

City of Kalamazoo

Postretirement Welfare Benefits Plan

GASB Statement Nos. 74 and 75, Accounting and Financial
Reporting for Postemployment Benefits Other Than Pensions
Measurement Date – December 31, 2018

Reporting Date

- Central County Transportation Authority - September 30, 2019
- All Other Groups - December 31, 2019



April 15, 2019

Mr. Steve Vicenzi
Director of Management Services/CFO
City of Kalamazoo
Postretirement Welfare Benefits Plan
241 West South Street
Kalamazoo, Michigan 49007

Dear Mr. Vicenzi:

This report provides information on behalf of the City of Kalamazoo Postretirement Welfare Benefits Plan in connection with the Governmental Accounting Standards Board (GASB) Statement Nos. 74 and 75. GASB Statement No. 74 is the accounting standard, which applies to other postemployment benefits (OPEB) plans that are administered through trusts or equivalent arrangements. GASB Statement No. 75 establishes accounting and financial reporting requirements for state and local government employers that provide their employees with postemployment benefits other than pensions.

The calculation of the liability associated with the benefits described in this report was performed for the purpose of satisfying the requirements of GASB Statement Nos. 74 and 75. The calculation of the plan's liability for this report is not applicable for funding purposes of the plan. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB Statement Nos. 74 and 75 may produce significantly different results. This report may be provided to parties other than the City of Kalamazoo Postretirement Welfare Benefits Plan only in its entirety and only with the permission of the City of Kalamazoo Postretirement Welfare Benefits Plan. GRS is not responsible for unauthorized use of this report.

This report is based upon information, furnished to us by the City, concerning other postemployment benefits (OPEB), active members, deferred vested members, retirees and beneficiaries, and financial data. This information was checked for internal consistency, but it was not audited.

Based on the available data, the information contained in this report is accurate and fairly represents the actuarial position of the City of Kalamazoo Postretirement Welfare Benefits Plan as of the reporting date. All calculations have been made in conformity with generally accepted actuarial principles and practices as well as the Actuarial Standards of Practice. If you have reason to believe that the information provided in this report is inaccurate, or is in any way incomplete, or if you need further information in order to make an informed decision on the subject matter of this report, please contact the authors of the report prior to making such decision.

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Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

The signing actuaries are independent of the plan sponsor.

James D. Anderson and Michael D. Kosciuk are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,



James D. Anderson, FSA, EA, FCA, MAAA



Michael D. Kosciuk, ASA, EA, ACA, MAAA

JDA/MDK:dj

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Auditor's Note – This information is intended to assist in preparation of the financial statements of the City of Kalamazoo Postretirement Welfare Benefits Plan. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

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SECTION A

EXECUTIVE SUMMARY

Executive Summary as of December 31, 2018

	2018
Actuarial Valuation Date	December 31, 2017
Measurement Date of the Net OPEB Liability	December 31, 2018
Employer's Fiscal Year Ending Date (Reporting Date)	
- Central County Transportation Authority	September 30, 2019
- All Other Groups	December 31, 2019

Membership

Number of#	
- Retirees and Beneficiaries	753
- Inactive, Nonretired Members	43
- Active Members	679
- Total	1,475
Covered Payroll [^]	\$ 39,920,744

Net OPEB Liability

Total OPEB Liability	\$ 253,315,222
Plan Fiduciary Net Position	90,936,245
Net OPEB Liability	\$ 162,378,977
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	35.90 %
Net OPEB Liability as a Percentage of Covered Payroll	406.75 %

Development of the Single Discount Rate

Single Discount Rate	4.45 %
Long-Term Expected Rate of Investment Return	7.50 %
Long-Term Municipal Bond Rate*	3.71 %
Last year ending December 31 in the 2019 to 2118 projection period for which projected benefit payments are fully funded	2031

Total OPEB Expense \$ 22,741,844

Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future OPEB Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 6,637,472	\$ 24,952
Changes in assumptions	41,523,433	0
Net difference between projected and actual earnings on OPEB plan investments	11,958,430	4,666,844
Total	\$ 60,119,335	\$ 4,691,796

Membership counts are as of the actuarial valuation date, including members eligible for the retiree life insurance benefit and those on waiver.

[^] Reflects payroll as of the actuarial valuation date that is one year prior to the measurement date. This payroll may differ from the GASB Statement Nos. 74 and 75 definition of covered-employee payroll.

*Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of December 31, 2018. In describing this index, Fidelity notes that the municipal curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.

Discussion

Accounting Standard

For post-employment (OPEB) benefit plans that are administered through trusts or equivalent arrangements, Governmental Accounting Standards Board (GASB) Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," replaces the requirements of GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." Similarly, GASB Statement No. 75 establishes standards for state and local government employers (as well as non-employer contributing entities) to account for and disclose net OPEB liability, OPEB expense, and other information associated with providing OPEB to their employees (and former employees) on their financial statements.

GASB Statement Nos. 74 and 75 are effective for fiscal years beginning after June 15, 2016 and June 15, 2017, respectively.

The following discussion provides a summary of the information that is required to be disclosed under these accounting standards. A number of these disclosure items are provided in this report. However, certain information, such as notes regarding accounting policies and investments, is not included in this report. As a result, the plan sponsor will be responsible for preparing and disclosing the non-actuarial information needed to comply with these accounting standards.

Financial Statements

GASB Statement No. 75 requires state and local government employers to recognize the net OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. The net OPEB liability is the difference between the total OPEB liability and the plan's fiduciary net position. In traditional actuarial terms, this is analogous to the accrued liability less the market value of assets.

GASB Statement No. 75 states the employer contributions made to the OPEB plan subsequent to the measurement date and before the end of the employer's reporting period should be reported as a deferred outflow of resources. The information contained in this report does not incorporate any employer contributions made subsequent to the measurement date of December 31, 2018.

The OPEB expense recognized each fiscal year is equal to the change in the net OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the liability and investment experience.

GASB Statement No. 74 requires defined benefit OPEB plans which are administered as trusts or equivalent arrangements to present two financial statements: a statement of fiduciary net position and a statement of changes in fiduciary net position. The statement of fiduciary net position presents the assets and liabilities of the OPEB plan at the end of the OPEB plan's reporting period. The statement of changes in fiduciary net position presents the additions, such as contributions and investment income, and deductions, such as benefit payments and expense, and net increase or decrease in the fiduciary net position.

