

October 5, 2021

PERSONAL & CONFIDENTIAL

Linda Morrison
City of Battle Creek
10 North Division Street
Battle Creek, MI 49014

RE: City of Battle Creek Retiree Health Care Plan

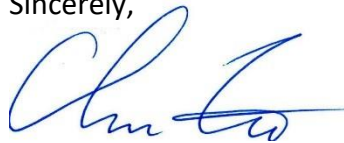
Dear Linda:

Transmitted via email, this is a copy of your OPEB accounting report for the fiscal year ending June 30, 2021. This information is intended to assist you in complying with Governmental Accounting Standards Board Statement No. 74 (GASB 74) Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, and Statement No. 75 (GASB 75) Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.

The actuarial values shown in this report are based on June 30, 2020 results rolled forward to June 30, 2021.

If you have any questions about this report, please call me at (616) 742-9244.

Sincerely,



Christian R. Veenstra, FCA, ASA, MAAA
President / Enrolled Actuary

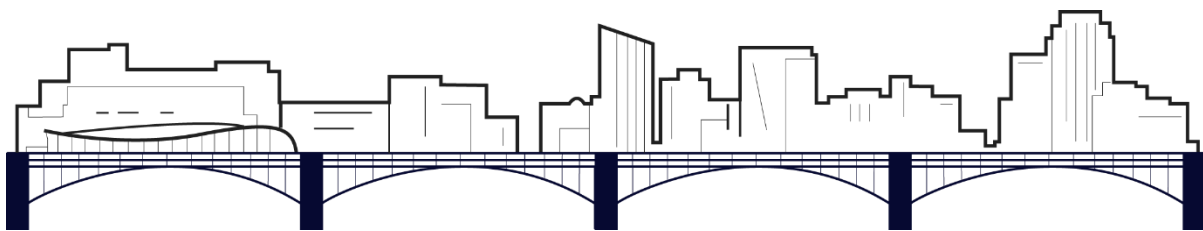
Enclosure

City of Battle Creek

Retiree Health Care Plan

Accounting Report

for the Period Ending June 30, 2021
under GASB Statement 74 & 75



Report presented by:



October 2021

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INTRODUCTION AND CERTIFICATION

The schedules included in this report have been prepared in order to provide the information necessary to comply with Governmental Accounting Standards Board (GASB) Statement Nos. 74 and 75. This information may, at the discretion of management of the plan sponsor and its auditor, be used for the preparation of its financial statements. The calculations herein have been made based on our understanding of GASB 74 and 75, and may be inappropriate for other purposes.

The calculations summarized in this report involve actuarial calculations that require assumptions about future events. We believe that the assumptions used in the report are within the range of possible assumptions that are reasonable and appropriate for the purposes for which they have been used. However, other assumptions are also reasonable and appropriate and their use would produce different results.

This report contains additional information and details related to plan provisions and recommended contribution calculations.

This report was prepared on the basis of participant data and asset values as reported to us by the plan sponsor. Watkins Ross relied upon the data as submitted, and has no reason to believe that any information, which would have a material effect on the results of this valuation, was not considered in the preparation of the report.

The actuary certifying this report represents herself as meeting the Qualification Standards of the American Academy of Actuaries to render actuarial opinions contained in the report.

Prepared and Certified by:



Leah A. Dudley, ASA, MAAA
Health Actuary

Reviewed by:



Lisa J. Hayes
Senior OPEB Analyst

COMMENTS

Purpose of Governmental Accounting Standards Board (GASB) Reporting

The objective of GASB is to provide guidelines and requirements for accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources and methods and assumptions that are required to be used to project benefit payments and discount those payments to their actuarial present value.

The methods and assumptions may or may not be an appropriate measure of the plan's liability for funding purposes or for reporting liabilities under Public Act 202 of the State of Michigan. Thus, liabilities and other values calculated for those purposes may differ from the ones used for GASB reporting.

