

EMPLOYEES, RETIREES, AND BENEFICIARIES OF THE CENTRAL COUNTY TRANSPORTATION AUTHORITY (CCTA) PENSION PLAN

The Summary Annual Report of the Central County Transportation Authority (CCTA) Pension Plan for the year ended December 31, 2017 is presented for your information. The material presented in this report is based on financial statements as audited by Stevens, Kirinovic & Tucker, and the 2017 Actuarial Valuation prepared by Gabriel, Roeder, Smith & Company.

Effective October 1, 2016, the City of Kalamazoo's existing transit operations spun off to become part of the Central County Transportation Authority (CCTA). The asset value of the Pension Trust as of December 31, 2016 was divided into separate amounts for the City Pension Plan and the CCTA Pension Plan. A stand alone, defined benefit pension plan was established for the CCTA. Its purpose is to provide long-term benefit payments to its members. Benefits are guaranteed upon retirement, and are calculated using a formula based on age, years of service, and salary. Membership includes all full time and some part time employees (as allowed by certain bargaining units). Assets of the system must be held and used for the exclusive benefit of members and their beneficiaries.

A Pension Plan is well funded when it has sufficient assets to meet expected future obligations to participants. At December 31, 2017, the Pension Plan held investments of \$32.9 million, an increase of \$2.6 million from 2016. The investment portfolio reported a net return of 15.83% for fiscal year 2017, net of fees. The Plan continues to be in an overfunded position, as the current ratio of actuarial assets to accrued liabilities is 134.6%. The Plan is in sound financial condition and the fiduciaries remain committed to meet the obligations of the defined benefit plan in a prudent manner.

Respectfully submitted,

Melissa Fuller
Deputy Director, Management Services
City of Kalamazoo

INVESTMENT POLICY

The financial objective of the Pension Plan is to accumulate a pool of assets that will be sufficient to pay the benefits promised by the Plan, at the lowest possible cost, and to do so solely in the interest of the participants and beneficiaries. Within this objective, Plan assets are to be invested to achieve the maximum long term (3-4 market cycles) cumulative annual rate of return possible in relation to risk under the laws and regulations under which the assets can be invested. The Investment Committee has established an investment policy, which provides that the maximum amount permitted under the laws and regulations, will be targeted for investment in common stocks with the balance invested in bonds, short-term securities and real estate.

MONEY MANAGERS AND PHILOSOPHY

The Pension Plan has five investment managers who are responsible for the investment of the Plan's assets in accordance with the Investment Committee's policies. Two of the money managers are common stock managers, one is a bond manager and two are real estate managers. There have been no changes in fund managers this year.

The assets of the Plan are invested in various asset classes (common stocks, bonds, etc.) and in different investment styles within the classes in order to mitigate volatility. Managers are hired for their management style and strategy within these classes of assets. If a manager deviates from the style and strategy for which that firm was hired and the new style and strategy is in conflict with the investment policies, the manager is terminated.

BlackRock

BlackRock, New York, NY, has over \$6.2 trillion in assets under management. Plan assets are invested in Blackrock's Equity Index Fund A, which replicates the S&P 500 Stock Index.

Dimensional Fund Advisors

Dimensional Fund Advisors, Austin, TX, has over \$586 billion in assets under management. DFA manages the Plan's Large Cap Value, Small Cap Value, Micro Cap, International Small Cap Value, and Emerging Markets Value portfolios.

Jennison Associates LLC

Jennison Associates, New York, NY, manages over \$173.3 billion in assets and serves as the Plan's intermediate fixed income manager.

RREEF Real Estate

RREEF Real Estate, Chicago, IL, has over \$63.1 billion in assets under management. Plan assets are invested in RREEF's flagship core fund, RREEF America REIT II.

Vanguard Group, Inc.

