

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM**

**REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)**

YEARS ENDED DECEMBER 31, 2023 AND 2022



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INDEPENDENT AUDITOR'S REPORT

To the Members of the Employees'
Retirement System Investment Committee
and the City Commission of Kalamazoo
Kalamazoo, Michigan

Opinion

We have audited the accompanying statements of plan net position of the City of Kalamazoo Employees' Retirement System (the System), as of December 31, 2023 and 2022, and the related statements of changes in plan net position for the years then ended, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of the City of Kalamazoo Employees' Retirement System as of December 31, 2023 and 2022, and the respective changes in its plan net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Kalamazoo Employees' Retirement System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Kalamazoo Employees' Retirement System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Kalamazoo Employees' Retirement System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Kalamazoo Employees' Retirement System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of pension information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of a Matter

As discussed in Note 2, the financial statements present only the City of Kalamazoo Employees' Retirement System and do not purport to, and do not present fairly the financial position of the City of Kalamazoo, Michigan, as of December 31, 2023 and 2022, and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Maney Costeiran PC

June 25, 2024

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following is a discussion and analysis of the financial performance and position of the City of Kalamazoo Employees' Retirement System ("The Retirement System"). It is intended to provide an overview of the Retirement Systems' financial activities for the fiscal year ended December 31, 2023 and 2022. This analysis should be read in conjunction with the Independent Auditor's Report and with the financial statements, which follows this section.

Condensed Financial Information

The table below compares key financial information in a condensed format between the current year and the prior years:

	Year Ended December 31,		
	2023	2022	2021
Total assets	\$ 741,898,983	\$ 673,774,028	\$ 805,983,195
Total liabilities	22,885	43,573	58,400
Net position held in trust for pension benefits	<u>\$ 741,876,098</u>	<u>\$ 673,730,455</u>	<u>\$ 805,924,795</u>
Net investment income (loss)	\$ 102,031,275	\$ (99,471,376)	\$ 133,637,208
Contributions			
Plan members	<u>1,475,439</u>	<u>1,443,448</u>	<u>1,345,658</u>
Total additions	<u>103,506,714</u>	<u>(98,027,928)</u>	<u>134,982,866</u>
Pension benefits	34,583,776	33,430,918	33,005,277
Refund payments to terminated employees	<u>132,567</u>	<u>143,805</u>	<u>59,568</u>
Total benefits paid	34,716,343	33,574,723	33,064,845
General and administrative expenses	<u>644,728</u>	<u>591,689</u>	<u>570,009</u>
Total deductions from net position	<u>35,361,071</u>	<u>34,166,412</u>	<u>33,634,854</u>
Net change in net position held in trust	68,145,643	(132,194,340)	101,348,012
Net position held in trust for pension benefits			
Beginning of Year	<u>673,730,455</u>	<u>805,924,795</u>	<u>704,576,783</u>
End of Year	<u>\$ 741,876,098</u>	<u>\$ 673,730,455</u>	<u>\$ 805,924,795</u>
Ratio of benefits paid to contributions	2353%	2326%	2457%

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Overall Fund Structure and Objectives

The Retirement System is a single-employer defined benefit contributory retirement plan. It was established to provide retirement, disability, and death benefits to city retirees and their beneficiaries. Active members earn service credit that entitles them to receive benefits in the future. Benefits currently being paid are significantly greater than contributions currently being received. Plan members are required to contribute 1.0% to 6.5% of their annual covered salary to the Retirement System, depending upon their bargaining unit. The City contributes such additional amounts, as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits.

The City was not required to make a contribution for 2023 or 2022. The excess of benefits over contributions is funded through investment income. The Retirement System is authorized by the State's Pension Investment Act, as amended, to invest in common stocks, real estate, and various other obligations, subject to certain limitations.

Each year, an actuarial valuation of the Retirement System is completed. As of the December 31, 2023 actuarial report, the valuation of assets represents 132.9% of accrued liabilities. Last year the ratio was 132.5%. The increase in funding position is primarily the result of the 2023 plan experience gain due to favorable asset experience.

Asset Allocation

It is the responsibility of the City of Kalamazoo Retirement Investment Committee (RIC) to recommend to the City Commission the investment policies and strategies, and retaining/monitoring the various investment managers, trustees, advisors, actuaries, and other fiduciaries utilized by the Retirement System. The RIC determines the allocation of assets in accordance with allowable legal limits. In setting asset allocation policy, the RIC reviews the expected returns of various asset classes, the Plan's actuarial assumption rate, and the risks associated with alternative asset mix strategies. The RIC has established the following asset allocation:

<u>Asset Class</u>	<u>Target</u>
U.S. Small Cap (Manager 1)	5.00%
U.S. Small Cap (Manager 2)	10.00%
International Developed Equity	10.00%
U.S. Large Cap (Manager 1)	30.00%
U.S. Large Cap (Manager 2)	5.00%
Emerging Markets	10.00%
Domestic Fixed Income	25.00%
Real Estate (Manager 1)	2.50%
Real Estate (Manager 2)	2.50%

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This asset allocation policy offers the optimal mix for meeting longer term goals at an acceptable level of risk. The asset classes stated above shall be further diversified (where possible) as to style and manager type to reduce risk further, while providing the opportunity for enhanced return. The Retirement System's investments are held in nine portfolios administered by five investment managers.

