Michigan Department of Treasury  
5074 (Rev. 03-14)

Economic Vitality Incentive Program/County Incentive Program  
Certification of Unfunded Accrued Liability Plan  
Issued under authority of 2014 Public Act 34. Filing is mandatory to qualify for payments.

Each city/village/township/county applying for Unfunded Accrued Liability Plan payments must:

1. Certify to the Michigan Department of Treasury (Treasury) that the local unit listed below has produced an Unfunded Accrued Liability Plan. The plan shall be made available for public viewing in the clerk's office or posted on a publicly accessible Internet site as required by 2014 Public Act 34.

2. Submit to Treasury an Unfunded Accrued Liability Plan, if selecting Option 1 of Part 2 below.

City/village/township: This certification, along with the Unfunded Accrued Liability Plan, must be received by June 1, 2014, to receive the June and August payments or on or before July 31, 2014, to receive the August payment. Postmark dates will not be considered. For questions, call (517) 373-2697.

County: This certification, along with the Unfunded Accrued Liability Plan, must be received by June 1, 2014, (or the first day of a payment month) in order to qualify for that month's payment. Postmark dates will not be considered. For questions, call (517) 373-2697.

PART 1: LOCAL UNIT INFORMATION  

<table>
<thead>
<tr>
<th>Local Unit Name</th>
<th>City of Kalamazoo</th>
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</thead>
<tbody>
<tr>
<td>Local Unit Code</td>
<td>39202</td>
</tr>
<tr>
<td>Contact Name</td>
<td>Jerome Kisscorni</td>
</tr>
<tr>
<td>Contact Title</td>
<td>Asst. City Manager</td>
</tr>
<tr>
<td>Contact E-Mail Address</td>
<td><a href="mailto:kisscornj@kalamazoo.org">kisscornj@kalamazoo.org</a></td>
</tr>
<tr>
<td>Website Address, if plan is available online</td>
<td><a href="http://www.kalamazooicity.org">www.kalamazooicity.org</a></td>
</tr>
<tr>
<td>Date of Last Audited Financial Report</td>
<td>12/31/12</td>
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PART 2: STATEMENT OF UNFUNDED ACCRUED LIABILITIES

Indicate the option that pertains to your local unit:

☐ 1. Unfunded Accrued Liabilities Exist
   A local unit who has unfunded accrued liabilities pertaining to pensions or other post-employment benefits must attach a plan as required by 2014 Public Act 34.

☒ 2. No Unfunded Accrued Liabilities Exist
   A local unit who does not have any unfunded accrued liabilities pertaining to pensions or other post-employment benefits must provide, in the box below, an explanation of why the local unit does not have any unfunded accrued liabilities.

PART 3: CERTIFICATION

In accordance with 2014 Public Act 34, the undersigned hereby certifies to Treasury that the above mentioned local unit has produced an Unfunded Accrued Liability Plan and has made the plan available for public viewing in the city, village, township or county clerk's office, or has posted the plan on a publicly accessible Internet site. The Unfunded Accrued Liability Plan, if required, is attached to this signed certification.

Chief Administrative Officer Signature (as defined in MCL 141.422b)  

Printed Name of Chief Administrative Officer (as defined in MCL 141.422b)  

James K. Ritsema  

Title  

City Manager  

Date  

5/28/14

Completed and signed form (including required attachment, if selected option 1) should be e-mailed to: TreasRevenueSharing@michigan.gov

If you are unable to submit via e-mail, fax to (517) 335-3298, or mail the completed form and required attachment (if selected option 1) to:

Michigan Department of Treasury  
Office of Revenue and Tax Analysis  
PO Box 30722  
Lansing MI 48909

TREASURY USE ONLY  

<table>
<thead>
<tr>
<th>EVIP/CIP Eligible</th>
<th>Certification Received</th>
<th>EVIP/CIP Notes</th>
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<tbody>
<tr>
<td>Y</td>
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<tr>
<td>N</td>
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Final Certification  

<table>
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<th>Plan Received</th>
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Economic Vitality Incentive Program (EVIP) Certification