State of Michigan Public Act 202

Public Act 202 (PA 202) was drafted to address the underfunded status of pension and retiree healthcare plans of local governments in Michigan. Accordingly, PA 202 included transparency and funding requirements. In addition, in order that the plans' funded status be reported on a consistent basis, Uniform Assumptions were published. While all of the Uniform Assumptions have a sound and reasonable basis, some might not be appropriate for each plan and therefore may be different than what is used for funding. Additionally, some of the assumptions may differ from what is required for reporting under GASB.

Actuarially Determined Contribution for GASB reporting

GASB reporting includes a 10-year history of actual annual amounts contributed by an employer on behalf of the OPEB plan and an Actuarially Determined Contribution (ADC). In addition, the report includes a summary of assumptions used to determine the ADC. This reporting requirement presumes a separate funding report is completed. However, for many employers, separate funding studies have not been solicited. We have included a contribution section in this report (Schedules of Required Supplementary Information: Description of Actuarially Determined Contribution) that provides this information. The assumptions and methods used for these calculations are derived from those used for GASB reporting and are not necessarily consistent with PA 202. This report includes an ADC determined using an amortization of the unfunded liability over average future service for actives for GASB reporting purposes.

Actuarially Determined Contribution under Public Act 202

Public Act 202 requires a calculation of an ADC using the Uniform Assumptions prescribed under PA 202. This ADC differs from the one used for the 10-year reporting history noted in the paragraph above. (Schedules of Required Supplementary Information: State of Michigan Public Acts 530 and 202 Information)

Changes in Actuarial Assumptions, Plan Changes and Expected Actuarial Experience

There was an actuarial gain (decrease in liability) of \$190,185, due to the actual benefit payments being lower than expected. The combination of actuarial assumption changes, described in the "Assumptions and Methods for Calculation of Actuarially Determined Contribution" section of this report, generated an actuarial loss (increase in liability) of \$2,464,152.

A new IAFF collective bargaining agreement was effective July 1, 2020 and includes changes to the eligibility for the OPEB plan. The effect on the liability of these changes will be reflected on the next full valuation for June 30, 2022.

PLAN DESCRIPTION

Summary of Significant Accounting Policies

For purposes of measuring the net Other Post-Employment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the City of Battle Creek Retiree Health Care Plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the City of Battle Creek. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

City of Battle Creek Retiree Health Care Plan is a single employer plan established and administered by **City of Battle Creek** and can be amended at its discretion.

Benefits Provided

A summary of the benefits provided is available in the Plan Provisions section of the report.

Summary of Plan Participants

As of June 30, 2020, Retirement Plan membership consisted of the following:

	General	Police & Fire	Total
Active members	172	179	351
Inactive members	0	0	0
Retirees and beneficiaries	157	153	310
Total members	329	332	661

Contributions

The City of Battle Creek Retiree Health Care Plan was established and is being funded under the authority of the City and under agreements with the unions representing various classes of employees. The plan sponsor's funding policy is that the police members contribute 2% of pay and the City contributes 3% of pay during active employment. Fire members contribute 3% of pay while fire retirees hired after May 14, 2007 contribute 3% of pension into 149 trust. In addition, the plan sponsor will make projected trust contributions as reported while assets are drawn down to pay benefits. There are no long-term contracts for contributions to the plan.

ASSUMPTIONS AND METHODS

The City of Battle Creek’s OPEB liability was measured as of June 30, 2021.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021. The following actuarial assumptions were used in the measurement:

Inflation	2.50%
Salary increases	3.50% (for purpose of allocating liability)
Investment rate of return	7.35% (including inflation)
20-year Aa Municipal bond rate	2.18% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	Public General and Public Safety 2010 Employee and Healthy Retiree, Headcount weighted
Improvement Scale	MP-2019

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges 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. Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan’s target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.0%	5.25%
Global Fixed Income	20.0%	1.25%
Private Investments	20.0%	7.25%

The sum of each target allocation times its long-term expected real rate, plus inflation, is 7.35%.

