table below presents the net pension liability of the City, for year ended April 30, 2023, 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	\$ 39,091,916	\$ 27,657,490	\$ 18,369,187

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

4. PENSION LIABILITY OF THE CITY (Continued)

D. Discount Rate Sensitivity (Continued)

The table below presents the net pension liability of the City, for year ended April 30, 2022, 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	\$ 35,434,467	\$ 24,370,706	\$ 15,400,047

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 Nine Fiscal Years

MEASUREMENT DATE APRIL 30,	2015	2016	2017	2018	2019	2020	2021	2022	2023
TOTAL PENSION LIABILITY									
Service Cost	\$ 1,210,345	\$ 1,413,134	\$ 1,463,666	\$ 1,541,454	\$ 1,391,065	\$ 1,373,635	\$ 1,452,082	\$ 1,478,666	\$ 1,509,994
Interest	2,791,358	3,185,463	3,296,461	3,601,739	3,715,406	4,108,727	4,373,334	4,588,516	4,907,694
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)	(58,645)	308,775
Changes of Assumptions	1,653,927	1,599,975	682,630	(1,212,486)	2,373,832	-	-	1,343,233	-
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)	(2,487,428)	(2,821,655)
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	4,864,342	3,904,808
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	67,743,066	72,607,408
TOTAL PENSION LIABILITY - ENDING	\$ 44,751,003	\$ 48,149,208	\$ 52,655,120	\$ 54,648,818	\$ 60,601,123	\$ 64,518,370	\$ 67,743,066	\$ 72,607,408	\$ 76,512,216
PLAN FIDUCIARY NET POSITION									
Contributions - Employer	\$ 1,229,574	\$ 1,162,413	\$ 1,318,803	\$ 1,749,113	\$ 2,017,405	\$ 1,942,372	\$ 2,239,459	\$ 2,525,862	\$ 2,581,296
Contributions - Member	443,468	473,869	460,623	477,541	478,032	489,087	503,398	529,622	539,042
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	(3,623,293)	337,530
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)	(2,487,428)	(2,821,655)
Administrative Expense	(18,064)	(18,132)	(12,033)	(13,772)	(17,195)	(16,415)	(20,391)	(17,855)	(18,189)
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	(3,073,092)	618,024
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	51,309,794	48,236,702
PLAN FIDUCIARY NET POSITION - ENDING	\$ 33,657,878	\$ 32,963,129	\$ 35,856,520	\$ 38,378,967	\$ 40,926,195	\$ 39,845,804	\$ 51,309,794	\$ 48,236,702	\$ 48,854,726
EMPLOYER'S NET PENSION LIABILITY	\$ 11,093,125	\$ 15,186,079	\$ 16,798,600	\$ 16,269,851	\$ 19,674,928	\$ 24,672,566	\$ 16,433,272	\$ 24,370,706	\$ 27,657,490

MEASUREMENT DATE APRIL 30,	2015	2016	2017	2018	2019	2020	2021	2022	2023
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%	66.43%	63.85%
Covered Payroll	\$ 4,627,091	\$ 4,545,823	\$ 4,826,779	\$ 5,039,014	\$ 4,970,274	\$ 5,010,852	\$ 5,344,575	\$ 5,506,279	\$ 5,891,614
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%	442.60%	469.44%

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, 2022, amounts reported as changes of assumptions resulted from the following changes:

The mortality rates were updated with generational improvement scale MP-2021.

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 available.

(See independent auditor's report.)

CITY OF ST. CHARLES, ILLINOIS

FIREFIGHTERS' PENSION FUND

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Nine Fiscal Years

FISCAL YEAR ENDED APRIL 30,	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially Determined Contribution	\$ 1,236,873	\$ 1,170,934	\$ 1,280,310	\$ 1,765,500	\$ 2,026,276	\$ 1,955,183	\$ 2,245,665	\$ 2,530,046	\$ 2,580,360
Contributions in Relation to the Actuarially Determined Contribution	1,229,574	1,162,413	1,318,803	1,749,113	2,017,405	1,942,372	2,239,459	2,525,862	2,581,296
CONTRIBUTION DEFICIENCY (Excess)	\$ 7,299	\$ 8,521	\$ (38,493)	\$ 16,387	\$ 8,871	\$ 12,811	\$ 6,206	\$ 4,184	\$ (936)
Covered Payroll	\$ 4,627,091	\$ 4,545,823	\$ 4,826,779	\$ 5,039,014	\$ 4,970,274	\$ 5,010,852	\$ 5,344,575	\$ 5,506,279	\$ 5,891,614
Contributions as a Percentage of Covered Payroll	26.57%	25.57%	27.32%	34.71%	40.59%	38.76%	41.90%	45.87%	43.81%

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	18 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	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.

(See independent auditor's report.)

CITY OF ST. CHARLES, ILLINOIS

FIREFIGHTERS' PENSION FUND

SCHEDULE OF INVESTMENT RETURNS

Last Nine Fiscal Years

FISCAL YEAR ENDED APRIL 30,	2015	2016	2017	2018	2019	2020	2021	2022	2023
Annual Money-Weighted Rate of Return, Net of Investment Expense	3.91%	(2.90%)	8.07%	6.73%	5.25%	(3.09%)	27.31%	(7.02%)	0.67%

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, 2023

	Original Budget	Final Budget	Actual	Variance Over (Under)
ADDITIONS				
Contributions				
Employer Contributions	\$ 2,580,360	\$ 2,580,360	\$ 2,581,296	\$ 936
Employee Contributions	561,600	561,600	539,042	(22,558)
Nonemployer Contributing Entity	-	-	50	50
Total Contributions	<u>3,141,960</u>	<u>3,141,960</u>	<u>3,120,388</u>	<u>(21,572)</u>
Investment Income				
Net Appreciation (Depreciation) in Fair Value of Investments	2,857,500	2,857,500	(113,032)	(2,970,532)
Interest and Dividends	725,004	725,004	487,772	(237,232)
Total Investment Income	<u>3,582,504</u>	<u>3,582,504</u>	<u>374,740</u>	<u>(3,207,764)</u>
Less Investment Expense	<u>(12,000)</u>	<u>(12,000)</u>	<u>(37,260)</u>	<u>(25,260)</u>
Net Investment Income (Loss)	<u>3,570,504</u>	<u>3,570,504</u>	<u>337,480</u>	<u>(3,233,024)</u>
Total Additions	<u>6,712,464</u>	<u>6,712,464</u>	<u>3,457,868</u>	<u>(3,254,596)</u>
DEDUCTIONS				
Pension Benefits	2,500,944	2,500,944	2,821,655	320,711
Administrative Expenses	26,988	33,713	18,189	(15,524)
Total Deductions	<u>2,527,932</u>	<u>2,534,657</u>	<u>2,839,844</u>	<u>305,187</u>
NET INCREASE (DECREASE)	<u>\$ 4,184,532</u>	<u>\$ 4,177,807</u>	618,024	<u>\$ (3,559,783)</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS				
May 1			<u>48,236,702</u>	
April 30			<u>\$ 48,854,726</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.)