

December 12, 2024

PERSONAL & CONFIDENTIAL

Aaron Kuhn
City of Battle Creek
10 North Division Street
Battle Creek, MI 49014

RE: City of Battle Creek Retiree Health Care Plan

Dear Aaron:

Transmitted via email, this is a **revised** copy of your OPEB accounting report for the fiscal year ending June 30, 2024. This revision reflects the correct counts of members within the retiree health plan. 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.

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

Sincerely,



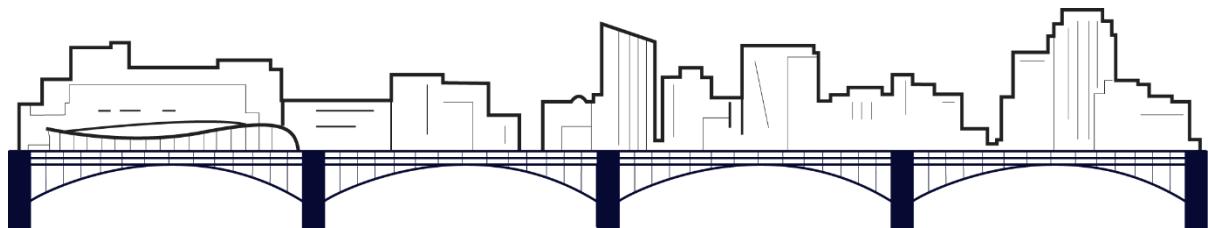
Christian R. Veenstra, FCA, ASA, MAAA
President / Enrolled Actuary

Enclosure

City of Battle Creek Retiree Health Care Plan

Revised Accounting Report

for the Period Ending June 30, 2024
under GASB Statement 74 & 75



WR WATKINS ROSS | 200 OTTAWA AVE N.W. | SUITE 600 | GRAND RAPIDS, MI 49503 | 616.456.9696

Report presented by:



December 2024

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INTRODUCTION AND CERTIFICATION

The schedules included in this report have been prepared 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 the 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 based on 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 himself as meeting the Qualification Standards of the American Academy of Actuaries to render actuarial opinions contained in the report.

Reviewed by:



Glen W. Bradley
Senior Pension Analyst

Certified by:



Joseph Shackelford, ASA, MAAA
Actuary

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.

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.

PA 202 further requires that plans covering 100 or more Plan Members – active and inactive:

1. At least every 5 years, the local unit of government (city, village, township, county, county road commission or other districts, authorities created by the state or 1 or more these entities) shall have an actuarial experience study conducted by the plan actuary for each retirement system of the local unit of government and
2. At least every 8 years, the local unit of government shall do at least 1 of the following:
 - a. Have a peer actuarial audit conducted by an actuary that is not the plan actuary
 - b. Replace the plan actuary

Actuarial Experience Study – Study Completed in 2023 and proposed assumption changes from study have been implemented in this report

Changes in Actuarial Assumptions, Plan Changes and Expected Actuarial Experience

There was an actuarial gain (decrease in liability) of \$2,012,347, due to demographics and Pre-65 / Post-65 Premiums being 59% / 17% 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 increase in liability of \$582,013.

Peer Review and rotation of Certifying Actuary

Current year Certifying Actuary: Joey Shackelford

Peer reviewed/change in Actuary: 06/20/2022

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, 2024, Retirement Plan membership consisted of the following:

| | 2022 | 2024 |
|----------------------------|------------|------------|
| Active members | 319 | 313 |
| Inactive members | 0 | 0 |
| Retirees and beneficiaries | <u>302</u> | <u>302</u> |
| Total members | 621 | 615 |

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 1% of pay, retirees contribute 2% of pension into personal 401(h) accounts and the City contributes 3% of pay during active employment. Fire members contribute 3.75% of pay and the City contributes 1.25% while fire members retired between July 1, 2004 and January 1, 2021, no longer make contributions into the 149 trust. Fire members who retire after January 1, 2021, contribute 2.5% of pension in the RHFV trust if they participate. 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, 2024.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2024. The following actuarial assumptions were used in the measurement:

| | |
|--------------------------------|--|
| Inflation | 2.50% |
| Salary increases | 3.25% (for purpose of allocating liability) |
| Investment rate of return | 7.00% (including inflation) |
| 20-year Aa Municipal bond rate | 4.00% |
| Mortality | 2010 Public General Employees and Healthy Retirees, Headcount weighted |
| Improvement Scale | IRS 2024 Adjusted Scale MP-2021 |

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% | 4.50% |
| Global Fixed Income | 20.0% | 2.00% |
| Private Assets | 20.0% | 7.00% |

The sum of each target allocation times its long-term expected real rate, plus inflation, is 7.00%.