Notes to Financial Statements

GASB Statement No. 75 requires the notes of the employer's financial statements to disclose the total OPEB expense, the OPEB plan's liabilities and assets, and deferred outflows of resources and inflows of resources related to OPEB.

GASB Statement Nos. 74 and 75 require the notes of the financial statements for employers and OPEB plans to include certain additional information. The list of disclosure items should include:

- the name of the OPEB plan, the administrator of the OPEB plan, and the identification of whether the OPEB plan is a single-employer, agent, or cost-sharing OPEB plan;
- a description of the benefits provided by the plan;
- a brief description of changes in benefit terms or assumptions that affected the measurement of the total OPEB liability since the prior measurement date;
- the number of plan members by category and if the plan is closed;
- a description of the plan's funding policy, which includes member and employer contribution requirements;
- the OPEB plan's investment policies;
- the OPEB plan's fiduciary net position and the net OPEB liability;
- the net OPEB liability using +/- 1% on the discount rate;
- the net OPEB liability using +/- 1% on the healthcare trend rate;
- significant assumptions and methods used to calculate the total OPEB liability;
- inputs to the discount rates; and
- certain information about mortality assumptions and the dates of experience studies.

OPEB plans that are administered through trusts or equivalent arrangements are required to disclose additional information in accordance with GASB Statement No. 74. This information includes:

- the composition of the OPEB plan's Board and the authority under which benefit terms may be amended;
- a description of how fair value is determined;
- information regarding certain reserves and investments, which include concentrations of investments greater than or equal to 5%, receivables, and insurance contracts excluded from plan assets; and
- annual money-weighted rate of return.

Required Supplementary Information

GASB Statement No. 74 requires a 10-year fiscal history of:

- sources of changes in the net OPEB liability;
- information about the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percent of covered-employee payroll;
- comparison of the actual employer contributions to the actuarially determined contributions based on the plan's funding policy; and
- for plans with an actuarially determined contribution, the schedule covering each of the 10 most recent fiscal years of the actuarially determined contribution, contributions to the OPEB plan and related ratios.

Frequency and Timing of the Actuarial Valuation

An actuarial valuation to determine the total OPEB liability is required to be performed at least every two years. For the employer's financial reporting purposes, the net OPEB liability and OPEB expense should be measured as of the employer's "measurement date," which may not be earlier than the employer's prior fiscal year end-date. If the actuarial valuation used to determine the total OPEB liability is not calculated as of the measurement date, the total OPEB liability is required to be rolled forward from the actuarial valuation date to the measurement date.

The total OPEB liability shown in this report is based on an actuarial valuation performed as of December 31, 2017 and a measurement date of December 31, 2018.

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on OPEB plan investments is 7.50%; the municipal bond rate is 3.71% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"); and the resulting Single Discount Rate is 4.45%.

Actuarial Assumptions

The actuarial assumptions used to value the liabilities are outlined in detail in Section I. The assumptions include details on the healthcare trend assumption, the aging factors, as well as the cost method used to develop the OPEB expense.

Future Uncertainty or Risk

Future results may differ from those anticipated in this valuation. Reasons include, but are not limited to:

- Actual medical trend differing from expected;
- Changes in the healthcare plan designs offered to active and retired members; and
- Participant behavior differing from expected, e.g.,
 - Elections at retirement;
 - One-person versus two-person coverage elections; and
 - Time of retirement or termination.

Benefits Valued

The benefit provisions that were valued are described in Section F. The valuation is required to be performed on the current benefit terms and existing legal agreements. Consideration is to be given to the written plan document as well as other communications between the employer and plan members and an established pattern of practice for cost sharing. The summary of major plan provisions is designed to outline principal plan benefits. If the plan summary is not in accordance with the actual provisions, please alert the actuaries immediately, so they can both be sure the proper provisions are valued.

Effective Date and Transition

GASB Statement Nos. 74 and 75 are effective for fiscal years beginning after June 15, 2016, and June 15, 2017, respectively.

SECTION B

FINANCIAL STATEMENTS

Auditor's Note – This information is intended to assist in preparation of the financial statements of the City of Kalamazoo Postretirement Welfare Benefits Plan. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

Statement of OPEB Expense under GASB Statement No. 75

Fiscal Year Ended December 31, 2018

A. Expense

1. Service Cost	\$	2,740,829
2. Interest on the Total OPEB Liability		10,773,588
3. Current-Period Benefit Changes		(3,068,315)
4. Employee Contributions (made negative for addition here)		0
5. Projected Earnings on Plan Investments (made negative for addition here)		(7,594,538)
6. OPEB Plan Administrative Expense		106,986
7. Other Changes in Plan Fiduciary Net Position		0
8. Recognition of Outflow (Inflow) of Resources due to Liabilities		18,349,300
9. Recognition of Outflow (Inflow) of Resources due to Assets		1,433,994
10. Total OPEB Expense	\$	22,741,844

Recognition of Deferred Outflows and Inflows of Resources

Differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period.

At the beginning of the current measurement period, the expected remaining service lives of all active employees in the plan was approximately 7,034 years. Additionally, the total plan membership (active employees and inactive employees) was 1,475. As a result, the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the current measurement period is 4.7685 years.

Additionally, differences between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense using a systematic and rational method over a closed five-year period. For this purpose, the deferred outflows and inflows of resources are recognized in the OPEB expense as a level dollar amount over the closed period identified above.