Economic Factors, Investment Returns, and Other Important Matters

The Retirement System's purpose is to provide long-term benefits to its members. The Retirement Investment Committee (RIC) has a 30-year history of returns that shows that long-term investing is the best way to fund these benefits. The RIC has positioned the portfolio for this long-term investment objective through its investment policy asset allocation. There are no major changes to the investment strategy for 2023.

To maximize investment returns and preserve fund assets, the RIC monitors the performance of each of its investment managers and takes corrective action when necessary. The RIC voluntarily complies with the guidelines put forth by the Employee Retirement Income System Act (ERISA), which is designed to protect the interests of members and beneficiaries of pension systems.

The City's Group Trust contains the City's Pension, the Central County Transportation Authority's (CCTA) Pension, and OPEB investment assets. In 2023, the Trust saw gains in equities, with a 20.79% return, and fixed income, with a 5.58% return, while real estate had a loss of 4.41%. The net position of the Pension System at year end was approximately \$741.8 million, an increase of 68.1 million from fiscal year 2022. The S&P 500, Dow Jones Industrial Average, and Nasdaq Composite all ended the year with significant gains.

Contacting the System's Financial Management

This financial report is designed to provide the public, citizens, and other interested parties with a general overview of the Retirement System's financial position. If you have questions about this report or need additional financial information, contact Steve Vicenzi, Director of Management Services, City of Kalamazoo, 241 W. South Street, Kalamazoo, MI 49007, (269) 337-8336.

BASIC FINANCIAL STATEMENTS

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF PLAN NET POSITION
DECEMBER 31, 2023 AND 2022**

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 203,103	\$ 169,587
Receivables		
Interest and dividends	1,261,935	1,037,733
Investments sold	498,166	3,556,014
Total receivables	1,760,101	4,593,747
Investments, at fair value		
U.S. Treasuries	52,046,308	45,241,438
Corporate bonds	70,390,710	61,527,879
Municipal bonds	149,898	144,709
Collateralized mortgage obligations	59,358,094	52,305,547
Equity mutual funds	522,609,541	470,444,779
Real estate mutual funds	35,381,228	39,346,342
Total investments	739,935,779	669,010,694
TOTAL ASSETS	741,898,983	673,774,028
LIABILITIES		
Accounts payable	22,885	43,573
NET POSITION		
Net position restricted for pension benefits	\$ 741,876,098	\$ 673,730,455

See accompanying notes to financial statements.

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN PLAN NET POSITION
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
ADDITIONS TO NET POSITION		
Investment income (loss)		
Change in fair value of investments	\$ 83,749,562	\$ (117,065,647)
Interest	6,482,731	4,879,656
Dividends	13,701,727	14,772,097
	103,934,020	(97,413,894)
Total investment income (loss)		
Less investment expense	(1,902,745)	(2,057,482)
Net investment income (loss)	102,031,275	(99,471,376)
Contributions		
Plan members	1,475,439	1,443,448
TOTAL ADDITIONS TO NET POSITION	103,506,714	(98,027,928)
DEDUCTIONS FROM NET POSITION		
Benefits	34,583,776	33,430,918
Refunds of contributions	132,567	143,805
Administrative expenses	371,467	302,840
Other expenses	273,261	288,849
TOTAL DEDUCTIONS FROM NET POSITION	35,361,071	34,166,412
CHANGE IN PLAN NET POSITION	68,145,643	(132,194,340)
Net position - beginning of year	673,730,455	805,924,795
Net position - end of year	\$ 741,876,098	\$ 673,730,455

See accompanying notes to financial statements.

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - PLAN DESCRIPTION

Plan Administration

The City of Kalamazoo Employees' Retirement System (the System) is a single-employer defined benefit contributory plan which provides pension, disability, and death benefits to all full-time employees and some part-time employees of the City of Kalamazoo, Michigan (the City).

The System is administered by the City of Kalamazoo Employees' Retirement System Pension Board of Trustees. The Board consists of five individual trustees either elected or appointed in accordance with the City Ordinance. One member is a City Commissioner, and one member is the City Manager. Two members, including one Public Safety representative and one General Member representative, are elected by active members of the retirement system. The last member is a citizen who is appointed by the City Commission. All elected terms are three years. The Plan benefit provisions were established and may be amended under the authority of City Ordinances. Employee contribution requirements were established and may be amended subject to collective bargaining agreements and approval by the City Commission of the City of Kalamazoo.

