

**CITY OF URBANA, ILLINOIS
POLICE PENSION FUND**

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2022**

**CITY OF URBANA, ILLINOIS
POLICE PENSION FUND**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	<u>1</u>
FINANCIAL STATEMENTS	
Statement of Fiduciary Net Position	<u>4</u>
Statement of Changes in Fiduciary Net Position	<u>5</u>
Notes to Financial Statements	<u>6</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Employer Contributions	<u>16</u>
Schedule of Changes in the Employer's Net Pension Liability	<u>17</u>
Schedule of Investment Returns	<u>19</u>

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

This section includes the opinion of the Pension Fund's independent auditing firm.



INDEPENDENT AUDITORS' REPORT

December 19, 2022

Members of the Pension Board of Trustees
Urbana Police Pension Fund
City of Urbana, Illinois

Opinions

We have audited the basic financial statements of the Urbana Police Pension Fund (the "Pension Fund"), a pension trust fund of the City of Urbana, Illinois, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Pension Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of the Urbana Police Pension Fund, Illinois, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those 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 Pension Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, and for 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 Pension 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 opinions. 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 generally accepted auditing standards 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.

Auditor's Responsibilities for the Audit of the Financial Statements - Continued

In performing an audit in accordance with generally accepted auditing standards, 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 Pension 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 Pension 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.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Management has omitted a Management's Discussion and Analysis 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 opinions on the basic financial statements are not affected by this missing information.

Lauterbach & Amen, LLP

LAUTERBACH & AMEN, LLP

FINANCIAL STATEMENTS

**CITY OF URBANA, ILLINOIS
POLICE PENSION FUND**

**Statement of Fiduciary Net Position
June 30, 2022**

ASSETS	
Cash and Cash Equivalents	\$ 1,748,994
Investments	
U.S. Treasury Obligations	10,614,206
U.S. Agency Obligations	1,739,782
Corporate Bonds	1,434,563
Mutual Funds	21,158,417
Common Stock	6,926,817
Receivables	
Accrued Interest	70,406
Due from Municipality	<u>53,386</u>
Total Assets	43,746,571
LIABILITIES	
None	<u>—</u>
NET POSITION	
Net Position Restricted for Pensions	<u><u>43,746,571</u></u>

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

CITY OF URBANA, ILLINOIS
POLICE PENSION FUND

Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2022

Additions	
Contributions - Employer	\$ 2,344,957
Contributions - Plan Members	497,978
Total Contributions	<u>2,842,935</u>
Investment Income	
Interest Earned	1,222,698
Net Change in Fair Value	(6,627,252)
	<u>(5,404,554)</u>
Less Investment Expenses	(235,758)
Net Investment Income	<u>(5,640,312)</u>
Total Additions	<u>(2,797,377)</u>
Deductions	
Administration	41,763
Benefits and Refunds	<u>3,497,518</u>
Total Deductions	<u>3,539,281</u>
Change in Fiduciary Net Position	(6,336,658)
Net Position Restricted for Pensions	
Beginning	<u>50,083,229</u>
Ending	<u><u>43,746,571</u></u>

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

**CITY OF URBANA, ILLINOIS
POLICE PENSION FUND**

**Notes to the Financial Statements
June 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Urbana Police Pension Fund (the “Pension Fund”) of the City of Urbana, Illinois have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Pension Fund’s accounting policies are described below.

REPORTING ENTITY

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

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

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 City’s Police Department.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

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

**CITY OF URBANA, ILLINOIS
POLICE PENSION FUND**

**Notes to the Financial Statements
June 30, 2022**

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 are incurred. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

