

City of Kalamazoo

# Postretirement Welfare Benefits Plan

Actuarial Valuation Report  
as of January 1, 2020



# Table of Contents

<b>Section</b>	<b>Page Number</b>	
	--	Cover Letter
		<b>Executive Summary</b>
	1	Executive Summary
<b>A</b>		<b>Valuation Results</b>
	1	Total Plan
	2	Experience Gain/(Loss)
	3	Development of Valuation Assets
	4-5	Comments
<b>B</b>		<b>Retiree Premium Rate Development</b>
	1-2	Retiree Premium Rate Development
<b>C</b>		<b>Summary of Benefits</b>
	1-6	Summary of Benefits
<b>D</b>		<b>Summary of the Information Submitted for the Valuation</b>
	1	Financial Information
	2	Schedule of Active Members
	3	Schedule of Inactive Members
<b>E</b>		<b>Actuarial Cost Method and Actuarial Assumptions</b>
	1	Actuarial Methods
	2-7	Actuarial Assumptions
	8	Miscellaneous and Technical Assumptions
<b>Appendix A</b>	1-2	<b>Glossary</b>
<b>Appendix B</b>	1-2	<b>Valuation Results by Fund</b>





June 25, 2020

Mr. Steve Vicenzi  
Director of Management Services/CFO  
City of Kalamazoo  
241 W. South Street  
Kalamazoo, Michigan 49007-4796

**Re: City of Kalamazoo Postretirement Welfare Benefits Actuarial Valuation as of January 1, 2020  
Actuarial Disclosures**

Dear Mr. Vicenzi:

The results of the January 1, 2020 Annual Actuarial Valuation of the City of Kalamazoo Postretirement Welfare Benefits are presented in this report.

This report was prepared at the request of the City of Kalamazoo and is intended for use by the City of Kalamazoo and those designated or approved by the City. This report may be provided to parties other than the City of Kalamazoo only in its entirety and only with the permission of the City. GRS is not responsible for unauthorized use of this report.

The purposes of the valuation are to measure the System's funding progress, and to determine the employer contribution rate for the fiscal year ending December 31, 2020. This report should not be relied on for any purpose other than the purposes described herein. Determinations of the liability associated with the benefits described in this report for purposes other than satisfying the City of Kalamazoo's financial reporting requirements may be significantly different than the values shown in this report. This report does not satisfy Governmental Accounting Standards Board (GASB) Statement Nos. 74 or No. 75. Please refer to a separate report which incorporates GASB Statement No. 74 and/or No. 75.

This valuation assumed the continuing ability of the plan sponsor to make the contributions necessary to fund this plan. A determination regarding whether or not the plan sponsor is actually able to do so is outside our scope of expertise and was not performed.

The findings in this report are based on data and other information through January 1, 2020. The valuation was based upon information furnished by the City, concerning retiree health benefits, financial transactions, plan provisions and individual members. We checked for internal reasonability and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the City. Note that the benefit summary provided for the January 1, 2020 valuations includes a correction to remove a \$1,000 life insurance benefit from this plan. The Plan Sponsor noted that this is not a plan change and this benefit is now reflected in the valuation of the City of Kalamazoo Employees Retirement System.

Mr. Steve Vicenzi  
June 25, 2020  
Page 2

This report was prepared using assumptions adopted by the City. All actuarial assumptions used in this report are reasonable for the purposes of this valuation. Additional information about the actuarial assumptions is included in the section of this report entitled "Actuarial Cost Method and Actuarial Assumptions."

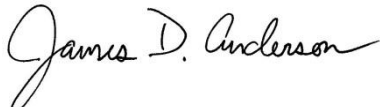
This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the City of Kalamazoo Postretirement Welfare Benefits as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

James D. Anderson and Michael D. Kosciuk are members of the American Academy of Actuaries. These actuaries meet the Academy's Qualification Standards to render the actuarial opinions contained herein.

The signing actuaries are independent of the plan sponsor.

Gabriel, Roeder, Smith & Company will be pleased to review this valuation and report with the City and to answer any questions pertaining to the valuation.

Respectfully submitted,



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



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

JDA/MDK:sc



# EXECUTIVE SUMMARY

---

# Executive Summary

## Actuarially Determined Contribution

For fiscal years beginning after June 15, 2016, GASB Statement No. 74 replaced GASB Statement No. 43. Similarly, for fiscal years beginning after June 15, 2017, GASB Statement No. 75 replaced GASB Statement No. 45. Each year a separate GASB report will be issued to comply with the actuarial requirement of GASB Statement Nos. 74 and 75. As such, there will no longer be an “Annual Required Contribution” calculated in the valuation report. The report determines the “Actuarially Determined Contribution.”

We have calculated the Actuarially Determined Contribution for the calendar year beginning January 1, 2020. Below is a summary of the results. The Actuarially Determined Contributions and estimated retiree claims shown below are net of any premium payments expected to be made by retirees (retiree cost sharing).

	<b>Actuarially Determined Contribution</b>	<b>Estimated Claims Paid for Retirees</b>
2020 Calendar Year	\$ 9,838,111	\$ 10,695,336

For additional details please see the Section titled “Valuation Results.”

## Liabilities and Assets

1. Present Value of Future Benefit Payments	\$200,453,978
2. Actuarial Accrued Liability	192,370,469
3. Smoothed Plan Assets	98,777,892
4. Unfunded Actuarial Accrued Liability (2) – (3)	93,592,577
5. Funded Ratio (3)/(2)*	51.3%

\* The funded ratio on a market value basis is 53.1%.

The Present Value of Future Benefit Payments (PVFB) is the present value of all benefits projected to be paid from the plan for past and future service. The Actuarial Accrued Liability is the portion of the PVFB allocated to past service by the Plan’s funding method (see the Section titled “Actuarial Cost Method and Actuarial Assumptions”).



## **SECTION A**

---

### **VALUATION RESULTS**

## Valuation Results – Total Plan

### Development of the Actuarially Determined Contribution

Contributions for	2020 Calendar Year
Employer Normal Cost	\$1,399,378
Administrative Expense Allowance	100,000
Amortization of Unfunded Actuarial Accrued Liability	<u>8,338,733</u>
Actuarially Determined Contribution	\$9,838,111

The unfunded actuarial accrued liabilities were amortized as a level dollar amount over a period of 22 years for the 2020 calendar year.

### Determination of Unfunded Actuarial Accrued Liabilities as of January 1, 2020

A. Present Value of Future Benefits	
i) Retirees and Beneficiaries*	\$146,718,287
ii) DROP Members	367,991
iii) Vested Terminated Members	0
iv) Active Members	<u>53,367,700</u>
Total Present Value of Future Benefits	\$200,453,978
B. Present Value of Future Normal Costs	8,083,509
C. Actuarial Accrued Liability (A.-B.)	192,370,469
D. Actuarial Value of Assets	98,777,892
E. Unfunded Actuarial Accrued Liability (C.-D.)	93,592,577
F. Funded Ratio (D./C.)	51.3%

*\* Includes additional liability due to Early Retirement Incentive (ERI) Retirees currently waiving retiree health care through the City, but assumed to return to coverage at a later date.*

The long-term rate of investment return used in this valuation was 7.25%.



## Experience Gain/(Loss)

### Gains/(Losses) During the Year Ended December 31, 2019 Resulting from Differences Between Assumed and Actual Experience

A. Derivation of Actuarial Gain/(Loss):

1. Unfunded Actuarial Accrued Liability (UAAL) - Previous Valuation	\$75,377,847
2. Total Normal Cost (employer) for Year Ending 12/31/2019	1,286,891
3. Total Contributions (employer) for Year Ending 12/31/2019	3,500,000
4. Interest on:	
a. UAAL: Discount Rate* x (1)	5,653,339
b. Normal Cost and Contributions: Discount Rate/2 x [(2) - (3)]	(82,992)
c. Net Total: (a) + (b)	5,570,347
5. Change in UAAL due to Benefit Changes	-
6. Change in UAAL due to Assumptions	10,998,594
7. Expected UAAL Current Year:	
(1) + (2) - (3) + (4c) + (5) + (6)	89,733,679
8. Actual UAAL Current Year	93,592,577
9. Experience Gain/(Loss): (7) - (8)	(3,858,898)

B. Approximate Portion of Gain/(Loss) due to Investments 436,063

C. Approximate Portion of Gain/(Loss) due to Liabilities: (A.9) - (B) (4,294,961)

*\* Based on a discount rate of 7.50%.*

### Type of Activity

	<u>Gain/(Loss)</u>
<b>Premiums and Trends.</b> Gains and losses resulting from actual premiums and trends in valuation year versus that assumed from prior valuation.	\$ (4,452,243)
<b>Investment Income.</b> If there is greater investment income than assumed, there is a gain. If less income, a loss.	436,063
<b>Demographic and Other.</b> Gains and losses resulting from demographic experience, data adjustments, timing of financial transactions, etc.	157,282
<b>Composite Gain/(Loss) During Year.</b>	\$ (3,858,898)