Discount Rate

The discount rate used to measure the total OPEB liability was **2.30%**. The projection of cash flows used to determine the discount rate included reported, projected contributions while assets are drawn down to pay retiree benefits. Based on these assumptions, the retirement plan’s fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members through 2028 – the cross-over point. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the “depletion date”), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. As of June 30, 2020 the discount rate used to value OPEB liabilities was 2.73%.

RECONCILIATION AND RECOGNITION OF NET OPEB LIABILITY

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2020	\$68,870,210	\$6,312,198	\$62,558,012
Changes during the Year			
Service Cost	1,624,371		1,624,371
Interest	1,903,031		1,903,031
Experience (Gains)/Losses	(190,185)		(190,185)
Change in plan terms	0		0
Change in actuarial assumptions	2,464,152		2,464,152
Contributions to OPEB trust		373,965	(373,965)
Contributions/benefit from general operating funds		960,184	(960,184)
Employee and Retiree Contributions		370,676	(370,676)
Net Investment Income		1,772,773	(1,772,773)
Benefit Payments; Including Refunds of Employee Contributions	(1,572,949)	(1,572,949)	0
Administrative Expenses		(13,816)	13,816
Other Changes		0	0
Total Changes	4,228,420	1,890,832	2,337,588
Balance at June 30, 2021	\$73,098,630	\$8,203,031	\$64,895,599

Net OPEB Liability – Discount and Trend Rate Sensitivities

The following presents the net OPEB liability (NOL) of the City, calculated using trend and discount rates 1% higher and lower than base assumptions:

Discount	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$86,632,818	\$73,098,630	\$62,542,638
Plan Fiduciary Net Position	8,203,031	8,203,031	8,203,031
Net OPEB Liability	\$78,429,787	\$64,895,599	\$54,339,607
Trend	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$64,017,257	\$73,098,630	\$84,929,125
Plan Fiduciary Net Position	8,203,031	8,203,031	8,203,031
Net OPEB Liability	\$55,814,226	\$64,895,599	\$76,726,094

RECONCILIATION AND RECOGNITION OF NET OPEB LIABILITY

OPEB Expense

Below are the components of the Total OPEB Expense:

	Fiscal Year Ending 06/30/2021
Service Cost	\$1,624,371
Interest on Total OPEB Liability	1,903,031
Experience (Gains)/Losses	(347,324)
Changes in Plan Terms	0
Changes in Assumptions	(1,051,031)
Employee and Retiree Pension Contributions	(370,676)
Projected Earnings on OPEB Plan Investments	(468,286)
Investment Earnings (Gains)/Losses	(143,471)
Administrative Expenses	13,816
Other Changes in Fiduciary Net Position	0
Total OPEB Expense	\$1,160,430

OPEB Plan Fiduciary Net Position

The OPEB Plan Fiduciary Net Position as of June 30, 2021 is \$8,203,031.

Deferred Inflows and Outflows of Resources Related to OPEB Plan

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Experience (Gains)/Losses	0	1,042,634
Changes of Assumptions	7,786,388	8,755,770
Investment Earnings (Gains)/Losses	0	760,750
Total	\$7,786,388	\$10,559,154

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount Recognized
2022	\$(1,541,826)
2023	(1,551,134)
2024	(858,958)
2025	1,179,152
2026	0
Thereafter	0

RECONCILIATION AND RECOGNITION OF NET OPEB LIABILITY

Reconciliation of Net OPEB Liability

	Net OPEB Liability
Net OPEB Liability June 30, 2020	\$62,558,011
Total OPEB expense	1,160,430
Employer Contributions	(1,334,149)
Change in deferred outflows of resources	(32,602)
Change in deferred inflows of resources	2,543,909
Net OPEB Liability June 30, 2021	\$64,895,599

Total OPEB Liability by Participant Status

	Total OPEB Liability
Active participants	\$38,934,141
Inactive participants	0
Retirees and beneficiaries	34,164,489
Total OPEB Liability	\$73,098,630

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Description of Actuarially Determined Contributions

Although not required as part of GASB reporting, we have included an Actuarially Determined Contribution in order to provide information for funding. This recommended contribution is designed to eventually fund your plan enough that you can pay retiree benefits directly from the trust instead of general operating funds. The amortization period is based on average future working years for active employees.