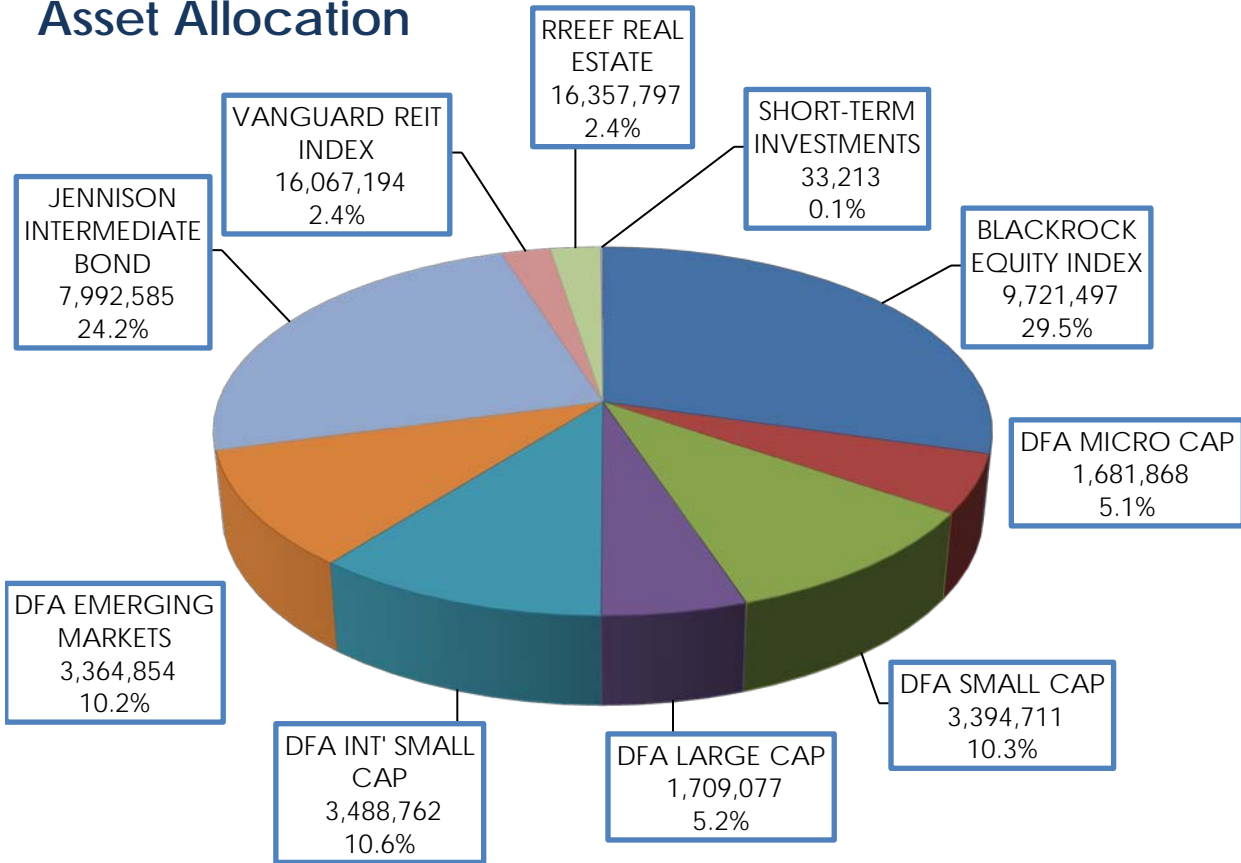
The Vanguard Group, Malvern, PA, has over \$5.1 trillion in assets under management. Plan assets are invested in Vanguard's Real Estate Investment Trust (REIT).

State Street Bank

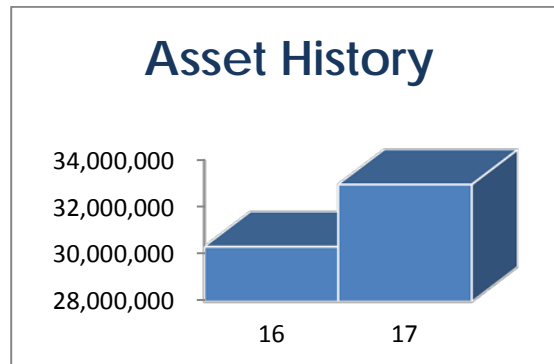
State Street Bank & Trust, Boston, MA, has over \$2.7 trillion in assets under administration and serves as the Plan's Custodian and Trustee. The balance of the Plan's assets is held in cash equivalents in order to meet monthly benefit payments and administrative expenses. State Street Bank safeguards the Plan's assets and serves as the control and monitoring point for the performance and procedures of our investment managers.

