

LOCKPORT TOWNSHIP
FIREFIGHTERS' PENSION FUND

LOCKPORT, ILLINOIS
ANNUAL FINANCIAL REPORT
For the Year Ended April 30, 2017

Lockport Township Firefighters' Pension Fund

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INDEPENDENT AUDITOR'S REPORT

Members of the Fire Pension Fund Board
Lockport Township Firefighters' Pension Fund
Lockport, Illinois

We have audited the accompanying financial statements of the Firefighters' Pension Fund of the Lockport Township Fire Protection District (the Pension Fund) as of and for the year ended April 30, 2017, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Firefighters' Pension Fund of the Lockport Township Fire Protection District as of April 30, 2017, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1a, the financial statements present only the Lockport Township Firefighters' Pension Fund and do not purpose to, and do not present fairly the financial position of the Lockport Township Fire Protection District, as of April 30, 2017, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

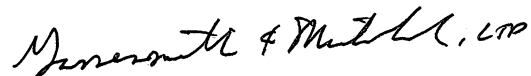
Other Matters

Required Supplementary Information

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

Other Information

In addition, accounting principles generally accepted in the United States of America require that the actuarial information 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.



Gassensmith & Michalesko, Ltd.
Certified Public Accountants

Joliet, Illinois
September 1, 2017

BASIC FINANCIAL STATEMENTS

LOCKPORT TOWNSHIP FIREFIGHTERS' PENSION FUND
LOCKPORT, ILLINOIS

STATEMENT OF PLAN NET POSITION

April 30, 2017

| | |
|---|----------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 3,620,057 |
| Investments, at fair value | |
| U.S. Treasury securities | 3,771,943 |
| U.S. agencies securities | 6,259,847 |
| Equities | 2,133,755 |
| Mutual funds | 18,059,149 |
| Corporate Bonds | <u>6,834,637</u> |
| Total investments | 37,059,331 |
| Accrued Interest | 321,427 |
| Due from the District | <u>99</u> |
| Total assets | <u>41,000,914</u> |
| LIABILITIES | <u>-</u> |
| Total liabilities | <u>-</u> |
| NET POSITION HELD IN TRUST FOR PENSION BENEFITS | <u>\$ 41,000,914</u> |

See accompanying notes to financial statements.

LOCKPORT TOWNSHIP FIREFIGHTERS' PENSION FUND
LOCKPORT, ILLINOIS

STATEMENT OF CHANGES IN PLAN NET POSITION

April 30, 2017

ADDITIONS

| | |
|---|------------------|
| Contributions | |
| Employer | \$ 2,792,991 |
| Employee | 842,359 |
| Other | <u>885</u> |
| Total contributions | <u>3,636,235</u> |
| Investment income | |
| Net change in fair value of investments | 803,311 |
| Interest | <u>1,064,708</u> |
| Total investment income | 1,868,019 |
| Less investment expense | <u>(35,164)</u> |
| Net investment income | <u>1,832,855</u> |
| Total Additions | <u>5,469,090</u> |

DEDUCTIONS

| | |
|----------------------|------------------|
| Administration | 40,760 |
| Benefit and refunds | |
| Retirement benefits | 2,000,439 |
| Disability benefits | 267,205 |
| Contribution refunds | <u>11,000</u> |
| Total deductions | <u>2,319,404</u> |

NET INCREASE 3,149,686

NET POSITION HELD IN TRUST FOR
PENSION BENEFITS

| | |
|----------|----------------------|
| May 1 | <u>37,851,228</u> |
| April 30 | <u>\$ 41,000,914</u> |

See accompanying notes to financial statements

LOCKPORT TOWNSHIP FIREFIGHTERS'S PENSION FUND
LOCKPORT, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
April 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lockport Township Firefighters' Pension Fund (the Fund) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fund's accounting policies are described below.

a. Reporting Entity

The Fund is a single-employer pension trust, which functions for the benefit of the Lockport Township Fire Protection District's (the District) participating firefighter employees and is governed by a five-member pension board. Two active firefighters, one retired firefighter and two members appointed by the District constitute the pension board. The District and firefighter employee participants are obligated to fund all 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. As required by accounting principles generally accepted in the United States of America, these financial statements present the Fund and any existing component units. Currently the Fund does not have any component units and has been determined to be a pension trust fund of the District.

b. Fund Accounting

The accounts of the Fund are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with financial related legal and contractual provisions.

