LEGACY COST COMMITTEE

March 14, 2017

FACTS AND FIGURES AT A GLANCE

Facts and Figures

- Legacy Costs for the City of Battle Creek are comprised of three components:
  - Pension for Police & Fire Retirees (P&F Pension)
  - Pension for Retirees other than Police & Fire (MERS Pension)
  - Retiree health insurance (Other Post Employment Benefits (aka OPEB))

Police & Fire Pension – Benefit Facts

- Police & Fire employees do not contribute to social security (6.2% of eligible payroll, matched by the employer) like MERS employees. Police & Fire employees hired prior to 1987 did not contribute to Medicare (1.45%).
- See the Benefits Summary for Police & Fire Pension on the next slide.

Summary of Benefit Provisions as of June 30, 2016

Group	No. People	GRS Code	Eligibility	Benefit Multiplier*	Maximum Benefit	Years In FAC	Member Contribution Rate
Police:							
Sergeants - POLC	16	91	25 yrs. of service or age 60	3.0%/1.0%	80% of FAC	3	11.72%
Lieutenants	4	90	25 yrs. of service or age 60	3.0%/1.0%	80% of FAC	3	10.00%
POLC	80	92	25 yrs. of service or age 60	3.0%/1.0%	80% of FAC	5	8.25%
Non-Represented	6	95,97	25 yrs. of service or age 60	3.0%/1.0%	80% of FAC	3	10.00%
Fire:							
OSP	4	94	age 50 and 25 yrs. or age 60	3.0%/1.0%	80% of FAC	5	10.00%
IAFF	77	93	25 yrs. of service or age 60	3.0%/1.0%	80% of FAC	5	7.50%
Non-Represented	1	98	25 yrs. of service or age 60	3.0%/1.0%	80% of FAC	3	10.00%
Total	**188**						

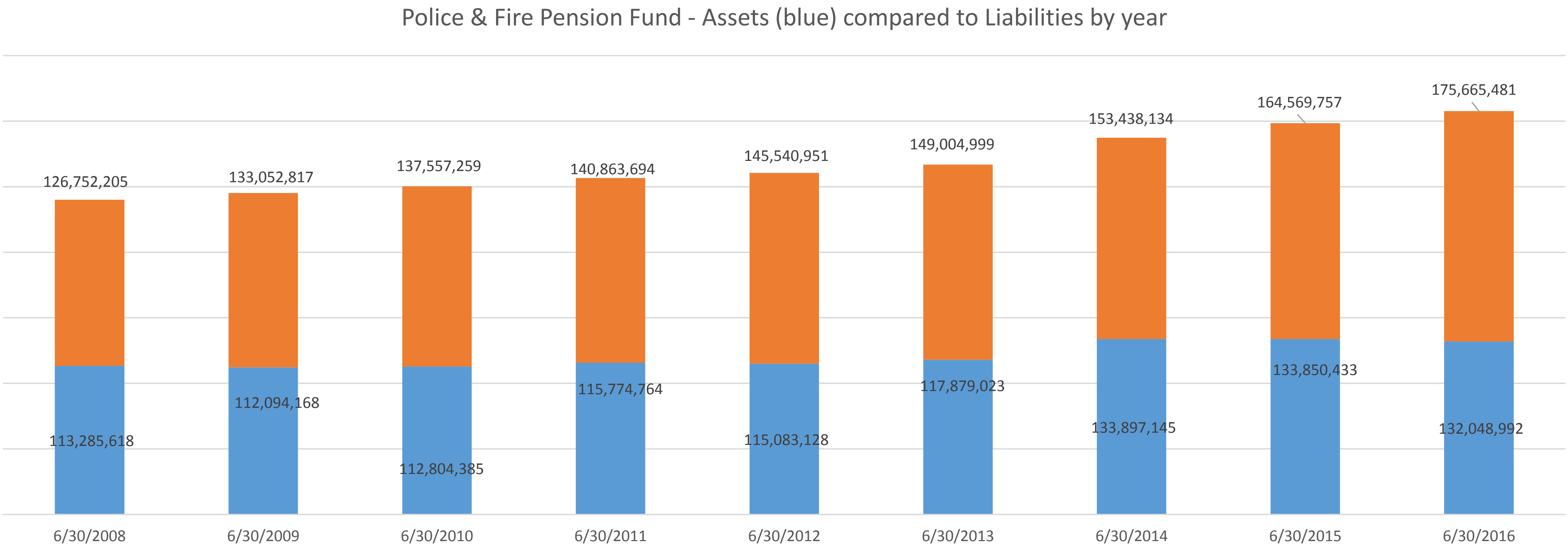
* *First multiplier applies to the first 25 years-of-service. Second multiplier applies to service greater than 25 years.*

Note: None of the above groups are covered by Social Security.

