

Economic Vitality Incentive Program/County Incentive Program Certification of Unfunded Accrued Liability Plan

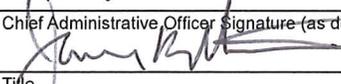
Issued under authority of 2014 Public Act 34. Filing is mandatory to qualify for payments.

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 and made readily available to the public, 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. Post mark 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. Post mark dates will not be considered. For questions, call (517) 373-2697.

PART 1: LOCAL UNIT INFORMATION			
Local Unit Name City of Kalamazoo		Local Unit County Name Kalamazoo County	
Local Unit Code 39202		Contact E-Mail Address kisscornij@kalamazoocity.org	
Contact Name Jerome Kisscorni	Contact Title Asst. City Manager	Contact Telephone Number 337-8082	Extension
Website Address, if plan is available online www.kalamazoocity.org			Date of Last Audited Financial Report 12/31/12
PART 2: STATEMENT OF UNFUNDED ACCRUED LIABILITIES			
Indicate the option that pertains to your local unit:			
<input checked="" type="checkbox"/> 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.			
<input type="checkbox"/> 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			
<i>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.</i>			
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		
EVIP/CIP Eligible Y N	Certification Received	EVIP/CIP Notes
Final Certification	Plan Received	



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.

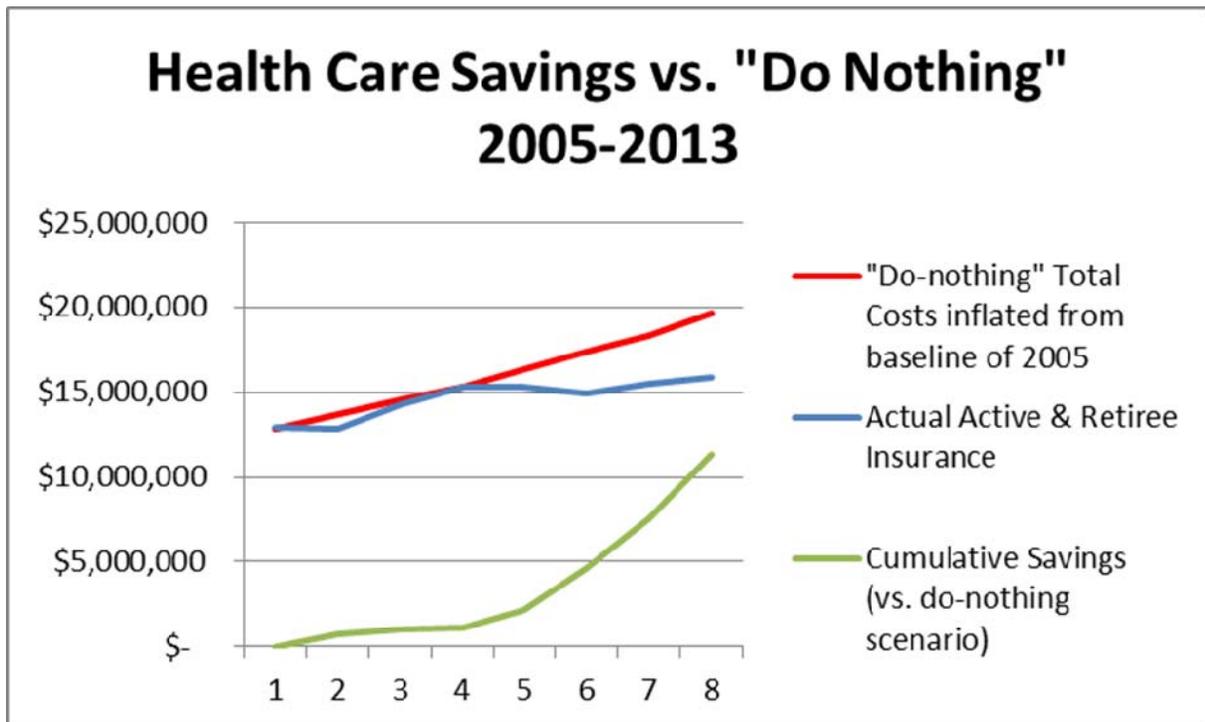
2007 – 2013: MAJOR BENEFIT CHANGES BARGAINED WITH EMPLOYEE UNITS

- 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



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

