

**BENSENVILLE FIRE
PROTECTION DISTRICT NO. 2
FIREFIGHTERS' PENSION FUND**

A FIDUCIARY COMPONENT UNIT OF THE
BENSENVILLE FIRE PROTECTION
DISTRICT NO. 2
BENSENVILLE, ILLINOIS

ANNUAL FINANCIAL REPORT



**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020**

**BENSENVILLE FIRE PROTECTION DISTRICT NO.2, ILLINOIS
FIREFIGHTERS' PENSION FUND**

Table of Contents

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Fiduciary Net Position.....	3
Statement of Changes in Fiduciary Net Position	4
Notes to the Financial Statements.....	5-16
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Employer Contributions	17
Schedule of Changes in the Employer's Net Pension Liability	18-19
Schedule of Investment Returns	20

INDEPENDENT AUDITORS' REPORT

1415 West Diehl Road, Suite 400
Naperville, IL 60563
630.566.8400

SIKICH.COM

INDEPENDENT AUDITOR'S REPORT

The Honorable President
Members of the Board of Trustees
Firefighters' Pension Fund
Bensenville Fire Protection District No. 2
Bensenville, Illinois

We have audited the financial statements of the Bensenville Fire Protection District No. 2 Firefighters' Pension Fund (the Fund), a fiduciary component unit of the Bensenville Fire Protection District No. 2, Bensenville, Illinois (the District) as of December 31, 2020, and the related notes to financial statements which collectively comprise the Fund's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 basic financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Firefighters' Pension Fund of the Bensenville Protection District No. 2, Bensenville, Illinois, as of December 31, 2020, and the changes in fiduciary net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Fund has not presented a Management's Discussion and Analysis as required supplementary information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Sikich LLP

Naperville, Illinois
June 29, 2021

FINANCIAL STATEMENTS

**BENSENVILLE FIRE PROTECTION DISTRICT NO. 2, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**Statement of Fiduciary Net Position
December 31, 2020**

ASSETS	
Cash and Cash Equivalents	\$ 1,068,434
Investments	
Certificates of Deposit	100,007
U.S. Treasury Obligations	200,397
U.S. Agency Obligations	634,368
Corporate Bonds	2,644,143
Equity Mutual Funds	7,107,123
Receivables	
Accrued Interest	21,243
Due from the District	6,850
Prepays	<u>4,463</u>
Total Assets	11,787,028
LIABILITIES	
Expenses Due/Unpaid	<u>11,023</u>
NET POSITION	
Net Position Restricted for Pensions	<u><u>11,776,005</u></u>

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

**BENSENVILLE FIRE PROTECTION DISTRICT NO. 2, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2020**

Additions	
Contributions - Employer	\$ 774,108
Contributions - Plan Members	204,435
Total Contributions	<u>978,543</u>
Investment Income	
Investment Earnings	281,568
Net Change in Fair Value	858,619
	<u>1,140,187</u>
Less Investment Expenses	(15,974)
Net Investment Income	<u>1,124,213</u>
Total Additions	<u>2,102,756</u>
Deductions	
Administration	76,078
Benefits	1,811,896
Total Deductions	<u>1,887,974</u>
Change in Fiduciary Net Position	214,782
Net Position Restricted for Pensions	
Beginning	<u>11,561,223</u>
Ending	<u>11,776,005</u>

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

**BENSENVILLE FIRE PROTECTION DISTRICT NO. 2, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**Notes to the Financial Statements
December 31, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Firefighters' Pension Fund (the "Pension Fund") of the Bensenville Fire Protection District No. 2, Illinois have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Pension Fund's accounting policies are described below.

REPORTING ENTITY

The Pension Fund is a fiduciary component unit, and specifically, a pension trust fund, of the Bensenville Fire Protection District No. 2, Illinois (the "District") pursuant to GASB Statement No. 61. The decision to include the Pension Fund in the District's reporting entity was made based upon the significance of their operational or financial relationships with the District.

The District's firefighters participate in the Firefighters' Pension Employees Retirement System (FPERS). FPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the District, one elected pension beneficiary, and two elected active firefighters' constitute the pension board. The District and FPERS participants are obligated to fund all FPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the District is authorized to approve the actuarial assumptions used in the determination of contribution levels.