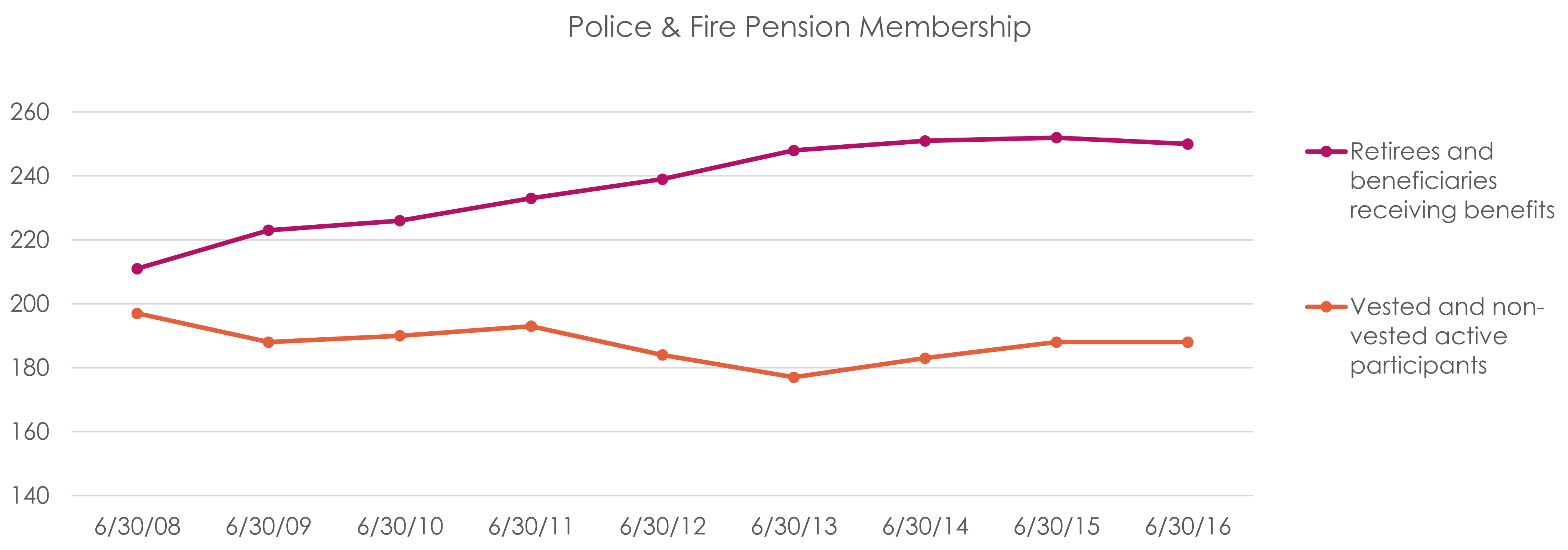
Police & Fire Pension – Historical Figures

Police & Fire Pension (Public Act 345):	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008
Total pension liability	175,665,481	164,569,757	153,438,134	149,004,999	145,540,951	140,863,694	137,557,259	133,052,817	126,752,205
Plan fiduciary net position	132,048,992	133,850,433	133,897,145	117,879,023	115,083,128	115,774,764	112,804,385	112,094,168	113,285,618
City's net pension liability	43,616,489	30,719,324	19,540,989	31,125,976	30,457,823	25,088,930	24,752,874	20,958,649	13,466,587
Percent funded	75.17%	81.33%	87.26%	79.11%	79.07%	82.19%	82.01%	84.25%	89.38%