Statement of Outflows and Inflows Arising from Current Reporting Period Fiscal Year Ended December 31, 2018

A. Outflows (Inflows) of Resources due to Liabilities

1. Difference between expected and actual experience of the Total OPEB Liability (gains) or losses	\$	8,398,776
2. Assumption Changes (gains) or losses	\$	6,299,583
3. Recognition period for Liabilities: Average of the expected remaining service lives of all employees {in years}		4.7685
4. Outflow (Inflow) of Resources to be recognized in the current OPEB expense for the difference between expected and actual experience of the Total OPEB Liability	\$	1,761,304
5. Outflow (Inflow) of Resources to be recognized in the current OPEB expense for assumption changes	\$	1,321,083
6. Outflow (Inflow) of Resources to be recognized in the current OPEB expense due to Liabilities	\$	3,082,387
7. Deferred Outflow (Inflow) of Resources to be recognized in future OPEB expenses for the difference between expected and actual experience of the Total OPEB Liability	\$	6,637,472
8. Deferred Outflow (Inflow) of Resources to be recognized in future OPEB expenses for assumption changes	\$	4,978,500
9. Deferred Outflow (Inflow) of Resources to be recognized in future OPEB expenses due to Liabilities	\$	11,615,972

B. Outflows (Inflows) of Resources due to Assets

1. Net difference between projected and actual earnings on OPEB plan investments (gains) or losses	\$	14,948,038
2. Recognition period for Assets {in years}		5.0000
3. Outflow (Inflow) of Resources to be recognized in the current OPEB expense due to Assets	\$	2,989,608
4. Deferred Outflow (Inflow) of Resources to be recognized in future OPEB expenses due to Assets	\$	11,958,430

Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods Fiscal Year Ended December 31, 2018

A. Outflows and Inflows of Resources by Source to be Recognized in Current OPEB Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 1,761,304	\$ 10,431	\$ 1,750,873
2. Assumption changes	16,598,427	0	16,598,427
3. Net difference between projected and actual earnings on OPEB plan investments	2,989,608	1,555,614	1,433,994
4. Total	\$ 21,349,339	\$ 1,566,045	\$ 19,783,294

B. Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future OPEB Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
1. Differences between expected and actual experience	\$ 6,637,472	\$ 24,952	\$ 6,612,520
2. Assumption changes	41,523,433	0	41,523,433
3. Net difference between projected and actual earnings on OPEB plan investments	11,958,430	4,666,844	7,291,586
4. Total	\$ 60,119,335	\$ 4,691,796	\$ 55,427,539

C. Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future OPEB Expenses

Year Ending December 31	Net Deferred Outflows of Resources
2019	\$ 19,783,294
2020	19,783,294
2021	10,502,534
2022	5,358,417
2023	0
Thereafter	0
Total	\$ 55,427,539

Employer contributions that were made subsequent to the measurement date of the net OPEB liability and prior to the end of the employer's reporting period should be reported by the employer as a deferred outflow of resources related to OPEB. The information contained in this report does not incorporate any contributions made subsequent to the measurement date.

See paragraph 44 of GASB 75 for single and agent employers with trusted plans.

Also, Question 4.32 of Implementation Guide No. 2017-1 provides additional guidance for trusted plans.

Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods (Concluded) Fiscal Year Ended December 31, 2018

Year Established	Initial Amount	Initial Recognition Period	Current Year Recognition	Remaining Recognition	Remaining Recognition Period
Deferred Outflow (Inflow) Due to Differences Between Expected and Actual Experience on Liabilities					
2017	\$ (45,814)	4.3921	\$ (10,431)	\$ (24,952)	2.3921
2018	8,398,776	4.7685	1,761,304	6,637,472	3.7685
Total	8,352,962		1,750,873	6,612,520	
Deferred Outflow (Inflow) Due to Assumption Changes					
2017	\$67,099,621	4.3921	\$15,277,344	\$36,544,933	2.3921
2018	6,299,583	4.7685	1,321,083	4,978,500	3.7685
Total	73,399,204		16,598,427	41,523,433	
Deferred Outflow (Inflow) Due to Differences Between Projected and Actual Earnings on Plan Investments					
2017	\$ (7,778,072)	5.0000	\$(1,555,614)	\$ (4,666,844)	3.0000
2018	14,948,038	5.0000	2,989,608	11,958,430	4.0000
Total	7,169,966		1,433,994	7,291,586	

Statement of Fiduciary Net Position as of December 31, 2018

	2018
Assets	
Cash and Deposits	\$ 16,492
Receivables	
Accounts Receivable - Sale of Investments	\$ 217,910
Accrued Interest and Other Dividends	154,258
Contributions	0
Accounts Receivable - Other	953
Total Receivables	\$ 373,121
Investments	
Fixed Income	\$ 24,813,994
Domestic Equities	45,030,426
International Equities	18,638,170
Real Estate	4,883,158
Other - Mutual Funds	0
Total Investments	\$ 93,365,748
Total Assets	\$ 93,755,361
Liabilities	
Payables	
Accounts Payable - Purchase of Investments	\$ 1,549,445
Accrued Expenses	1,157,917
Accounts Payable - Other	111,754
Total Liabilities	\$ 2,819,116
Net Position Restricted for OPEB	\$ 90,936,245

Statement of Changes in Fiduciary Net Position for Year Ended December 31, 2018

	2018
Additions	
Contributions	
Employer	\$ 3,500,000
Nonemployer contributing entities	0
Active Employees	0
Other	0
Total Contributions	\$ 3,500,000
Investment Income	
Net Appreciation in Fair Value of Investments	\$ (9,956,988)
Interest and Dividends	2,946,863
Less Investment Expense	(343,375)
Net Investment Income	\$ (7,353,500)
Other	\$ 0
Total Additions	\$ (3,853,500)
 Deductions	
Benefit Payments	\$ 9,334,535
OPEB Plan Administrative Expense	106,986
Other	0
Total Deductions	\$ 9,441,521
Net Increase in Net Position	\$ (13,295,021)
 Net Position Restricted for OPEB	
Beginning of Year	\$ 104,231,266
End of Year	\$ 90,936,245

SECTION C

REQUIRED SUPPLEMENTARY INFORMATION

Auditor's Note – This information is intended to assist in preparation of the financial statements of the City of Kalamazoo Postretirement Welfare Benefits Plan. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

Schedules of Required Supplementary Information

Schedule of Changes in Net OPEB Liability and Related Ratios Multiyear

Last 10 Fiscal Years (which may be built prospectively)