Plan Membership

System membership consisted of the following at December 31, 2023 and 2022, according to actuarial valuations as of those dates:

	<u>2023</u>	<u>2022</u>
Retirees and beneficiaries receiving benefits	941	929
Terminated plan members entitled to, but not yet receiving, benefits	76	71
Active plan members	<u>623</u>	<u>618</u>
Total	<u>1,640</u>	<u>1,618</u>
Number of participating employers	1	1

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - PLAN DESCRIPTION (continued)

Benefits Provided

The System provides retirement, death and disability benefits to plan members and their beneficiaries as follows:

Regular Retirement - General members are eligible for benefits at age 57 with 25 or more years of service or age 62 with 10 or more years of service. American Federation of State, County and Municipal Employees (AFSCME) members are eligible for benefits at age 60 with 20 or more years of service. Exempt members are eligible for benefits at age 62 with 5 years of service. Public safety members are eligible for benefits with 25 years of service or at age 50 with 10 or more years of service. Retirement benefits are calculated as final average compensation (highest 3 consecutive years out of the last 10) times 2.1% for each year of service for general plan members, Kalamazoo Municipal Employee's Association (KMEA) members, and AFSCME members, non-sworn public safety members, 2.3% for each year of service for exempt members, and 2.7% for each year of service for the general member administrator, City manager, and sworn public safety members. The maximum benefit for exempt members hired on or before March 1, 1999, is equal to 92% of final average compensation; if hired after March 1, 1999, the maximum benefit is equal to 70% of final average compensation. The maximum benefit is 70.2% of final average compensation for sworn public safety members.

Early Retirement - General members are eligible for benefits at age 55 with 15 or more years of service. Sworn public safety members are eligible for benefits with 20 years of service. Retirement benefits are calculated as regular retirement but reduced by 4/10 of 1% for each month and fraction of a month by which retirement precedes age 62 if less than 25 years of service or age 57 if 25 or more years of service for general plan members and 2% of final average compensation multiplied by years of credited service for sworn public safety members.

Deferred Retirement - Members are eligible for benefits with 10 years of service for most members, 5 years for exempt members, 9 years for AFSCME members hired before October 2, 2016, and 8 years for KMEA members hired before January 1, 2009. Benefits begin at age 62 for general members. For sworn public safety members, benefits begin when the member would have first been eligible had they remained employed (at age 50 with 10 years of service or when they would have reached 25 years of service). Retirement benefits are calculated as regular or early retirement but based upon service and final average compensation at termination date for general members and as early retirement for sworn public safety members.

Death and Disability - Members are eligible for benefits, in accordance with plan provisions, after 10 years of service for most members, 5 years for exempt members, 9 years for AFSCME members hired before October 2, 2016, and 8 years for KMEA members hired before January 1, 2009. Service requirements are waived for duty disability and death benefits.

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - PLAN DESCRIPTION (continued)

Benefits Provided (continued)

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. Pensions of AFSCME members who retire on or after October 25, 1999, are increased 1% per year, compounded annually, beginning 1 year after retirement and 2% per year, compounded annually, beginning at age 75. Pensions of KMEA members are increased 1.5% per year, compounded annually, beginning the latter of the retirees' 64th birthday and 1 year after retirement and 2% per year, compounded annually, beginning at age 75. Pensions of public safety members who retire on and after January 1, 1995, with 25 or more years of service, are increased 2% per year, compounded annually. Pensions of exempt members are increased 1.5% per year, compounded annually, beginning 1 year after retirement for members who elected to contribute by May 2006. Pensions of exempt members who retire on and after January 15, 2024, are increased 2% per year, compounded annually. Pensions of non-sworn public safety members who retire on and after January 1, 2022 are increased 1.5% per year, compounded annually, and 2% per year, compounded annually, beginning at age 75. Pensions of the City manager and general member administrators who retire on and after June 1, 2020 are increased 2% per year, compounded annually. Annual costs-of-living adjustments do not apply to deferred retirements.

Deferred Retirement Option Program

Public safety administrators meeting relevant provisions for an unreduced retirement allowance, authorization by the City Manager, and approval of the City Commission are eligible for the deferred retirement option program (DROP). The annual benefit is computed as regular retirement but is frozen at date of DROP election. For the years ended December 31, 2023 and 2022, the balance of amounts held by the Plan pursuant to the DROP were \$623,773 and \$205,754, respectively.

Sworn public safety members who obtain 25 or more years of credited service on or after May 1, 2022, through December 31, 2026, may elect to participate in a deferred retirement option program (DROP). The employee must be in good standing with the City and the City may consider staffing level needs and the employee's disciplinary and performance review histories in determining whether to accept the employee into the DROP. The employee 's application must indicate the number of whole years that they want to participate in DROP, up to a maximum of three (3) years. As a condition of participation, the employee agrees to retire at the conclusion of their participation in the DROP. An employee who has elected to participate for one (1) or two (2) years may request, which is to required to be granted by the City, an extension in whole years at least 90 days prior to the employee's anticipated DROP end date. The annual benefit is computed as regular retirement but is frozen at date of DROP election.