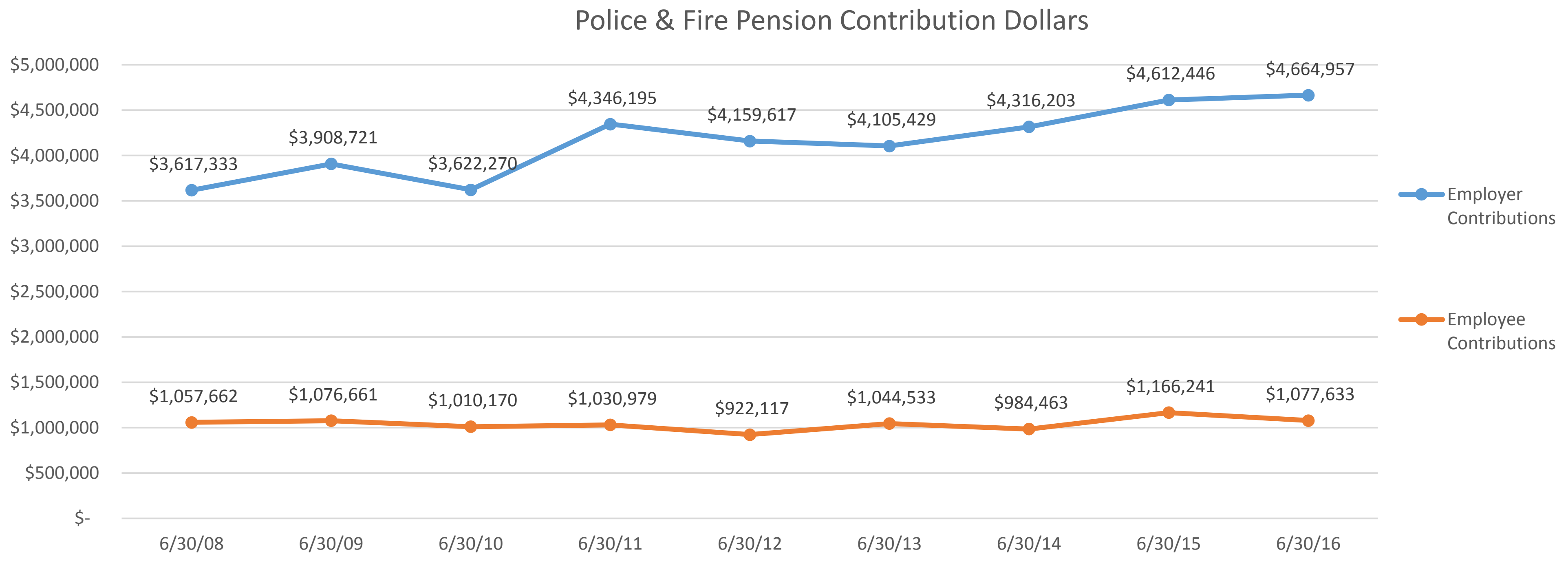
Police & Fire Pension – Historical Figures



Police & Fire Pension – Historical Figures



Police & Fire Pension-Historical Figures



Police & Fire Pension-Historical Figures

Police & Fire Pension Employee Contribution Rates for the fiscal years based on Collective Bargaining agreements.

** Contract expires 6/30/17

	6/30/08 - 6/30/16	6/30/17	6/30/18
POLC – NS (Police Non-supervisory)	7.75%	8.00%	8.25%
POLC – SGT (Police Sergeants)	7.75%	11.72%	11.72%
POLC – LT (Police Lieutenants)	10.00%	10.00%	10.00%
Police Non-Represented	10.00%	10.00%	10.00%
OSP (Fire Supervisory Personnel)	9.69%	10.00%	10.00%
IAFF (Fire Fighters)	7.50%	7.50%	**
Fire Non-Represented	10.00%	10.00%	10.00%

Police & Fire Pension/Total Millage Historical Figures

Millage Rate History
Last Ten Fiscal Years
(rate per $1000 of taxable value)

Fiscal Year Ended June 30	Levied July 1	Operating	Capital Projects/Capital Project Debt	Streets	Police & Fire Pension	Total
2017	2016	8.740	0.500	1.5	4.679	15.419
2016	2015	8.740		1.5	4.496	14.736
2015	2014	8.807		1.5	4.429	14.736
2014	2013	9.148		1.5	4.088	14.736
2013	2012	9.427		1.5	3.809	14.736
2012	2011	9.488		1.5	3.748	14.736
2011	2010	9.488		1.5	3.488	14.476
2010	2009	9.558		1.5	3.418	14.476
2009	2008	9.594		1.5	3.382	14.476
2008	2007	9.699		1.5	3.277	14.476
2007	2006	9.730		1.5	3.246	14.476
2006	2005	9.730		1.5	2.691	13.921