Actuarially Determined Contribution (ADC) ¹	Fiscal Year Ending June 30,	
	2022	2021
Discount rate	2.30%	2.73%
Amortization period	10 years	11 years
Amortization method	Level % of pay	Level % of pay
Normal cost	1,763,720	1,624,371
Amortization of Net OPEB Liability	6,154,325	5,477,140
Interest to end of year	182,115	193,871
Total ADC	\$8,100,160	\$7,295,382

PA 202 was issued by the State of Michigan and requires the calculation of other “contribution” amounts. These are

1. The Actuarially Determined Contribution (ADC) using Assumptions for financial reporting and
2. The minimum required amount to be deposited into an OPEB trust

The first of these contributions as shown above, \$7,295,382, is an amount required to be reported to the State of Michigan and may be used to determine whether a Corrective Action Plan (CAP) must be adopted if one hasn’t yet been implemented. *It is not a required contribution.*

The second of these numbers is the actual minimum amount the State of Michigan requires you to deposit into a trust and it is based on the normal cost (actuarially calculated) for those covered by your plan and hired after June 30, 2018. This amount is \$71,945 for 2021 and is projected to be \$70,436 for 2022. Accordingly, to the extent past contributions have been sufficient to cover the past service liability and normal cost for those hired after June 30, 2018, this contribution requirement has been met.

¹ ADC for 2021 and 2022 is based on actuarial assumptions consistent with reporting as of June 30, 2020 and June 30, 2021, respectively.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

State of Michigan Public Acts 530 and 202 Information

Financial information	2021
Assets (Fiduciary net position)	\$8,203,031
Liabilities (Total OPEB Liability)	73,098,630
Funded ratio for the Plan Year	11.22%
Actuarially Determined Contribution	7,295,382
Is ADC calculated in compliance with No. Letter 2018-3?	Yes

Membership	2021
Number of active members	351
Number of inactive members	0
Number of retirees and beneficiaries	310
Premiums paid on behalf of the retirants	\$960,184

Investment Performance
This information is available from the Investment Manager

Actuarial Assumptions	2021
Actuarially assumed rate of investment return	7.35%
Discount rate	2.30%
Amortization method used for funding unfunded liability	Level % of Pay
Amortization period used for funding unfunded liability	11 years
Is each division closed to new employees	No
Healthcare inflation assumption next year	7.50%
Healthcare inflation assumption - long term	4.50%

Uniform Assumptions	2021
Actuarial value of assets using uniform assumptions	\$8,203,031
Actuarial accrued liability using uniform assumptions	73,757,962
Funded ratio using uniform assumptions	11.12%
Actuarially Determined Contribution (ADC) using uniform assumptions	\$6,569,726

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Changes in Net OPEB Liability and Related Ratios