INVESTMENT SUMMARY

Asset Allocation



Investments by Asset Class	
Equities	23,360,768
Fixed Income	7,992,585
Real Estate	1,592,885
Short-Term	33,213
Total	32,979,451



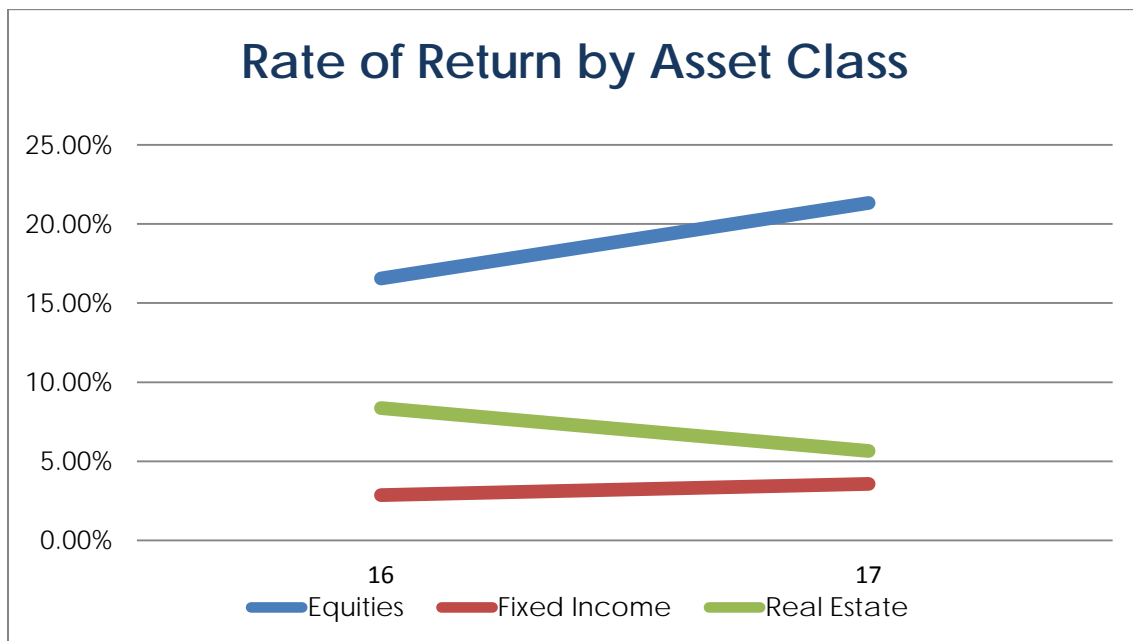
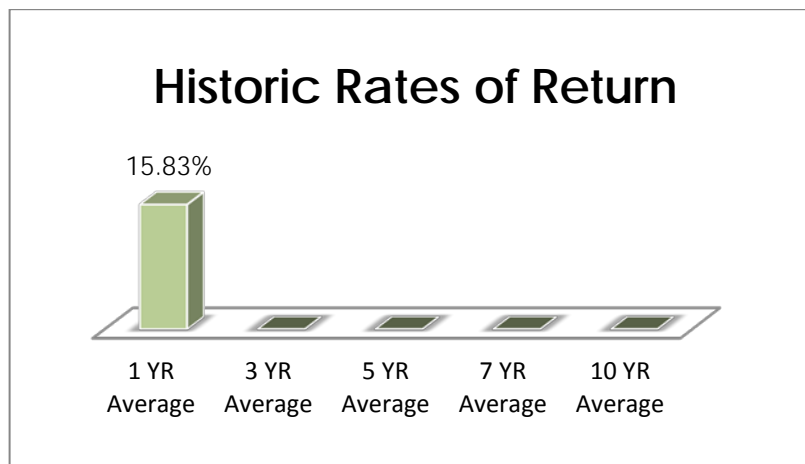
*2016 CCTA spinoff from City of Kalamazoo Pension Plan

INVESTMENT SUMMARY

The investment objective is to achieve a "real" rate of return (nominal rate less inflation) of 5% over time.

Annualized Rate of Return for period ending December 31, 2017:

Nominal Rate of Return	15.83%
Inflation	<u>2.11%</u>
Real Rate of Return	13.72%



FINANCIAL SUMMARY

The Central County Transportation Authority's Pension Plan total fiduciary net position held in trust for benefits at December 31, 2017 was \$32.9 million, an 8.7% increase from \$30.3 million at December 31, 2016. The return received on investments was 15.83%. Favorable market conditions resulted in increased gains across all portfolios.

STATEMENT OF PLAN NET POSITION

	2017	2016
Assets		
Cash and Cash Equivalents	\$ 33,213	\$ 16,874
Receivables	52,360	-
Investments	32,893,878	30,313,260
Total Assets	32,979,451	30,330,134
Liabilities		
Accounts Payable	5,127	-
Total Liabilities	5,127	-
Net Position Restricted for Pension Benefits	\$ 32,974,324	\$ 30,330,134

The Central County Transportation Authority's Pension Plan continues to be managed very cost effectively. All fees and expenses are reviewed and approved in open committee meetings. Total expenses for the Plan in 2017 were \$131 thousand, which is 0.4% of market assets. This low expense ratio is a substantial cost savings to the Plan.