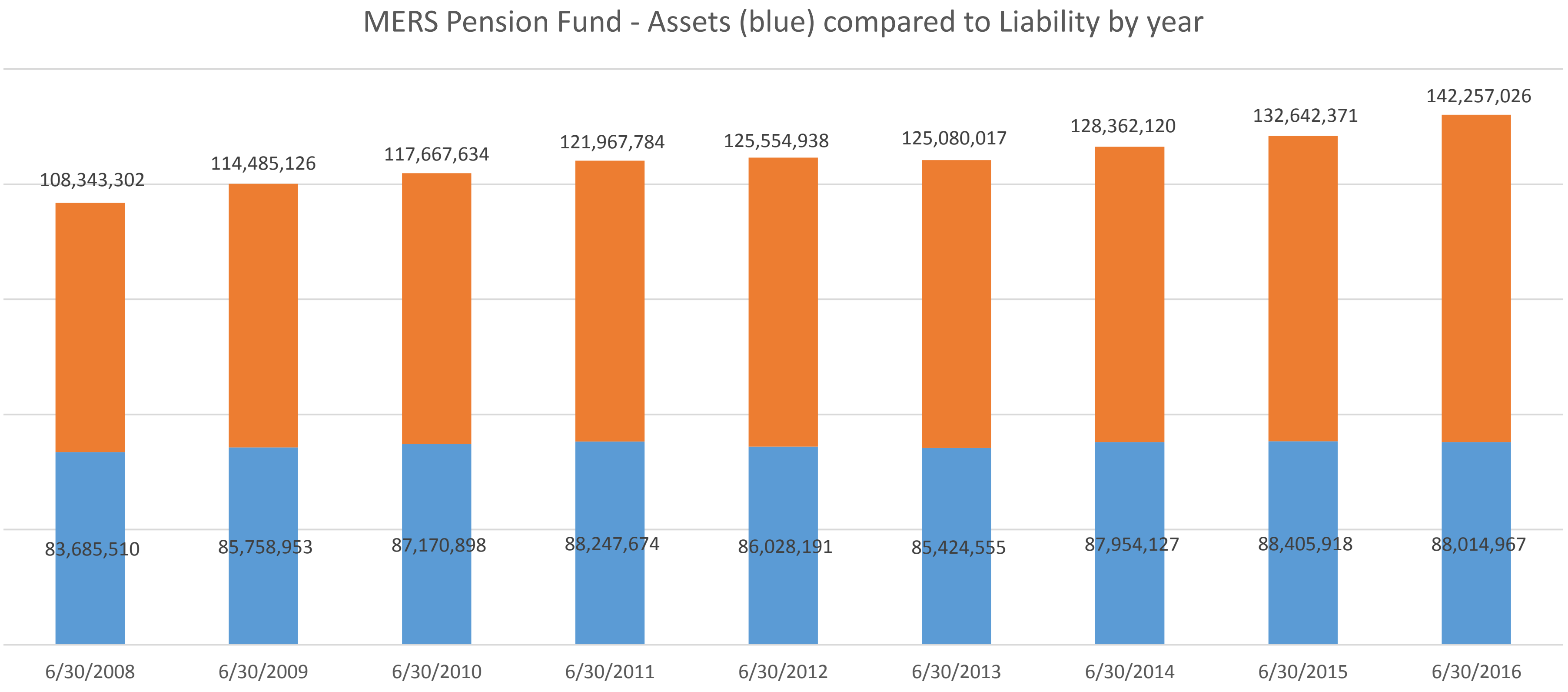
MERS Pension – Benefit Facts

- See the separate hand out of Benefit Provisions for MERS participants as of 12/31/15 (Table 2 – pages 17 to 20).