Fiscal year ending December 31,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB liability										
Service cost	\$ 2,740,829	\$ 1,490,221								
Interest on the total OPEB liability	\$ 10,773,588	\$ 12,162,956								
Changes of benefit terms	\$ (3,068,315)	\$ 0								
Difference between expected and actual experience	\$ 8,398,776	\$ (45,814)								
Changes of assumptions	\$ 6,299,583	\$ 67,099,621								
Benefit payments, including refunds of employee contributions	\$ (9,334,535)	\$ (9,258,659)								
Net change in total OPEB liability	\$ 15,809,926	\$ 71,448,325								
Total OPEB liability - beginning	\$ 237,505,296	\$ 166,056,971								
Total OPEB liability - ending (a)	\$ 253,315,222	\$ 237,505,296								
Plan fiduciary net position										
Employer contributions	\$ 3,500,000	\$ 3,500,000								
Nonemployer contributing entities contributions	\$ 0	\$ 0								
Employee contributions	\$ 0	\$ 0								
OPEB plan net investment income	\$ (7,353,500)	\$ 14,711,769								
Benefit payments, including refunds of employee contributions	\$ (9,334,535)	\$ (9,258,659)								
OPEB plan administrative expense	\$ (106,986)	\$ (100,922)								
Other	\$ 0	\$ 0								
Net change in plan fiduciary net position	\$ (13,295,021)	\$ 8,852,188								
Plan fiduciary net position - beginning	\$ 104,231,266	\$ 95,379,078								
Plan fiduciary net position - ending (b)	\$ 90,936,245	\$ 104,231,266								
Net OPEB liability - ending (a) - (b)	\$ 162,378,977	\$ 133,274,030								
Plan fiduciary net position as a percentage of total OPEB liability	35.90%	43.89%								
Covered-employee payroll[^]	\$ 39,920,744	\$ 37,363,784								
Net OPEB liability as a percentage of covered-employee payroll	406.75%	356.69%								

Notes to Schedule:

[^] Reflects payroll as of the actuarial valuation date that is one year prior to the measurement date. This payroll may differ from the GASB Statement Nos. 74 and 75 definition of covered-employee payroll.

Schedules of Required Supplementary Information

Schedule of the Net OPEB Liability Multiyear

Last 10 Fiscal Years (which may be built prospectively)

FY Ending December 31,	Total OPEB Liability	Plan Net Position	Net OPEB Liability	Plan Net Position as a % of Total OPEB Liability	Covered Payroll [^]	Net OPEB Liability as a % of Covered Payroll
2009						
2010						
2011						
2012						
2013						
2014						
2015						
2016						
2017	\$ 237,505,296	\$ 104,231,266	\$ 133,274,030	43.89 %	\$ 37,363,784	356.69 %
2018	253,315,222	90,936,245	162,378,977	35.90 %	39,920,744	406.75 %

[^] Reflects payroll as of the actuarial valuation date that is one year prior to the measurement date. This payroll may differ from the GASB Statement Nos. 74 and 75 definition of covered-employee payroll.

Schedule of Contributions Multiyear

Last 10 Fiscal Years

<u>FY Ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll[^]</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017	\$ 7,610,636	\$ 3,500,000	\$ 4,110,636	\$ 37,363,784	9.37 %
2018	8,111,777	3,500,000	4,611,777	39,920,744	8.77 %

[^] Reflects payroll as of the actuarial valuation date that is one year prior to the measurement date. This payroll may differ from the GASB Statement Nos. 74 and 75 definition of covered-employee payroll.

Notes to Schedule of Contributions

Valuation Date: January 1, 2018
Notes Actuarially determined contribution amounts are calculated as of January 1 every year.

Methods and Assumptions Used to Determine Contribution Amounts for the Fiscal Year Ending December 31, 2018*:

Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	5-Year Smoothed Market
Inflation	3.5% (which includes price inflation of 2.75%)
Salary Increases	3.5% to 15.5%, including inflation
Investment Rate of Return	7.5%, net of OPEB plan investment expense
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2000 Mortality Table, projected 20 years with U.S. Projection Scale BB, rates set-forward 7 years for disabled members. This assumption will be updated in the forthcoming experience study of the period from 2014 - 2018.
Health Care Trend Rates	8.25% trend for the first year, gradually decreasing to 3.5% in year 10
Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"

Other Information:

Notes N/A

** Based on valuation assumptions used in the January 1, 2018 valuation.*

Schedule of Investment Returns Multiyear

Last 10 Fiscal Years

<u>FY Ending December 31,</u>	<u>Annual Return^{1,2}</u>
2009	
2010	
2011	
2012	
2013	
2014	
2015	
2016	
2017	15.81 %
2018	(6.98)%

¹ Annual money-weighted rate of return, net of investment expenses.

² Based upon cash flows and beginning and ending balance of OPEB Plan Investments as provided by the City.

SECTION D

SCHEDULES BY EMPLOYER

Schedule of Employer Allocations of Net OPEB Liability (Including Sensitivity Analysis)

Employer	FY 2018 Employer Contributions ⁽¹⁾	PVFB ⁽²⁾	Proportionate Share ⁽³⁾	Net OPEB Liability				
				Current Trend and Single Discount Rate 4.45%	Sensitivity to Single Discount Rate Assumption		Sensitivity to Healthcare Cost Trend Rate Assumption	
					1% Decrease 3.45%	1% Increase 5.45%	1% Decrease	1% Increase
Wastewater	\$ 404,390	\$ 21,563,123	11.554%	\$ 18,761,267	\$ 22,877,618	\$ 15,392,463	\$ 14,914,014	\$ 23,489,119
Water	\$ 318,780	\$ 16,997,632	9.108%	\$ 14,789,477	\$ 18,034,390	\$ 12,133,855	\$ 11,756,694	\$ 18,516,435
CCTA	\$ 247,170	\$ 13,180,444	7.062%	\$ 11,467,203	\$ 13,983,186	\$ 9,408,134	\$ 9,115,698	\$ 14,356,946
All Other Groups	\$ 2,529,660	\$ 134,885,027	72.276%	\$ 117,361,029	\$ 143,110,843	\$ 96,287,492	\$ 93,294,557	\$ 146,936,087
Total ⁽⁴⁾	\$ 3,500,000	\$ 186,626,226	100.000%	\$ 162,378,976	\$ 198,006,037	\$ 133,221,944	\$ 129,080,963	\$ 203,298,587

⁽¹⁾ Provided for use in preparing disclosures under GASB Statement No. 75 paragraph 97.

⁽²⁾ As discussed with the City and the auditor, proportionate shares have been developed on the basis of Present Value of Future Benefits (PVFB) for each employer. This basis reflects the long-term obligation of each employer to the Plan using a discount rate assumption equal to the long-term expected rate of return of 7.50%. The PVFB was adjusted from the actuarial valuation date to the measurement date using standard actuarial roll-forward techniques.