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

LOCKPORT TOWNSHIP FIREFIGHTERS'S PENSION FUND
LOCKPORT, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of plan net assets.

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

d. Investments

Fair value measurement - Investments are measured at fair value on a recurring basis. The Pension Fund categorize the 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. See Note 2 for details.

2. DEPOSITS AND INVESTMENTS

The Fund's investment policy authorizes the Fund to invest in all investments allowed by Illinois Compiled Statutes. These include interest-bearing bonds or tax anticipation warrants of the United States of America, the State of Illinois or any county, township or municipal corporation of the State of Illinois, insured with drawable capital accounts of federal and state savings and loan institutions, certificates of deposit of a national or state bank insured by the Federal Deposit Insurance Corporation, insured credit union investments insured by the National Credit Union Administration, obligations of the U.S. Treasury and U.S. agencies, contracts and agreements supplemental thereto providing for investments in the general account of a life insurance company authorized in the State of Illinois, separate accounts of a life insurance company authorized in the State of Illinois comprised of real estate or loans upon real estate secured by first or second mortgages, mutual funds that: are managed by an investment company; have been in operation for at

LOCKPORT TOWNSHIP FIREFIGHTERS'S PENSION FUND
LOCKPORT, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
April 30, 2017

2. DEPOSITS AND INVESTMENTS (continued)

least five years; have total net assets of \$250 million; and are comprised of a diversified portfolio of common or preferred stock, bonds or money market instruments and common and preferred stocks through an investment advisor.

It is the policy of the Fund to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Fund and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is preservation of capital.

Deposits with Financial Institutions

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 address custodial credit risk for deposits. However, at April 30, 2016, there were no uninsured deposits.

Investments

The following table presents the investments and maturities of the Fund's debt securities as of April 30, 2017:

| Investment Type | Fair Value | Less Than 1 | 1 - 5 | 6 - 10 | Greater than 10 |
|----------------------------------|-------------------|----------------|------------------|------------------|------------------|
| U.S Treasury Notes | 3,421,192 | - | 1,227,331 | 1,299,380 | 894,481 |
| U.S Treasury Bonds | 350,752 | - | - | 350,752 | - |
| Federal Home Loan Banks | 3,693,676 | 842,248 | 1,471,879 | 448,003 | 931,546 |
| Federal Farm Credit Banks | 1,283,147 | - | - | 1,283,147 | - |
| Federal National Mortgage Assoc. | 1,283,023 | - | 1,254,590 | - | 28,433 |
| Corporate Bonds | 6,834,637 | - | 3,153,650 | 3,680,987 | - |
| TOTAL | <u>16,866,427</u> | <u>842,248</u> | <u>7,107,450</u> | <u>7,062,269</u> | <u>1,854,460</u> |

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 duration of the portfolio is targeted at approximately five years and will range from two to seven years depending on conditions.

LOCKPORT TOWNSHIP FIREFIGHTERS'S PENSION FUND
LOCKPORT, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2017

2. DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

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. Government securities and money market mutual funds. The FNMA, FHLMC, corporate bonds, and money market mutual fund securities are rated AA or higher.

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 the possession of an outside party. The Fund requires SIPC insurance or excess SIPC for all investments exposed to custodial credit risk as the policy allows the broker/dealer purchasing the investment to also serve as custodian over the investment.

Concentration of credit risk is the risk that the Fund has a high percentage of their investments invested in one type of investment. The Fund's investment policy sets percentage allocation parameters at:

Equities are limited to a maximum of 50% of the portfolio based on state statutes.