Contributions

System members are required to contribute between 1.0 to 6.5% of annual compensation to the System for pension benefits, depending on bargaining unit. The City is required to contribute such additional amounts, as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits. No employer contributions were required for years ended December 31, 2023 and 2022.

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The System's more significant accounting policies are described below:

Reporting Entity - The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the City of Kalamazoo Employees' Retirement System. The City of Kalamazoo is the plan sponsor of the City of Kalamazoo Employees' Retirement System. As a result, industry standards require the City to include the financial activities of the System in the City's Annual Financial Report. The Annual Financial Report of the City of Kalamazoo is available for public inspection at the Kalamazoo City Hall.

Basis of Accounting - The System's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and the employer has made a formal commitment to provide them. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Valuation of Investments - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments for which market quotations are not readily available are valued at their fair value as determined by the custodian under the direction of the Board with the assistance of a valuation service.

The investments of the System are pooled with those of the City's Other Post-Employment Benefits (OPEB) Trust and the Central County Transportation Authority (CCTA). The purchases, maturities, and investment performance are allocated between the System, the OPEB Trust fund, and the CCTA based on the fair value of their respective investments. As of December 31, 2023, and 2022, the System's investments represented approximately 83.1% and 83.2% of the portfolio, respectively.

Administration - Administrative costs are financed through the System's investment earnings.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits

The System does not maintain any checking or other demand/time deposit accounts. Amounts reported as cash and cash equivalents in the statements of plan net position include cash and short-term investments in money market accounts held by the System's investment managers. These accounts are insured by the Securities Investors Protection Corporation for up to \$500,000 each. The balances of these accounts as of December 31, 2023 and 2022, were \$203,103 and \$169,587, respectively. These amounts were fully insured as of December 31, 2023 and 2022, respectively.

Investments

The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the System to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The System's Investment Committee is responsible for recommending to the City Commission the investment policies and strategies, and retaining/monitoring the various investment managers, trustees, advisors, actuaries, and other fiduciaries utilized by the System. The City Commission is responsible for approving the recommendations of the Investment Committee. All investment decisions are subject to Michigan law and the investment policy established by the City Commission.

The adopted asset allocation policy as of December 31, 2023 and 2022, was as follows:

<u>Asset Class</u>	<u>Target</u>	<u>Long Term Expected Rate of Return</u>	
		<u>2023</u>	<u>2022</u>
U.S. Small Cap (Manager 1)	5.00%	5.84%	4.13%
U.S. Small Cap (Manager 2)	10.00%	5.84%	4.13%
International Developed Equity	10.00%	4.14%	3.43%
U.S. Large Cap (Manager 1)	30.00%	5.24%	3.63%
U.S. Large Cap (Manager 2)	5.00%	5.24%	3.63%
Emerging Markets	10.00%	5.14%	5.73%
Domestic Fixed Income	25.00%	2.64%	2.03%
Real Estate (Manager 1)	2.50%	4.54%	3.43%
Real Estate (Manager 2)	2.50%	4.54%	3.43%

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

The System's investments are held in nine portfolios administered by five investment managers. Following is a summary of the System's investments as of December 31:

	2023	2022
U.S. Treasuries	\$ 52,046,308	\$ 45,241,438
Corporate bonds	70,390,710	61,527,879
Municipal bonds	149,898	144,709
Collateralized mortgage obligations	59,358,094	52,305,547
Equity mutual funds	522,609,541	470,444,779
Real estate mutual funds	35,381,228	39,346,342
Total investments	\$ 739,935,779	\$ 669,010,694

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs. There are three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements (continued)

As of December 31, 2023 and 2022, the carrying amounts and fair values for each investment are as follows:

<u>2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Federal Home Loan	\$ -	\$ 21,915,905	\$ -	\$ 21,915,905
Fannie Mae	-	37,146,399	-	37,146,399
Ginnie Mae	-	295,790	-	295,790
U.S. Treasury Notes	-	52,046,308	-	52,046,308
Corporate Bonds	-	70,390,710	-	70,390,710
Municipal Bonds	-	149,898	-	149,898
Equity mutual funds	522,609,541	-	-	522,609,541
Real estate mutual funds	35,381,228	-	-	35,381,228
	<u>\$ 557,990,769</u>	<u>\$ 181,945,010</u>	<u>\$ -</u>	<u>\$ 739,935,779</u>
<u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Federal Home Loan	\$ -	\$ 18,298,293	\$ -	\$ 18,298,293
Fannie Mae	-	26,786,620	-	26,786,620
Ginnie Mae	-	7,220,634	-	7,220,634
U.S. Treasury Notes	-	45,241,438	-	45,241,438
Corporate Bonds	-	61,527,879	-	61,527,879
Municipal Bonds	-	144,709	-	144,709
Equity mutual funds	470,444,779	-	-	470,444,779
Real estate mutual funds	39,346,342	-	-	39,346,342
	<u>\$ 509,791,121</u>	<u>\$ 159,219,573</u>	<u>\$ -</u>	<u>\$ 669,010,694</u>