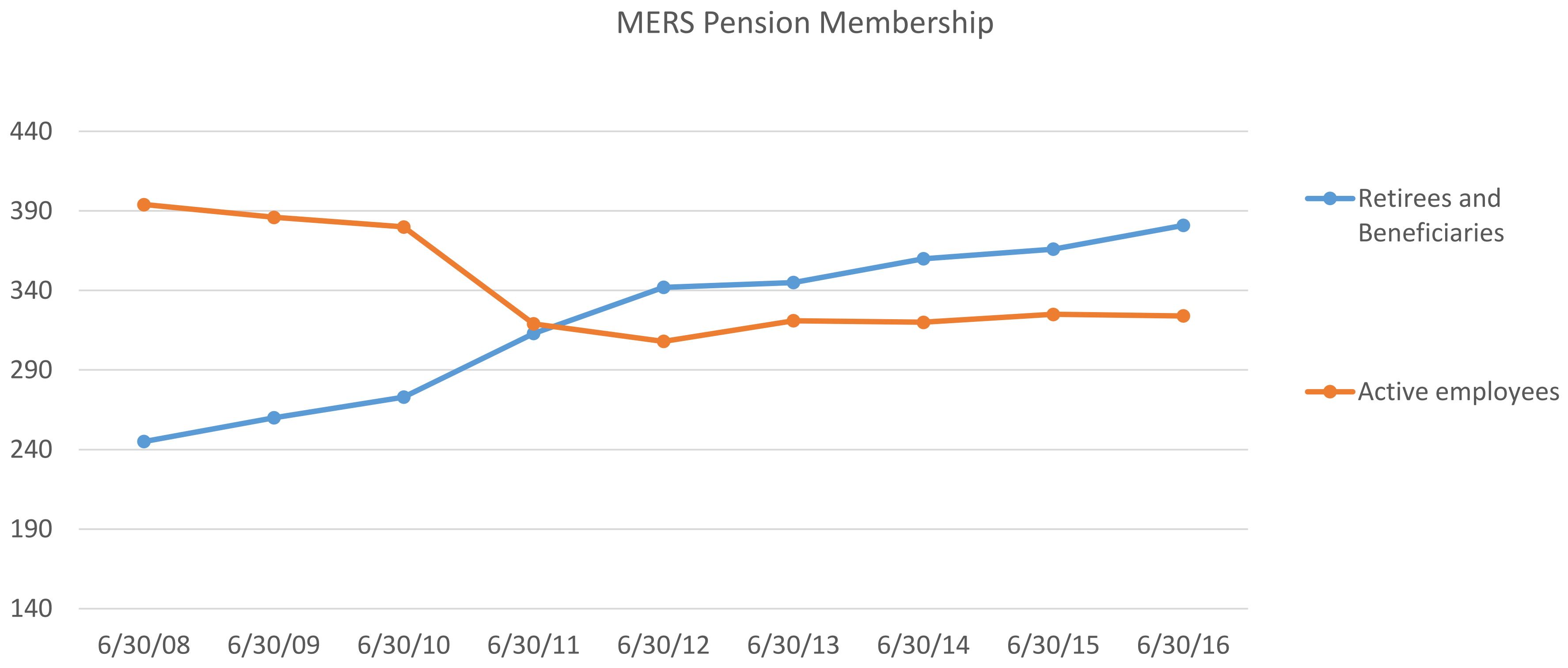
MERS Pension – Historical Figures

MERS Pension:	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008
Total pension liability	142,257,026	132,642,371	128,362,120	125,080,017	125,554,938	121,967,784	117,667,634	114,485,126	108,343,302
Plan fiduciary net position	88,014,967	88,405,918	87,954,127	85,424,555	86,028,191	88,247,674	87,170,898	85,758,953	83,685,510
City's net pension liability	54,242,059	44,236,453	40,407,993	39,655,462	39,526,747	33,720,110	30,496,736	28,726,173	24,657,792
Percent funded	61.87%	66.65%	68.52%	68.30%	68.52%	72.35%	74.08%	74.91%	77.24%

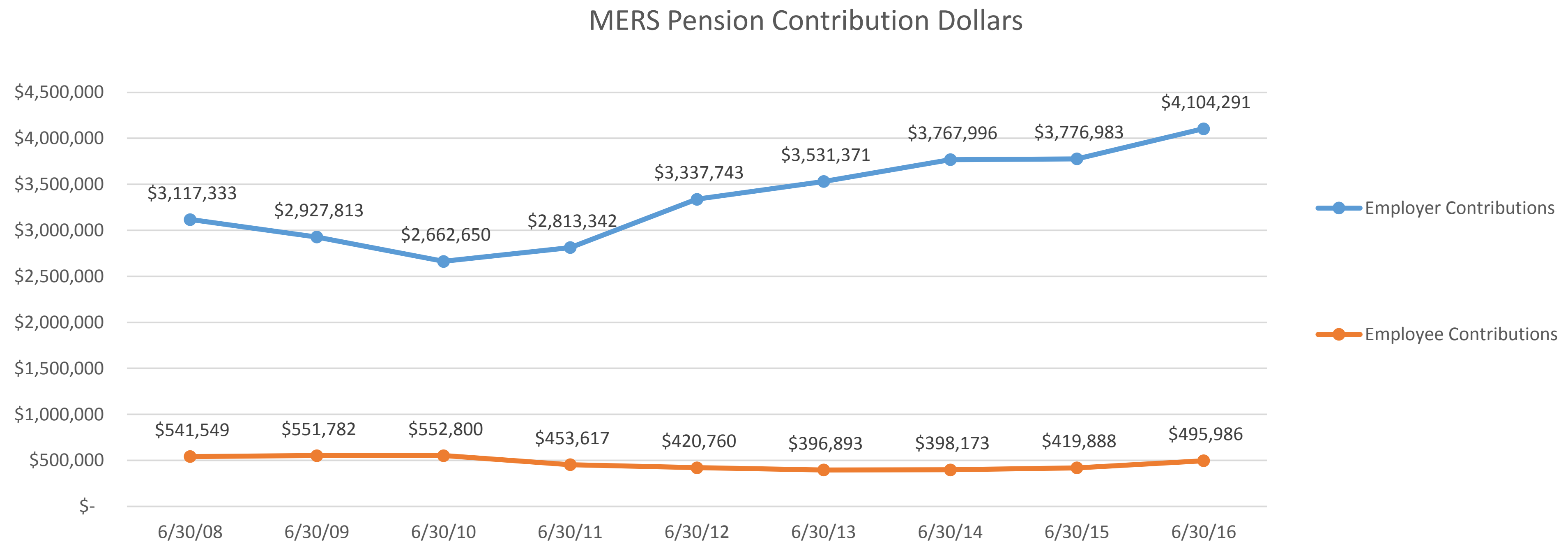
MERS Pension – Historical Figures



MERS Pension – Historical Figures



MERS Pension – Historical Figures



Retiree Health Insurance (OPEB) Liabilities – Historical Figures

Other Post Employment Benefits (OPEB)- Health Insurance					
	6/30/2015	6/30/2013	6/30/2011	6/30/2009	6/30/2007
Actuarial accrued liability (AAL)	57,194,872	41,620,241	51,185,806	53,965,475	40,251,892
Actuarial value of assets	5,086,500	4,078,070	3,094,002	1,491,954	75,887
Unfunded AAL (UAAL)	52,108,372	37,542,171	48,091,804	52,473,521	40,176,005
Funded Ratio	8.89%	9.80%	6.04%	2.76%	0.19%

CITY OF BATTLE CREEK RETIREE HEALTH CARE PLAN
SUMMARY OF BENEFITS VALUED AS OF JUNE 30, 2015

PLAN PARTICIPANTS

Employees of the City of Battle Creek Retiree Health Care Plan are eligible to receive retiree health care benefits.

