

Batavia Firefighters' Pension Fund

August 17, 2020

Mayor Jeffrey Schielke and Members of the City Council
City of Batavia
100 N. Island Avenue
Batavia, Illinois 60510

RE: Tax Levy Request from the Batavia Firefighters' Pension Fund

Dear Mayor Schielke and Members of the City Council:

Section 4-118 of the Illinois Pension Code (40 ILCS 5/4-118) requires that the City of Batavia annually levy a tax to meet the annual actuarial requirements of the firefighters' pension fund. At a recent meeting of the Board of Trustees of the Batavia Firefighters' Pension Fund, the Board reviewed the actuarial valuation and GASB 67/68 report prepared by Lauterbach & Amen for purposes of the next City tax levy and audit.

The Board voted to request that the City Council levy and contribute the recommended actuarial amount of **\$1,199,338** on behalf of the Batavia Firefighters' Pension Fund in December 2020. This number is based on Mr. Schroeder's calculation, following a policy of 100% funding by 2040, using an investment return of 7% under the entry age normal actuarial method. Note the following highlights from the actuarial valuation study:

- The recommend contribution has increased \$165,216 or 15.98% from the prior year.
- The primary factors in the large increase in the employer contribution are assumptions changes (including improvement in mortality) and modifications to the Tier II benefit provisions. These two factors account for nearly \$100,000 of the increase in the recommended contribution.
- This year's investment return was 18.82% net of administrative expenses. When smoothed over a five-year period, the return on the actuarial value of assets was 6.16% net of administrative expenses.
- Last year, the Fund paid out over \$1 million in pension benefits and ended the year with almost \$20 million in assets. Furthermore, the City exceeded its annual recommended contribution to the Fund, contributing over \$945,000. The actuary noted the Fund is in a sound financial position, based on its ratio of benefits to market value of assets of 5.28%.

The Board is grateful for the City's history of exceeding the recommended contribution to the Fund. Enclosed please find copies of the actuarial valuations, the annual municipal compliance report, and the Fund's investment policy, for your review. If you have any questions regarding the Board's request or would like a representative of the Board to attend the City Council meeting at which our request will be discussed, please let us know.

Sincerely,

BATAVIA FIREFIGHTERS' PENSION FUND


Chief Randy Deicke, President

Enclosures: L & A Actuarial Valuation as of January 1, 2020
DOI Actuarial Valuation Report as of January 1, 2020
Municipal Compliance Report
Investment Policy

cc: Peggy Colby, Finance Director, City of Batavia (w/ enclosures)