

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, 2020 is presented for your information. The material presented in this report is based on financial statements as audited by Maner Costerisan, and the 2020 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. On December 31, 2020, the Pension Plan held investments of \$34.7 million, an increase of \$1.3 million from 2019. The investment portfolio reported a net return of 9.25% for fiscal year 2020, net of fees. Although global markets saw extreme volatility in 2020, the plan continues to be in an overfunded position. The current ratio of actuarial assets to accrued liabilities is 120.4%. 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,

Steve Vicenzi
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 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 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 conflicts with the investment policies, the manager is terminated.

BlackRock

BlackRock, New York, NY, has over \$8.6 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 \$601 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 \$218.9 billion in assets and serves as the Plan's intermediate fixed income manager.

RREEF Real Estate

RREEF Real Estate, Chicago, IL, has over \$70 billion in assets under management. Plan assets are invested in RREEF's flagship core fund, RREEF America REIT II.

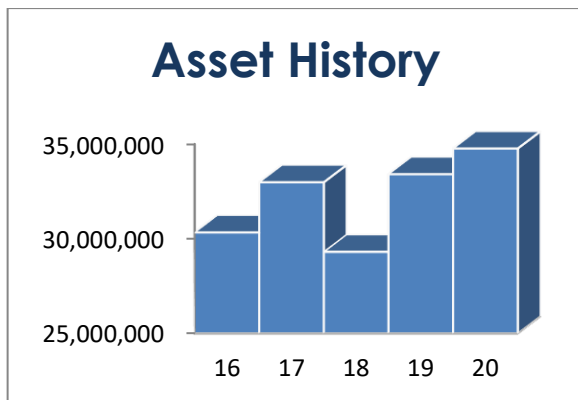
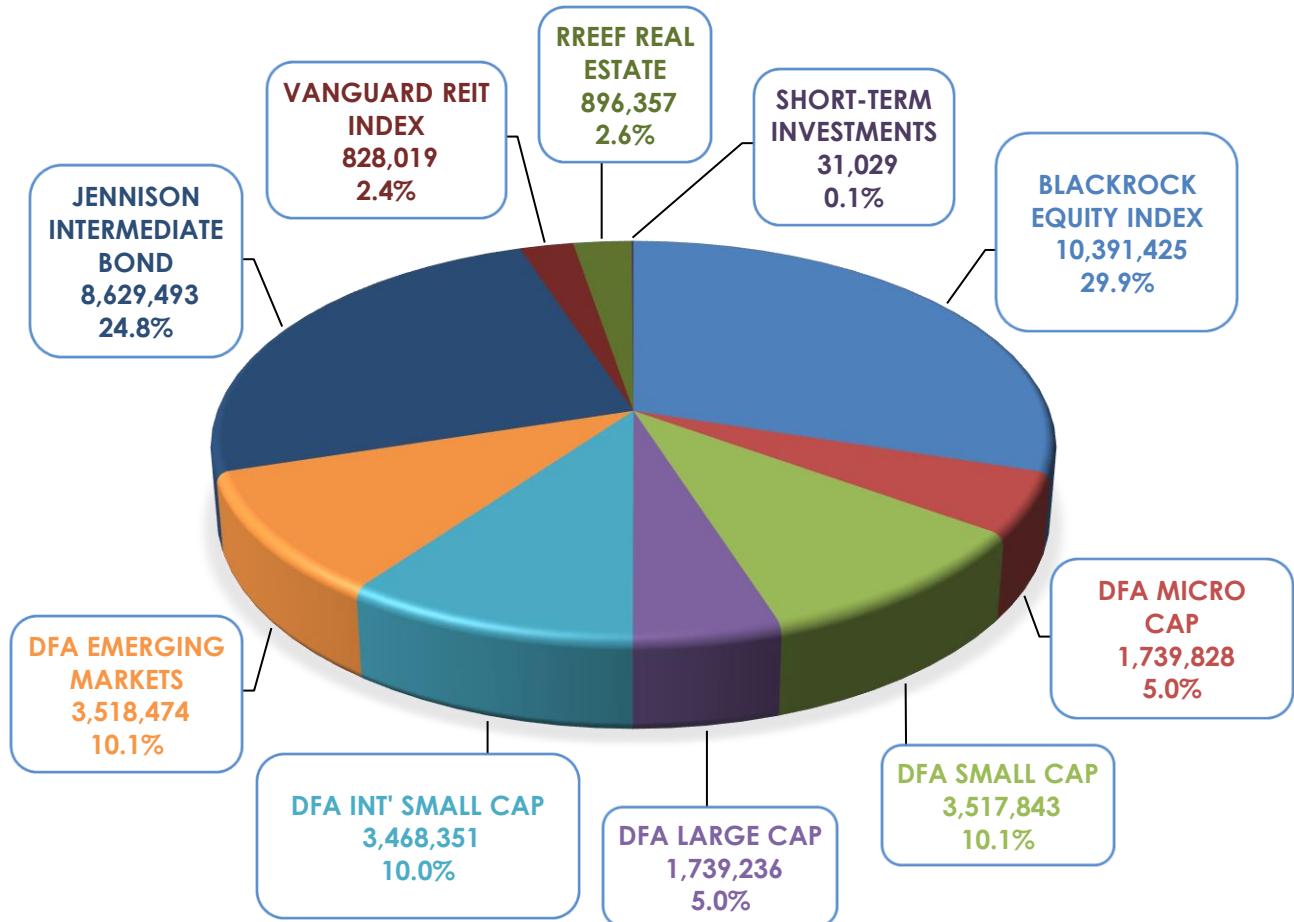
Vanguard Group, Inc.