## Development of Valuation Assets

Year Ended December 31:	2018	2019	2020	2021	2022	2023
A. Valuation Assets Beginning of Year	\$ 97,683,404	\$ 97,263,276				
B. Market Value End of Year	90,936,245	102,105,385				
C. Market Value Beginning of Year	104,231,266	90,936,245				
D. Non-Investment Net Cash Flow	(5,941,521)	(5,991,511)				
E. Investment Income						
E1. Market Total: B - C - D	(7,353,500)	17,160,651				
E2. Assumed Rate of Investment Return*	7.50%	7.50%				
E3. Amount for Immediate Recognition	7,103,448	7,070,064				
E4. Amount for Phased-In Recognition: E1-E3	(14,456,948)	10,090,587				
F. Phased-In Recognition of Investment Income						
F1. Current Year: 0.2 x E4	(2,891,390)	2,018,117				
F2. First Prior Year	1,556,719	(2,891,390)	\$ 2,018,117			
F3. Second Prior Year	815,756	1,556,719	(2,891,390)	\$ 2,018,117		
F4. Third Prior Year	(1,063,140)	815,756	1,556,719	(2,891,390)	\$ 2,018,117	
F5. Fourth Prior Year	0	(1,063,139)	815,755	1,556,717	(2,891,388)	\$ 2,018,119
F6. Total Phased-In Recognition	(1,582,055)	436,063	1,499,201	683,444	(873,271)	2,018,119
G. Valuation Assets End of Year: A + D + E2 + F6	97,263,276	98,777,892				
H. Difference between Market & Valuation Assets: B - G	(6,327,031)	3,327,493	1,828,292	1,144,848	2,018,119	0
I. Valuation Asset Recognized Rate of Return	5.83%	7.96%				
J. Market Value Recognized Rate of Return	(7.26)%	19.51%				

\* The investment return assumption of 7.25% will be reflected in 2020 and subsequent years.

In the year of implementation (2015), the Valuation Assets Beginning of Year was set equal to the Market Value at the Beginning of Year.

The Valuation Assets recognizes assumed investment income (line E2) fully each year. Differences between actual and assumed investment income (line E3) are phased-in over a closed five-year period. During periods when investment performance exceeds the assumed rate, Valuation Assets will tend to be less than Market Value. During periods when investment performance is less than the assumed rate, Valuation Assets will tend to be greater than Market Value. The Valuation Assets are unbiased with respect to Market Value. At any time, it may be either greater or less than Market Value. If assumed rates are exactly realized for four consecutive years, it will become equal to Market Value.



## Comments

**COMMENT A:** The Actuarially Determined Contribution and liabilities calculated have increased since the prior valuation results, per report dated July 1, 2019.

Factors contributing to this increase include, but are not limited to:

- Less favorable health plan experience than projected;
- Assumptions changes implemented per the experience study (see Comment C); and
- Lower employer contribution levels (\$3,500,000 – fixed contribution amount) than the calculated \$8,012,819.

Factors offsetting this increase include, but are not limited to:

- More favorable investment experience than expected; and
- Removal of the valuation of the \$1,000 life insurance benefit for retirees.

The ratio of the Funding Value to Market Value of Assets was 97% at the end of 2019. In three of the next four years, if experience matches expectations, the funded status will increase and the Actuarially Determined Contribution will decrease as net investment gains are recognized.

**COMMENT B:** One of the key assumptions used in any valuation of the cost of postemployment benefits is the rate of return on the assets that will be used to pay Plan benefits. Higher assumed investment returns will result in a lower Actuarially Determined Contribution. Lower returns will tend to increase the Actuarially Determined Contribution. We have calculated the liability and the resulting Actuarially Determined Contribution using an assumed long-term rate of investment return of 7.25%.

**COMMENT C:** The following changes in Cost Methods and Actuarial Assumptions were reflected for the first time in this valuation:

- Rates of mortality were updated to use the Pub-2010 Amount-Weighted General tables (Safety tables for Public Safety groups) with future mortality improvements projected to 2025 with scale MP-2019;
- The investment return assumption was lowered from 7.50% to 7.25%;
- An administrative expense load assumption of \$100,000 was adopted;
- The price inflation assumption was decreased from 2.50% to 2.25%;
- Rates of retirement were updated to reflect recent patterns; and
- Rates of turnover were increased to reflect recent patterns.

These assumptions were updated in accordance with the experience study for the City of Kalamazoo Employees Retirement System and Postretirement Welfare Benefits Plan for the period January 1, 2014 through December 31, 2018 dated January 7, 2020.

**COMMENT D:** The health plan closed to new hires for most groups at various dates between 2009 and 2011 (see section titled “Summary of Benefits” for more details). The Unfunded Actuarial Accrued Liabilities (UAAL) are financed over a closed 22-year period using a level dollar amortization method. A shorter amortization period would increase the Actuarially Determined Contribution.



## Comments (Continued)

**COMMENT E:** The City of Kalamazoo’s existing transit operations became part of the Central County Transportation Authority (CCTA) effective October 1, 2016. The details of the spinoff are covered under the Comprehensive Transition Agreement, effective October 19, 2015. For purposes of this valuation Retiree Health Care Coverage, for the CCTA group (formerly Metro Transit) under the City Plan, was assumed to continue past the 36-month term described in the Transition Agreement.

**COMMENT F:** On December 20, 2019, the “Further Consolidated Appropriations Act of 2020,” H.R. 1865, was signed into law. The Act repeals the “Cadillac tax” which was a tax provision from the Affordable Care Act (ACA). As a result, any liability/provision analysis included as part of the prior funding valuation is no longer required. In addition, no further adjustments associated with the “Cadillac tax” are required. For purposes of the City of Kalamazoo Postretirement Welfare Benefits Plan funding valuation, the repeal of the “Cadillac tax” does not have an impact on plan liabilities because no load was applied as part of the December 31, 2018 funding valuation.

**COMMENT G:** The GASB issued Statements Nos. 74 and 75 for OPEB valuations. GASB Statement No. 74 for the plan OPEB disclosures is effective for fiscal years beginning after June 15, 2016 and GASB Statement No. 75 for employer OPEB disclosures is effective for employer fiscal years beginning after June 15, 2017. The GASB implementation guides for Statements No. 74 and No. 75 provide additional clarification related to the implementation of these Statements. It is our understanding that the City will need to comply with GASB Statement Nos. 74 and 75 for each fiscal year ending December 31. The basis for the December 31, 2020 GASB information is expected to be this valuation (as of December 31, 2019), where roll-forward techniques will be applied. GASB information for the fiscal year ending December 31, 2019 was provided to the City in reports dated April 17, 2020.

**COMMENT H:** Unless otherwise indicated, a funded status measurement presented in this report is based upon the actuarial accrued liability and the actuarial value of assets. Unless otherwise indicated, with regard to any funded status measurements presented in this report:

- The measurement is inappropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan’s benefit obligations, and
- The measurement is inappropriate for assessing the need for or the amount of future employer contributions.

**COMMENT I:** The Michigan State Treasurer has established uniform actuarial assumptions as required by Public Act 202 (PA 202) of 2017 for use with the annual Form 5572 (Retirement System Annual Report). The use of the uniform assumptions for reporting purposes is required for the fiscal year ending December 31, 2019. GRS provided the necessary PA 202 uniform assumption information as part of the December 31, 2019 GASB Statement Nos. 74 and 75 reports dated April 17, 2020.

## **SECTION B**

---

### **RETIREE PREMIUM RATE DEVELOPMENT**

# Retiree Premium Rate Development

## Rate Development

Currently, eligible City retirees (and eligible spouses) receive benefits from a number of health care plans, including the self-insured Blue Cross Blue Shield (BCBS) Traditional plans and the self-insured Community Blue PPO plans. For these self-insured medical plans, initial per capita costs were developed separately for pre-65 and post-65 retirees using medical and prescription drug claims experience from October 2016 to September 2019 from BCBS in conjunction with exposure data for the active and retired members of the health care program. These medical and prescription drug claims were projected on an incurred claim basis, adjusted for plan design changes (including changes to Medicare Part B coverage for current and future retirees), large claims and loaded for administrative and stop-loss expenses. The initial medical and drug premium rates used in the valuation are a weighted average cost of the three-year experience period (10/2016 – 9/2019) to smooth out any large year-to-year fluctuations.

Most retiree plans are closed to future retirees. The plans that remain open include suffixes 0022, 0023, 0025, 0026, 0030, 0031, 0036, 0037, 0049, 0050, 0053, 0054, 0055, and 0056. Depending on age (pre-65 or post-65) and active group membership, future retirees will be placed into one of these suffixes. Separate premium rates are developed for these future retirees in order to reflect the benefit differences.