Discount Rate

The discount rate used to measure the total OPEB liability was **6.02%**. 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 2057 – 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, 2023 the discount rate used to value OPEB liabilities was 5.70%.

RECONCILIATION AND RECOGNITION OF NET OPEB LIABILITY

Changes in the Net OPEB Liability

| | Total OPEB Liability (a) | Fiduciary Net Position (b) | Plan Net OPEB Liability (a) - (b) |
|--|--------------------------------|----------------------------------|--|
| Balance at June 30, 2023 | \$28,551,927 | \$8,904,187 | \$19,647,740 |
| Changes during the Year | | | |
| Service Cost | 464,214 | | 464,214 |
| Interest | 1,606,606 | | 1,606,606 |
| Experience (Gains)/Losses | (2,012,347) | | (2,012,347) |
| Change in plan terms | 0 | | 0 |
| Change in actuarial assumptions | 582,013 | | 582,013 |
| Contributions to OPEB trust | | 378,856 | (378,856) |
| Contributions/benefit from general operating funds | | 1,213,160 | (1,213,160) |
| Employee Contributions | | 435,673 | (435,673) |
| Net Investment Income | | 935,716 | (935,716) |
| Benefit Payments; | | | |
| Including Refunds of Employee Contributions | (1,660,153) | (1,660,153) | 0 |
| Administrative Expenses | | (19,906) | 19,906 |
| Other Changes | | 0 | 0 |
| Total Changes | (1,019,667) | 1,283,347 | (2,303,014) |
| Balance at June 30, 2024 | \$27,532,260 | \$10,187,534 | \$17,344,726 |

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 | \$30,670,827 | \$27,532,260 | \$24,922,015 |
| Plan Fiduciary Net Position | 10,187,534 | 10,187,534 | 10,187,534 |
| Net OPEB Liability | \$20,483,293 | \$17,344,726 | \$14,734,481 |
| Trend | | | |
| Total OPEB Liability | \$26,950,554 | \$27,532,260 | \$28,057,771 |
| Plan Fiduciary Net Position | 10,187,534 | 10,187,534 | 10,187,534 |
| Net OPEB Liability | \$16,763,020 | \$17,344,726 | \$17,870,237 |

RECONCILIATION AND RECOGNITION OF NET OPEB LIABILITY

OPEB Expense

Below are the components of the Total OPEB Expense:

| | Fiscal Year Ending 06/30/2024 |
|---|----------------------------------|
| Service Cost | \$464,214 |
| Interest on Total OPEB Liability | 1,606,606 |
| Experience (Gains)/Losses | (3,239,476) |
| Changes in Plan Terms | 0 |
| Changes in Assumptions | (2,905,945) |
| Employee Contributions | (435,673) |
| Projected Earnings on OPEB Plan Investments | (635,460) |
| Investment Earnings (Gains)/Losses | (5,791) |
| Administrative Expenses | 19,906 |
| Other Changes in Fiduciary Net Position | 0 |
| Total OPEB Expense | \$(5,131,619) |

OPEB Plan Fiduciary Net Position

The OPEB Plan Fiduciary Net Position as of June 30, 2024 is \$10,187,534.

Deferred Inflows and Outflows of Resources Related to OPEB Plan

| | Deferred Outflows Of Resources | Deferred Inflows Of Resources |
|------------------------------------|-----------------------------------|----------------------------------|
| Experience (Gains)/Losses | 0 | 8,779,140 |
| Changes of Assumptions | 1,966,141 | 7,452,539 |
| Investment Earnings (Gains)/Losses | 6,533 | 0 |
| Total | \$1,972,674 | \$16,231,679 |

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 |
|------------------------|----------------------|
| 2025 | \$(4,113,099) |
| 2026 | (5,292,255) |
| 2027 | (4,366,198) |
| 2028 | (443,104) |
| 2029 | (44,349) |
| Thereafter | 0 |