ASSETS, LIABILITIES, AND NET POSITION

Cash and Investments

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

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

Receivables

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

Short-Term Interfund Receivables/Payables

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

**CITY OF URBANA, ILLINOIS
POLICE PENSION FUND**

**Notes to the Financial Statements
June 30, 2022**

NOTE 2 - DETAIL NOTES ON FINANCIAL STATEMENTS

DEPOSITS, INVESTMENTS, AND CONCENTRATIONS

The deposits and investments of the Pension Fund are held separately from those of other City funds. Statutes authorize the Pension Fund to make deposits/invest in interest bearing direct obligations of the United States of America; obligations that are fully guaranteed or insured as to the payment of principal and interest by the United States of America; bonds, notes, debentures, or similar obligations of agencies of the United States of America; savings accounts or certificates of deposit issued by banks or savings and loan associations chartered by the United States of America or by the State of Illinois, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; credit unions, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; State of Illinois bonds; pooled accounts managed by the Illinois Funds Market Fund (Formerly known as IPTIP, 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 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 a net position of \$2.5 million or more may invest up to forty-five percent of their net position in separate accounts of life insurance companies and mutual funds. Pension Funds with a 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’s net position in common and preferred stocks that meet specific restrictions. In addition, pension funds with a net position of at least \$10 million that have appointed an investment advisor, may invest up to fifty percent of its net plan position in common and preferred stocks and mutual funds that meet specific restrictions effective July 1, 2011 and up to fifty-five percent effective July 1, 2012.

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

Deposits. At year-end, the carrying amount of the Fund’s deposits totaled \$1,748,994 and the bank balances totaled \$1,748,994.

Investments. The Fund has the following investment fair values and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Treasury Obligations	\$ 10,614,206	298,869	7,446,559	2,868,778	—
U.S. Agency Obligations	1,739,782	245,069	441,371	222,511	830,831
Corporate Bonds	1,434,563	—	151,234	1,283,329	—
Totals	13,788,551	543,938	8,039,164	4,374,618	830,831

**CITY OF URBANA, ILLINOIS
POLICE PENSION FUND**

**Notes to the Financial Statements
June 30, 2022**

NOTE 2 - DETAIL NOTES ON FINANCIAL STATEMENTS - Continued

DEPOSITS, INVESTMENTS, AND CONCENTRATIONS - Continued

Interest Rate Risk, Credit Risk, Custodial Credit Risk, and Concentration of Credit Risk - Continued

The Fund has the following recurring fair value measurements as of June 30, 2022:

	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)
Investments by Fair Value Level				
Debt Securities				
U.S. Treasury Obligations	\$ 10,614,206	10,614,206	—	—
U.S. Agency Obligations	1,739,782	—	1,739,782	—
Corporate Bonds	1,434,563	—	1,434,563	—
Equity Securities				
Mutual Funds	21,158,417	21,158,417	—	—
Common Stock	6,926,817	6,926,817	—	—
Total Investments Measured at Fair Value	41,873,785	38,699,440	3,174,345	—

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.

Interest Rate Risk. The Fund's investment policy establishes a goal that the fixed income portion be structured such that maturity dates are staggered so as to avoid an undue concentration of assets in a given time period. The policy also requires diversification of the portfolio so that the impact of a potential drop in interest rates in a particular type of security will be minimized, setting desired minimum and maximum levels for each category of investment.

Credit Risk. The Fund's investment policy authorizes investments in any type of security allowed for in Illinois statutes regarding the investment of public funds. The U.S. Agency Obligations ratings were rated AAA to AA+ by Standard and Poor's. The corporate bonds were rated A- to BBB+ by Standard and Poor's.

Custodial Credit Risk. For deposits, the Fund's investment policy limits the exposure to custodial credit risk by requiring all deposits in excess of FDIC insurable limits to be secured with collateralization pledged by the applicable financial institution equal to at least 100% of the value of the deposit. At June 30, 2022, the entire amount of the bank balance of the deposits was covered by federal depository or equivalent insurance.

**CITY OF URBANA, ILLINOIS
POLICE PENSION FUND**

**Notes to the Financial Statements
June 30, 2022**

NOTE 2 - DETAIL NOTES ON FINANCIAL STATEMENTS - Continued

DEPOSITS, INVESTMENTS, AND CONCENTRATIONS - Continued

Interest Rate Risk, Credit Risk, Custodial Credit Risk, and Concentration of Credit Risk - Continued

Custodial Credit Risk - Continued. For investments, the Fund's investment policy requires all securities to be insured, registered, or held by the Fund's agent in the Fund's name.

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

Asset Class	Target	Long-Term Expected Real Rate of Return
Equities	55.0%	4.7%
Fixed Income	43.0%	2.4%
Cash	2.0%	0.0%

Illinois Compiled Statutes (ILCS) limit the Fund's investments in equities to 65% of the Fund's net position with a further 10% allowed to be invested in equities through mutual funds. Securities in any one company should not exceed 5% of the total fund.

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by the Fund's investment management consultant in May 2022 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of June 30, 2022 are listed in the table above.