Age graded and sex distinct premiums are utilized by this valuation. The initial costs developed by the preceding process are appropriate for the unique age and sex distribution currently existing. Over the future years covered by this valuation, the age and sex distribution will most likely change. Therefore, our process “distributes” the average premium over all age/sex combinations and assigns a unique premium for each combination. The age/sex specific premiums more accurately reflect the health care costs in the retired population over the projection period.

The tables below show the resulting combined medical and prescription drug one-person monthly premiums at select ages. The premium (or per capita costs) rates shown below were used in this valuation of the Plan and reflect the use of age grading.

<b>For Those Not Eligible for Medicare (Pre-65)</b>				
<b>Age</b>	<b>Future Retirees</b>		<b>Current Retirees</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
40	\$ 373.01	\$ 606.11	\$ 390.98	\$ 635.32
50	604.64	744.86	633.78	780.76
60	1,027.61	1,011.85	1,077.14	1,060.61
64	1,249.61	1,179.29	1,309.83	1,236.12

<b>For Those Eligible for Medicare (Post-65)</b>				
<b>Age</b>	<b>Future Retirees</b>		<b>Current Retirees</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
65	\$ 587.83	\$ 554.44	\$ 645.72	\$ 609.05
75	687.76	671.10	755.49	737.20
85	727.26	735.83	798.89	808.30



# Retiree Premium Rate Development (Concluded)

## Health Care Trend Assumption

The health care cost trend rate is the rate of change in per capita health care claims over time as a result of factors such as medical inflation, utilization of health care services, plan design, and technological improvements. It is a crucial economic assumption that is required for measuring retiree health care benefit obligations.

Retiree health care valuations use a health care cost trend assumption (trend vector) that changes over the years. The trend vector used in this valuation begins with a near-term trend assumption and declines over time to an ultimate trend rate. The near-term rates reflect the increases in the current cost of health care goods and services. The process of trending down to a lower ultimate trend relies on the theory that premium levels will moderate over the long-term, otherwise the healthcare sector would eventually consume the entire GDP. It is on this basis that projected premium rate increases continue to exceed wage inflation for the next ten years, but by less each year until leveling off at an ultimate rate, assumed to be 3.50% in this valuation, see page E-7 for further details regarding the trend vector used in this valuation.

While experience is often the best starting point for future costs, GRS does not rely on a group's experience in setting the near-term trend assumptions since trends vary significantly from year to year and are not credible for most groups. Therefore, professional judgment, trends from GRS' book of business and industry benchmarks (e.g., trend reports from various Pharmacy Benefit Management (PBM) organizations and national healthcare benefit consulting firms) are used in conjunction with a group's historical experience to establish the trend assumptions.

James E. Pranschke is a Member of the American Academy of Actuaries (MAAA) and meets the Qualification Standards of the American Academy of Actuaries to certify the per capita retiree health care rates shown above.



---

James E. Pranschke, FSA, FCA, MAAA

## SECTION C

---

### SUMMARY OF BENEFITS



# Summary of Benefit Provisions for the Postretirement Welfare Benefits Plan

Group Name AFSCME employees - City of Kalamazoo											
(A)	(B)	(C)	(D)	(E)		(G)	(H)	(I)	(J) Retiree Share of Cost for		
Leaving Employment as a Result of	Eligibility for Pension Benefit	Eligibility for Retiree Health Benefit (if different from pension benefit)	When do Retiree Health Benefits Commence?	Coverage Provided by Employer		Retiree Health Care Provider(s)	Type of Insurance	Third Party Administrator	Retiree	Spouse (while Retiree is alive)	Spouse (after Retiree's death)
				Retiree	Spouse						
<b>Normal Retirement (Unreduced pension benefits)</b>	Age 57 with 25 years of service,	Retiree & spouse if hired < 1/1/09	Upon retirement	Medical, Drug, Life	Medical & Drug	Community Blue-BCBS	PPO	BCBS	\$106.92/mo See Comment A	\$149.69/mo See Comment A	100% after one year
	age 60 with 20 years of service, or age 62 with 9 years. (10 years if hired after 10/2/16)	Retiree only if hired 1/1/09-9/12/11 Healthcare savings program if hired after 9/12/11 (% of employer contributions based on vesting)	Upon retirement Upon retirement	Medical, Drug, Life Life	n/a	Community Blue-BCBS	PPO	BCBS	See Comment A	n/a	n/a
<b>Early Retirement (Reduced pension benefits)</b>	Age 55 with at least 15 years of service, then for each year increase in age, years of service can reduce by one year, to age 61 with 9 years of service. (10 years if hired after 10/2/16)	None. If hired < 9/12/11, must receive FULL pension benefit for retiree health Healthcare savings program if hired after 9/12/11 & eligible to draw a pension (% of employer contributions based on vesting)	n/a Upon retirement	Life							
<b>Deferred Vested Termination</b>	At age 62 with at least 9 years (10 years if hired after 10/2/16)	None. If hired < 9/12/11, must receive FULL pension benefit for retiree health Healthcare savings program if hired after 9/12/11 & eligible to draw a pension (% of employer contributions based on vesting)	n/a Upon retirement								
<b>Non-Duty Disability</b>	After 9 years of service (10 years if hired after 10/2/16)	Must meet normal age & service requirements: Retiree & spouse if hired < 1/1/09	Upon Pension Board Approval if eligible Pension Board Approval	Medical, Drug, Life	Medical & Drug	Community Blue-BCBS	PPO	BCBS	\$106.92/mo See Comment A	\$149.69/mo See Comment A	100% after one year
		Retiree only if hired 1/1/09-9/12/11 Healthcare savings program if hired after 9/12/11 & eligible to draw a pension (% of employer contributions based on vesting)	Pension Board Approval Pension Board Approval	Medical, Drug, Life Life	n/a	Community Blue-BCBS	PPO	BCBS	\$106.92/mo See Comment A	n/a	n/a
<b>Duty Disability</b>	Given credit to voluntary age & service requirements	Retiree & spouse if hired < 1/1/09	Pension Board Approval	Medical, Drug, Life	Medical & Drug	Community Blue-BCBS	PPO	BCBS	\$106.92/mo See Comment A	\$149.69/mo See Comment A	100% after one year
		Retiree only if hired 1/1/09-9/12/11 Healthcare savings program if hired after 9/12/11 & eligible to draw a pension (100% vesting in full account value)	Pension Board Approval Pension Board Approval	Medical, Drug, Life Life	n/a	Community Blue-BCBS	PPO	BCBS	\$106.92/mo See Comment A	n/a	n/a
<b>Non-Duty Death-in-Service</b>	If vested	If age or service eligible	Day prior to death		Medical & Drug	Community Blue-BCBS	PPO	BCBS			100% after one year
<b>Duty Death-in-Service</b>	Same as Duty Disability										

**Comment A:** Employees retiring effective 10/1/16 and later at 57 years of age and 25 years of service will pay the same as active employees to a maximum of 50% above the contribution the retiree paid during the last month of the retiree's employment. Persons retiring with less than 25 years of service will pay the same increases as active employees to a maximum of 50% above the contribution paid at the time of retirement.

**Comment B:** Retirees are not reimbursed by the City for Medicare Part A or Part B Premiums. Post-Medicare retiree cost-sharing remains the same as pre-65.

**Comment C:** There are retirees currently opting out of the retiree health care plan, they may re-enroll at open enrollment or with a qualifying insurance event, there is no stipend for waiving coverage.

**Comment D:** There are retirees whose benefit is not described above, data was provided individually by the City for the valuation.

**Comment E:** This is a brief summary of the City of Kalamazoo's Postretirement Welfare Plan Benefit provisions. In the event that any description contained herein differs from the actual eligibility or benefit, the appropriate employee contract or governing document will prevail.