RECONCILIATION AND RECOGNITION OF NET OPEB LIABILITY

Reconciliation of Net OPEB Liability

| | Net OPEB Liability |
|--|---------------------------|
| Net OPEB Liability June 30, 2023 | \$19,647,740 |
| Total OPEB expense | (5,131,619) |
| Contributions | (1,592,016) |
| Change in deferred outflows of resources | (1,921,735) |
| Change in deferred inflows of resources | 6,342,356 |
| Net OPEB Liability June 30, 2024 | \$17,344,726 |

Total OPEB Liability by Participant Status

| | Total OPEB Liability |
|-----------------------------|-----------------------------|
| Active participants | \$9,792,098 |
| Inactive participants | 0 |
| Retirees and beneficiaries | 17,740,162 |
| Total OPEB Liability | \$27,532,260 |

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, | |
|--|-----------------------------|----------------|
| | 2025 | 2024 |
| Discount rate | 6.02% | 5.70% |
| Amortization period | 10 years | 10 years |
| Amortization method | Level % of pay | Level % of pay |
| Service cost | 510,353 | 464,214 |
| Amortization of Net OPEB Liability | 1,888,425 | 2,111,199 |
| Interest to end of year | 144,406 | 146,798 |
| Total ADC | \$2,543,184 | \$2,722,211 |

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, \$2,722,211, 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 \$79,765 for 2024 and is projected to be \$150,652 for 2025.

Because 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.

Minimum funding rules under PA 202 require that retiree healthcare benefits continue to be paid from general operating funds until plan funds are sufficient to pay benefits. That amount was \$1,660,153 for 2024.

¹ ADC for 2024 and 2025 is based on actuarial assumptions consistent with reporting as of June 30, 2023, and June 30, 2024, respectively.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

State of Michigan Public Acts 530 and 202 Information

| Financial information | 2024 |
|---|-------------|
| Assets (Fiduciary net position) | 10,187,534 |
| Liabilities (Total OPEB Liability) | 27,532,260 |
| Funded ratio for the Plan Year | 37.00% |
| Actuarially Determined Contribution | \$2,722,211 |
| Is ADC calculated in compliance with No. Letter 2018-3? | Yes |

| Membership | 2024 |
|--|-------------|
| Number of active members | 313 |
| Number of inactive members | 0 |
| Number of retirees and beneficiaries | 302 |
| Premiums paid on behalf of the retirants | \$1,213,160 |

Investment Performance

This information is available from the Investment Manager

| Actuarial Assumptions | 2024 |
|---|----------------|
| Actuarially assumed rate of investment return | 7.00% |
| Discount rate | 6.02% |
| Amortization method used for funding unfunded liability | Level % of Pay |
| Amortization period used for funding unfunded liability | 10 years |
| Is each division closed to new employees | No |
| Healthcare inflation assumption next year | 7.25% |
| Healthcare inflation assumption - long term | 4.50% |

| Uniform Assumptions | 2024 |
|---|-------------|
| Actuarial value of assets using uniform assumptions | 10,187,534 |
| Actuarial accrued liability using uniform assumptions | 29,343,386 |
| Funded ratio using uniform assumptions | 34.72% |
| Actuarially Determined Contribution (ADC) using uniform assumptions | \$3,006,043 |

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Changes in Net OPEB Liability and Related Ratios