RETIREE HEALTH CARE BENEFIT AMOUNT

Police Members retired prior to January 1, 2007 - (401h)
Fire Members retired prior to July 1, 2004 - (401h)

City pays for a subsidy toward retiree health care premium as follows:

	Employer Monthly Subsidy 401h*						
Annual Pension Income	1 Medicare Retiree	1 Regular Retiree	Retiree & Spouse Medicare	Retiree & Spouse Regular	1 Medicare Surviving Spouse	1 Non-Medicare Surviving Spouse	1 Medicare 1 Regular
Under $22,500	$274.98	$304.06	$749.96	$933.77	$354.98	$376.20	$768.09
$22,500 - $24,999	274.98	304.06	749.96	933.77	354.98	376.20	768.09
$25,000 - $29,999	261.23	288.86	712.46	887.08	337.24	357.39	729.69
$30,000 - $34,999	206.24	228.05	562.47	700.33	266.24	282.15	576.07
$35,000 - $39,999	109.99	121.62	299.98	373.51	142.00	150.48	307.24
$40,000 - $44,999	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Above $45,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00

* *Non-Medicare retiree subsidies shown here were estimated.*

Police Members retired on or after January 1, 2007 - (VEBA)
- Members receive a maximum $200 per month from the City prorated for service less than 25 years
- Members contribute 2% of pay and City contributes 3% of pay during active employment
- Retiree must be immediately eligible for pension and have at least 15 years of service
- 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 receive a maximum $200 per month from the City
- Members contribute 3% of pay and pension into 149 Trust
- Members receive a share of trust fund dollars upon retirement

Fire Members hired prior to May 14, 2007 and who retired after July 1, 2004
- Members contribute 3% of pay and pension into 149 Trust
- Upon retirement, trust fund pays insurance premium. If there is not enough money in the trust fund, the City pays the difference

General Members - (City General fund)
- Members receive a maximum $200 per month from the City based on service

OPEB Liabilities – Historical Facts

- Police and Fire bargaining unit members were first provided retiree health insurance pursuant to Battle Creek City Commission Resolution 168, dated 6/24/80. This resolution provided health insurance to the retiree and spouse and set forth a specific funding source (Act 28 of 1966).
- Since the original provision, the Police and Fire Pension Board changed the funding vehicle, utilizing the provisions of Section 401(h) of the Internal Revenue Code. Because of statutory limitations in section 401(h) designed to protect both the pension fund and the tax status of pension and retiree health insurance benefits, the fund in 2005 was no longer able to cover the cost of insurance premiums.

OPEB Liabilities – Historical Facts

- Resolution Number 225 dated 5/17/05 created a public employee health care fund to be used for the accumulation and investment of monies for the purpose of funding health care for the City of Battle Creek police and fire retirees and their beneficiaries, as provided for in Public Act 149 of 1999.
- Resolution Number 12 dated 11/14/06 authorized a $2,400 annual increase in pension benefits for current police & fire retirees and surviving spouses. The intent of the pension improvement was to provide additional funds for retirees to help cover the cost of retiree health insurance benefits; however, the additional funds are not limited to this intent and are available to retirees whether or not they have health insurance.

OPEB Liabilities – Historical Facts

- Act 312 Arbitration with the IAFF(resolved 5/14/07) resulted in the creation of a fund (Fire Retiree Health Care Fund)for current employees with a 3% member contribution that would be used to pay retiree health insurance premiums, with the City responsible for any additional costs. Retirees also pay 3% of their pension benefit into the fund. Contributions have changed over time for current employees based on collective bargaining.
- This same Act 312 Arbitration resulted in employees hired after 5/14/07 being required to contribute 3% of compensation into the retiree health insurance fund, and the City contribution towards health insurance premiums is limited to $200/month upon retirement with a benefit payable.