BASIS OF PRESENTATION

Pension Trust Funds

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

**BENSENVILLE FIRE PROTECTION DISTRICT NO. 2, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**Notes to the Financial Statements
December 31, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

Basis of Accounting

The accrual basis of accounting is utilized by pension trust funds. Under this method, additions to net position are recorded when earned and deductions from net position are recorded when the time related liabilities\deferred inflows are incurred. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS AND NET POSITION

Cash and Investments

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

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

Receivables

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

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in the financial statements. Prepays are valued at cost and are recorded as expenditures when consumed rather than when purchased.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds of the District for goods provided or services rendered. These receivables and payables, if any, which relate to the Pension Fund are classified as "Due from the District" or "Due to the District" on the Statement of Fiduciary Net Position.

**BENSENVILLE FIRE PROTECTION DISTRICT NO. 2, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**Notes to the Financial Statements
December 31, 2020**

NOTE 2 – DETAIL NOTES ON FINANCIAL STATEMENTS

DEPOSITS, INVESTMENTS AND CONCENTRATIONS

The deposits and investments of the Pension Fund are held separately from those of other District funds. Statutes authorize the Pension Fund to make deposits/invest in interest bearing direct obligations of the United States of America; obligations that are fully guaranteed or insured as to the payment of principal and interest by the United States of America; bonds, notes, debentures, or similar obligations of agencies of the United States of America; savings accounts or certificates of deposit issued by banks or savings and loan associations chartered by the United States of America or by the State of Illinois, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; credit unions, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; State of Illinois bonds; pooled accounts managed by the Illinois Funds Market Fund (Formerly known as IPTIP, Illinois Public Treasurer's Investment Pool), or by banks, their subsidiaries or holding companies, in accordance with the laws of the State of Illinois; bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois; direct obligations of the State of Israel; money market mutual funds managed by investment companies that are registered under the Federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies, provided the portfolio is limited to specified restrictions; general accounts of life insurance companies; and separate accounts of life insurance companies and mutual funds, the mutual funds must meet specific restrictions, provided the investment in separate accounts and mutual funds does not exceed ten percent of the Pension Fund's plan net position; and corporate bonds managed through an investment advisor, rated as investment grade by one of the two largest rating services at the time of purchase. Pension Funds with plan net position of \$2.5 million or more may invest up to forty-five percent of plan net position in separate accounts of life insurance companies and mutual funds. Pension Funds with plan net position of at least \$5 million that have appointed an investment advisor, may through that investment advisor invest up to forty-five percent of the plan net position in common and preferred stocks that meet specific restrictions. In addition, pension funds with plan net position of at least \$10 million that have appointed an investment advisor, may invest up to fifty-five percent of its net position in common and preferred stocks and mutual funds that meet specific restrictions effective July 1, 2012.

Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits. At year-end, the carrying amount of the Pension Fund's deposits totaled \$1,068,434 and the bank balances totaled \$1,069,823.

**BENSENVILLE FIRE PROTECTION DISTRICT NO. 2, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**Notes to the Financial Statements
December 31, 2020**

NOTE 2 – DETAIL NOTES ON FINANCIAL STATEMENTS - Continued

DEPOSITS, INVESTMENTS AND CONCENTRATIONS - Continued

Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Investments. At year-end, the Pension Fund has the following investments and maturities:

Investment Type	Fair Value	Investment Maturities - in Years			
		Less Than 1	1-5	6-10	More Than 10
Certificates of Deposit	\$ 100,007	100,007	-	-	-
U.S. Treasury Obligations	200,397	200,397	-	-	-
U.S. Agency Obligations	634,368	-	998	8,396	624,974
Corporate Bonds	2,644,143	343,959	2,244,169	56,015	-
Total	3,578,915	644,363	2,245,167	64,411	624,974

The Pension Fund assumes any callable securities will not be called.

The Pension Fund has the following recurring fair value measurements as of December 31, 2020:

Investments by Fair Value Level	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
Certificates of Deposit	\$ 100,007	-	100,007	-
U.S. Treasury Obligations	200,397	200,397	-	-
U.S. Agency Obligations	634,368	-	634,368	-
Corporate Bonds	2,644,143	-	2,644,143	-
Equity Securities				
Mutual Funds	7,107,123	7,107,123	-	-
Total Investments Measured at Fair Value	10,686,038	7,307,520	3,378,518	-

Debt Securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**BENSENVILLE FIRE PROTECTION DISTRICT NO. 2, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**Notes to the Financial Statements
December 31, 2020**

NOTE 2 – DETAIL NOTES ON FINANCIAL STATEMENTS - Continued

DEPOSITS, INVESTMENTS AND CONCENTRATIONS - Continued

Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the Pension Fund's investment policy, the Pension Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity while at the same time matching investment maturities to projected fund liabilities.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Pension Fund helps limit its exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. The Pension Fund's investment policy establishes criteria for allowable investments; those criteria follow the requirements of the Illinois Pension Code. The Investments in the securities of U.S. Government Agencies were all rated AAA and Corporate Bonds are rated BBB or better by Standard & Poor's or by Moody's Investors Services, and CDs are not rated.