# Summary of Benefit Provisions for the Postretirement Welfare Benefits Plan

Group Name CSO Union (KPSOA non-sworn) employees - City of Kalamazoo											
(A) Leaving Employment as a Result of	(B) Eligibility for Pension Benefit	(C) Eligibility for Retiree Health Benefit (if different from pension benefit)	(D) When do Retiree Health Benefits Commence?	(E) Coverage Provided by Employer		(G) Retiree Health Care Provider(s)	(H) Type of Insurance	(I) Third Party Administrator	(J) Retiree Share of Cost for		
				Retiree	Spouse				Retiree	Spouse (while Retiree is alive)	Spouse (after Retiree's death)
<b>Normal Retirement (Unreduced pension benefits)</b>	Age 57 with 25 years of service, or age 62 with 10 years.	Retiree & spouse if hired < 9/7/11	Upon retirement	Medical, Drug, Life	Medical & Drug	Community Blue-BCBS	PPO	BCBS	\$106.92/mo	\$149.69/mo	100%
		Healthcare savings program if hired after 9/6/11 & eligible to draw a pension (% of employer contributions based on vesting)	Upon retirement	Life					See Comment A	See Comment A	after one year
<b>Early Retirement (Reduced pension benefits)</b>	Age 55 with at least 15 years of service	Retiree & spouse if hired < 9/7/11	When they would have completed 25 years of service	Medical, Drug, Life	Medical & Drug	Community Blue-BCBS	PPO	BCBS	\$106.92/mo	\$149.69/mo	100%
		Healthcare savings program if hired after 9/6/11 & eligible to draw a pension (% of employer contributions based on vesting)	Upon retirement	Life					See Comment A	See Comment A	after one year
<b>Deferred Vested Termination</b>	At age 62 with at least 10 years	None for retiree & spouse if hired < 9/7/11	n/a								
		Healthcare savings program if hired after 9/6/11 & eligible to draw a pension (% of employer contributions based on vesting)	Upon retirement								
<b>Non-Duty Disability</b>	After 10 years of service	Must meet normal age & service requirements:	Upon Pension Board Approval if eligible								
		Retiree & spouse if hired < 9/7/11	Pension Board Approval	Medical, Drug, Life	Medical & Drug	Community Blue-BCBS	PPO	BCBS	\$106.92/mo	\$149.69/mo	100%
		Healthcare savings program if hired after 9/6/11 & eligible to draw a pension (% of employer contributions based on vesting)	Pension Board Approval	Life					See Comment A	See Comment A	after one year
<b>Duty Disability</b>	Given credit to voluntary age & service requirements	Retiree & spouse if hired < 9/7/11	Pension Board Approval	Medical, Drug, Life	Medical & Drug	Community Blue-BCBS	PPO	BCBS	\$106.92/mo	\$149.69/mo	100%
		Healthcare savings program if hired after 9/6/11 (based on 25 years vesting = 100% of account value)	Pension Board Approval	Life					See Comment A	See Comment A	after one year
<b>Non-Duty Death-in-Service</b>	If vested	If age or service eligible	Day prior to death		Medical & Drug	Community Blue-BCBS	PPO	BCBS			100%
											after one year
<b>Duty Death-in-Service</b>	Same as Duty Disability										

**Comment A:** The retiree pays the active contribution rates in the year they retire. For retirements on or after 1/1/2007, the retiree will receive the same coverage as active employees and continue to pay the increasing active contribution rate to a maximum of 50% above the contribution rate at the time of retirement. For retirements 12/1/2017 - 11/30/2018, the retiree will receive the same coverage as active employees and continue to pay the increasing active contribution rate to a maximum of 75% above the contribution rate at the time of retirement. For retirements 12/1/2018 - 11/30/2019, the retiree will receive the same coverage as active employees and continue to pay the increasing active contribution rate to a maximum of 80% above the contribution rate at the time of retirement. For retirements 12/1/2019 - 11/30/2020, the retiree will receive the same coverage as active employees and continue to pay the increasing active contribution rate to a maximum of 85% above the contribution rate at the time of retirement. For retirements 12/1/2020 - 11/30/2021, the retiree will receive the same coverage as active employees and continue to pay the increasing active contribution rate to a maximum of 90% above the contribution rate at the time of retirement. For retirements on or after 12/1/2021, the retiree will receive the same coverage as active employees and continue to pay the increasing active contribution rate to a maximum of 95% above the contribution rate at the time of retirement.

**Comment B:** Retirees are not reimbursed by the City for Medicare Part A or Part B Premiums. Post-Medicare retiree cost-sharing remains the same as pre-65.

**Comment C:** There are retirees currently opting out of the retiree health care plan, they may re-enroll at open enrollment or with a qualifying insurance event, there is no stipend for waiving coverage.

**Comment D:** There are retirees whose benefit is not described above, data was provided individually by the City for the valuation.

**Comment E:** This is a brief summary of the City of Kalamazoo's Postretirement Welfare Plan Benefit provisions. In the event that any description contained herein differs from the actual eligibility or benefit, the appropriate employee contract or governing document will prevail.



# Summary of Benefit Provisions for the Postretirement Welfare Benefits Plan

Group Name Non-Union Employees - City of Kalamazoo (Including CCTA Transit Exempt Employees)

(A) Leaving Employment as a Result of	(B) Eligibility for Pension Benefit	(C) Eligibility for Retiree Health Benefit (if different from pension benefit)	(D) When do Retiree Health Benefits Commence?	(E) Coverage Provided by Employer		(G) Retiree Health Care Provider(s)	(H) Type of Insurance	(I) Third Party Administrator	(J) Retiree Share of Cost for		
				Retiree	Spouse				Retiree	Spouse (while Retiree is alive)	Spouse (after Retiree's death)
<b>Normal Retirement (Unreduced pension benefits)</b>	Age 57 with 25 years of service, or age 62 with 5 years (10 years for CCTA)	Retiree & spouse if hired < 6/1/09 Healthcare savings program if hired after 6/1/09 (% of employer contributions based on vesting)	Upon retirement Upon retirement	Medical, Drug, Life Life	Medical & Drug	Community Blue-BCBS	PPO	BCBS	\$106.92/mo See Comment A	\$149.69/mo See Comment A	100% after one year
<b>Early Retirement (Reduced pension benefits)</b>	Age 55 with at least 15 years of service then for each year increase in age, years of service can reduce by one year to age 62 with 5 years of service (if hired before 9/1/10) and to age 60 with 5 years (if hired on or after 9/1/10)	Retiree & spouse if hired < 6/1/09 Healthcare savings program if hired after 6/1/09 (% of employer contributions based on vesting)	Upon retirement Upon retirement	Medical, Drug, Life Life	Medical & Drug	Community Blue-BCBS	PPO	BCBS	\$106.92/mo See Comment A	\$149.69/mo See Comment A	100% after one year
<b>Deferred Vested Termination</b>	At age 62 with at least 5 years (10 years for CCTA)	None for retiree & spouse if hired < 6/1/09 Healthcare savings program if hired after 6/1/09 (% of employer contributions based on vesting)	n/a Upon retirement								
<b>Non-Duty Disability</b>	After 5 years of service (10 years for CCTA)	Must meet normal age & service requirements: Retiree & spouse if hired < 6/1/09 Healthcare savings program if hired after 6/1/09 (% of employer contributions based on vesting)	Upon Pension Board Approval if eligible Pension Board Approval Pension Board Approval	Medical, Drug, Life Life	Medical & Drug	Community Blue-BCBS	PPO	BCBS	\$106.92/mo See Comment A	\$149.69/mo See Comment A	100% after one year
<b>Duty Disability</b>	Given credit to voluntary age & service requirements	Retiree & spouse if hired < 6/1/09 Healthcare savings program if hired after 6/1/09 (% of employer contributions based on vesting)	Pension Board Approval Pension Board Approval	Medical, Drug, Life Life	Medical & Drug	Community Blue-BCBS	PPO	BCBS	\$106.92/mo See Comment A	\$149.69/mo See Comment A	100% after one year
<b>Non-Duty Death-in-Service</b>	If vested	If age or service eligible	Day prior to death		Medical & Drug	Community Blue-BCBS	PPO	BCBS			100% after one year
<b>Duty Death-in-Service</b>	Same as Duty Disability										

**Comment A:** The retiree will receive the same coverage as active employees and continue to pay the increasing active contribution rate to a maximum of 50% above the contribution rate paid in the last month of employment.

**Comment B:** Retirees are not reimbursed by the City for Medicare Part A or Part B Premiums. Post-Medicare retiree cost-sharing remains the same as pre-65.

**Comment C:** There are retirees currently opting out of the retiree health care plan, they may re-enroll at open enrollment or with a qualifying insurance event, there is no stipend for waiving coverage.

**Comment D:** There are retirees whose benefit is not described above, data was provided individually by the City for the valuation.

**Comment E:** This is a brief summary of the City of Kalamazoo's Postretirement Welfare Plan Benefit provisions. In the event that any description contained herein differs from the actual eligibility or benefit, the appropriate employee contract or governing document will prevail.