OPEB Liabilities – Historical Facts

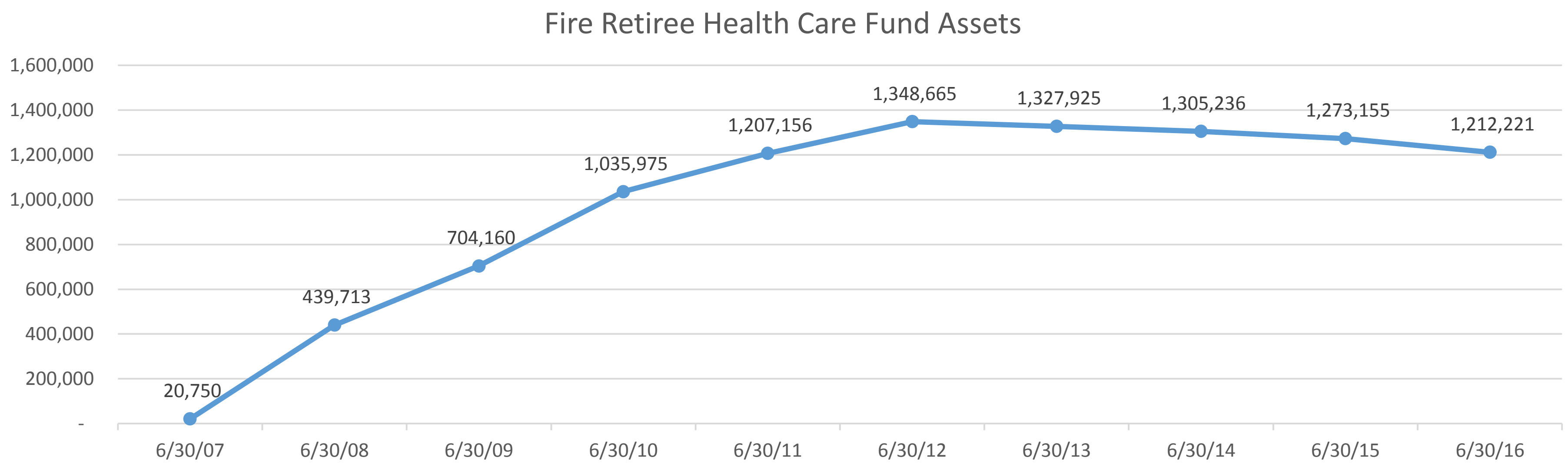
- Resolution 103 dated 5/1/07 established the Police & Fire Retiree Health Care Insurance Board (401h Board). This board is tasked with the allocation of $500,000 raised annually through the police & fire pension millage to police members retired prior to 1/1/07 and fire members retired prior to 7/1/04.

OPEB Liabilities – Historical Facts

- 4/5/07 a Letter of Understanding between the City and the Police Officers Labor Council, representing the lieutenant, sergeant and nonsupervisory units of the Battle Creek Police Department set forth an agreement regarding funding for retiree health insurance for bargaining members.
  - Members retiring after 4/5/07 will receive a $200 benefit per month towards the cost of insurance premiums. This $200 benefit is pro-rated based on years of service between 15 and 25.
  - Established a Voluntary Employee Benefit Association (VEBA) to provide each eligible participant with a lifetime benefit of $8,000 maximum per year towards health insurance premium above the monthly $200 from the City. The VEBA is funded via contributions from current members as well as retirees.
  - Resolution 154 dated 3/18/08 adopted the MERS retiree health funding vehicle (RHFV) and the VEBA was converted to the RHFV (a Section 149 trust under Michigan state law)

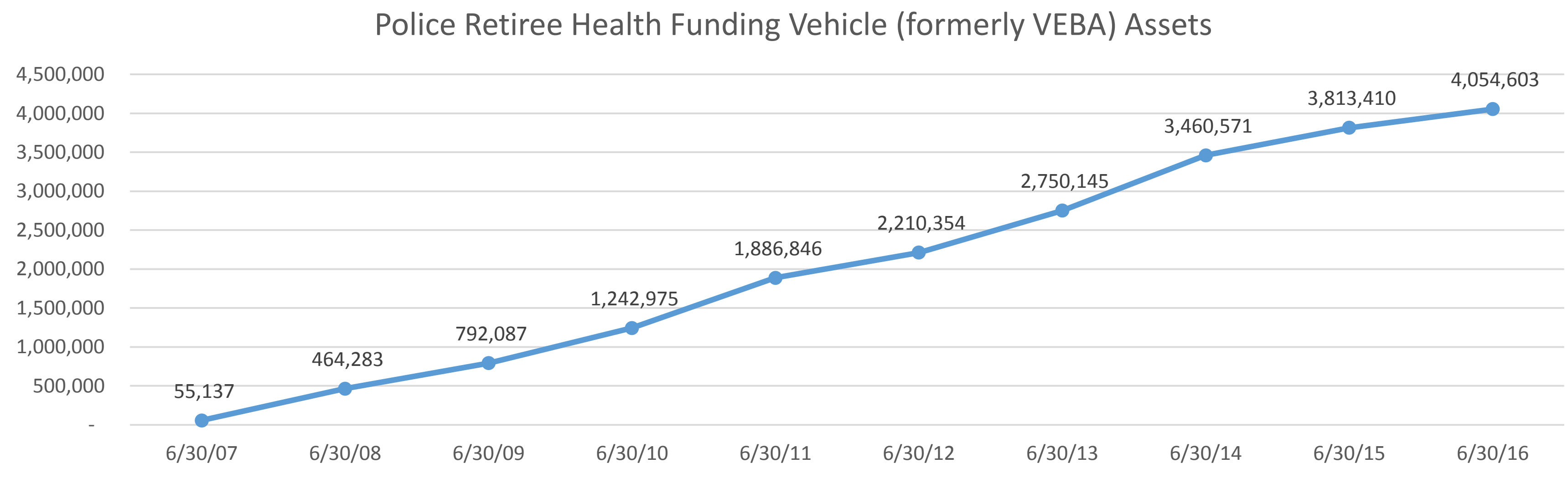
OPEB - Fire Retiree Health Care Fund Facts and Figures