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk

The System's investment policy provides that its investments in bonds must be rated in the top four major investment grades as determined by two nationally recognized statistical rating organizations. As of December 31, 2023 and 2022, the System's investments in fixed income securities were rated by Standard & Poor's and Moody's as follows:

Standard & Poor's	2023			2022		
	Corporate Bonds	Municipal Bonds	CMO	Corporate Bonds	Municipal Bonds	CMO
AAA	\$ 12,676,790	\$ 149,898	\$ -	\$ 10,073,914	\$ 144,709	\$ -
AA	2,687,709	-	59,358,094	3,800,902	-	52,305,547
A	25,138,013	-	-	18,818,395	-	-
BBB	24,688,270	-	-	24,515,507	-	-
Not rated	5,199,928	-	-	4,319,161	-	-
	<u>\$ 70,390,710</u>	<u>\$ 149,898</u>	<u>\$ 59,358,094</u>	<u>\$ 61,527,879</u>	<u>\$ 144,709</u>	<u>\$ 52,305,547</u>
<u>Moody's</u>						
Aaa	\$ 13,823,674	\$ 149,898	\$ 59,358,094	\$ 9,210,900	\$ 144,709	\$ 52,305,547
Aa	4,532,535	-	-	3,658,837	-	-
A	30,932,811	-	-	25,783,149	-	-
Baa	16,799,951	-	-	16,982,178	-	-
Ba	131,851	-	-	123,883	-	-
Not rated	4,169,888	-	-	5,768,932	-	-
	<u>\$ 70,390,710</u>	<u>\$ 149,898</u>	<u>\$ 59,358,094</u>	<u>\$ 61,527,879</u>	<u>\$ 144,709</u>	<u>\$ 52,305,547</u>

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's investment policy does not address custodial credit risk. Although uninsured and unregistered, the System's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the System's name. Short-term investments in money market funds and investments in mutual funds are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

Concentration of Credit Risk

The System's investment policy requires that the securities of any one company or government agency should not exceed 5% of the total fund. At December 31, 2023 and 2022, the System's investments were within that range.

The System's investment policy and State statutes provide that no more than 70% of the total investments may be in equity holdings and no more than 5% in real estate. As of December 31, 2023 and 2022, the System's equity holdings accounted for 70% of the total investment portfolio; the System's holdings in real estate were 5% at December 31, 2023 and 2022.

Rate of Return

For the year ended December 31, 2023 and 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.49% and (12.59)% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

For investments, the risk that changes in interest rates will adversely affect the fair value of the investment is known as interest rate risk. The System's investment policy does not address interest rate risk. As of December 31, 2023 and 2022, maturities of the System's debt securities were as follows:

<u>2023</u>	<u>Fair Value</u>	<u>Investment Maturities (Fair Value by Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
U.S. Treasuries	\$ 52,046,308	\$ -	\$ 21,073,619	\$ 10,853,190	\$ 20,119,499
Corporate Bonds	70,390,710	-	31,979,781	21,540,883	16,870,046
Municipal Bonds	149,898	-	-	-	149,898
Collateralized Mortgage Obligations	59,358,094	-	337,052	339,550	58,681,492
	<u>\$ 181,945,010</u>	<u>\$ -</u>	<u>\$ 53,390,452</u>	<u>\$ 32,733,623</u>	<u>\$ 95,820,935</u>

<u>2022</u>	<u>Fair Value</u>	<u>Investment Maturities (Fair Value by Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
U.S. Treasuries	\$ 45,241,438	\$ -	\$ 19,653,203	\$ 8,861,914	\$ 16,726,321
Corporate Bonds	61,527,879	1,027,833	31,376,642	14,150,700	14,972,704
Municipal Bonds	144,709	-	-	-	144,709
Collateralized Mortgage Obligations	52,305,547	-	1,147,116	1,152,448	50,005,983
	<u>\$ 159,219,573</u>	<u>\$ 1,027,833</u>	<u>\$ 52,176,961</u>	<u>\$ 24,165,062</u>	<u>\$ 81,849,717</u>

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Derivatives

The System's investment policy permits the prudent use of derivatives to reduce portfolio risk and enhance investment return. Under the terms of the investment agreements, portfolio managers are required to report all derivative holdings on a quarterly basis. The Investment Committee monitors these reports to evaluate the System's exposure to credit, market, and legal risk.

The portfolios managed by Jennison Associates have utilized U.S. currency futures contracts, a type of derivative, to reduce overall portfolio volatility caused by interest rate risk. At December 31, 2023 and 2022, the portfolio had no U.S. currency futures contracts.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The System's exposure to foreign currency risk derives from its positions in foreign currency-denominated fixed-income investments. The System's investment policy permits it to invest up to 10% of total investments in foreign currency-denominated investments.