# Summary of Benefit Provisions for the Postretirement Welfare Benefits Plan

Group Name Public Safety (sworn employees) - KPSA & KPSOA - City of Kalamazoo											
(A)	(B)	(C)	(D)	(E) Coverage Provided by Employer		(G)	(H)	(I)	(J) Retiree Share of Cost for		
Leaving Employment as a Result of	Eligibility for Pension Benefit	Eligibility for Retiree Health Benefit (if different from pension benefit)	When do Retiree Health Benefits Commence?	Retiree	Spouse	Retiree Health Care Provider(s)	Type of Insurance	Third Party Administrator	Retiree	Spouse (while Retiree is alive)	Spouse (after Retiree's death)
<b>Normal Retirement (Unreduced pension benefits)</b>	25 years of service or age 50 with 10 years.	Retiree & spouse if hired < 9/7/11 Healthcare savings program if hired after 9/6/11 & eligible to draw a pension (% of employer contributions based on vesting)	Upon retirement Upon retirement	Medical, Drug, Life Life	Medical & Drug	Community Blue-BCBS	PPO	BCBS	\$106.92/mo See Comment A	\$149.69/mo See Comment A	100% after one year
<b>Early Retirement (Reduced pension benefits)</b>	20 years of service	Retiree & spouse if hired < 9/7/11 Healthcare savings program if hired after 9/6/11 & eligible to draw a pension (% of employer contributions based on vesting)	When they would have completed 25 years of service Upon retirement	Medical, Drug, Life Life	Medical & Drug	Community Blue-BCBS	PPO	BCBS	\$106.92/mo See Comment A	\$149.69/mo See Comment A	100% after one year
<b>Deferred Vested Termination</b>	At age 50 with at least 10 years	None for retiree & spouse if hired < 9/7/11 Healthcare savings program if hired after 9/6/11 & eligible to draw a pension (% of employer contributions based on vesting)	n/a Upon retirement								
<b>Non-Duty Disability</b>	After 10 years of service	Must meet normal age & service requirements: Retiree & spouse if hired < 9/7/11 Healthcare savings program if hired after 9/6/11 & eligible to draw a pension (% of employer contributions based on vesting)	Upon Pension Board Approval if eligible Pension Board Approval Pension Board Approval	Medical, Drug, Life Life	Medical & Drug	Community Blue-BCBS	PPO	BCBS	\$106.92/mo See Comment A	\$149.69/mo See Comment A	100% after one year
<b>Duty Disability</b>	Given credit needed to reach 25 years of service	Retiree & spouse if hired < 9/7/11 Healthcare savings program if hired after 9/6/11 (based on 25 years vesting = 100% of account value)	Pension Board Approval Pension Board Approval	Medical, Drug, Life Life	Medical & Drug	Community Blue-BCBS	PPO	BCBS	\$106.92/mo See Comment A	\$149.69/mo See Comment A	100% after one year
<b>Non-Duty Death-in-Service</b>	If vested	If age or service eligible	Day prior to death		Medical & Drug	Community Blue-BCBS	PPO	BCBS			100% after one year
<b>Duty Death-in-Service</b>	Same as Duty Disability										

**Comment A:** The retiree pays the active contribution rates in the year they retire. For retirements on or after 1/1/2007, the retiree will receive the same coverage as active employees and continue to pay the increasing active contribution rate to a maximum of 50% above the contribution rate at the time of retirement. For KPSA retirements 12/1/2017 - 12/31/2020, the retiree will receive the same coverage as active employees and continue to pay the increasing active contribution rate to a maximum of 75% above the contribution rate at the time of retirement.

For KPSA retirements on or after 1/1/2021, the retiree will receive the same coverage as active employees and continue to pay the increasing active contribution rate to a maximum of 95% above the contribution rate at the time of retirement.

For KPSOA (sworn) retirements 12/1/2017 - 11/30/2018, the retiree will receive the same coverage as active employees and continue to pay the increasing active contribution rate to a maximum of 75% above the contribution rate at the time of retirement.

For KPSOA (sworn) retirements 12/1/2018 - 11/30/2019, the retiree will receive the same coverage as active employees and continue to pay the increasing active contribution rate to a maximum of 80% above the contribution rate at the time of retirement.

For KPSOA (sworn) retirements 12/1/2019 - 11/30/2020, the retiree will receive the same coverage as active employees and continue to pay the increasing active contribution rate to a maximum of 85% above the contribution rate at the time of retirement.

For KPSOA (sworn) retirements 12/1/2020 - 11/30/2021, the retiree will receive the same coverage as active employees and continue to pay the increasing active contribution rate to a maximum of 90% above the contribution rate at the time of retirement.

For KPSOA (sworn) retirements on or after 12/1/2021, the retiree will receive the same coverage as active employees and continue to pay the increasing active contribution rate to a maximum of 95% above the contribution rate at the time of retirement.

**Comment B:** Retirees after 1/1/2010 and certain existing retirees are reimbursed for Medicare Part B premiums. Certain retirees electing the incentive are also eligible for reimbursement of late enrollment penalties. Post-Medicare retiree cost-sharing remains the same as pre-65.

**Comment C:** There are retirees currently opting out of the retiree health care plan, they may re-enroll at open enrollment or with a qualifying insurance event, there is no stipend for waiving coverage.

**Comment D:** There are retirees whose benefit is not described above, data was provided individually by the City for the valuation.

**Comment E:** This is a brief summary of the City of Kalamazoo's Postretirement Welfare Plan Benefit provisions. In the event that any description contained herein differs from the actual eligibility or benefit, the appropriate employee contract or governing document will prevail.



# Summary of Benefit Provisions for the Postretirement Welfare Benefits Plan

Group Name ATU Union Employees - CCTA

(A) Leaving Employment as a Result of	(B) Eligibility for Pension Benefit	(C) Eligibility for Retiree Health Benefit (if different from pension benefit)	(D) When do Retiree Health Benefits Commence?	(E) Coverage Provided by Employer		(G) Retiree Health Care Provider(s)	(H) Type of Insurance	(I) Third Party Administrator	(J) Retiree Share of Cost for		
				Retiree	Spouse				Retiree	Spouse (while Retiree is alive)	Spouse (after Retiree's death)
<b>Normal Retirement (Unreduced pension benefits)</b>	Age 57 with 25 years of service, or age 62 with 10 years.	Retiree & spouse if hired < 9/7/11 Healthcare savings program if hired after 9/6/11 & eligible to draw a pension (% of employer contributions based on vesting)	Upon retirement	Medical, Drug, Life	Medical & Drug	Community Blue-BCBS	PPO	BCBS	\$106.92/mo See Comment A	\$149.69/mo See Comment A	100% after one year
			Upon retirement	Life							
<b>Early Retirement (Reduced pension benefits)</b>	Age 55 with at least 15 years of service, then for each year increase in age, years of service can reduce by one year, to age 60 with 10 years of service.	None if hired < 9/7/11. Must receive full pension benefit for retiree health, unless - retired before age 62 without retiree health eligibility, may enroll in retiree health supplemental coverage for retiree only at age 65 Healthcare savings program if hired after 9/6/11 & eligible to draw a pension (% of employer contributions based on vesting)	n/a	Life							
			Age 65, if elected Upon retirement	Medical, Drug, Life	Medical & Drug	Community Blue-BCBS	PPO	BCBS	\$106.92/mo See Comment A	n/a	n/a
<b>Deferred Vested Termination</b>	Age 62 with at least 10 years	None if hired before < 9/7/11. Must receive full pension benefit for retiree health, unless - retired before age 62 without retiree health eligibility, may enroll in retiree health supplemental coverage for retiree only at age 65 Healthcare savings program if hired after 9/6/11 & eligible to draw a pension (% of employer contributions based on vesting)	n/a	Life							
			Age 65, if elected Upon retirement	Medical, Drug, Life	Medical & Drug	Community Blue-BCBS	PPO	BCBS	\$106.92/mo See Comment A	n/a	n/a
<b>Non-Duty Disability</b>	After 10 years of service	Must meet normal age & service requirements: Retiree & spouse if hired < 9/7/11 Healthcare savings program if hired after 9/6/11 & eligible to draw a pension (% of employer contributions based on vesting)	Upon Pension Board Approval if eligible			Community Blue-BCBS	PPO	BCBS	\$106.92/mo See Comment A	\$149.69/mo See Comment A	100% after one year
			Pension Board Approval	Medical, Drug, Life	Medical & Drug						
<b>Duty Disability</b>	Given credit to voluntary age & service requirements	Retiree & spouse if hired < 9/7/11 Healthcare savings program if hired after 9/6/11 & eligible to draw a pension (100% vesting in full account value)	Pension Board Approval	Medical, Drug, Life	Medical & Drug	Community Blue-BCBS	PPO	BCBS	\$106.92/mo See Comment A	\$149.69/mo See Comment A	100% after one year
<b>Non-Duty Death-in-Service</b>	If vested	If age or service eligible	Day prior to death		Medical & Drug	Community Blue-BCBS	PPO	BCBS			100% after one year
<b>Duty Death-in-Service</b>	Same as Duty Disability										

**Comment A:** The retiree pays the active contribution rates in the year they retire. For retirements on or after 2/14/2007, the retiree will receive the same coverage as active employees and continue to pay the increasing active contribution rate to a maximum of 50% above the contribution rate at the time of retirement. For retirements on or after 12/1/2017, the retiree will receive the same coverage as active employees and continue to pay the increasing active contribution rate to a maximum of 75% above the contribution rate at the time of retirement.

**Comment B:** Retirees are not reimbursed by the City for Medicare Part A or Part B Premiums. Post-Medicare retiree cost-sharing remains the same as pre-65.

**Comment C:** There are retirees currently opting out of the retiree health care plan, they may re-enroll at open enrollment or with a qualifying insurance event, there is no stipend for waiving coverage. For retirements on or after 2/10/2020, if the retiree waives coverage, they can't opt back in at a later date.

**Comment D:** There are retirees whose benefit is not described above, data was provided individually by the City for the valuation.

**Comment E:** This is a brief summary of the City of Kalamazoo's Postretirement Welfare Plan Benefit provisions. In the event that any description contained herein differs from the actual eligibility or benefit, the appropriate employee contract or governing document will prevail.