- Since the 5/14/07 establishment of the fund, funding for the Fire Retiree Health Care Fund consists of $250,000 annual City contributions, 3% retiree contributions, and 2.5%/3% current employee contributions (initial employee contributions were 3% and were negotiated to 2.5% effective 7/1/08).

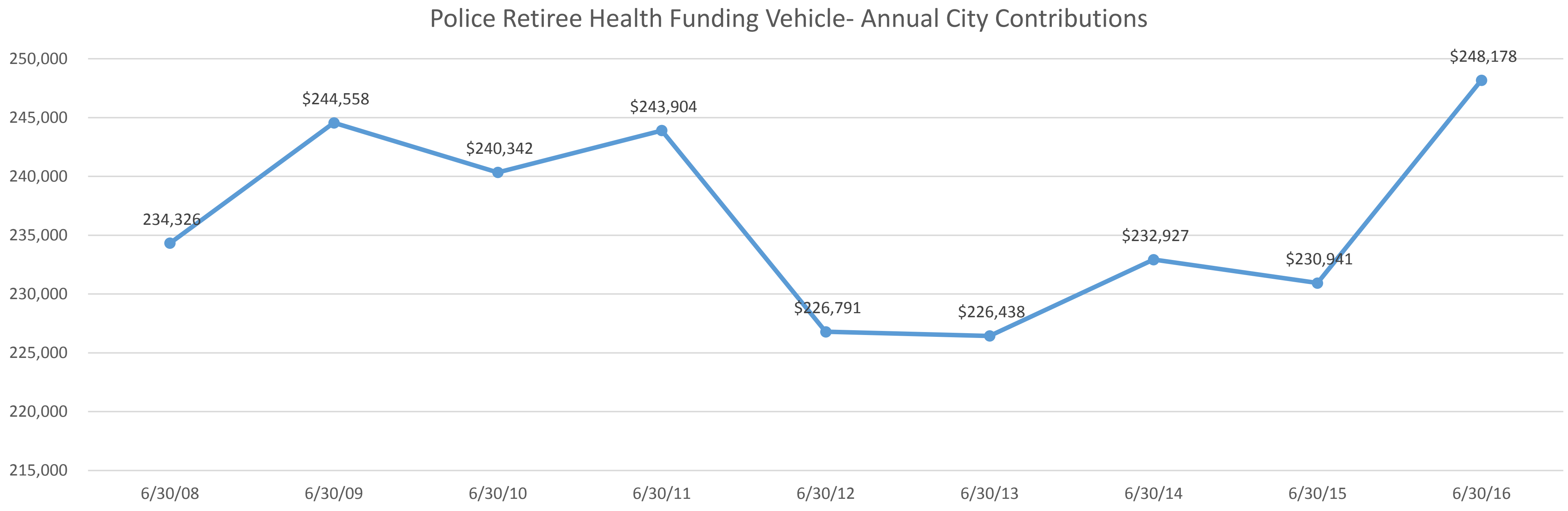


OPEB – Police Retiree Health Funding Vehicle Facts and Figures

- Since the 4/5/07 establishment of the fund, funding for the Police Retiree Health Funding Vehicle has consisted of various combinations of employee, City, and retiree contributions based on the LOU and the BCPD RHIFT Board recommendations (currently 1% employee, 2% retiree, and 3% City).



OPEB-Police RHFV City Contributions Figures



OPEB – Non Police & Fire Retiree Health Insurance Facts

- Resolution number 71 dated 1/20/04 authorized the City to contribute to the cost of the "employee only" health insurance and the cost of the Medicare supplement in an amount not exceeding $200 per month for non represented employees retiring with a pension benefit payable.
- Collective bargaining agreements have this same benefit with the following exceptions:
  - AFSCME – benefit is only available to employees hired on or before 12/1/10
  - ATU – benefit is only available to employees hired on or before 1/1/10
  - BCSA – benefit is only available to employees hired on or before 6/21/11
  - SEIU – benefit is only available to employees hired on or before 6/30/11

Legacy Cost Committee 3/14/17

- QUESTIONS/COMMENTS?

Legacy Cost Committee – Next Steps

- Next meeting agenda – MERS representative presentation to discuss pension and OPEB options and give insight into what other communities are doing about legacy costs.
  - Schedule a date
- Future meeting – Strategy, planning, options review
  - Schedule a date