The System's exposure to foreign currency risk in U.S. dollars as of December 31, 2023 and 2022, is summarized below:

<u>Currency</u>	<u>2023</u>	<u>2022</u>
Canadian Dollar	\$ 879,600	\$ 1,696,581
Euro	2,388,758	1,564,350
Singaporean Dollar	907,709	-
Norwegian Krone	-	846,211
British Pound Sterling	1,938,872	2,168,476
	<u>\$ 6,114,939</u>	<u>\$ 6,275,618</u>

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - RESERVES

Member Contributions

Members contribute at rates stated in the City Ordinance or collective bargaining agreements for the applicable unit. Interest is credited at least annually to the reserve for member contributions. The balance represents active members' contributions and interest, less amounts transferred to funds for retirement, amounts refunded to terminated members, and transferred inactive accounts.

Employer Contributions

All employer contributions are credited to the reserve for employer contributions. Interest is credited at least annually, and transfers are made to the reserve for retired benefit payments to fund the employer's share of retirement allowances, as recommended by the System's actuaries and approved by the Board of Commissioners.

Retired Benefit Payments

The reserve represents the reserves for payment of future retirement benefits to persons already on the retirement rolls. At retirement, a member's accumulated contributions (with interest) are transferred to the reserve for retired benefit payments from the reserves for employer contributions and member contributions. Interest is credited at least annually.

The reserve balances as of December 31, 2023 and 2022, are as follows:

	2023	2022
Member contributions	\$ 25,346,512	\$ 27,049,268
Employer contributions	288,854,138	237,423,301
DROP contributions	623,773	205,754
Retired benefit payments	427,051,675	409,052,132
Total reserves	\$ 741,876,098	\$ 673,730,455

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - PENSION BENEFITS

During 2001, the City Ordinance was amended to provide for a supplemental benefits payment to certain retirees. Subject to certain limitations as described in the Ordinance, these payments may occur every third year commencing in 2001. No amount was paid in 2023 or 2022.

NOTE 6 - ADMINISTRATIVE AND INVESTMENT EXPENSES

The following provides additional details related to administrative and investment expenses for the years ended December 31, 2023 and 2022:

	2023		2022	
	Amount	Percent of Net Position	Amount	Percent of Net Position
Investment advisor fees	\$ 1,675,542	0.226%	\$ 1,789,156	0.266%
Trust and custodial fees	227,203	0.031%	268,326	0.040%
Administrative expenses	371,467	0.050%	302,840	0.045%
Other expenses	273,261	0.037%	288,849	0.043%
	\$ 2,547,473		\$ 2,649,171	

NOTE 7 - RISK MANAGEMENT

The System is exposed to various risks of loss related to torts, errors, and omissions. The System participates in the City of Kalamazoo's risk management program for all of these exposures. The City's risk management program is primarily a self-insured program with reinsurance amounts in excess of aggregate loss funds. The City estimates the liability for unpaid claims (including claims incurred but not reported) and allocates the cost to all appropriate entities and funds. There is no further exposure to the System that would require a liability to be recorded in the financial statements.

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - NET PENSION ASSET

The components of the net pension asset of the System at December 31, 2023 and 2022, were as follows:

	2023	2022
TOTAL PENSION LIABILITY		
Service cost	\$ 7,709,111	\$ 7,562,395
Interest	38,580,767	37,769,183
Changes of benefit terms	5,402,558	1,650,511
Differences between expected and actual experience	2,257,460	(1,715,651)
Benefit payments, including refunds of member contributions	(34,716,343)	(33,574,723)
NET CHANGE IN TOTAL PENSION LIABILITY	19,233,553	11,691,715
TOTAL PENSION LIABILITY, BEGINNING	545,652,122	533,960,407
TOTAL PENSION LIABILITY, ENDING (A)	\$ 564,885,675	\$ 545,652,122
PLAN FIDUCIARY NET POSITION		
Contributions - member	\$ 1,475,439	\$ 1,443,448
Net investment income (loss)	102,031,275	(99,471,376)
Benefit payments, including refunds of member contributions	(34,716,343)	(33,574,723)
Administrative expenses	(371,467)	(302,840)
Other	(273,261)	(288,849)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	68,145,643	(132,194,340)
PLAN FIDUCIARY NET POSITION, BEGINNING	673,730,455	805,924,795
PLAN FIDUCIARY NET POSITION, ENDING (B)	\$ 741,876,098	\$ 673,730,455
SYSTEM'S NET PENSION (ASSET), ENDING (A)-(B)	\$ (176,990,423)	\$ (128,078,333)
Plan fiduciary net position as a percentage of the total pension liability	131.33%	123.47%
Covered payroll	\$ 43,891,903	\$ 42,632,621
System's net pension (asset) as a percentage of covered payroll	(403.24)%	(300.42)%

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - NET PENSION ASSET (continued)

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The total pension liability was determined by actuarial valuations as of December 31, 2022 and 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation as of December 31, 2022 and measurement date of December 31, 2023:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open period
Remaining amortization period	10 years
Asset valuation method	5 years smoothed market
Inflation	3.5% (which includes price inflation of 2.25%)
Projected salary increases	3.5% to 15.50% (includes inflation)
Investment rate of return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality rates	The Pub-2010 Amount-Weighted, Safety, Employee, Male and Female tables, with future mortality improvements projected to 2025 using scale MP-2019.