# Summary of Benefit Provisions for the Postretirement Welfare Benefits Plan

Group Name KMEA Union Employees - City of Kalamazoo											
(A) Leaving Employment as a Result of	(B) Eligibility for Pension Benefit	(C) Eligibility for Retiree Health Benefit (if different from pension benefit)	(D) When do Retiree Health Benefits Commence?	(E) Coverage Provided by Employer		(G) Retiree Health Care Provider(s)	(H) Type of Insurance	(I) Third Party Administrator	(J) Retiree Share of Cost for		
				Retiree	Spouse				Retiree	Spouse (while Retiree is alive)	Spouse (after Retiree's death)
<b>Normal Retirement (Unreduced pension benefits)</b>	Age 57 with 25 years of service, or age 62 with 10 years.	Retiree & spouse if hired < 6/1/09 Healthcare savings program if hired after 6/1/09 & eligible to draw a pension (% of employer contributions based on vesting)	Upon retirement	Medical, Drug, Life	Medical & Drug	Community Blue-BCBS	PPO	BCBS	\$106.92/mo	\$149.69/mo	100%
			Upon retirement	Life					See Comment A	See Comment A	after one year
<b>Early Retirement (Reduced pension benefits)</b>	Age 55 with at least 15 years of service then for each year increase in age, years of service can reduce by one year to age 62 with 8 years of service (if hired before 1/1/09) and to age 60 with 10 years (if hired on or after 1/1/09)	None if hired < 6/1/09. Must receive full pension benefit for retiree health unless - Retiree & spouse if retired between ages 57 and 65; or - Retiree only if retired before age 57 Healthcare savings program if hired after 6/1/09 & eligible to draw a pension (% of employer contributions based on vesting)	n/a	Life		Community Blue-BCBS	PPO	BCBS	\$106.92/mo	\$149.69/mo	100%
			Upon retirement	Medical, Drug, Life	Medical & Drug				See Comment A	See Comment A	after one year
			Age 65, if elected	Medical, Drug, Life	Medical & Drug				See Comment A	n/a	n/a
<b>Deferred Vested Termination</b>	At age 62 with at least 10 years (8 years if hired before 1/1/09)	None for retiree & spouse if hired before 6/1/09 Healthcare savings program if hired after 6/1/09 & eligible to draw a pension (% of employer contributions based on vesting)	n/a	Upon retirement							
<b>Non-Duty Disability</b>	After 10 years of service (8 years if hired before 1/1/09)	Must meet normal age & service requirements: Retiree & spouse if hired < 6/1/09 Healthcare savings program if hired after 6/1/09 & eligible to draw a pension (% of employer contributions based on vesting)	Upon Pension Board Approval if eligible			Community Blue-BCBS	PPO	BCBS	\$106.92/mo	\$149.69/mo	100%
			Pension Board Approval	Medical, Drug, Life	Medical & Drug				See Comment A	See Comment A	after one year
<b>Duty Disability</b>	Given credit to voluntary age & service requirements	Retiree & spouse if hired < 6/1/09 Healthcare savings program if hired after 6/1/09 & eligible to draw a pension (100% vesting in full account value)	Pension Board Approval	Medical, Drug, Life	Medical & Drug	Community Blue-BCBS	PPO	BCBS	\$106.92/mo	\$149.69/mo	100%
			Pension Board Approval	Life					See Comment A	See Comment A	after one year
<b>Non-Duty Death-in-Service</b>	If vested	If age or service eligible	Day prior to death		Medical & Drug	Community Blue-BCBS	PPO	BCBS			100% after one year
<b>Duty Death-in-Service</b>	Same as Duty Disability										

**Comment A:** The retiree pays the active contribution rates in the year they retire. For retirements on or after 1/1/2002, the retiree will receive the same coverage as active employees and continue to pay the increasing active contribution rate to a maximum of 50% above the contribution rate at the time of retirement. For retirements 12/1/2017 - 6/30/2020, the retiree will receive the same coverage as active employees and continue to pay the increasing active contribution rate to a maximum of 75% above the contribution rate at the time of retirement. For retirements on or after 7/1/2020, the retiree will receive the same coverage as active employees and continue to pay the increasing active contribution rate to a maximum of 80% above the contribution rate at the time of retirement.

**Comment B:** Retirees are not reimbursed by the City for Medicare Part A or Part B Premiums. Post-Medicare retiree cost-sharing remains the same as pre-65.

**Comment C:** There are retirees currently opting out of the retiree health care plan, they may re-enroll at open enrollment or with a qualifying insurance event, there is no stipend for waiving coverage. For retirements on or after 1/1/2018, if the retiree waives coverage, they can't opt back in at a later date.

**Comment D:** There are retirees whose benefit is not described above, data was provided individually by the City for the valuation.

**Comment E:** This is a brief summary of the City of Kalamazoo's Postretirement Welfare Plan Benefit provisions. In the event that any description contained herein differs from the actual eligibility or benefit, the appropriate employee contract or governing document will prevail.



## **SECTION D**

---

### **SUMMARY OF THE INFORMATION SUBMITTED FOR THE VALUATION**

# Reported Financial Information for the Year Ended December 31, 2019 (Market Value)

## Revenues and Expenditures During the Year

**Revenues:**

a. Retiree contributions	\$ 978,010	
b. Employer contributions	3,500,000	
c. Interest and dividends	2,383,278	
d. Net Appreciation in Fair Value of Investments	15,120,819	
e. Total		\$21,982,107

**Expenditures:**

a. Benefits paid	10,343,706	
b. Administrative expenses	125,815	
c. Investment expenses	343,446	
d. Total		10,812,967

**Reserve Increase:**

Total revenues minus total expenditures		\$11,169,140
---	--	--------------

## Assets and Reserves

**Assets:**

a. Cash or equivalents	\$ 111,883
b. Receivables net of payables	(1,092,426)
c. Stocks	72,597,598
d. Fixed income	25,440,713
e. Real Estate Investment Fund	5,047,617
f. Funding Value Adjustment	0

Total \$102,105,385

**Reserves for Employer Contributions:**

a. General Fund	\$ 102,105,385
b. Metro Fund	0
c. Water Fund	0
d. Wastewater Fund	0

Total \$102,105,385





## Active Members as of January 1, 2020 by Age and Years of Service \*

Age	Years of Service to Valuation Date							Totals
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.
20-24								
25-29		2						2
30-34		5	6					11
35-39		1	25	7				33
40-44			10	20	10			40
45-49		2	6	16	43	10		77
50-54		1	2	9	23	8	3	46
55-59		1	3	9	14	10	6	43
60-64		1	3	7	6	5	2	24
65 & Over			1	2		1	1	5
<b>Totals</b>		<b>13</b>	<b>56</b>	<b>70</b>	<b>96</b>	<b>34</b>	<b>12</b>	<b>281</b>

\* Excludes 423 individuals who are not eligible for retiree health insurance at retirement. A Health Savings Account is available instead.

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

**Age:** 48.5 years  
**Service:** 19.8 years

## Inactive Members as of January 1, 2020 by Age and Coverage Type

### Number of Retiree Health Contracts\*

	Opt-Out/ Ineligible	One-Person Coverage	Two-Person Coverage	Total
Male	110	160	356	626
Female	165	123	53	341
<b>Total</b>	<b>275</b>	<b>283</b>	<b>409</b>	<b>967</b>

\* Members receiving more than one pension were only counted once for purposes of OPEB benefits.

**Notes:**

- Opt-Out/Ineligible:** Includes 37 retirees who waived coverage and 1 DROP member. These members are assumed to begin drawing benefits in the future.
- One-Person Coverage:** Includes surviving spouses who receive City paid coverage for one year following the member's death.
- Two-Person Coverage:** Includes family coverage.

Age	Number of Those Covered
	Retiree Health
0-44	0
45-49	7
50-54	37
55-59	76
60-64	131
65-69	132
70-74	131
75-79	86
80-84	42
85-89	36
90-94	12
95 +	2
<b>Totals</b>	<b>692</b>

### Number of Terminated Vested Contracts

Terminated vested members are not eligible for Plan benefits.



## **SECTION E**

---

### **ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS**

## Actuarial Methods

The actuarial assumptions used for this report were based upon the results of an Experience Study for the City of Kalamazoo Employees Retirement System covering the period January 1, 2014 through December 31, 2018. A report dated January 7, 2020 presented the results of this Experience Study.

**Actuarial Cost Method.** Normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using an **Individual Entry-Age Actuarial Cost Method** having the following characteristics:

- (i) the annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement; and
- (ii) each annual normal cost is a constant percentage of the member's year by year projected covered pay.

Actuarial gains (losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability.

**Financing of Unfunded Actuarial Accrued Liabilities.** Unfunded Actuarial Accrued Liability (UAAL) (full funding credit if assets exceed liabilities) were amortized as a level dollar over a 22-year period.