Fiscal Year Ending	06/30/2021	06/30/2020	Prior Actuary 06/30/2019	Prior Actuary 06/30/2018	Prior Actuary 06/30/2017
Total OPEB Liability					
Service Cost	\$1,624,371	\$1,217,385	\$1,503,153	\$2,444,926	\$2,866,687
Interest	1,903,031	2,024,859	2,087,663	2,752,781	2,366,860
Changes of Benefit Terms	0	0	0	0	0
Difference between Expected and Actual Experience	(190,185)	(271,616)	0	(1,747,090)	0
Change of Assumptions	2,464,152	5,092,881	4,524,282	(21,345,849)	(8,351,874)
Benefit Payments (Including Refunds of Employee Contributions)	(1,572,949)	(1,875,778)	(1,904,580)	(2,178,985)	(1,600,811)
Net Change in Total OPEB Liability	4,228,420	6,187,731	6,210,518	(20,074,217)	(4,719,138)
Total OPEB Liability – Beginning	68,870,210	62,682,479	56,471,961	76,546,178	81,265,316
Total OPEB Liability – Ending (a)	\$73,098,630	\$68,870,210	\$62,682,479	\$56,471,961	\$76,546,178
Plan Fiduciary Net Position					
Employer Contributions	\$1,334,149	\$1,410,390	\$1,446,699	\$1,734,099	\$1,204,642
Contributions – Employee and Retiree pension	370,676	390,550	318,750	439,777	228,042
Net Investment Income	1,772,773	147,822	177,435	365,451	807,558
Benefit Payments (Including Refunds of Employee Contributions)	(1,572,949)	(1,875,778)	(1,920,528)	(2,178,985)	(1,600,811)
Administrative Expenses	(13,816)	(11,266)	(12,876)	(14,677)	(10,920)
Other	0	0	0	0	0
Net Change in Fiduciary Net Position	1,890,833	61,718	9,480	345,665	628,511
Plan Fiduciary Net Position – Beginning	6,312,198	6,250,480	6,241,000	5,895,335	5,266,824
Plan Fiduciary Net Position – Ending (b)	8,203,031	6,312,198	6,250,480	6,241,000	5,895,335
Net OPEB Liability – Ending (a)-(b)	\$64,895,599	\$62,558,012	\$56,431,999	\$50,230,961	\$70,650,843
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	11.22%	9.17%	9.97%	11.05%	7.70%
Covered Employee Payroll	\$25,614,713	\$25,494,729	\$29,984,686	\$28,970,711	\$30,761,954
Net OPEB Liability as Percentage of Payroll	253.4%	245.4%	188.2%	173.4%	229.7%
Actuarially Determined Contribution	\$7,295,382	\$5,676,569	\$2,819,532	\$2,723,435	\$3,823,865
Employer Contribution/benefit payments	(1,334,149)	(1,410,390)	(1,446,699)	(1,734,099)	(1,204,642)
Contribution Deficiency/(Excess)	\$5,961,233	\$4,266,179	\$1,372,833	\$989,336	\$2,619,223
ADC as a Percentage of Covered Payroll	28.5%	22.3%	9.4%	9.4%	12.4%
Employer Contribution as a Percentage of Covered Payroll	5.2%	5.5%	4.8%	6.0%	3.9%

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Assumptions and Methods for Calculation of Actuarially Determined Contribution

Valuation date June 30, 2020

Measurement date June 30, 2021

Reporting date June 30, 2021

Actuarial Methods

Cost method Entry Age Normal (level percentage of compensation)

Asset valuation method Market value

Actuarial Assumptions

Discount Rate – 2.30% for June 30, 2021 liability and 2022 contribution

Rationale – Blended rate based on long term expected return and the 20-year Aa Municipal Bond rate

20-year Aa Municipal Bond Rate – 2.18% (S&P Municipal Bond 20-Year High Grade Rate Index)

Rationale – Current bond rate (based on information published by S&P, LLC as of June 30, 2021)

Salary Scale – 3.50% (for purpose of allocating liability)

Rationale – Per employer experience and expectations

Return on Plan Assets – 7.35%

Rationale – Provided by investment manager

Mortality Rates – Public General and Public Safety 2010 Employee and Healthy Retiree, Headcount weighted, MP-2019 improvement

Rationale – Current mortality rates for municipalities

Termination Rates – Sample rates below

Years of Service	General Employees	Years of Service	General Employees
0	13.72%	5	4.83%
1	11.41	10	3.22
2	9.31	15	2.38
3	7.35	20	1.82
4	6.02	25+	1.54

Age	Police	Fire
25	4.00%	3.50%
30	3.68	2.90
35	3.16	1.50
40	1.88	0.60
45-50	1.40	0.50
55+	0.40	0.50

Rationale – Based on past employer experience

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Retirement Rates – See rates below