⁽³⁾ The Plan has been identified as a single employer Plan. Given that the Plan has component units, GASB Statement 75 paragraph 24 requires that stand-alone financial statements for each government "...should apply the requirements of paragraphs 59–98 to account for and report its participation in the single-employer or agent OPEB plan as if it were a cost-sharing employer."

⁽⁴⁾ Employer level numbers may not add to collective-development numbers due to rounding.

Schedule of OPEB Amounts by Employer

	Wastewater	Water	CCTA	All Other Groups	Total ⁽¹⁾
Proportionate Share	11.554%	9.108%	7.062%	72.276%	100.000%
Net OPEB Liability	\$ 18,761,267	\$ 14,789,477	\$ 11,467,203	\$ 117,361,029	\$ 162,378,976
Deferred Outflows of Resources					
1. Differences Between Expected and Actual Experience	\$ 766,894	\$ 604,541	\$ 468,738	\$ 4,797,299	\$ 6,637,472
2. Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	842,470	664,118	514,932	5,270,067	7,291,587
3. Changes of Assumptions	4,797,617	3,781,954	2,932,385	30,011,476	41,523,432
4. Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	115,065	46,441	-	18,716	180,222
5. Total Deferred Outflows of Resources	6,522,046	5,097,054	3,916,055	40,097,558	55,632,713
Deferred Inflows of Resources					
1. Differences Between Expected and Actual Experience	\$ (2,883)	\$ (2,273)	\$ (1,762)	\$ (18,034)	\$ (24,952)
2. Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	-	-	-	-
3. Changes of Assumptions	-	-	-	-	-
4. Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	-	-	(180,222)	-	(180,222)
5. Total Deferred Inflows of Resources	(2,883)	(2,273)	(181,984)	(18,034)	(205,174)
OPEB Expense					
1. Proportionate Share of Plan OPEB Expense	\$ 2,627,593	\$ 2,071,327	\$ 1,606,029	\$ 16,436,895	\$ 22,741,844
2. Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	30,533	12,324	(47,823)	4,966	-
3. Total Employer OPEB Expense	2,658,126	2,083,651	1,558,206	16,441,861	22,741,844

⁽¹⁾ Employer-level numbers may not add to collective-development numbers due to rounding.

Schedule of Deferred Resources by Employer by Year

Schedule of Deferred (Inflows) and Outflows

Employer	2019	2020	2021	2022	2023
Wastewater	\$ 2,316,295	\$ 2,316,295	\$ 1,243,996	\$ 642,577	\$ -
Water	\$ 1,814,186	\$ 1,814,186	\$ 968,895	\$ 497,514	\$ -
CCTA	\$ 1,349,273	\$ 1,349,273	\$ 693,866	\$ 341,659	\$ -
All Other Groups	\$ 14,303,540	\$ 14,303,540	\$ 7,595,777	\$ 3,876,667	\$ -
Total ⁽¹⁾	\$ 19,783,294	\$ 19,783,294	\$ 10,502,534	\$ 5,358,417	\$ -

⁽¹⁾ Employer-level numbers may not add to collective-development numbers due to rounding.

SECTION E

NOTES TO FINANCIAL STATEMENTS

Auditor's Note – This information is intended to assist in preparation of the financial statements of the City of Kalamazoo Postretirement Welfare Benefits Plan. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

Long-Term Expected Return on Plan Assets

The assumed rate of investment return was adopted by the plan’s trustees after considering input from the plan’s investment consultant and Actuary. Additional information about the assumed rate of investment return is included in our actuarial valuation report as of January 1, 2018. The assumed rate of investment return falls within a reasonable range of the long-term expected rate of return.

The long-term expected rate of return on OPEB investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB investment expense and inflation) are developed for each major asset class. These real rates of return are 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 expected inflation. For each major asset class that is included in the OPEB’s target asset allocation as of December 31, 2018, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
U.S. Small Cap (Manager 1)	5.00 %	4.60 %
U.S. Small Cap (Manager 2)	10.00 %	4.60 %
Int'l Developed Equity	10.00 %	4.10 %
U.S. Large Cap (Manager 1)	30.00 %	4.10 %
U.S. Large Cap (Manager 2)	5.00 %	4.20 %
Emerging Markets	10.00 %	6.60 %
Domestic Fixed Income	25.00 %	1.00 %
Real Estate (Manager 1)	2.50 %	2.90 %
Real Estate (Manager 2)	2.50 %	2.90 %
Total	100.00 %	

** Real rate of return is based on investment manager inflation assumption of 2.00%.*

The figures in the above table were supplied by the City of Kalamazoo. Gabriel, Roeder, Smith & Company does not provide investment advice.

Single Discount Rate

A Single Discount Rate of 4.45% was used to measure the total OPEB liability. This Single Discount Rate was based on an expected rate of return on OPEB plan investments of 7.50% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this Single Discount Rate assumed that employer contributions will be made at rates equal to the \$3,500,000 per year. Based on these assumptions, the OPEB plan’s fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2031. As a result, the long-term expected rate of return on OPEB plan investments was applied to projected benefit payments through the year 2031, and the municipal bond rate was applied to all benefit payments after that date.

Summary of Membership Information

The following table provides a summary of the number of participants in the plan:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	753
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	43
Active Plan Members	679
Total Plan Members	<u>1,475</u>

Sensitivity of Net OPEB Liability

Regarding the sensitivity of the net OPEB liability to changes in the Single Discount Rate, the following presents the plan's net OPEB liability, calculated using a Single Discount Rate of 4.45%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

Sensitivity of Net OPEB Liability to the Single Discount Rate Assumption

1% Decrease	Current Single Discount Rate Assumption	1% Increase
3.45%	4.45%	5.45%
\$ 198,006,037	\$ 162,378,977	\$ 133,221,943

Regarding the sensitivity of the net OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

Sensitivity of Net OPEB Liability to the Healthcare Cost Trend Rate Assumption

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
\$ 129,080,963	\$ 162,378,977	\$ 203,298,588

SECTION F

SUMMARY OF BENEFITS

Summary of Benefits

This report complements the actuarial valuation prepared as of January 1, 2018, and information herein should be considered along with the information from that report, especially for additional discussions of the nature of actuarial calculations and for more information related to benefit provisions.