| Fiscal Year Ending | 06/30/2024 | 06/30/2023 | 06/30/2022 |
|---|---------------------|---------------------|---------------------|
| Total OPEB Liability | | | |
| Service Cost | \$464,214 | \$508,405 | \$1,763,720 |
| Interest | 1,606,606 | 1,553,798 | 1,703,634 |
| Changes of Benefit Terms | 0 | 0 | (17,240,898) |
| Difference between Expected and Actual Experience | (2,012,347) | (314,481) | (14,402,629) |
| Change of Assumptions | 582,013 | (1,022,209) | (14,205,569) |
| Benefit Payments (Including Refunds of Employee Contributions) | (1,660,153) | (1,307,876) | (1,582,598) |
| Net Change in Total OPEB Liability | (1,019,667) | (582,363) | (43,964,340) |
| Total OPEB Liability – Beginning | 28,551,927 | 29,134,290 | 73,098,630 |
| Total OPEB Liability – Ending (a) | \$27,532,260 | \$28,551,927 | \$29,134,290 |
| Plan Fiduciary Net Position | | | |
| Contributions to OPEB trust | \$378,856 | \$379,903 | \$357,288 |
| Contributions/benefit payments made from general operating funds | 1,213,160 | 869,536 | 1,248,235 |
| Net Investment Income | 935,716 | 608,612 | (710,476) |
| Benefit Payments (Including Refunds of Employee Contributions) | (1,660,153) | (1,307,876) | (1,582,598) |
| Administrative Expenses | (19,906) | (15,312) | (15,159) |
| Other | 0 | 0 | 0 |
| Net Change in Fiduciary Net Position | 1,283,347 | 966,479 | (265,322) |
| Plan Fiduciary Net Position – Beginning | 8,904,187 | 7,937,708 | 8,203,030 |
| Plan Fiduciary Net Position – Ending (b) | 10,187,534 | 8,904,187 | 7,937,708 |
| Net OPEB Liability – Ending (a)-(b) | \$17,344,726 | \$19,647,740 | \$21,196,582 |
| Plan Fiduciary Net Position as a Percentage of Total OPEB Liability | 37.00% | 31.19% | 27.25% |
| Covered Employee Payroll | \$26,690,539 | \$27,665,341 | \$25,809,821 |
| Net OPEB Liability as Percentage of Payroll | 65.0% | 71.0% | 82.1% |
| Actuarially Determined Contribution | | | |
| Employer Contribution/benefit payments | (1,592,016) | (1,249,438) | (1,605,523) |
| Contribution Deficiency/(Excess) | \$1,130,195 | \$1,450,902 | \$6,494,637 |
| ADC as a Percentage of Covered Payroll | 10.2% | 9.8% | 31.4% |
| Employer Contribution as a Percentage of Covered Payroll | 6.0% | 4.5% | 6.2% |

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Changes in Net OPEB Liability and Related Ratios

| Fiscal Year Ending | 06/30/2021 | 06/30/2020 | 06/30/2019 |
|---|---------------------|---------------------|---------------------|
| Total OPEB Liability | | | |
| Service Cost | \$1,624,371 | \$1,217,385 | \$1,503,153 |
| Interest | 1,903,031 | 2,024,859 | 2,087,663 |
| Changes of Benefit Terms | 0 | 0 | 0 |
| Difference between Expected and Actual Experience | (190,185) | (271,616) | 0 |
| Change of Assumptions | 2,464,152 | 5,092,881 | 4,524,282 |
| Benefit Payments (Including Refunds of Employee Contributions) | (1,572,949) | (1,875,778) | (1,904,580) |
| Net Change in Total OPEB Liability | 4,228,420 | 6,187,731 | 6,210,518 |
| Total OPEB Liability – Beginning | 68,870,210 | 62,682,479 | 56,471,961 |
| Total OPEB Liability – Ending (a) | \$73,098,630 | \$68,870,210 | \$62,682,479 |
| Plan Fiduciary Net Position | | | |
| Contributions to OPEB trust | \$1,334,149 | \$1,410,390 | \$1,446,699 |
| Contributions/benefit payments made from general operating funds | 370,676 | 390,550 | 318,750 |
| Net Investment Income | 1,772,773 | 147,822 | 177,435 |
| Benefit Payments (Including Refunds of Employee Contributions) | (1,572,949) | (1,875,778) | (1,920,528) |
| Administrative Expenses | (13,816) | (11,266) | (12,876) |
| Other | 0 | 0 | 0 |
| Net Change in Fiduciary Net Position | 1,890,833 | 61,718 | 9,480 |
| Plan Fiduciary Net Position – Beginning | 6,312,198 | 6,250,480 | 6,241,000 |
| Plan Fiduciary Net Position – Ending (b) | 8,203,031 | 6,312,198 | 6,250,480 |
| Net OPEB Liability – Ending (a)-(b) | \$64,895,599 | \$62,558,012 | \$56,431,999 |
| Plan Fiduciary Net Position as a Percentage of Total OPEB Liability | 11.22% | 9.17% | 9.97% |
| Covered Employee Payroll | \$25,614,713 | \$25,494,729 | \$29,984,686 |
| Net OPEB Liability as Percentage of Payroll | 253.4% | 245.4% | 188.2% |
| Actuarially Determined Contribution | | | |
| Employer Contribution/benefit payments | (1,334,149) | (1,410,390) | (1,446,699) |
| Contribution Deficiency/(Excess) | \$5,961,233 | \$4,266,179 | \$1,372,833 |
| ADC as a Percentage of Covered Payroll | 28.5% | 22.3% | 9.4% |
| Employer Contribution as a Percentage of Covered Payroll | 5.2% | 5.5% | 4.8% |