In addition to the securities and fair values listed previously, the Fund also has \$21,158,417 invested in mutual funds and \$6,926,817 invested in common stock. At year-end, the Fund does not have any investments over 5 percent of the total cash and investment portfolio (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments).

Rate of Return

For the fiscal year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (12.02%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CITY OF URBANA, ILLINOIS
POLICE PENSION FUND**

**Notes to the Financial Statements
June 30, 2022**

NOTE 3 - OTHER INFORMATION

CONTINGENT LIABILITIES

Litigation

The Pension Fund is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Pension Fund's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Pension Fund.

Compliance Audit

The Pension Fund is subject to a program compliance audit by the Illinois Department of Insurance. The compliance audit by the Illinois Division of Insurance for the year ended June 30, 2022 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 Police Pension Plan is a single-employer defined benefit pension plan that covers all sworn police personnel. The defined benefits and employee and minimum employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The City accounts for the Fund as a pension trust fund. The Fund is governed by a five-member pension board. Two members of the Board are appointed by the City's Mayor, one member is elected by pension beneficiaries and two members are elected by active police employees.

Plan Membership

At June 30, 2022, the measurement date, membership consisted of the following:

Inactive Plan Members Currently Receiving Benefits	56
Inactive Plan Members Entitled to but not yet Receiving Benefits	6
Active Plan Members	<u>57</u>
Total	<u><u>119</u></u>

**CITY OF URBANA, ILLINOIS
POLICE PENSION FUND**

**Notes to the Financial Statements
June 30, 2022**

NOTE 3 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN - Continued

Benefits Provided

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

The Police 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 police officer 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 police officer 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. Police officer 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 police officer shall be increased annually at age 60 on the January 1st after the police officer 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 $\frac{1}{2}$ of the change in the Consumer Price Index for the proceeding calendar year.

Contributions

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. However, effective January 1, 2011, ILCS requires the City to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. For the fiscal year ended June 30, 2022, the City's contribution was 46.16% of covered payroll.

**CITY OF URBANA, ILLINOIS
POLICE PENSION FUND**

**Notes to the Financial Statements
June 30, 2022**

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 City as of June 30, 2022 were as follows:

Total Pension Liability	\$	70,943,864
Plan Fiduciary Net Position		<u>43,746,571</u>
City's Net Pension Liability		<u><u>27,197,293</u></u>
Plan Fiduciary Net Position as Percentage of the Total Pension Liability		61.66%

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 Fund.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation performed, as of June 30, 2022, using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value
Actuarial Assumptions	
Interest Rate	7.125%
Salary Increases	Service Based
Cost of Living Adjustments	3.25%
Inflation	2.25%

Mortality rates were based on PubS-2010(A) Adjusted for Plan Status, Collar, and Illinois Public Pension Data, as Appropriate.

**CITY OF URBANA, ILLINOIS
POLICE PENSION FUND**

**Notes to the Financial Statements
June 30, 2022**

NOTE 3 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN - Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.125%, compared to last year's rate of 7.00%. 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 Pension Fund contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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 Pension Fund calculated using the discount rate as well as what the Pension Fund'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 (6.125%)	Current Discount Rate (7.125%)	1% Increase (8.125%)
Net Pension Liability	\$ 37,830,145	27,197,293	18,608,315

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF URBANA, ILLINOIS
POLICE PENSION FUND**

**Schedule of Employer Contributions
June 30, 2022**

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 1,648,164	\$ 2,138,159	\$ 489,995	\$ 3,972,920	53.82%
2014	1,642,577	2,254,203	611,626	4,124,681	54.65%
2015	1,642,577	1,850,383	207,806	4,111,495	45.01%
2016	1,619,190	1,396,843	(222,347)	4,481,382	31.17%
2017	1,721,661	1,230,207	(491,454)	4,597,710	26.76%
2018	1,202,926	1,263,112	60,186	4,564,608	27.67%
2019	1,376,311	1,035,976	(340,335)	4,712,958	21.98%
2020	1,610,592	1,721,967	111,375	4,905,703	35.10%
2021	1,840,000	2,382,982	542,982	4,921,419	48.42%
2022	2,148,000	2,344,957	196,957	5,080,598	46.16%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	16 Years
Asset Valuation Method	Fair Value
Inflation	2.25%
Salary Increases	Service Based
Investment Rate of Return	7.125%
Retirement Age	Graded by age (11.00% at 50 to 100.00% at age 65)
Mortality	PubS-2010(A) Adjusted for Plan Status, Collar, and Illinois Public Pension Data, as Appropriate