Category #3, Unfunded Accrued Liability Plan

Issued Under Authority of Public Act 34 of 2014

An eligible city, village, township, or county with unfunded accrued liabilities as of its most recent audited financial report related to employee pensions or other post-employment benefits shall submit a plan to lower all unfunded accrued liabilities. The plan shall include a listing of all previous actions taken to reduce its unfunded accrued liabilities; a detailed description of how it will continue to implement and maintain previous actions taken; and a listing of additional actions it could take. If no actions have been taken to reduce its unfunded accrued liabilities, it shall provide a detailed explanation of why no actions have been taken and a listing of actions it could implement to reduce unfunded accrued liabilities. Actuarial assumption changes and issuance of debt instruments shall not qualify as a new proposal. The unfunded accrued liabilities plan shall be made available for public viewing in the city, village, township, or county clerk’s office or posted on a publicly accessible Internet site. The city, village, township, or county shall certify with the department of treasury that its plan is publicly accessible.
2005: HEALTH CARE COST CONTAINMENT INITIATIVE BEGINS

- Health care cost containment was prioritized in 2005 with increased employee payroll contributions through progressive and collaborative bargaining with the unions and a similar strategy applied to non-union employees.

- The City implemented a policy to establish a 20% share of total health care costs for employees.

- This effort has generated cost savings of over $11 million for the City from FY 2005 through FY 2013 for providing self-insured employee health care.

- The City began to consolidate employee health care plans from three a la carte offerings to one, with all City employees and retirees on one health care plan by 2010 saving significant administrative and plan related costs.

2007 – 2013: MAJOR BENEFIT CHANGES BARGAINED WITH EMPLOYEE UNITS

- Those retiring after 12/31/2006 see the same changes in health care plan design as active employees

- The City “closed” its retiree health care system in 2011; instead of a promised benefit, new hires receive a fixed amount ($75 per paycheck) into a Retiree Health Care Savings Account

- Plan designs make out of pocket cost sharing increasingly positive for the City’s ability to afford RHC

- An 20% contribution out of paycheck has been established for contracts signed in 2013 with Public Safety and KMEA
POSITIVE OUTCOMES FROM BENEFIT CHANGES

- Bending the Cost Curve since 2005:
  - Average inflation of health care costs of 3.5%, roughly ½ of the national average of 6.2%
  - Total cost avoidance of $11M, $3.8M of which will occur in 2013 and is projected to repeat in 2014

- Reductions in Long-term Liability:
  - 2012: Actuarially Accrued Liabilities (AAL) has been reduced from $263M (2010) to $195M (2013)

POSITIVE OUTCOMES FROM BENEFIT CHANGES

Health Care Savings vs. "Do Nothing" 2005-2013

- "Do-nothing" Total Costs inflated from baseline of 2005
- Actual Active & Retiree Insurance
- Cumulative Savings (vs. do-nothing scenario)
Opportunities for Future Liability Reduction
2014 and Beyond

In 2014 the City of Kalamazoo will continue to address options to contain Health Care Cost Liabilities with its employees and Unions.

Liabilities

- Fixed plans, growing costs
  - 18 Legacy RHC plans weigh heavily on financial liability (majority of pay-as-you-go health care costs (estimated at over $6M of $8M in 2014)

- Medicare Part B participation opt-outs (numbering 213 retirees) are a focus of liability reduction

- Medicare opt-outs (this was an option for Public Safety bargaining unit folks who retired before September 2011)

- There are currently more than 200 retirees who do not fully utilize Medicare

- The additional costs for the City for these opt-outs are between $3 – 7 thousand per year for each opt-out (total additional cost to the City is estimated to be between $500k - $1 million per year)
City of Kalamazoo
Historic Changes to Retirement Benefits

1995
- Self-funded the two HMO plans in effect BCN & PHP
- Increased employee medical contribution

2000
- Implemented Section 125 plan to pre-tax medical contributions
- Offered ERI program to employees

2005
- Implemented EAP program
- Consolidated AFSCME, KMEA, NBU & retiree’s to one Community Blue health plan

2007
- Increased co-insurance to 80%/20% and deductibles for AFSCME, KMEA & NBU employees
- Increased employee health care contribution
- Consolidated Public Safety & ATU employees to Community Blue Plan

2009
- Increased co-insurance to 80%/20% and deductibles for AFSCME, KMEA & NBU employees
- Instituted pharmacy initiatives to reduce the use of higher cost prescriptions
- New hire pension vesting changed from 5 years to 10 years

2011
- Eliminated retiree healthcare for Public Safety & ATU employees
- Established RHS program

2012
- Increased co-insurance to 80%/20% for Public Safety & ATU employees
- Insurance dependent eligibility audit saving estimated $416,000 annually

2013
- All employees and retirees on same Community Blue Health plan.
- Contributed $6.6 Million to OPEB Trust Fund

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