Age	City Managers	General Other
50-54	20%	
55-56	20	20%
57-60	21	21
61-63	22	22
64	23	23
65-66	25	25
67	26	26
68	28	28
69	30	30
70+	100	100

Age	Police	IAFF	OSP	Service	Police	Fire
50			20%	25	60%	30%
51			15	26	30	15
52-56			10	27	30	15
57			15	28	30	15
58			25	29	20	15
59			30	30	20	50
60-65	35%	20%	100	31	20	40
66	25	15	100	32	20	30
67	20	10	100	33	20	20
68-71	15	10	100	34	20	20
72	15	15	100	35+	100	100
73	25	25	100			
74	30	30	100			
75+	100	100	100			

Rationale – Continued from prior valuations and checked against experience for reasonableness

Disability Rates – See rates below

Age	General	Police & Fire	
		Male	Female
20-30	0.02%	0.06%	0.08%
35	0.05	0.06	0.08
40	0.08	0.15	0.27
45	0.20	0.20	0.30
50	0.29	0.37	0.43
55	0.38	0.67	0.57
60	0.39	1.06	0.76
65	0.39	1.24	0.92

Rationale – Common to public employer plan valuations

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Marital Assumption – 70% of active employees will have a covered spouse at retirement with females 3 years younger than males; Actual spouse data used for retirees

Rationale – Consistent with experience

Claims Costs – See monthly rates below

Plan	Single	Double	Comp	Medicare
Simply Blue-PPO	\$ 608.05	\$1,459.33		
Community Blue PPO2	938.77	2,253.01		
BCBS Traditional Plan	1,033.72	2,480.90	\$1,604.11	
Community Blue PPO 401(h)	919.90	2,207.76		
Medicare Advantage Plan				\$395.43

Rationale – Premium rates in effect as of the valuation date

Utilization – 90% of eligible employees will elect coverage at retirement; Actual coverage used for non-active

Rationale – A conservative estimate given the reported number of opt-out members

Plan selection

Retirees covered under the Simply Blue or either of the Community Blue Plans will elect the Medicare Advantage plan at age 65

Of the active Fire members hired prior to May 14, 2007 that elect coverage, 15% will choose Simply Blue, 50% Community Blue and 35% BCBS Traditional Plan

Rationale – Consistent with experience

Implicit Subsidy – None

Rationale – Premiums for police and union are set such that pre-65 costs for those groups are expected to be fully covered by the amount charged

Medical Trend

Pre-65: 8.25% graded down to 7.5% after one year and then by 0.25% per year to an ultimate rate of 4.5%

Post-65: 6.5% graded down to 5.75% after one year and then by 0.25% per year to an ultimate rate of 4.5%

Rationale – Based on State of Michigan trend survey

Data Collection

Date and form of data - All personnel and asset data was prepared by the plan sponsor or a representative and was generally relied upon as being correct and complete without audit by Watkins Ross

Assumption changes since prior valuation

- Discount rate changed from 2.73% to 2.30%
- Medical trend rates updated

Assumptions used for PA 202 Reporting

Salary Scale – 3.00%

All other assumptions are the same as used for GASB

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Difference between Actual and Expected Experience

Year	Difference between expected and actual Experience	Recognition period (years)	Amount Recognized in Year Ended June 30,							Deferred Outflow of Resources	Deferred Inflow of Resources
			2021	2022	2023	2024	2025	2026	2027+		
2018	(1,747,090)	6.78	(257,614)	(257,614)	(257,614)	(201,405)				-	(716,633)
2019	-	6.78	-	-	-	-				-	-
2020	(271,616)	5.89	(46,090)	(46,090)	(46,090)	(46,090)	(41,166)			-	(179,436)
2021	(190,185)	4.36	(43,620)	(43,620)	(43,620)	(43,620)	(15,705)			-	(146,565)
Net recognized in OPEB expense			<u>\$ (347,324)</u>	<u>\$ (347,324)</u>	<u>\$ (347,324)</u>	<u>\$ (291,115)</u>	<u>\$ (56,871)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,042,634)</u>