The following benefit changes from the January 1, 2018 actuarial valuation were reflected in this report:

- AFSCME members hired after October 2, 2016 have a 10-year vesting period.
- Future CSO, KPSA, KPSOA, and KMEA retirees have higher maximum cost sharing amounts.
- City Non-Union employees have a 5 years vesting period.

SECTION G

DEVELOPMENT OF BASELINE CLAIMS COSTS

Development of Baseline Claims Costs

This report complements the actuarial valuation prepared as of January 1, 2018, and information herein should be considered along with the information from that report, especially for additional discussions of the nature of actuarial calculations and for more information related to baseline claims costs.

SECTION H

SUMMARY OF PARTICIPANT DATA

Summary of Participant Data

This report complements the actuarial valuation prepared as of January 1, 2018, and information herein should be considered along with the information from that report, especially for additional discussions of the nature of actuarial calculations and for more information related to participant data.

SECTION I

VALUATION METHODS AND ACTUARIAL ASSUMPTIONS

Miscellaneous and Technical Assumptions

This report complements the actuarial valuation report prepared as of January 1, 2018, and information herein should be considered along with the information from that report, especially for additional discussions of the nature of actuarial calculations and for more information related to miscellaneous and technical assumptions. Differences from the actuarial report are noted below:

Roll-Forward Disclosure The total OPEB liability shown in this report is based on an actuarial valuation performed as of January 1, 2018 and a measurement date of December 31, 2018. The roll-forward procedure increases the January 1, 2018 actuarial accrued liability with normal cost and interest and decreases it with expected benefit payments.

SECTION J

CALCULATION OF THE SINGLE DISCOUNT RATE

Calculation of the Single Discount Rate

GASB Statement No. 74 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total OPEB Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a municipal bond rate is required, as described in the following paragraph.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on OPEB plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on OPEB plan investments is 7.50%; the municipal bond rate is 3.71%; and the resulting Single Discount Rate is 4.45%.

The tables in this section provide background for the development of the Single Discount Rate.

- The **Projection of Plan Fiduciary Net Position** table shows the development of expected asset levels in future years. Included in this is a projection of total contributions which represent the expected contributions in future years.
- The **Present Values of Projected Benefit Payments** table shows the development of the Single Discount Rate (SDR). It breaks down the benefit payments into present values for funded and unfunded portions and shows the equivalent total at the SDR.

The projections in this report are strictly for the purpose of determining the GASB single discount rate and are different from a funding projection for the ongoing plan. There may be cases when schedules do not add or where they do not exactly balance to other related schedules due to rounding.

The projection of cash flows used to determine this SDR assumed the following:

- Contributions will continue at a rate equal to \$3,500,000 per year.
- Contributions, benefit payments, service costs, and administrative expenses occur halfway through the year.
- The Plan remains open only for retiree life insurance benefits. Life insurance benefits have marginal value when compared to retiree health benefits. As such, the Plan is treated as closed for purposes of the enclosed projections.

Single Discount Rate Development

Projection of Plan Net Position Ending December 31 for 2019 to 2118

Year	Projected Beginning Plan Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expenses	Projected Investment Earnings at 7.500%	Projected Ending Plan Net Position
	(a)	(b)	(c)	(d)	(e)	(f)=(a)+(b)-(c)-(d)+(e)
1	\$ 90,936,245	\$ 3,500,000	\$ 10,934,035	\$ 0	\$ 6,546,482	\$ 90,048,692
2	90,048,692	3,500,000	11,678,703	0	6,452,495	88,322,485
3	88,322,485	3,500,000	12,386,907	0	6,296,952	85,732,530
4	85,732,530	3,500,000	13,014,768	0	6,079,586	82,297,348
5	82,297,348	3,500,000	13,592,283	0	5,800,682	78,005,748
6	78,005,748	3,500,000	14,336,034	0	5,451,426	72,621,140
7	72,621,140	3,500,000	14,919,513	0	5,026,095	66,227,723
8	66,227,723	3,500,000	15,276,801	0	4,533,433	58,984,355
9	58,984,355	3,500,000	15,529,905	0	3,980,861	50,935,310
10	50,935,310	3,500,000	15,800,837	0	3,367,206	42,001,679
11	42,001,679	3,500,000	16,154,652	0	2,684,156	32,031,183
12	32,031,183	3,500,000	16,500,185	0	1,923,645	20,954,643
13	20,954,643	3,500,000	16,718,849	0	1,084,853	8,820,647
14	8,820,647	3,500,000	16,920,620	0	167,374	0
15	0	3,500,000	16,906,399	0	0	0
16	0	3,500,000	16,893,608	0	0	0
17	0	3,500,000	16,842,822	0	0	0
18	0	3,500,000	16,807,511	0	0	0
19	0	3,500,000	16,599,376	0	0	0
20	0	3,500,000	16,268,738	0	0	0
30	0	3,500,000	12,009,520	0	0	0
40	0	3,500,000	6,649,076	0	0	0
50	0	3,500,000	2,837,875	0	24,381	0
60	0	3,500,000	628,292	0	105,742	0
70	0	3,500,000	39,081	0	127,438	0
80	0	3,500,000	775	0	128,849	0
90	0	3,500,000	3	0	128,877	0
100	0	3,500,000	0	0	128,877	0