The Vanguard Group, Malvern, PA, has over \$7.1 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 \$3.5 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 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.

Asset Allocation



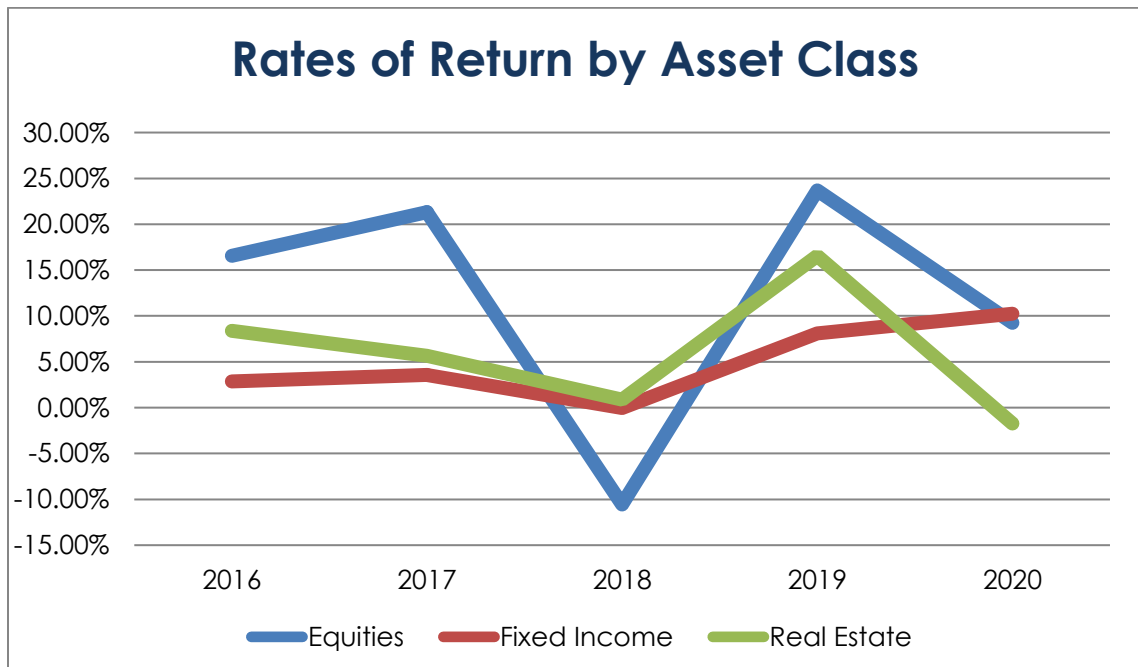
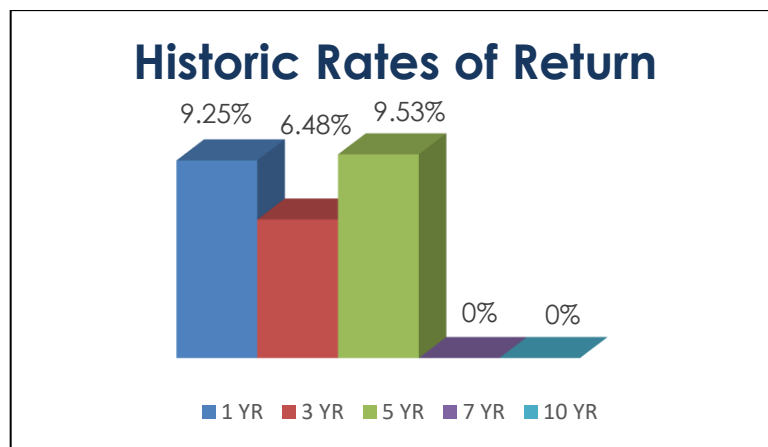
Investments by Asset Class	
Equities	24,375,157
Fixed Income	8,629,493
Real Estate	1,724,377
Short-Term	31,029
Total	34,760,056