The actuarial assumptions used in the December 31, 2022, valuation were based on the results of an actuarial experience study for the period January 1, 2014 through December 31, 2018.

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - NET PENSION ASSET (continued)

Actuarial Assumptions (continued)

Actuarial valuation as of December 31, 2021 and measurement date of December 31, 2022:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open period
Remaining amortization period	10 years
Asset valuation method	5 years smoothed market
Inflation	3.5% (which includes price inflation of 2.25%)
Projected salary increases	3.5% to 15.50% (includes inflation)
Investment rate of return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality rates	The Pub-2010 Amount-Weighted, Safety, Employee, Male and Female tables, with future mortality improvements projected to 2025 using scale MP-2019.

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of an actuarial experience study for the period January 1, 2014 through December 31, 2018.

Changes in Assumptions

No changes in assumptions noted for plan year 2023.

No changes in assumptions noted for plan year 2022.

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - NET PENSION ASSET (continued)

Changes in Benefit Terms

Plan year 2023:

Exempt members who retire on/after 1/15/2024 get a 2% COLA in January of each year.

Exempt members previously contributing 3.5% of annual compensation now contribute 1.5% of pay.

Public safety members deferred retirement benefits begin when the member would have first been eligible had they remained employed (at age 50 with 10 years of service or when they would have reached 25 years of service).

Plan year 2022:

An increase in the lump sum death benefit payable to beneficiaries upon the death of a retired member from \$1,000 to \$5,000 (does not apply to deferred retirements).

Non-sworn public safety members who retire after January 1, 2022, are eligible for a 1.5% post-retirement adjustment (2% at age 75) in January of each year, compounded annually.

An expansion of the DROP to include qualifying sworn members of DPSOA and KPSA who obtain 25 years or more of credited service on or after May 1, 2022, through December 31, 2026 and elect to participate in the program.

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for the actuarial valuations as of December 31, 2022 and December 31, 2021. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determine contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - NET PENSION ASSET (continued)