The Pension Fund's investment policy also prescribes to the "prudent person" rule, which states, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the primary objective of safety as well as the secondary objective of the attainment of market rates of return."

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Pension Fund's deposits may not be returned to it. At December 31, 2020, the entire amount of the bank balance of the deposits was covered by federal depository or equivalent insurance. The Pension Fund's investment policy does not require pledging of collateral for all bank balances in excess of federal depository insurance, since the flow-through FDIC insurance is available for the Pension Fund's deposits with financial institutions.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Pension Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Money market mutual funds and equity mutual funds are not subject to custodial credit risk. Although the Pension Fund's investment policy does not require a third-party custodian, the Pension Fund limits its exposure by requiring the investment broker/custodian to acquire an excess SIPC policy to provide the same coverage for the portfolio as would be provided by the SIPC.

NOTE 2 – DETAIL NOTES ON FINANCIAL STATEMENTS - Continued

**BENSENVILLE FIRE PROTECTION DISTRICT NO. 2, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**Notes to the Financial Statements
December 31, 2020**

DEPOSITS, INVESTMENTS AND CONCENTRATIONS - Continued

Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of the Pension Fund's investment in a single issuer. In accordance with the investment policy, the Pension Fund diversifies the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized. At December 31, 2020, the Pension Fund does not have 5 percent or more of net position available for benefits in any investments of one organization. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. Agency investments represent a large portion of the portfolio; however, the investments are diversified by maturity date and as mentioned earlier are backed by the issuing organization. Although unlike Treasuries, agency securities do not have the "full faith and credit" backing of the U.S. Government, they are considered to have a moral obligation of implicit backing and are supported by Treasury lines of credit and increasingly stringent federal regulation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	30.00%	0.74% - 5.03%
Equities	65.00%	5.91% - 12.01%
Cash and Equivalent	5.00%	0.00%

Illinois Compiled Statutes (ILCS) limit the Pension 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 Pension Fund's investments was determined using an asset allocation study by the Fund's investment professionals as of August 2019. The best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Pension Fund's target asset allocation as of December 31, 2020 are listed in the table above.

**BENSENVILLE FIRE PROTECTION DISTRICT NO. 2, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**Notes to the Financial Statements
December 31, 2020**

NOTE 2 – DETAIL NOTES ON FINANCIAL STATEMENTS - Continued

DEPOSITS, INVESTMENTS AND CONCENTRATIONS - Continued

Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

The Pension Board has diversified its equity mutual fund holdings as follows:

<u>Equity Mutual Funds</u>	<u>Fair Value</u>
Vanguard Growth Index Fund	\$ 1,450,600
Vanguard Dividend Growth Fund	865,676
Vanguard Extended Market Index Fund	525,433
American Funds EuroPacific Growth Funds	512,193
Vanguard Developed Market Index Fund	491,595
Vanguard Tax-Managed Small Cap Index Fund	460,065
Vanguard Equity-Income Fund	434,317
Vanguard Mid-Cap Growth Index Fund	429,984
Vanguard Mid-Cap Value Index Fund	413,930
Vanguard Small Cap Value Index Fund	396,255
Vanguard Mid Cap Index Funds	345,621
Vanguard Value Index Fund	260,828
Vanguard High Dividend Yield Index Fund	260,701
Dodge & Cox International Stock Fund	<u>259,925</u>
Total Equity Mutual Funds	<u><u>7,107,123</u></u>

Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.12%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**BENSENVILLE FIRE PROTECTION DISTRICT NO. 2, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**Notes to the Financial Statements
December 31, 2020**

NOTE 3 – OTHER INFORMATION

CONTINGENT LIABILITIES

Litigation

The Pension Fund is not currently involved with any lawsuits.