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:

	12/31/2020	12/31/2019
Nominal Rate of Return	9.25%	19.27%
Inflation	1.36%	2.29%
Real Rate of Return	7.89%	16.98%



FINANCIAL SUMMARY

The Central County Transportation Authority's Pension Plan total fiduciary net position held in trust for benefits on December 31, 2020 was \$34.7 million, a 4.06% increase from \$33.4 million on December 31, 2019. The return received on investments was 9.25%. Favorable market conditions resulted in gains across all portfolios except for Real Estate, which showed a modest loss. (Numbers may not add up precisely to totals due to rounding.)

STATEMENT OF PLAN NET POSITION

	2020	2019
Assets		
Cash and Cash Equivalents	\$ 31,029	\$ 18,641
Receivables	218,329	146,281
Investments	34,513,529	33,239,621
Total Assets	34,762,888	33,404,543
Liabilities		
Accounts Payable	9,510	7,939
Total Liabilities	9,510	7,939
Net Position Restricted for Pension Benefits	\$ 34,753,378	\$ 33,396,603

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 2020 were \$190 thousand, which is 0.55% of market assets. This low expense ratio is a substantial cost savings to the Plan.

	EXPENSE	% OF MARKET ASSETS
Investment Management fees	\$ 90,068	0.26%
Custodial fees	\$ 17,640	0.05%
Administrative fees	\$ 82,828	0.24%
Total	\$ 190,536	0.55%

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, fund management fees, and general administrative costs.

SUMMARY OF CHANGES IN PLAN NET POSITION

	2020	2019
Additions		
Investment Income		
Change in fair value of investments	\$ 2,401,647	\$ 4,869,745
Interest	173,185	222,109
Dividends	381,872	549,033
Investment expense	(107,708)	(113,815)
Net investment income	2,848,997	5,527,072
Contributions		
Plan Members	76,383	73,002
Total additions to net position	2,925,380	5,600,074
Deductions		
Benefit Payments	1,451,528	1,430,600
Refunds of Contributions	34,249	28,002
Administrative Expenses	82,828	46,890
Total deductions from net position	1,568,605	1,505,492
Net Change	1,356,775	4,094,583
Net position beginning of year	33,396,603	29,302,021
Net position end of year	\$ 34,753,378	\$ 33,396,603

FINANCIAL SUMMARY

BUDGET AND EXPENSES

	2020 BUDGET	2020 ACTUAL
Actuary Fees	\$ 41,600	\$ 27,627
Attorney Fees	3,000	\$ 43,691
Benefit Payments	1,500,000	\$ 1,451,528
Consulting Fees	7,440	\$ 7,626
Custodial Fees	16,400	\$ 17,640
Disability Physical Exams	250	\$ -
Due Diligence/Conferences	1,500	\$ 50
Liability Insurance	3,000	\$ 845
Management Fees	103,000	\$ 90,068
Miscellaneous Expense	200	\$ -
Refunds of Contributions	20,000	\$ 34,249
Retiree Services Fees	1,600	\$ 2,989
	<u>\$ 1,697,990</u>	<u>\$ 1,676,312</u>

ACTUARIAL SUMMARY

MEMBERSHIP DATA

	2020	2019
Retirees and Beneficiaries	75	72
Active Members	110	108
Inactive Members	10	12
Total Members	195	192

Average annual retirement allowance	\$ 20,342
Total annual retirement allowances	\$ 1,525,676

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 2020 valuation, CCTA contributions are not currently needed, as the Plan's assets are in excess of the accrued liability. The current ratio of assets to liabilities is 120.4%.