Sensitivity of the Net Pension (Asset) to Changes in the Discount Rate

The following presents the System's net pension (asset), calculated using the discount rate, as well as what the System's net pension (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
<u>2023</u>			
Total pension liability	\$ 631,989,618	\$ 564,885,675	\$ 509,048,591
Plan fiduciary net position	<u>741,876,098</u>	<u>741,876,098</u>	<u>741,876,098</u>
Net pension (asset)	<u>\$ (109,886,480)</u>	<u>\$ (176,990,423)</u>	<u>\$ (232,827,507)</u>
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
<u>2022</u>			
Total pension liability	\$ 609,949,867	\$ 545,652,122	\$ 492,100,726
Plan fiduciary net position	<u>673,730,455</u>	<u>673,730,455</u>	<u>673,730,455</u>
Net pension (asset)	<u>\$ (63,780,588)</u>	<u>\$ (128,078,333)</u>	<u>\$ (181,629,729)</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN THE SYSTEM'S NET PENSION ASSET AND RELATED RATIOS
LAST TEN FISCAL YEARS**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
CHANGE IN TOTAL PENSION LIABILITY										
Service cost	\$ 7,709,111	\$ 7,562,395	\$ 7,116,766	\$ 7,038,828	\$ 6,377,103	\$ 5,894,750	\$ 5,604,960	\$ 5,683,351	\$ 6,187,334	\$ 6,259,728
Interest	38,580,767	37,769,183	36,676,997	36,008,134	34,448,827	33,674,057	32,746,676	33,892,669	32,334,356	31,603,299
Changes of benefit terms	5,402,558	1,650,511	-	875,728	-	279,702	-	(23,809,450)	-	-
Difference between expected and actual experience	2,257,460	(1,715,651)	4,367,838	(2,647,268)	4,007,357	313,218	3,079,970	(2,513,167)	(1,574,739)	-
Changes of assumptions	-	-	-	-	22,845,295	-	-	-	12,509,343	-
Benefit payments, including refunds of member contributions	(34,716,343)	(33,574,723)	(33,064,845)	(31,112,544)	(30,213,896)	(29,931,417)	(28,491,380)	(28,496,870)	(28,356,700)	(27,802,129)
NET CHANGE IN TOTAL PENSION LIABILITY	19,233,553	11,691,715	15,096,756	10,162,878	37,464,686	10,230,310	12,940,226	(15,243,467)	21,099,594	10,060,898
TOTAL PENSION LIABILITY, BEGINNING	545,652,122	533,960,407	518,863,651	508,700,773	471,236,087	461,005,777	448,065,551	463,309,018	442,209,424	432,148,526
TOTAL PENSION LIABILITY, ENDING (A)	<u>\$ 564,885,675</u>	<u>\$ 545,652,122</u>	<u>\$ 533,960,407</u>	<u>\$ 518,863,651</u>	<u>\$ 508,700,773</u>	<u>\$ 471,236,087</u>	<u>\$ 461,005,777</u>	<u>\$ 448,065,551</u>	<u>\$ 463,309,018</u>	<u>\$ 442,209,424</u>
CHANGE IN PLAN FIDUCIARY NET POSITION										
Contributions - employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,602,053	\$ 760,912
Contributions - member	1,475,439	1,443,448	1,345,658	1,285,845	1,238,420	1,209,623	1,086,257	1,085,940	1,084,798	1,067,029
Net investment income (loss)	102,031,275	(99,471,376)	133,637,208	57,798,914	112,193,170	(47,440,721)	94,301,279	72,939,990	(9,974,517)	41,065,447
Benefit payments, including refunds of member contributions	(34,716,343)	(33,574,723)	(33,064,845)	(31,112,544)	(30,213,896)	(29,931,417)	(28,491,380)	(28,496,870)	(28,356,700)	(27,802,131)
Administrative expenses	(371,467)	(302,840)	(236,148)	(224,903)	(220,934)	(147,100)	(147,099)	(153,024)	(125,770)	(122,107)
Other	(273,261)	(288,849)	(333,861)	(309,797)	(228,905)	(246,932)	(8,848,472)	(21,875,722)	(174,885)	(110,326)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	68,145,643	(132,194,340)	101,348,012	27,437,515	82,767,855	(76,556,547)	57,900,585	23,500,314	(35,945,021)	14,858,824
PLAN FIDUCIARY NET POSITION, BEGINNING	673,730,455	805,924,795	704,576,783	677,139,268	594,371,413	670,927,960	613,027,375	589,527,061	625,472,082	610,613,258
PLAN FIDUCIARY NET POSITION, ENDING (B)	<u>\$ 741,876,098</u>	<u>\$ 673,730,455</u>	<u>\$ 805,924,795</u>	<u>\$ 704,576,783</u>	<u>\$ 677,139,268</u>	<u>\$ 594,371,413</u>	<u>\$ 670,927,960</u>	<u>\$ 613,027,375</u>	<u>\$ 589,527,061</u>	<u>\$ 625,472,082</u>
SYSTEM'S NET PENSION (ASSET), ENDING (A)-(B)	<u>\$ (176,990,423)</u>	<u>\$ (128,078,333)</u>	<u>\$ (271,964,388)</u>	<u>\$ (185,713,132)</u>	<u>\$ (168,438,495)</u>	<u>\$ (123,135,326)</u>	<u>\$ (209,922,183)</u>	<u>\$ (164,961,824)</u>	<u>\$ (126,218,043)</u>	<u>\$ (183,262,658)</u>
Plan fiduciary net position as a percentage of the total pension liability	131.33%	123.47%	150.93%	135.79%	133.11%	126.13%	145.54%	136.82%	127.24%	141.44%
Covered payroll	\$ 43,891,903	\$ 42,632,621	\$ 39,983,168	\$ 39,215,899	\$ 37,425,219	\$ 34,999,543	\$ 32,780,965	\$ 37,291,474	\$ 37,198,788	\$ 36,331,892
System's net pension (asset) as a percentage of covered payroll	(403.24)%	(300.42)%	(680.20)%	(473.57)%	(450.07)%	(351.82)%	(640.38)%	(442.36)%	(339.31)%	(504.41)%

**CITY OF KALAMAZOO, MICHIGAN
 EMPLOYEES' RETIREMENT SYSTEM
 SCHEDULE OF INVESTMENT RETURNS
 LAST TEN FISCAL YEARS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	15.49%	(12.59)%	19.36%	8.71%	19.30%	(7.22)%	15.72%	12.64%	(1.62)%	6.82%

**CITY OF KALAMAZOO, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

NOTE 1 - CHANGES OF BENEFIT TERMS AND ASSUMPTIONS

Year Ended December 31, 2023

Changes of benefit terms:

Exempt members who retire on/after 1/15/2024 get a 2% cola in January of each year.

Exempt members previously contributing 3.5% of annual compensation now contribute 1.5% of pay.

Public safety members deferred retirement benefits begin when the member would have first been eligible had they remained employed (at age 50 with 10 years of service or when they would have reached 25 years of service).

Changes in assumptions:

There were no changes in assumptions during plan year 2023.

Year Ended December 31, 2022

Changes of benefit terms:

An increase in the lump sum death benefit payable to beneficiaries upon the death of a retired member from \$1,000 to \$5,000 (does not apply to deferred retirements).

Non-sworn public safety members who retire after January 1, 2022, are eligible for a 1.5% post-retirement adjustment (2% at age 75) in January of each year, compounded annually.

An expansion of the DROP to include qualifying sworn members of DPSOA and KPSA who obtain 25 years or more of credited service on or after May 1, 2022, through December 31, 2026 and elect to participate in the program.

Changes in assumptions:

There were no changes in assumptions during plan year 2022.