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Assumptions and Methods for Calculation of Actuarially Determined Contribution

Valuation date June 30, 2024

Measurement date June 30, 2024

Reporting date June 30, 2024

Actuarial Methods

Cost method Entry Age Normal (level percentage of compensation)

Asset valuation method Market value

Actuarial Assumptions

Discount Rate – 5.70% for 2024 contribution; 6.02% for 2024 Liability and 2025 contribution

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

20-year Aa Municipal Bond Rate – 4.21%

Rationale – S&P Municipal Bond 20-Year High Grade Rate Index as of June 30, 2024

Salary Scale – 4.00% (for purpose of allocating liability)

Rationale – Per employer experience and expectations

Return on Plan Assets – 7.00% (including inflation)

Rationale – Provided by investment manager

Mortality Rates – 2010 Public General and Public Safety Employees and Healthy Retirees, Headcount weighted, IRS 2024 Adjusted Scale MP-2021

Rationale – Most current mortality rates available for municipalities

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

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

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 - See rates below

| Age | City | General |
|-------|----------|---------|
| | Managers | Other |
| 50-54 | 20% | |
| 55-56 | 20 | 20% |
| 57-60 | 21 | 21 |
| 61 | 22 | 22 |
| 62+ | 100 | 100 |

| Age | Police | IAFF | OSP | Service ¹ | Police | Fire |
|-------|--------|------|-----|----------------------|--------|------|
| 50 | | | 20% | 25-34 | 70% | 70% |
| 51 | | | 15 | 35 | 100 | 100 |
| 52-56 | | | 10 | | | |
| 57 | | | 15 | | | |
| 58 | | | 25 | | | |
| 59 | | | 30 | | | |
| 60-65 | 35% | 20% | 100 | | | |
| 65 | 35 | 100 | 100 | | | |
| 66 | 25 | 100 | 100 | | | |
| 67 | 20 | 100 | 100 | | | |
| 68-72 | 15 | 100 | 100 | | | |
| 73 | 25 | 100 | 100 | | | |
| 74 | 30 | 100 | 100 | | | |
| 75+ | 100 | 100 | 100 | | | |

Rationale – Based on plan experience

Disability Rates – See rates below

| Age | Police & Fire | | |
|-------|---------------|-------|--------|
| | General | 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

¹ If not yet age 55; 100% if age 55 with 25 years of service

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 rates (monthly) below:

| Plan | Single | Double | Comp | Medicare |
|---------------------------|-----------|------------|------|----------|
| Simply Blue-PPO | \$ 714.37 | \$1,714.26 | | |
| Community Blue PPO2 | 996.32 | 2,391.16 | | |
| Community Blue PPO 401(h) | 472.66 | 1,808.03 | | |
| Medicare Advantage Plan | | | | \$304.90 |

Rationale – Provided by BCBS

Implicit Subsidy – Rates are set based on expected retiree costs

Medical Trend – Medical premiums: Pre-Medicare 7.25% graded down to 4.5% by 0.25% per year; post-Medicare, 5.5% graded down to 4.5% by 0.25% per year

Rationale – Based on State of Michigan trend survey

Data Collection

Date and form of data - All personnel and asset data were 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

- Mortality Improvement Scale updated from MP-2021 to the IRS 2024 Adjusted Scale MP-2021
- Retirement Rates updated based on analysis results completed for the Actuarial Experience Study
- Initial trend rate kept at same level as prior year instead of decreasing by 0.25% as initially scheduled
- Discount rate updated from 5.70% to 6.02%