	EXPENSE	% OF MARKET ASSETS
Investment Management fees	\$ 78,699	0.24%
Custodial fees	\$ 15,830	0.05%
Administrative fees	\$ 36,876	0.11%
Total	\$ 131,404	0.40%

FINANCIAL SUMMARY

Revenue sources include employer contributions, employee contributions, and earnings on investments. Plan expenses consist of pension benefits to members and beneficiaries, contribution refunds to those who exit the system, and general administrative costs.

SUMMARY OF CHANGES IN PLAN NET POSITION

	2017	2016
Additions		
Investment Income		
Change in fair value of investments	\$ 3,078,635	\$ -
Interest	171,080	3
Dividends	729,726	-
Investment expense	(94,529)	-
Net investment income	<u>3,884,913</u>	<u>3</u>
Contributions		
Plan Members	<u>65,034</u>	<u>14,189</u>
Total additions to net position	3,949,946	14,192
Deductions		
Benefit Payments	1,263,043	-
Refunds of Contributions	5,837	-
Administrative Expenses	<u>36,876</u>	<u>-</u>
Total deductions from net position	1,305,756	-
Special Item		
Pension spinoff from City of Kalamazoo	<u>-</u>	<u>30,315,942</u>
Net Change	2,644,190	30,330,134
Net position beginning of year	30,330,134	-
Net position end of year	<u>\$ 32,974,324</u>	<u>\$ 30,330,134</u>

FINANCIAL SUMMARY

BUDGET AND EXPENSES

	2017 BUDGET	2017 ACTUAL
Actuary Fees	\$ 30,000	\$ 31,707
Benefit Payments	1,260,000	1,263,043
Consulting Fees	3,000	2,914
Custodial & Retiree Services Fees	16,000	15,830
Disability Physical Exams	250	-
Due Diligence/Conferences	250	124
Liability Insurance	2,000	2,031
Management Fees	80,000	78,699
Miscellaneous Expense	100	100
Refunds of Contributions	10,000	5,837
	<u>\$ 1,401,600</u>	<u>\$ 1,400,285</u>

ACTUARIAL SUMMARY

MEMBERSHIP DATA

	2017	2016
Retirees and Beneficiaries	66	64
Active Members	107	99
Inactive Members	8	7
Total Members	181	170

Average annual retirement allowance	\$ 19,605.70
Total annual retirement allowances	\$ 1,293,976

ACTUARIAL SUMMARY

Employer contributions, if applicable, are made in accordance with funding levels recommended by Gabriel, Roeder, Smith & Company in the annual Actuarial Valuation Report. Funding level calculations are based on a smoothed (actuarial) value of assets rather than the market value in order to moderate annual fluctuations caused by market conditions. By policy, annual asset gain or loss will be recognized over five years (smoothed), however, actuarial assets may not be less than 80% of the market value of assets.

According to the 2017 valuation, CCTA contributions are not currently needed, as the Plan's assets are in excess of accrued liabilities. The current ratio of assets to liabilities is 134.6%.

Employee contributions are made in accordance with union contracts or provisions within the Pension Plan.

ACTUARIAL FUNDING (\$000)

Year Ended	Actuarial Assets	Actuarial Liabilities	Funded Ratio
2016	\$ 30,330	\$ 22,628	134.0%
2017	\$ 31,648	\$ 23,521	134.6%

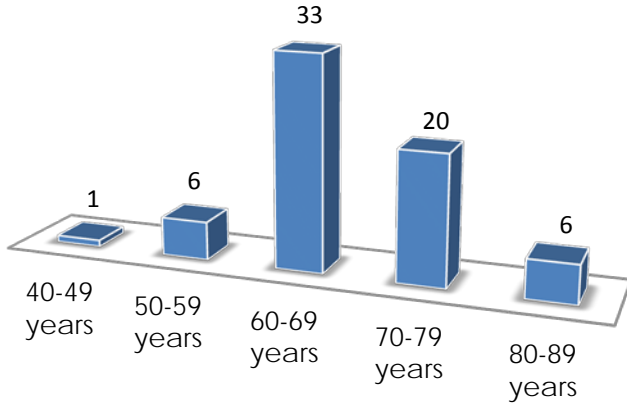
Member Contributions	
Weighted average	1.40%
Employer Contributions	
Computed Normal Cost of benefits expressed a a percentage of valuation payroll	10.95%
Unfunded Actuarial Accrued Liability contribution rate expressed a a percentage of valuation payroll	-7.40% *
Valuation Payroll	\$ 4,921,201

The overfunded liability is currently supporting pension costs that would otherwise require CCTA contributions.