Compliance Audit

The Pension Fund is subject to a program compliance audit by the Illinois Department of Insurance. The compliance audit by the Illinois Department of Insurance for the year ended December 31, 2020 has not yet been conducted. Accordingly, the Pension Fund's compliance with applicable requirements will be established at some future date. The amount of any adjustments to be made by the Illinois Department of Insurance cannot be determined at this time however, the Pension Fund expects such adjustments, if any, to be immaterial.

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN

Plan Administration

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

Plan Membership

At December 31, 2020, the measurement date, membership consisted of the following:

Inactive Plan Members Currently Receiving Benefits	23
Inactive Plan Members Entitled to but not yet Receiving Benefits	2
Active Plan Members	<u>24</u>
Total	<u><u>49</u></u>

**BENSENVILLE FIRE PROTECTION DISTRICT NO. 2, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**Notes to the Financial Statements
December 31, 2020**

NOTE 3 – OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Benefits Provided

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

The Firefighters' Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit of $\frac{1}{2}$ of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5 percent of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75 percent of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a firefighter who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3 percent of the original pension and 3 percent compounded annually thereafter.

Covered employees hired on or after January 1, 2011 (Tier 2), attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 48 consecutive months of service within the last 60 months of service in which the total salary was the highest by the number of months of service in that period. Firefighters' salary for the pension purposes is capped at \$106,800, plus the lesser of $\frac{1}{2}$ of the annual change in the Consumer Price Index or 3 percent compounded. The annual benefit shall be increased by 2.5 percent of such a salary for each additional year of service over 20 years up to 30 years to a maximum of 75 percent of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e., $\frac{1}{2}$ percent for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Non-compounding increases occur annually, each January thereafter. The increase is the lesser of 3 percent or $\frac{1}{2}$ of the change in the Consumer Price Index for the proceeding calendar year.

**BENSENVILLE FIRE PROTECTION DISTRICT NO. 2, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**Notes to the Financial Statements
December 31, 2020**

NOTE 3 – OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Contributions

Covered employees are required to contribute 9.455% of their base salary to the Firefighters’ Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The District is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. However, effective January 1, 2011, ILCS requires the District 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. The District has chosen to use the following parameters to fund its pension plan above and beyond the state minimum. For the year-ended December 31, 2020, the District’s contribution was 35.80% of covered payroll.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2020 using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal; Level % of Pay
Asset Valuation Method	Fair Value
Actuarial Assumptions	
Interest Rate	6.75%
Discount Rate	2.92%
Salary Increases	3.25% - 22.55%
Cost of Living Adjustments	3.25%
Inflation	2.25%

Mortality rates were based on an independent actuary assumption study for Illinois Firefighters 2020.

**BENSENVILLE FIRE PROTECTION DISTRICT NO. 2, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**Notes to the Financial Statements
December 31, 2020**

NOTE 3 – OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Net Pension Liability

The components of the net pension liability of the District as of December 31, 2020 were as follows:

Total Pension Liability	\$ 63,016,069
Plan Fiduciary Net Position	<u>11,776,005</u>
District's Net Pension Liability	<u>51,240,064</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	18.69%

See the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios in the required supplementary information for additional information related to the funded status of the Pension Fund.

Discount Rate

A Single Discount Rate of 2.92% was used to measure the total pension liability. The prior fiscal year valuation used a discount rate of 3.69%. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 6.75%, the municipal bond rate is 2.12%, and the resulting single discount rate is 2.92%.

**BENSENVILLE FIRE PROTECTION DISTRICT NO. 2, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**Notes to the Financial Statements
December 31, 2020**

NOTE 3 – OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the District calculated using the discount rate of 2.92% as well as what the District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (1.92%)	Current Discount Rate (2.92%)	1% Increase (3.92%)
Net Pension Liability	\$ 64,210,291	\$ 51,240,064	\$ 41,226,133

REQUIRED SUPPLEMENTARY INFORMATION

**BENSENVILLE FIRE PROTECTION DISTRICT NO. 2, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**Required Supplementary Information - Last Ten Fiscal Years
Schedule of Employer Contributions**

December 31, 2020

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 1,050,882	\$ 591,714	\$ (459,168)	\$ 1,767,347	33.48%
2015	1,142,058	716,084	(425,974)	1,939,968	36.91%
2016	1,272,135	979,547	(292,588)	1,894,036	51.72%
2017	1,358,877	1,012,214	(346,663)	1,960,327	51.63%
2018	1,438,774	807,464	(631,310)	2,119,528	38.10%
2019	1,520,222	810,464	(709,758)	2,252,267	35.98%
2020	1,611,229	774,108	(837,121)	2,162,186	35.80%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	100% Funded Over 22 Years
Asset Valuation Method	5-Year Smoothed Market
Inflation	2.50%
Salary Increases	3.50% - 22.80%
Investment Rate of Return	7.00%
Retirement Age	See the Notes to the Financial Statements
Mortality	Mortality rates are based on RP-2014 Adjusted for Plan Status, Collar, and Illinois Public Pension Data, as Appropriate.