Within fixed income and equities diversification is required as noted below:

| | <u>Target</u> | <u>Range</u> |
|-----------------------------------|---------------|--------------|
| FIXED INCOME | | |
| U.S. Treasury bills/notes/bonds | 30% | 0-100% |
| U.S. agency securities (non-MBS) | 35% | 0-70% |
| U.S. agency securities (callable) | 20% | 0-30% |
| U.S. agency securities (MBS) | 5% | 0-10% |
| Taxable municipal securities | 10% | 0-20% |
| Certificates of deposit | 0% | 0-20% |
| Investment grade corporate bonds | 0% | 0-30% |
| EQUITIES | | |
| U.S. large company stocks | 70% | 0-100% |
| U.S. small company stocks | 20% | 0-70% |
| International stocks | 10% | 0-30% |

LOCKPORT TOWNSHIP FIREFIGHTERS'S PENSION FUND
LOCKPORT, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
April 30, 2017

2. DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

The Firefighters' Pension Fund' investments, fair values, and credit ratings as described by Standard & Poor's rating agency were as follows;

| Investment Description | Fair Value | Total Investments | Credit Rating |
|----------------------------------|-------------------|----------------------|---------------|
| U.S Treasury Notes | 3,421,192 | 9.2% | AAAm |
| U.S Treasury Bonds | 350,752 | 0.9% | AA+ |
| Federal Home Loan Banks | 3,693,676 | 10.0% | AA+ |
| Federal Farm Credit Banks | 1,283,147 | 3.5% | AA+ |
| Common Stock | 2,133,755 | 5.8% | N/A |
| Mutual Funds | 18,059,149 | 48.7% | N/A |
| Federal National Mortgage Assoc. | 1,283,023 | 3.5% | AA+ |
| Corporate Bonds | <u>6,834,637</u> | <u>18.4%</u> | AA / BBB- |
| Totals | <u>37,059,331</u> | <u>100.0%</u> | |

The following are the recurring fair value measurements as of April 30, 2017:

| Investment Type | Fair Value | Fair Value Measurements Using | | |
|----------------------------------|-------------------|-------------------------------|-------------------|----------------|
| | | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs |
| U.S Treasury Notes | 3,421,192 | 3,421,192 | - | - |
| U.S Treasury Bonds | 350,752 | 350,752 | - | - |
| Federal Home Loan Banks | 3,693,676 | - | 3,693,676 | - |
| Federal Farm Credit Banks | 1,283,147 | - | 1,283,147 | - |
| Federal National Mortgage Assoc. | 1,283,023 | - | 1,283,023 | - |
| Common Stock | 2,133,755 | 2,133,755 | - | - |
| Mutual Funds | 18,059,149 | 18,059,149 | - | - |
| Corporate Bonds | <u>6,834,637</u> | <u>-</u> | <u>6,834,637</u> | <u>-</u> |
| TOTAL | <u>37,059,331</u> | <u>23,964,848</u> | <u>13,094,483</u> | <u>-</u> |

LOCKPORT TOWNSHIP FIREFIGHTERS'S PENSION FUND
LOCKPORT, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
April 30, 2017

3. EMPLOYEE RETIREMENT SYSTEMS

Firefighters' Pension Plan

Plan Descriptions

Fire sworn personnel are covered by the Firefighters' Pension Plan which is a defined benefit single-employer pension administered by the Firefighters' Pension Fund Board. Separately audited GAAP financial statements are not issued by the Firefighters' Pension Fund Board. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-100), et seq. and may be amended only by the Illinois legislature. The District accounts for the plan as a pension trust fund.

The financial statements of the Firefighters' Pension Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The District's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sale price on the balance sheet date. Securities without an established market are reported at estimated fair value.