Assumptions used for PA 202 Reporting

Discount rate – 5.42%

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 |
|--------------------------------|---|----------------------------|--|----------------|----------------|----------------|--------------|-------------|-------|-------------------------------|------------------------------|
| | | | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030+ | | |
| 2018 | (1,747,090) | 6.78 | (201,405) | | | | | | | | |
| 2019 | - | 6.78 | - | | | | | | | | |
| 2020 | (271,616) | 5.89 | (46,090) | (41,166) | | | | | | | (41,166) |
| 2021 | (190,185) | 4.36 | (43,620) | (15,705) | | | | | | | (15,705) |
| 2022 | (14,402,629) | 5.76 | (2,500,456) | (2,500,456) | (2,500,456) | (1,900,349) | | | | | (6,901,261) |
| 2023 | (314,481) | 5.43 | (57,915) | (57,915) | (57,915) | (57,915) | (24,906) | | | | (198,651) |
| 2024 | (2,012,347) | 5.16 | (389,990) | (389,990) | (389,990) | (389,990) | (62,397) | | | | (1,622,357) |
| Net recognized in OPEB expense | | | \$ (3,239,476) | \$ (3,005,232) | \$ (2,948,361) | \$ (2,348,254) | \$ (414,896) | \$ (62,397) | \$ - | \$ - | \$ (8,779,140) |

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 |
|--------------------------------|------------------------|----------------------------|--|----------------|----------------|----------------|-----------|-----------|-------|-------------------------------|------------------------------|
| | | | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030+ | | |
| 2018 | (21,345,849) | 6.78 | (2,460,730) | | | | | | | | |
| 2019 | 4,524,282 | 6.78 | 667,121 | 521,556 | | | | | | 521,556 | |
| 2020 | 5,092,881 | 5.89 | 864,196 | 771,901 | | | | | | 771,901 | |
| 2021 | 2,464,152 | 4.36 | 565,172 | 203,464 | | | | | | 203,464 | |
| 2022 | (14,205,569) | 5.76 | (2,466,245) | (2,466,245) | (2,466,245) | (1,874,344) | | | | | (6,806,834) |
| 2023 | (1,022,209) | 5.43 | (188,252) | (188,252) | (188,252) | (188,252) | (80,949) | | | | (645,705) |
| 2024 | 582,013 | 5.16 | 112,793 | 112,793 | 112,793 | 112,793 | 112,793 | 18,048 | | 469,220 | |
| Net recognized in OPEB expense | | | \$ (2,905,945) | \$ (1,044,783) | \$ (2,541,704) | \$ (1,949,803) | \$ 31,844 | \$ 18,048 | \$ - | \$ 1,966,141 | \$ (7,452,539) |

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 |
|--------------------------------|--|----------------------------|--|-------------|------------|-------------|-------------|------|-------|-------------------------------|------------------------------|
| | | | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030+ | | |
| 2020 | 286,479 | 5.00 | 57,295 | | | | | | | | |
| 2021 | (1,304,488) | 5.00 | (260,898) | (260,896) | | | | | | | (260,896) |
| 2022 | 1,329,758 | 5.00 | 265,952 | 265,952 | 265,950 | | | | | 531,902 | |
| 2023 | (40,446) | 5 | (8,089) | (8,089) | (8,089) | (8,090) | | | | | (24,268) |
| 2024 | (300,256) | 5.00 | (60,051) | (60,051) | (60,051) | (60,051) | (60,052) | | | | (240,205) |
| Net recognized in OPEB expense | | | \$ (5,791) | \$ (63,084) | \$ 197,810 | \$ (68,141) | \$ (60,052) | | | \$ 531,902 | \$ (525,369) |

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Total Deferred Outflow/(Inflow) of Resources

| | Amount Recognized in Year Ended June 30, | | | | | |
|--|--|-------------|-------------|-----------|----------|-------|
| | 2025 | 2026 | 2027 | 2028 | 2029 | 2030+ |
| Total Deferred Outflow/(Inflow) of Resources | (4,113,099) | (5,292,255) | (4,366,198) | (443,104) | (44,349) | - |

TRUSTEE AND FORM 5720 INFORMATION

Projected benefit payments and contributions

Form 5720 (the Form) – Corrective Action Plan Monitoring: Application for Certification of Compliance, Section 4 asks for supporting documentation that shows projected benefit payments and contributions as a percentage of projected governmental fund revenues over the next five years. A link to a spreadsheet is provided with the Form, and within the spreadsheet, there is a link to instructions on how to complete the spreadsheet.