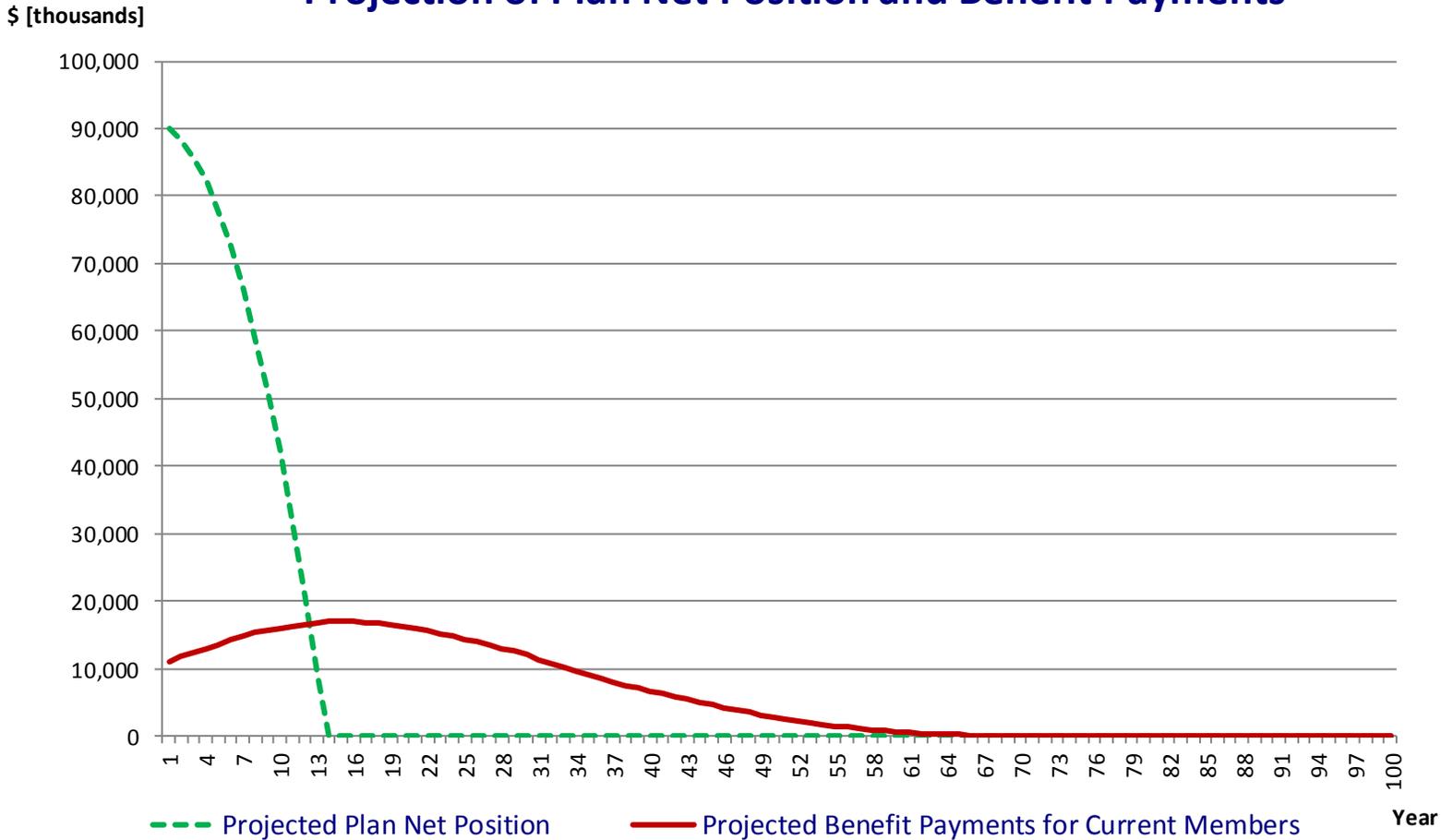
Single Discount Rate Development

Present Value of Projected Benefits Ending December 31 for 2019 to 2118

Year	Projected Beginning Plan Net Position	Projected Benefit Payments	Funded Portion of Projected Benefit Payments	Unfunded Portion of Projected Benefit Payments	Present Value of Funded Benefit Payments using Expected Return Rate (v)	Present Value of Unfunded Benefit Payments using Municipal Bond Rate (vf)	Present Value of All Benefit Payments using Single Discount Rate (SDR)
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v ^{-(a)-.5}	(g)=(e)*vf ^{-(a)-.5}	(h)=(c)/(1+SDR) ^{-(a)-.5}
1	\$ 90,936,245	\$ 10,934,035	\$ 10,934,035	\$ -	\$ 10,545,719	\$ -	\$ 10,698,572
2	90,048,692	11,678,703	11,678,703	-	10,478,085	-	10,940,337
3	88,322,485	12,386,907	12,386,907	-	10,338,124	-	11,109,378
4	85,732,530	13,014,768	13,014,768	-	10,104,313	-	11,175,167
5	82,297,348	13,592,283	13,592,283	-	9,816,447	-	11,173,796
6	78,005,748	14,336,034	14,336,034	-	9,631,246	-	11,283,091
7	72,621,140	14,919,513	14,919,513	-	9,323,944	-	11,242,023
8	66,227,723	15,276,801	15,276,801	-	8,881,145	-	11,020,796
9	58,984,355	15,529,905	15,529,905	-	8,398,406	-	10,726,057
10	50,935,310	15,800,837	15,800,837	-	7,948,765	-	10,448,215
20	-	16,268,738	-	16,268,738	-	7,995,608	6,960,225
30	-	12,009,520	-	12,009,520	-	4,100,312	3,324,317
40	-	6,649,076	-	6,649,076	-	1,577,053	1,190,818
50	-	2,837,875	-	2,837,875	-	467,597	328,840
60	-	628,292	-	628,292	-	71,917	47,104
70	-	39,081	-	39,081	-	3,108	1,896
80	-	775	-	775	-	43	24
90	-	3	-	3	-	0	0
100	-	-	-	-	-	-	-
Totals¹					\$ 120,301,574	\$ 153,171,395	\$ 273,472,970

¹ These totals are values that are summed over a period of 100 years. However, only select values from this 100-year period are shown above.

Projection of Plan Net Position and Benefit Payments



SECTION K

GLOSSARY OF TERMS

Glossary of Terms

Accrued Service	Service credited under the system that was rendered before the date of the actuarial valuation.
Actuarial Accrued Liability (AAL)	The AAL is the difference between the actuarial present value of all benefits and the actuarial value of future normal costs. The definition comes from the fundamental equation of funding which states that the present value of all benefits is the sum of the Actuarial Accrued Liability and the present value of future normal costs. The AAL may also be referred to as “accrued liability” or “actuarial liability.”
Actuarial Assumptions	These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation.
Actuarial Cost Method	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the OPEB trust benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the actuarial funding method.
Actuarial Equivalent	A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate actuarial assumptions.
Actuarial Gain (Loss)	The difference in liabilities between actual experience and expected experience during the period between two actuarial valuations is the gain (loss) on the accrued liabilities.
Actuarial Present Value (APV)	The amount of funds currently required to provide a payment or series of payments in the future. The present value is determined by discounting future payments at predetermined rates of interest and probabilities of payment.
Actuarial Valuation	The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total OPEB liability, and related actuarial present value of projected benefit payments for OPEB.
Actuarial Valuation Date	The date as of which an actuarial valuation is performed.