The Firefighters' Pension Plan provides retirement benefits through two tiers of 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 75.0% 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 3.0% of the original pension and 3.0% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that

LOCKPORT TOWNSHIP FIREFIGHTERS'S PENSION FUND
LOCKPORT, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
April 30, 2017

3. EMPLOYEE RETIREMENT SYSTEMS (continued)

Firefighters' Pension Plan (continued)

period. Firefighters' salary or pension purposes is capped at \$106,800, plus the lesser of one-half of the annual change in the Consumer Price Index or 3.0% compounded. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75.0% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., 1/2% for each month under age 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 incur annually, each January thereafter. The increase is the lesser of 3.0% or 1/2 of the change in the Consumer Price Index for the proceeding calendar year.

Employees Covered by Benefit Terms

At April 30, 2017, the following employees were covered by the benefit terms:

| | Number of |
|---|--------------|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 37 |
| Inactive Plan Members Entitled to but not yet Receiving Benefits | 1 |
| Active Members | 87 |
| Total | 125 |
| Covered Valuation Payroll | \$ 8,890,968 |

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 finance the plan and the administrative costs as actuarially determined by an enrolled actuary. Effective January 1, 2011, the District has until the year 2040 to fund 90% of the past services costs for the Firefighters' Pension Plan.

LOCKPORT TOWNSHIP FIREFIGHTERS'S PENSION FUND
LOCKPORT, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
April 30, 2017

3. EMPLOYEE RETIREMENT SYSTEMS (continued)

Firefighters' Pension Plan (continued)

Net Pension Liability

The District's net pension liability was measured as of April 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at May 1, 2017:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.5%.
- **Salary Increases** were expected to be 4.0% to 9.17%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.00%.
- Projected increase in total payroll to be 3.25%
- Consumer Price Index to be 2.50%
- Mortality table – 2016 Illinois Firefighters Mortality Rates
- Retirement Rates – 2016 Illinois Firefighters Retirement Rates capped at age 65
- Disability Rates - 2016 Illinois Firefighters Disability Rates
- Termination Rates - 2016 Illinois Firefighters Termination Rates.
- Percent Married to be 80%
- The **long-term expected rate of return** on assets is intended to represent the best estimate of future real rates of return and is shown for each major asset classes in the investment policy. Long-term real rates of return are shown as the expected rate of return net of the assumed inflation rate:

LOCKPORT TOWNSHIP FIREFIGHTERS'S PENSION FUND
LOCKPORT, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
April 30, 2017

3. EMPLOYEE RETIREMENT SYSTEMS (continued)

Firefighters' Pension Plan (continued)

| <u>Asset Class</u> | <u>Long-Term Expected Rate of Return %</u> | <u>Long-Term Inflation Expectation %</u> | <u>Long-Term Expected Real Rate of Return %</u> |
|-------------------------|--|--|---|
| US Treasuries | 4.30 | 2.50 | 1.80 |
| US Agencies | 4.50 | 2.50 | 2.00 |
| US Corporate Bonds | 5.00 | 2.50 | 2.50 |
| US High Yield Bonds | 6.00 | 2.50 | 3.50 |
| Government Bonds | 5.50 | 2.50 | 3.00 |
| US Large Cap | 7.50 | 2.50 | 5.00 |
| US Mid Cap | 7.80 | 2.50 | 5.30 |
| US Small Cap | 7.50 | 2.50 | 5.00 |
| International Stocks | 7.80 | 2.50 | 5.30 |
| Emerging Markets Stocks | 8.70 | 2.50 | 6.20 |
| Real Estate | 6.80 | 2.50 | 4.30 |
| Global Infrastructure | 7.30 | 2.50 | 4.80 |

Single Discount Rate

A Single Discount Rate of 7.0% was used to measure the total pension liability. Cash flow projections were used to determine the extent which the plan's future net position will be able to cover future benefit payments. Projected benefit payments are determined during the actuarial process based on the assumptions.