CITY OF URBANA, ILLINOIS
POLICE PENSION FUND

Schedule of Changes in the Employer's Net Pension Liability
June 30, 2022

	6/30/14	6/30/15
Total Pension Liability		
Service Cost	\$ 1,202,918	1,194,543
Interest	3,084,785	3,228,731
Changes in Benefit Terms	—	—
Differences Between Expected and Actual Experience	(136,267)	(610,133)
Change of Assumptions	—	1,761,301
Benefit Payments, Including Refunds of Member Contributions	(1,971,517)	(2,209,086)
Net Change in Total Pension Liability	2,179,919	3,365,356
Total Pension Liability - Beginning	45,058,874	47,238,793
Total Pension Liability - Ending	47,238,793	50,604,149
Plan Fiduciary Net Position		
Contributions - Employer	\$ 2,254,203	1,850,383
Contributions - Members	393,954	416,575
Contributions - Other	—	—
Net Investment Income	3,673,877	632,290
Benefit Payments, Including Refunds of Member Contributions	(1,971,517)	(2,209,086)
Administrative Expenses	(33,074)	(33,421)
Net Change in Plan Fiduciary Net Position	4,317,443	656,741
Plan Net Position - Beginning	29,542,951	33,860,394
Plan Net Position - Ending	33,860,394	34,517,135
Employer's Net Pension Liability	\$ 13,378,399	16,087,014
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.68%	68.21%
Covered Payroll	\$ 4,124,681	4,111,495
Employer's Net Pension Liability as a Percentage of Covered Payroll	324.35%	391.27%

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

6/30/16	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21	6/30/22
1,085,728	1,053,158	1,126,879	1,182,091	1,141,313	1,159,534	1,122,330
3,541,423	3,485,734	3,919,160	4,093,197	4,292,396	4,612,916	4,772,046
—	—	—	—	392,059	—	—
(4,005,503)	4,777,112	—	—	853,891	(324,629)	(308,508)
1,937,667	(613,367)	186,905	515,012	1,147,654	197,308	(1,206,102)
(2,196,232)	(2,342,051)	(2,679,667)	(2,813,712)	(3,075,475)	(3,193,034)	(3,497,518)
363,083	6,360,586	2,553,277	2,976,588	4,751,838	2,452,095	882,248
50,604,149	50,967,232	57,327,818	59,881,095	62,857,683	67,609,521	70,061,616
50,967,232	57,327,818	59,881,095	62,857,683	67,609,521	70,061,616	70,943,864
1,396,843	1,230,207	1,263,112	1,035,976	1,721,967	2,382,982	2,344,957
444,105	442,500	452,353	474,021	487,632	487,713	497,978
—	—	—	120,990	—	—	—
861,378	3,356,407	2,659,165	2,227,519	1,427,364	9,661,385	(5,640,312)
(2,196,232)	(2,342,051)	(2,679,667)	(2,813,712)	(3,075,475)	(3,193,034)	(3,497,518)
(60,788)	(54,146)	(22,701)	(37,561)	(42,048)	(50,110)	(41,763)
445,306	2,632,917	1,672,262	1,007,233	519,440	9,288,936	(6,336,658)
34,517,135	34,962,441	37,595,358	39,267,620	40,274,853	40,794,293	50,083,229
34,962,441	37,595,358	39,267,620	40,274,853	40,794,293	50,083,229	43,746,571
16,004,791	19,732,460	20,613,475	22,582,830	26,815,228	19,978,387	27,197,293
68.60%	65.58%	65.58%	64.07%	60.34%	71.48%	61.66%
4,481,382	4,597,710	4,564,608	4,712,958	4,905,703	4,921,419	5,080,598
357.14%	429.18%	451.59%	479.16%	546.61%	405.95%	535.32%

**CITY OF URBANA, ILLINOIS
POLICE PENSION FUND**

**Schedule of Investment Returns
June 30, 2022**

Fiscal Year	Annual Money- Weighted Rate of Return, Net of Investment Expense
2014	11.89%
2015	1.87%
2016	2.60%
2017	7.73%
2018	7.17%
2019	5.81%
2020	3.74%
2021	21.26%
2022	(12.02%)

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