Glossary of Terms

Actuarially Determined Contribution (ADC) or Annual Required Contribution (ARC)	A calculated contribution into an OPEB plan for the reporting period, most often determined based on the funding policy of the plan. Typically the Actuarially Determined Contribution has a normal cost payment and an amortization payment.
Amortization Method	The method used to determine the periodic amortization payment may be a level dollar amount, or a level percent of pay amount. The period will typically be expressed in years, and the method will either be “open” (meaning, reset each year) or “closed” (the number of years remaining will decline each year).
Amortization Payment	The amortization payment is the periodic payment required to pay off an interest-discounted amount with payments of interest and principal.
Cost-of-Living Adjustments	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
Cost-Sharing Multiple-Employer Defined Benefit OPEB Plan (cost-sharing OPEB plan)	A multiple-employer defined benefit OPEB plan in which the OPEB obligations to the employees of more than one employer are pooled and OPEB plan assets can be used to pay the benefits of the employees of any employer that provides benefits through the OPEB plan.
Covered-Employee Payroll	The payroll of employees that are provided with benefits through the OPEB plan.
Deferred Inflows and Outflows	The deferred inflows and outflows of OPEB resources are amounts used under GASB Statement No. 75 in developing the annual OPEB expense. Deferred inflows and outflows arise with differences between expected and actual experiences; changes of assumptions. The portion of these amounts not included in the OPEB expense should be included in the deferred inflows or outflows of resources.
Discount Rate	For GASB purposes, the discount rate is the single rate of return that results in the present value of all projected benefit payments to be equal to the sum of the funded and unfunded projected benefit payments, specifically: <ol style="list-style-type: none">1. The benefit payments to be made while the OPEB plans’ fiduciary net position is projected to be greater than the benefit payments that are projected to be made in the period; and2. The present value of the benefit payments not in (1) above, discounted using the municipal bond rate.

Glossary of Terms

Entry Age Actuarial Cost Method (EAN)	The EAN is a cost method for allocating the costs of the plan between the normal cost and the accrued liability. The actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis (either level dollar or level percent of pay) over the earnings or service of the individual between entry age and assumed exit ages(s). The portion of the actuarial present value allocated to a valuation year is the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is the actuarial accrued liability. The sum of the accrued liability plus the present value of all future normal costs is the present value of all benefits.
Fiduciary Net Position	The fiduciary net position is the market value of the assets of the trust dedicated to the defined benefit provisions.
GASB	The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.
Long-Term Expected Rate of Return	The long-term rate of return is the expected return to be earned over the entire trust portfolio based on the asset allocation of the portfolio.
Money-Weighted Rate of Return	The money-weighted rate of return is a method of calculating the returns that adjusts for the changing amounts actually invested. For purposes of GASB Statement No. 74, the money-weighted rate of return is calculated as the internal rate of return on OPEB plan investments, net of OPEB plan investment expense.
Multiple-Employer Defined Benefit OPEB Plan	A multiple-employer plan is a defined benefit OPEB plan that is used to provide OPEB payments to the employees of more than one employer.
Municipal Bond Rate	The Municipal Bond Rate is the discount rate to be used for those benefit payments that occur after the assets of the trust have been depleted.
Net OPEB Liability (NOL)	The NOL is the liability of employers and non-employer contributing entities to plan members for benefits provided through a defined benefit OPEB plan.
Non-Employer Contributing Entities	Non-employer contributing entities are entities that make contributions to an OPEB plan that is used to provide OPEB payments to the employees of other entities. For purposes of the GASB accounting statements, plan members are not considered non-employer contributing entities.

Glossary of Terms

Normal Cost	The portion of the actuarial present value allocated to a valuation year is called the normal cost. For purposes of application to the requirements of this Statement, the term normal cost is the equivalent of service cost.
Other Postemployment Benefits (OPEB)	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits regardless of the manner in which they are provided. Other post-employment benefits do not include termination benefits.
Real Rate of Return	The real rate of return is the rate of return on an investment after adjustment to eliminate inflation.
Service Cost	The service cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.
Total OPEB Expense	The total OPEB expense is the sum of the following items that are recognized at the end of the employer's fiscal year: <ol style="list-style-type: none">1. Service Cost2. Interest on the Total OPEB Liability3. Current-Period Benefit Changes4. Employee Contributions (made negative for addition here)5. Projected Earnings on Plan Investments (made negative for addition here)6. OPEB Plan Administrative Expense7. Other Changes in Plan Fiduciary Net Position8. Recognition of Outflow (Inflow) of Resources due to Liabilities9. Recognition of Outflow (Inflow) of Resources due to Assets
Total OPEB Liability (TOL)	The TOL is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service.
Unfunded Actuarial Accrued Liability (UAAL)	The UAAL is the difference between actuarial accrued liability and valuation assets.
Valuation Assets	The valuation assets are the assets used in determining the unfunded liability of the plan. For purposes of GASB Statement Nos. 74 and 75, the valuation assets are equal to the market value of assets.

April 15, 2019

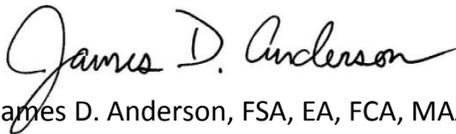
Mr. Steve Vicenzi
Director of Management Services/CFO
City of Kalamazoo
241 West South Street
Kalamazoo, Michigan 49007

Dear Mr. Vicenzi:

Please find enclosed five copies of the GASB Statements Nos. 74 and 75 report of the City of Kalamazoo Postretirement Welfare Benefits Plan.

GASB Statement No. 74 is the accounting standard, which applies to other postemployment benefits (OPEB) plans that are administered through trusts or equivalent arrangements. GASB Statement No. 75 establishes accounting and financial reporting requirements for OPEB that are provided to employees of state and local governments.

Sincerely,



James D. Anderson, FSA, EA, FCA, MAAA

JDA:dj
Enclosures

cc: Maner Costerisan (1 report copy)
Attn: Mr. Aaron Stevens

Electronic Copies:
Steve Vicenzi, City of Kalamazoo
Melissa Fuller, City of Kalamazoo
Lora Ross, City of Kalamazoo
Jennifer Clark, City of Kalamazoo
Sean McBride, CCTA
Greg Vlietstra, CCTA