Schedule of Changes in Assumptions

Year	Changes in Assumptions	Recognition period (years)	Amount Recognized in Year Ended June 30,							Deferred Outflow of Resources	Deferred Inflow of Resources
			2021	2022	2023	2024	2025	2026	2027+		
2018	(21,345,849)	6.78	(3,147,520)	(3,147,520)	(3,147,520)	(2,460,730)				-	(8,755,770)
2019	4,524,282	6.78	667,121	667,121	667,121	667,121	521,556			2,522,919	-
2020	5,092,881	5.89	864,196	864,196	864,196	864,196	771,901			3,364,489	-
2021	2,464,152	4.36	565,172	565,172	565,172	565,172	203,464			1,898,980	-
Net recognized in OPEB expense			<u>\$ (1,051,031)</u>	<u>\$ (1,051,031)</u>	<u>\$ (1,051,031)</u>	<u>\$ (364,241)</u>	<u>\$ 1,496,921</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,786,388</u>	<u>\$ (8,755,770)</u>

Schedule of Differences between Projected and Actual Earnings on OPEB Plan Investments

Year	Difference between expected and actual earnings on OPEB assets	Recognition period (years)	Amount Recognized in Year Ended June 30,							Deferred Outflow of Resources	Deferred Inflow of Resources
			2021	2022	2023	2024	2025	2026	2027+		
2018	46,530	5	9,306	9,306						9,306	-
2019	254,118	5	50,824	50,824	50,822					101,646	-
2020	286,479	5	57,296	57,296	57,296	57,295				171,887	-
2021	(1,304,486)	5	(260,897)	(260,897)	(260,897)	(260,897)	(260,898)			-	(1,043,589)
Net recognized in OPEB expense			<u>\$ (143,471)</u>	<u>\$ (143,471)</u>	<u>\$ (152,779)</u>	<u>\$ (203,602)</u>	<u>\$ (260,898)</u>			<u>\$ 282,839</u>	<u>\$ (1,043,589)</u>

Total Deferred Outflow/(Inflow) of Resources

	Amount Recognized in Year Ended June 30,					
	2022	2023	2024	2025	2026	2027+
Total Deferred Outflow/(Inflow) of Resources	\$ (1,541,826)	\$ (1,551,134)	\$ (858,958)	\$ 1,179,152	\$ -	\$ -

TRUSTEE INFORMATION

Projected benefit payments

In addition to the benefit payments shown above, a graphic illustration of 20 years of projected benefit payments for the current group of covered lives is shown below. Plans open to new participants could see higher than expected payments if new members are hired and are eligible to retire during the projection period.

The chart below reflects expected cash flows to pay benefits for current plan participants.



SUMMARY OF PLAN PROVISIONS

Plan Name City of Battle Creek Retiree Health Care Plan

Eligibility Requirements

Fire OSP	Age 50 with 25 years of service or Age 60 with any amount of service
Police, Fire IAFF and non-rep Fire	Any age with 25 years of service or Age 60 with any amount of service
MERS City Managers	Age 50 with 25 years of service or Age 55 with 15 years of service or Age 60 with 10 years of service or
All other MERS members	Age 55 with 25 years of service or Age 60 with 10 years of service or
Disability Retirement Eligibility	
Duty disability retiree	Any age with any years of service; benefit commences immediately
Non-duty disability retiree	Any age with 5 years of service; benefit commences immediately

Hire date requirements applicable to General members

Collectively Bargained Group	Hired on or before
AFSCME	December 1, 2010
ATU	January 1, 2010
BCSA	June 21, 2011
SEIU	June 30, 2011

Employer Benefits

Police and Fire members retired prior to January 1, 2007 (401(h))

- City pays for retiree health care premium up to a maximum total annual amount \$500,000 for the group