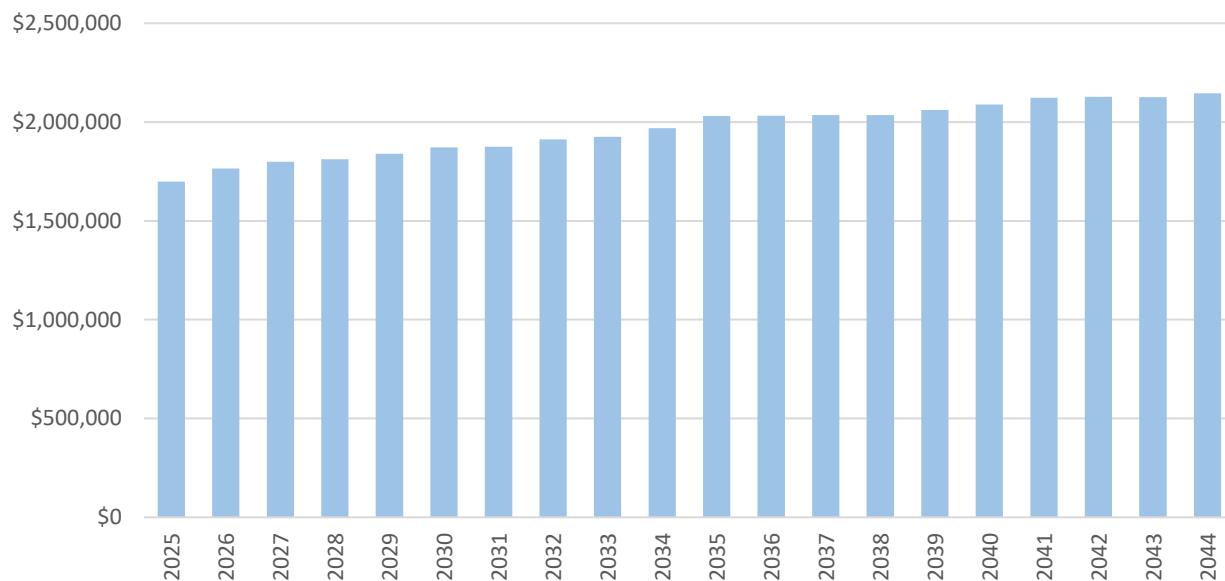
To assist in completing that section of the Form, below is a table of benefit payments as shown for the current fiscal year and projected for the next four. In addition, if a Corrective Action Plan (CAP) has been adopted that includes scheduled contributions to an OPEB trust, those are shown for the same period as either reported to us or developed with assistance from Watkins Ross:

| Fiscal Year | Total OPEB Benefit Payment Amount (All Systems) | Additional OPEB Contributions (All Systems) |
|-------------|---|---|
| 2024 | \$1,213,160 | |
| 2025 | 1,697,908 | |
| 2026 | 1,764,288 | |
| 2027 | 1,799,621 | |
| 2028 | 1,812,160 | |

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.

20-Year Expected Payouts



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 retired prior to January 1, 2007 and Fire members retired prior to July 1, 2004 (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 April 1, 2022, members are eligible for an additional dollar subsidy of up to \$10,000 per year

SUMMARY OF PLAN PROVISIONS

Employer Benefits (Continued)

Fire members retiring after January 1, 2021

- Maximum annual benefit of \$10,000
- Retiree contributes 2.5% of the pension into the Trust if they participate
- Members receive a maximum \$200 per month prorated for service
- Surviving spouse receives \$80 per month prorated for service
- To be eligible for retiree healthcare benefits, members must have 15 years of service:
 - 15-17 years of service, member receives 80% of the benefit
 - 18-20 years of service, member receives 85% of the benefit
 - 21-24 years of service, member receives 90% of the benefit
 - 25 years of service, member receives 100% of the benefit

Fire members retired between July 1, 2004 and retired after January 1, 2021

- Members no longer receive full payment of healthcare for Act 312, City contributions are below, The City is not committed to benefits beyond 2021:

| Coverage Type | Amount (Monthly) |
|-------------------------------------|------------------|
| Pre-65 Single Coverage | \$300 |
| Pre-65 Two-Person Coverage | 500 |
| | 700 |
| Pre-65 Family Coverage | |
| Post-65 Single Coverage | 200 |
| Post-65 Two-Person Coverage | 350 |
| Combination of 1 Pre-65 & 1 Post-65 | 500 |

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.

Service Cost – For GASB 74/75 purposes, service 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.