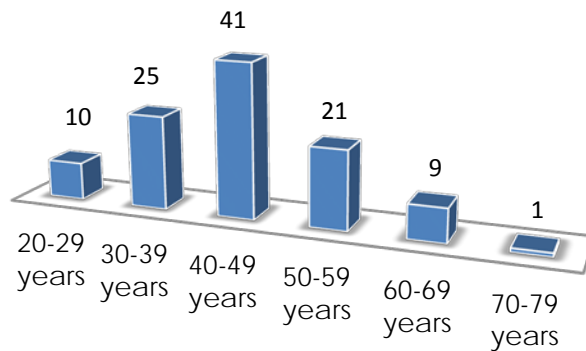
Actuary assumptions include 7.5% Investment rate of return and 3.5% Wage inflation rate. Cost Method is Entry Age, Normal.

ACTUARIAL SUMMARY

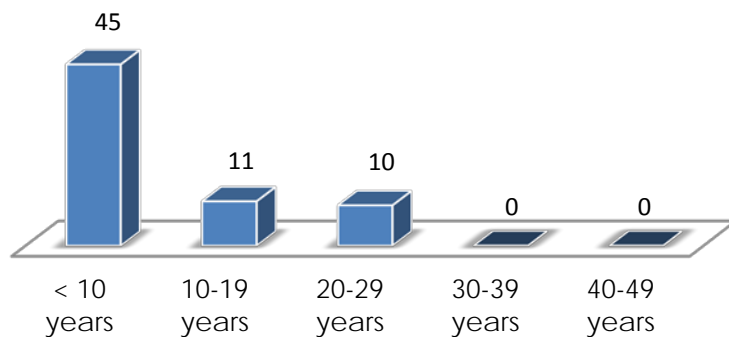
Age Profile of Retirees and Beneficiaries



Age Profile of Active Members



Years Retired



PLAN ADMINISTRATION

BOARD OF TRUSTEES

The CCTA Pension Plan established a five member Board of Trustees to administer the Plan in accordance with its terms and applicable laws and regulations. The Board of Trustees consists of the Executive Director of the CCTA, two members of the CCTA Board of Directors, the Deputy Director for Support Services of the CCTA, and the Chief Financial Officer of the City of Kalamazoo.

Board Members

GarryLee McCormick	CCTA Board member
Rob Bricker	CCTA Board member
Jim Ritsema	City of Kalamazoo CFO (acting)
Greg Vlietstra	CCTA Deputy Director for Support Services
Sean McBride	CCTA Executive Director

INVESTMENT COMMITTEE

The investments of the CCTA Pension Plan are pooled with those of the City of Kalamazoo Employees' Retirement System and the City's Other Post-Employment Benefits (OPEB) Trust. The Investment Committee, appointed by the City of Kalamazoo Mayor with the consent of the City Commission, is charged with the management of the system's assets and has full authority to invest and reinvest such assets subject to the provisions of applicable state and local laws, ordinances, and the investment policy. The Investment Committee is composed of as many as seven members, all have an extensive financial background and none are participants in the system. The members serve three year terms.

Board Members

Term Expires

Robert Salisbury	Chair	3/31/2020
Dr. Randall Eberts	Vice Chair	3/31/2020
Daniel DeMent		3/31/2020
Janice Van Der Kley		3/31/2019
Dean Bergy		3/31/2019
Sandi Doctor		3/31/2019
Joel Wittenberg		3/31/2019

PLAN ADMINISTRATION

ADVISORS & CONSULTANTS

Actuary	Gabriel, Roeder, Smith & Company
Attorney	Ice Miller
Auditor	Stevens, Kirinovic & Tucker, P.C.
Custodian	State Street Bank and Trust
Investment Advisor	Merion Capital LLC

FOR FURTHER INFORMATION

If you would like to see the CCTA Pension Plan, Actuarial Valuation, or the Audited Financial Report, these are available during regular business hours in the Management Services Division of City Hall, at CCTA offices, or at the CCTA website, www.kmetro.com.

If you have questions or need information regarding the Pension Plan, please contact:

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Kalamazoo, MI 49007

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