Police members retired on or after January 1, 2007

- Members receive a maximum \$200 per month (single or married) prorated for service
- Surviving spouse receives \$80 per month prorated for service
- Beginning in 2010, members are eligible for an additional dollar subsidy of up to \$8,000 per year

Fire members hired after May 14, 2007

- Members contribute 3% pay and retirees contribute 3% of pension into 149 Trust
- Members receive a maximum \$200 per month prorated for service
- Surviving spouse receives \$80 per month prorated for service

Fire members hired prior to May 14, 2007 and retired after July 1, 2004

- Members contribute 3% pay into 149 Trust
- Members receive full payment of healthcare premiums

SUMMARY OF PLAN PROVISIONS

General members

- Members receive a maximum \$200 per month based on service

Years of service	Employee	Dependent	Total
15+	\$ 120	\$ 80	\$ 200
14	114	76	190
13	108	72	180
12	102	68	170
11	96	64	160
10	90	60	150

Changes since prior valuation: None

GLOSSARY

A number of special terms and concepts are used in connection with OPEB plans and the OPEB accounting report. The following list reviews a number of these terms and provides a brief discussion of their meaning.

Actuarially Determined Contribution (ADC) – A target or recommended contribution for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

Actuarial Cost Method – This is a mathematical formula which is used to allocate the present value of projected benefits to past and future plan years.

Amortization – The difference between actual and expected investment returns, the difference between actual and expected experience, and the impact of any plan or assumption changes will be amortized and paid over future years.

Depletion Date (Cross-over Point) – The projected date (if any) where plan assets, including future contributions, are no longer sufficient to pay Projected Benefit Payments to current members.

Long-term expected rate of return – The rate of return based on the nature and mix of current and expected plan investments and over the time period from when an employee is hired to when all benefits to the employee have been paid.

Market Value of Assets – The market value of all assets in the fund including any accrued contribution for the previous plan year, which was not paid by the end of the year.

Measurement Date – The date the Total OPEB Liability, Fiduciary Net Position, and Net OPEB Liability are determined.

Net OPEB Liability (NOL) – The Total OPEB Liability less the Plan Fiduciary Net Position.

Normal Cost – For GASB 74/75 purposes, normal cost is the equivalent of service cost (see definition of service cost).

Other Post-Employment Benefits (OPEB) – Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.

OPEB Expense (OE) – The change in the Net OPEB Liability (NOL) recognized in the current measurement period. Changes to the NOL not fully recognized in a given year's OPEB expense will be maintained as deferred inflows and deferred outflows. These will be recognized incrementally in the OPEB expense over time.

GLOSSARY

Plan assets – Stocks, bonds and other investments that have been segregated and restricted (usually in a trust) to provide for post-retirement benefits. Assets not segregated in a trust, or otherwise effectively restricted so that they cannot be used by the employer for other purposes, are not plan assets, even though it may be intended that those assets be used to provide post-retirement benefits.

Plan Fiduciary Net Position – The market value of plan assets as of the measurement date.

Present Value – The present value of a future payment or a series of payments is the amount of each payment, discounted to recognize the time value of money, and further reduced for the probability that the payment might not be made because of death, disability or termination of employment.

Projected Benefit Payments – All benefits projected to be payable to current active and inactive participants as a result of their past service and their expected future service.

Real Rate of Return – The rate of return on an investment after the adjustment to eliminate inflation.

Reporting Date – The date that represents the fiscal year end for the plan or employer.

Service Cost – The value of portion of Total OPEB Liability earned during the current year computed in accordance with GAAP accounting rules.

Single Equivalent Discount Rate – The single rate that gives the same total present value as discounting the Projected Benefit Payments with the long-term expected rate of return until the Depletion Date and discounting any remaining Projected Benefit Payments with the yield on a 20-year AA/Aa tax-exempt municipal bond index.

Total OPEB Liability (TOL) – The actuarial present value of the accrued benefit determined under the Entry Age actuarial cost method calculated using the blended Single Equivalent Discount Rate.

Valuation Date – The date as of which an actuarial valuation is performed.