LOCKPORT TOWNSHIP FIREFIGHTERS'S PENSION FUND
LOCKPORT, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
April 30, 2017

3. EMPLOYEE RETIREMENT SYSTEMS (continued)

Firefighters' Pension Plan (continued)

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.00%, the municipal bond rate is 3.82%, and the resulting single discount rate is 7.00%.

Changes in the Net Pension Liability

| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
|-------------------------------------|--|--|----------------------------------|
| | <u>(A)</u> | <u>(B)</u> | <u>(A) - (B)</u> |
| Balances at May 1, 2016 | 70,354,757 | 37,851,228 | 32,503,529 |
| Changes for the year: | | | - |
| Service Cost | 2,098,648 | - | 2,098,648 |
| Interest | 4,845,080 | - | 4,845,080 |
| Actuarial Experience | (275,252) | - | (275,252) |
| Assumption Changes | (1,277,460) | - | (1,277,460) |
| Contributions - Employer | - | 2,793,876 | (2,793,876) |
| Contributions - Employees | - | 842,359 | (842,359) |
| Net Investment Income | - | 1,825,362 | (1,825,362) |
| Benefit Payments, including Refunds | (2,278,643) | (2,278,643) | - |
| Other (Net Transfer) | - | (33,268) | 33,268 |
| Net Changes | <u>3,112,373</u> | <u>3,149,686</u> | <u>(37,313)</u> |
| Balances at April 30, 2017 | <u>73,467,130</u> | <u>41,000,914</u> | <u>32,466,216</u> |

LOCKPORT TOWNSHIP FIREFIGHTERS'S PENSION FUND
LOCKPORT, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
April 30, 2017

3. EMPLOYEE RETIREMENT SYSTEMS (continued)

Firefighters' Pension Plan (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.0%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

| | <u>1% Decrease (6.0%)</u> | <u>Current Discount Rate (7.0%)</u> | <u>1% Increase (8.0%)</u> |
|-----------------------|-------------------------------|---|-------------------------------|
| Net Pension Liability | 44,905,942 | 32,466,216 | 22,516,096 |

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended April 30, 2017, the District incurred pension expense of \$4,554,971. At April 30, 2017, the District reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | 553,221 | 250,045 |
| Changes of assumptions | 2,744,260 | 1,160,476 |
| Net difference between projected and actual earnings on pension plan investments | <u>2,847,889</u> | <u>-</u> |
| Total | <u><u>6,145,370</u></u> | <u><u>1,410,521</u></u> |

LOCKPORT TOWNSHIP FIREFIGHTERS'S PENSION FUND
LOCKPORT, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
April 30, 2017

3. EMPLOYEE RETIREMENT SYSTEMS (continued)

Firefighters' Pension Plan (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

| Year ended April 30: | |
|-----------------------------|--------------|
| 2017 | \$ 1,116,272 |
| 2018 | 1,116,272 |
| 2019 | 1,116,272 |
| 2020 | 399,125 |
| 2021 | 225,013 |
| Thereafter | 761,895 |

4. CONTINGENT LIABILITIES

a. Litigation

The Firefighters' Pension Fund is not currently involved in any lawsuits.

b. Compliance Audit

The Firefighters' Pension Fund is subject to a program compliance audit by the Illinois Division of Insurance. The compliance audit by the Illinois Division of Insurance for the year ended April 30, 2017 has not yet been conducted. Accordingly, the Firefighters' Pension Fund's compliance with applicable requirements will be established at some future date. The amount of any adjustments to be made by the Illinois Division of Insurance cannot be determined at this time; however, the Firefighters' Pension Fund expects such adjustments, if any, to be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