**Amortization of Unfunded Actuarial Accrued Liability.** The following amortization factor was used in developing the Actuarially Determined Contribution for the year shown:

	2020 Calendar Year
City of Kalamazoo (Level Dollar)	11.2238

**Asset Valuation Method.** Last year's valuation assets are increased by contributions and expected investment income on last year's valuation assets and non-investment net cash flow and reduced by refunds, benefit payments and expenses. To this amount is added the phased-in recognition of investment income. The phased-in recognition is the sum over the five years ending on the valuation date of 20% of the difference between each year's expected return and actual market return.

## Actuarial Assumptions

**Investment Return.** The rate of investment return is compounded annually net of investment expenses.

Investment Return	7.25%
Wage Inflation	3.50%
Price Inflation	2.25%
Spread Between Investment Return and Wage Inflation	3.75%
Spread Between Investment Return and Price Inflation	4.75%

**The rates of salary increase** used for individual members are in accordance with the following table.

The annual rate of pay increases consists of two parts:

- (i) a long-term rate of pay inflation equal to 3.50%; and
- (ii) merit and longevity increases which vary according to age or length of service. These rates are illustrated below:

Years of Service	KMEA	AFSCME	General Exempt	Non-Sworn Public Safety	CCTA Union	CCTA Exempt	Public Safety
1	6.0%	8.0%	6.0%	8.0%	7.0%	6.0%	12.0%
2	5.0	3.0	6.0	7.0	7.0	6.0	12.0
3	4.0	3.0	1.0	6.0	6.0	0.5	5.5
4	2.0	2.0	1.0	4.0	5.0	0.5	4.5
5	1.0	2.0	1.0	3.0	4.0	0.5	4.5
6	1.0	1.0	1.0	1.5	0.0	0.3	4.0
7	1.0	0.0	0.5	1.5	0.0	0.3	4.0
8	1.0	0.0	0.5	1.5	0.0	0.3	4.0
9	0.0	0.0	0.5	1.5	0.0	0.3	1.5
10	0.0	0.0	0.5	1.5	0.0	0.3	1.3
11	0.0	0.0	0.3	0.5	0.0	0.3	1.0
12	0.0	0.0	0.3	0.3	0.0	0.3	1.0
13	0.0	0.0	0.3	0.3	0.0	0.3	0.5
14	0.0	0.0	0.3	0.3	0.0	0.3	0.5
thereafter	0.0	0.0	0.3	0.3	0.0	0.3	0.5

## Actuarial Assumptions (Continued)

The mortality tables (a risk assumption) used in the valuation are described below:

### Non-Public Safety

- **Healthy Pre-Retirement:** The Pub-2010 Amount-Weighted, General, Employee, Male and Female tables, with future mortality improvements projected to 2025 using scale MP-2019.
- **Healthy Post-Retirement:** The Pub-2010 Amount-Weighted, General, Healthy Retiree, Male and Female tables, with future mortality improvements projected to 2025 using scale MP-2019.
- **Disability Retirement:** The Pub-2010 Amount-Weighted, General, Disabled Retiree, Male and Female, with future mortality improvements projected to 2025 using scale MP-2019.

Sample Attained Ages	Healthy Pre-Retirement		Healthy Post-Retirement		Disabled Retirement	
	Future Life		Future Life		Future Life	
	Expectancy (Years)		Expectancy (Years)		Expectancy (Years)	
	Men	Women	Men	Women	Men	Women
55	32.90	34.92	29.19	31.95	21.41	23.96
60	28.28	30.17	24.84	27.44	18.65	21.11
65	23.77	25.48	20.67	23.03	16.03	18.18
70	19.34	20.87	16.67	18.76	13.44	15.08
75	14.99	16.36	12.94	14.75	10.86	12.04
80	10.73	11.98	9.63	11.12	8.43	9.29

### Public Safety

- **Healthy Pre-Retirement:** The Pub-2010 Amount-Weighted, Safety, Employee, Male and Female tables, with future mortality improvements projected to 2025 using scale MP-2019.
- **Healthy Post-Retirement:** The Pub-2010 Amount-Weighted, Safety, Healthy Retiree, Male and Female tables, with future mortality improvements projected to 2025 using scale MP-2019.
- **Disability Retirement:** The Pub-2010 Amount-Weighted, Safety, Disabled Retiree, Male and Female, with future mortality improvements projected to 2025 using scale MP-2019.

Sample Attained Ages	Healthy Pre-Retirement		Healthy Post-Retirement		Disabled Retirement	
	Future Life		Future Life		Future Life	
	Expectancy (Years)		Expectancy (Years)		Expectancy (Years)	
	Men	Women	Men	Women	Men	Women
55	32.15	34.54	29.07	30.90	27.84	29.83
60	27.45	29.78	24.56	26.38	23.55	25.62
65	22.85	25.04	20.27	22.06	19.52	21.61
70	18.37	20.36	16.25	17.95	15.74	17.75
75	14.09	15.83	12.54	14.12	12.23	14.09
80	10.08	11.56	9.28	10.71	9.16	10.71

100% of deaths are assumed to be non-duty for all members.

## Actuarial Assumptions (Continued)

*The rates of retirement* used to measure the probability of eligible members retiring during the next year were as follows:

Retirement Ages	KMEA	AFSCME	General Exempt	Non-Sworn Public Safety	CCTA Union	CCTA Exempt
55	2%	5%	7%	7%	10%	10%
56	2	5	7	7	10	10
57	5	8	20	20	25	25
58	5	5	20	20	25	25
59	10	5	15	15	20	20
60	20	25	20	20	25	25
61	20	20	20	20	30	30
62	50	55	25	25	30	30
63	15	25	15	15	15	15
64	10	25	15	15	15	15
65	100	100	100	100	100	100

Years of Service	Public Safety
20	2%
21	2
22	2
23	2
24	2
25	80
26	30
27	45
28	25
29	25
30	100

Retirement probabilities were applied for General and CCTA members after both attaining age 55 and completing 15 years of service, or age 62 with 10 years of service (5 years for General Exempt, 5 years for Transit Exempt hired before 9/1/2010, 9 years for AFSCME and 8 years for KMEA hired before 1/1/2009). AFSCME members are also considered eligible for retirement at age 60 with 20 or more years of service. Retirement probabilities were applied for Public Safety members upon completion of 20 years of service with 100% retirement probability assumed at age 60 with 10 years of service.



## Actuarial Assumptions (Continued)

**Rates of separation from active membership** were as shown below (rates do not apply to members eligible to retire and do not include separation on account of death or disability). This assumption measures the probabilities of members remaining in employment.

Sample Ages	Years of Service	% of Active Members Separating within Next Year						
		KMEA	AFSCME	General Exempt	Non-Sworn Public Safety	CCTA Union	CCTA Exempt	Public Safety
	0	16.0%	16.0%	16.0%	16.0%	15.0%	15.0%	7.5%
	1	15.0	15.0	15.0	15.0	14.0	14.0	5.0
	2	12.0	12.0	12.0	12.0	9.0	9.0	3.8
	3	10.0	10.0	10.0	10.0	8.0	8.0	3.0
	4	8.0	8.0	8.0	8.0	7.0	7.0	3.0
25	5 or Over	8.0	8.0	8.0	8.0	7.4	7.4	2.5
30		7.0	7.0	7.0	7.0	5.8	5.8	2.2
35		6.0	6.0	6.0	6.0	5.0	5.0	1.4
40		5.0	5.0	5.0	5.0	4.0	4.0	1.1
45		4.0	4.0	4.0	4.0	3.3	3.3	0.8
50		3.0	3.0	3.0	3.0	2.5	2.5	0.6
55		2.4	2.4	2.4	2.4	2.0	2.0	0.4
60		2.4	2.4	2.4	2.4	2.0	2.0	0.4



## Actuarial Assumptions (Continued)

### Disability Rates

Disability rates are used in the valuation to estimate the incidence of member disability in future years.

The assumed rates of disablement at various ages are shown below:

Sample Ages	% of Active Members Becoming Disabled within Next Year	
	Public Safety	KMEA
	CCTA Union AFSCME	All Exempt CSO
20	0.23%	0.04%
25	0.27	0.04
30	0.32	0.04
35	0.40	0.04
40	0.55	0.10
45	0.76	0.13
50	1.45	0.25
55	2.84	0.45
60	0.00	0.71

## Actuarial Assumptions (Concluded)

**Health care cost trend rates** are displayed in the following table:

Year after Valuation	Health Care Trend Inflation Rates
	Medical and Drug
1	8.25%
2	7.50
3	7.00
4	6.50
5	6.00
6	5.50
7	5.00
8	4.50
9	4.00
10 +	3.50

**Health Care Coverage at Retirement** as described in the table below, shows the assumed portion of future retirees currently waiving coverage, electing one-person or two-person/family coverage, or opting-out of coverage entirely. It was also assumed active employees currently opting-out of health care would elect health care based on the following table:

	One-Person	Two-Person/Family		Opt-Out
		Electing	Continuing*	
<b>All Groups</b>	25%	70%	100%	5%

\* Continuation period for surviving spouses is one year.