Note: This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

**BENSENVILLE FIRE PROTECTION DISTRICT NO. 2, ILLINOIS
FIREFIGHTERS' PENSION FUND**

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

December 31, 2020

	2020	2019
Total Pension Liability		
Service Cost	\$ 1,405,206	904,475
Interest	1,940,662	1,999,529
Changes in Benefit Terms	-	208,799
Differences Between Expected and Actual Experience	1,711,136	(705,020)
Change of Assumptions	8,043,117	9,676,071
Benefit Payments, Including Refunds of Member Contributions	(1,811,896)	(1,664,605)
Net Change in Total Pension Liability	11,288,225	10,419,249
Total Pension Liability - Beginning	51,727,844	41,308,595
Total Pension Liability - Ending	63,016,069	51,727,844
Plan Fiduciary Net Position		
Contributions - Employer	\$ 774,108	810,464
Contributions - Members	204,435	212,952
Contributions - Other	-	4,611
Net Investment Income	1,124,213	1,885,326
Benefit Payments, Including Refunds of Member Contributions	(1,811,896)	(1,664,605)
Administrative Expense	(76,078)	(66,067)
Net Change in Plan Fiduciary Net Position	214,782	1,182,681
Plan Net Position - Beginning	11,561,223	10,378,542
Plan Net Position - Ending	11,776,005	11,561,223
Employer's Net Pension Liability	\$ 51,240,064	40,166,621
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	18.69%	22.35%
Covered Payroll	\$ 2,162,186	2,252,267
Employer's Net Pension Liability as a Percentage of Covered Payroll	2369.83%	1783.39%

Note: This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

*In 2019, there were changes to the inflation rate, individual pay increases, mortality rates, mortality improvement rates, retirement rates, termination rates and marital assumptions. In addition, there were changes in plan benefits required under PA-101-0610(SB 1300)

*In 2018, there changes to the mortality rates, mortality improvements rates, retirement rates, disability rates and termination rates.

2018	2017	2016	2015	2014
945,403	859,470	820,340	842,112	1,054,306
1,863,720	1,842,499	1,894,059	1,785,183	1,528,344
-	-	-	-	-
710,511	71,991	(892,883)	(447,153)	-
(2,808,516)	1,596,338	(1,423,982)	(1,178,180)	-
(1,637,036)	(1,525,205)	(1,431,715)	(1,389,673)	(1,320,988)
(925,918)	2,845,093	(1,034,180)	(387,711)	1,261,662
42,234,513	39,389,420	40,423,600	40,811,311	39,549,649
41,308,595	42,234,513	39,389,420	40,423,600	40,811,311
807,464	1,012,214	979,547	716,084	591,714
199,867	194,154	188,362	177,866	162,911
11,065	11,065	17,519	-	-
(556,779)	1,490,127	669,744	(8,912)	585,351
(1,637,036)	(1,525,205)	(1,431,715)	(1,389,673)	(1,320,988)
(34,317)	(32,782)	(37,630)	(45,297)	(47,308)
(1,209,736)	1,149,573	385,827	(549,932)	(28,320)
11,588,278	10,438,705	10,052,878	10,602,810	10,631,130
10,378,542	11,588,278	10,438,705	10,052,878	10,602,810
30,930,053	30,646,235	28,950,715	30,370,722	30,208,501
25.12%	27.44%	26.50%	24.87%	25.98%
2,119,528	1,960,327	1,894,036	1,939,968	1,767,347
1459.29%	1563.32%	1528.52%	1565.53%	1709.26%

**BENSENVILLE FIRE PROTECTION DISTRICT NO. 2, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**Required Supplementary Information
Schedule of Investment Returns**

December 31, 2020

Fiscal Year	Annual Money- Weighted Rate of Return, Net of Investment Expense
2014	5.78%
2015	(0.09%)
2016	6.84%
2017	14.74%
2018	(4.98%)
2019	19.05%
2020	10.12%

Note: This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.