LOCKPORT TOWNSHIP FIREFIGHTERS' PENSION FUND

SCHEDULES OF RSI - FIREFIGHTERS' PENSION
MULTIYEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years
(schedule to be built prospectively from 2015)

| Fiscal year ending April 30, | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|--------------------|--------------------|--------------------|
| Total Pension Liability | | | |
| Service Cost | 2,098,648 | 1,842,344 | 1,924,819 |
| Interest on the Total Pension Liability | 4,845,080 | 4,289,984 | 3,638,618 |
| Benefit Changes | - | - | - |
| Difference between Expected and Actual Experience | (275,252) | 676,433 | (888,519) |
| Assumption Changes | (1,277,460) | 3,356,427 | 6,717,188 |
| Benefit Payments and Refunds | <u>(2,278,643)</u> | <u>(2,189,879)</u> | <u>(1,983,878)</u> |
| Net Change in Total Pension Liability | 3,112,373 | 7,975,309 | 9,408,228 |
| Total Pension Liability - Beginning | <u>70,355,728</u> | <u>62,380,419</u> | <u>52,972,191</u> |
| Total Pension Liability - Ending (a) | <u>73,468,101</u> | <u>70,355,728</u> | <u>62,380,419</u> |
| Plan Fiduciary Net Position | | | |
| Employer Contributions | 2,793,876 | 2,721,929 | 2,658,209 |
| Employee Contributions | 842,359 | 828,675 | 779,188 |
| Pension Plan Net Investment Income | 1,825,362 | (916,741) | 1,077,571 |
| Benefit payments and Refunds | (2,278,643) | (2,189,879) | (1,983,878) |
| Administrative expenses | <u>(33,268)</u> | <u>(50,365)</u> | <u>(42,164)</u> |
| Net Change in Plan Fiduciary Net Position | 3,149,686 | 393,619 | 2,488,926 |
| Plan Fiduciary Net Position - Beginning | <u>37,852,199</u> | <u>37,458,580</u> | <u>34,969,654</u> |
| Plan Fiduciary Net Position - Ending (b) | <u>41,001,885</u> | <u>37,852,199</u> | <u>37,458,580</u> |
| Net Pension Liability (Asset) - Ending (a) - (b) | 32,466,216 | 32,503,529 | 24,921,839 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 55.81% | 53.80% | 60.05% |
| Current Valuation Payroll | 8,890,968 | 10,530,196 | 8,045,615 |
| Net Pension Liability as a Percentage of Covered Valuation Payroll | 365.16% | 308.67% | 309.76% |

LOCKPORT TOWNSHIP FIREFIGHTERS' PENSION FUND

SCHEDULE OF EMPLOYER CONTRIBUTIONS - FIREFIGHTERS PENSION

MOST RECENT FISCAL YEAR

| <u>Fiscal Year Ending April 30,</u> | <u>Actuarially Determined Contribution</u> | <u>Actual Contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Covered Valuation Payroll</u> | <u>Actual Contribution as a % of Covered Valuation Payroll</u> |
|---|--|--------------------------------|---|--|--|
| 2016 | 2,928,417 | 2,793,876 | 134,541 | 8,890,968 | 31.42% |
| 2015 | 2,310,946 | 2,721,929 | (410,983) | 10,530,196 | 25.85% |
| 2014 | 2,145,110 | 2,658,209 | (513,099) | 8,045,615 | 33.04% |

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

| | |
|--|--|
| Valuation Date | May 1, 2017 |
| Measurement Date | April 30, 2017 |
| Methods and Assumptions | |
| Discount rate used for the total pension liability | 7.00% |
| Long-term expected rate of return plan assets | 7.00% |
| High quality 20 year tax exempt GO bond rate | 3.82% |
| Actuarial Cost Method | Normal (Level) |
| Wage growth | 4.00-9.17% |
| Projected increase in total payroll | 3.25% |
| Mortality table | Illinois Firefighters Mortality Rates |
| Retirement Rates | Illinois Firefighters Retirement Rates Capped at age 65 |
| Disability Rates | Illinois Firefighters Disability Rates |
| Termination Rates | Illinois Firefighters Termination Rates |
| Other Information | |
| Changes in Assumptions | The assumed rate on High Quality 20 Year Tax-Exempt G.O. Bonds was changed to 3.82%. There was also a change in the mortality tables used in actuarial reports from prior years. |