**Current Waivers:**

**Non-ERI retirees** who are opting-out of health care were assumed to continue opting-out of health care indefinitely. If current non-ERI retirees choose to opt-back-in for coverage, if allowed, there would be a loss in future valuations.

**ERI retirees** currently waiving coverage are assumed to return to coverage at age 62.

**DROP members** are assumed to remain in the DROP for two years after the valuation date.



## Miscellaneous and Technical Assumptions

<b>Administrative Expenses</b>	\$100,000 per year.
<b>Decrement Operation</b>	Death-in-service decrement does not operate until member becomes vested. Withdrawal does not operate during retirement eligibility.
<b>Decrement Timing</b>	Decrements are assumed to occur at the middle of the fiscal year.
<b>Decrement Relativity</b>	Decrement Rates are used directly from the experience study of the pension retirement system, without adjustment for multiple decrement effects.
<b>Eligibility Testing</b>	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
<b>Incidence of Contributions</b>	Contributions are assumed to be received continuously throughout the year based upon the computed dollar amount shown in this report.
<b>Marriage Assumption</b>	100% of males and 100% of females are assumed to be married at time of in-service death. Male spouses are assumed to be three years older than female spouses for active valuation purposes.
<b>Excise Tax Liability</b>	No Loads.
<b>Surviving Spouse Benefit</b>	Surviving spouses of active and retired members of the plan are given one year of benefit at the cost the retiree has to pay, after one year the spouse must pay 100% of premium. Liabilities have been loaded 1.00% to account for this benefit.
<b>Medicare Coverage</b>	Assumed to be available for all covered employees on attainment of age 65. Disabled retirees were assumed to be eligible for Medicare coverage at age 65.

## **APPENDIX A**

---

### **GLOSSARY**

## Glossary

**Accrued Service.** The service credited under the plan which was rendered before the date of the actuarial valuation.

**Actuarial Accrued Liability.** The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as “accrued liability” or “past service liability.”

**Actuarial Assumptions.** Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision 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 future plan benefits” between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the “actuarial funding method.”

**Actuarial Equivalent.** A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan.

**Actuarial Present Value.** The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

**Actuarially Determined Contribution.** The Actuarially Determined Contribution is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The Actuarially Determined Contribution is an amount that is actuarially determined in accordance with the requirements so that, if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both the normal cost for each year and the amortized unfunded actuarial accrued liability.

**Amortization.** Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.

**Governmental Accounting Standards Board (GASB).** GASB is the private, nonpartisan, nonprofit organization that works to create and improve the rules U.S. state and local governments follow when accounting for their finances and reporting them to the public.

**Implicit Rate Subsidy.** It is common practice for employers to allow retirees to continue in the employer’s group health insurance plan (which also covers active employees), often charging the retiree some portion of the premium charged for active employees. Under the theory that retirees have higher utilization of services, the difference between the true cost of providing retiree coverage and what the retiree is being charged is known as the implicit rate subsidy.



## Glossary (Concluded)

**Medical Trend Rate (Health Care Inflation).** The increase in the cost of providing health care benefits over time. Trend includes such elements as pure price inflation, changes in utilization, advances in medical technology, and cost shifting.

**Normal Cost.** The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as “current service cost.” Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

**Other Postemployment Benefits (OPEB).** OPEB are postemployment benefits other than pensions. OPEB generally takes the form of health insurance, dental, vision, prescription drugs, life insurance or other health care benefits.

**Reserve Account.** An account used to indicate that funds have been set aside for a specific purpose and are not generally available for other uses.

**Unfunded Actuarial Accrued Liability.** The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as “unfunded actuarial accrued liability.”

**Valuation Assets.** The value of current plan assets recognized for valuation purposes.



## **APPENDIX B**

---

### **VALUATION RESULTS BY FUND**

## Valuation Results by Fund

The purpose of this appendix is to segregate the results of the January 1, 2020 valuation of Postretirement Welfare Benefits for the City of Kalamazoo by OPEB fund.

The Actuarially Determined Contribution (ADC) is developed on a Plan-wide basis, and could be significantly different than the results as determined for each individual fund.

The following ***additional data*** was provided by the City for use in this study:

- Allocation percentages for Funding Sources within General-PublicWorks
  - 13%: General-PublicWorks
  - 44%: Major Streets
  - 31%: Local Streets
  - 12%: Solid Waste
- Asset Allocation Method: Use of equal funded ratio for each fund.
- General-Public Works results are grouped under the “General” heading.



## Restatement of January 1, 2020 Valuation Results by Fund

Fund: Governmental Sub-Fund:	<u>Total</u>	<u>Total Governmental</u>	<u>General</u> <sup>&amp;</sup>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Solid Waste</u>	<u>Wastewater</u>	<u>Water</u>	<u>CCTA</u>
<b>Development of the Actuarially Determined Contribution</b>									
<b><u>Contributions for Calendar Year 2020</u></b>									
1. Employer Normal Cost	\$ 1,399,378	\$ 1,206,795	\$ 1,172,174	\$ 17,509	\$ 12,336	\$ 4,776	\$ 57,046	\$ 26,684	\$ 108,853
2. Administrative Expense Allowance	100,000	72,965	68,995	2,008	1,415	547	11,695	8,335	7,005
3. Amortization of Unfunded Actuarial Accrued Liability <sup>^</sup>	<u>8,338,733</u>	<u>6,084,303</u>	<u>5,753,288</u>	<u>167,410</u>	<u>117,948</u>	<u>45,657</u>	<u>975,210</u>	<u>695,044</u>	<u>584,176</u>
4. Actuarially Determined Contribution (ADC)	\$ 9,838,111	\$ 7,364,063	\$ 6,994,457	\$ 186,927	\$ 131,699	\$ 50,980	\$ 1,043,951	\$ 730,063	\$ 700,034
<b>Determination of the Unfunded Actuarial Accrued Liability as of January 1, 2020</b>									
5. Present Value of Future Benefits									
i. Retirees and Beneficiaries*	\$146,718,287	\$104,154,306	\$ 99,120,160	\$2,546,004	\$1,793,776	\$ 694,366	\$18,631,303	\$14,352,424	\$ 9,580,254
ii. DROP Members	367,991	367,991	367,991	0	0	0	0	0	0
iii. Vested Terminated Members	0	0	0	0	0	0	0	0	0
iv. Active Members	<u>53,367,700</u>	<u>42,986,907</u>	<u>40,206,626</u>	<u>1,406,119</u>	<u>990,675</u>	<u>383,487</u>	<u>4,122,348</u>	<u>1,849,072</u>	<u>4,409,373</u>
v. Total Present Value of Future Benefits ( 4.i. + 4.ii. + 4.iii. )	\$200,453,978	\$147,509,204	\$139,694,777	\$3,952,123	\$2,784,451	\$1,077,853	\$22,753,651	\$16,201,496	\$13,989,627
6. Present Value of Future Normal Costs	<u>\$ 8,083,509</u>	<u>\$ 7,147,315</u>	<u>\$ 6,969,255</u>	<u>\$ 90,053</u>	<u>\$ 63,447</u>	<u>\$ 24,560</u>	<u>\$ 256,036</u>	<u>\$ 167,176</u>	<u>\$ 512,982</u>
7. Actuarial Accrued Liability ( 4.iv. - 5.)	\$192,370,469	\$140,361,889	\$132,725,522	\$3,862,070	\$2,721,004	\$1,053,293	\$22,497,615	\$16,034,320	\$13,476,645
8. Actuarial Value of Assets	<u>\$ 98,777,892</u>	<u>\$ 72,072,661</u>	<u>\$ 68,151,559</u>	<u>\$1,983,086</u>	<u>\$1,397,174</u>	<u>\$ 540,842</u>	<u>\$11,552,017</u>	<u>\$ 8,233,261</u>	<u>\$ 6,919,953</u>
9. Unfunded Actuarial Accrued Liability ( 6. - 7. )	\$ 93,592,577	\$ 68,289,228	\$ 64,573,963	\$1,878,984	\$1,323,830	\$ 512,451	\$10,945,598	\$ 7,801,059	\$ 6,556,692
10. Funded Ratio ( 7. / 6. )	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%

<sup>^</sup> A 22-year amortization period is utilized for the 2020 calendar year.

\* Includes additional liability due to Early Retirement Incentive (ERI) retirees currently waiving retiree health care through the City, but assumed to return to coverage at a later date.

<sup>&</sup> Includes "General-PublicWorks."

### Notes:

- CCTA has a side fund containing additional market value assets of \$315,405 as of the valuation date. While neither used in the calculations above nor elsewhere in this report, reflecting the side fund in CCTA assets on a market value basis would reduce the Actuarially Determined Contribution for CCTA to \$671,932.
- The results displayed above were developed using the census/claims data, benefits, and actuarial methods/assumptions used in the January 1, 2020 valuation, including an interest rate of 7.25%.