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

ACTUARIAL FUNDING (\$000)

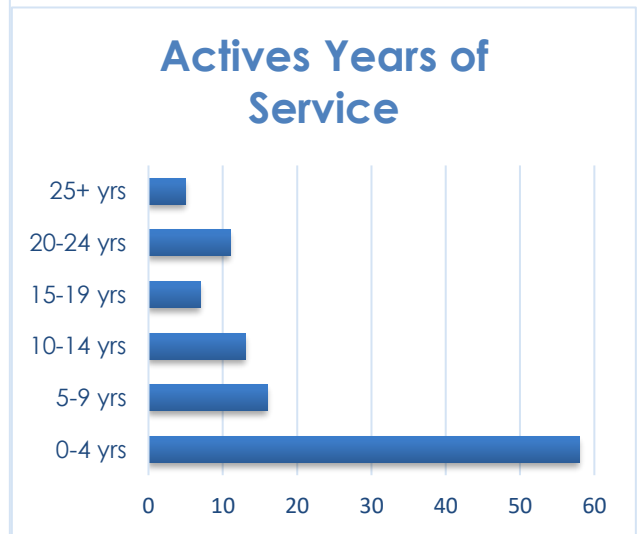
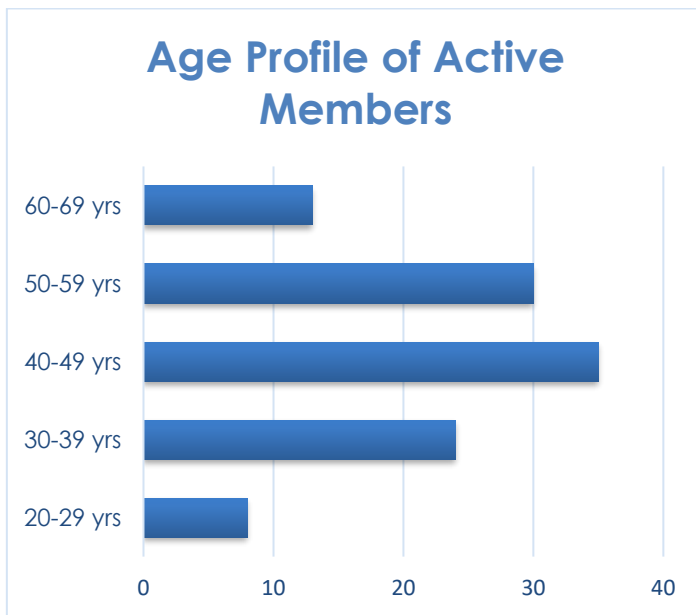
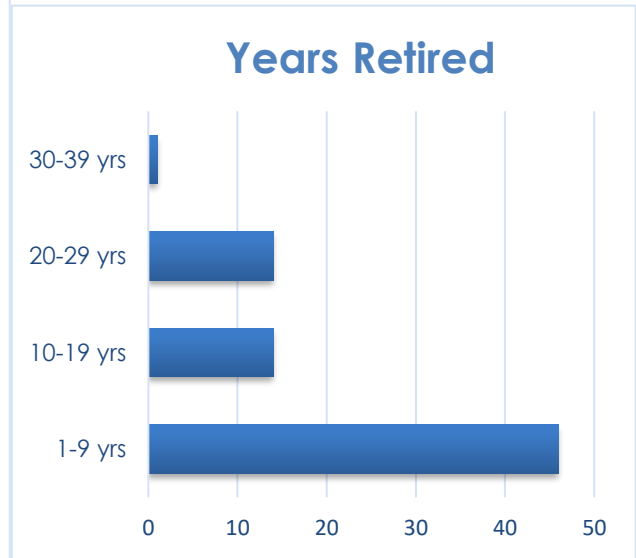
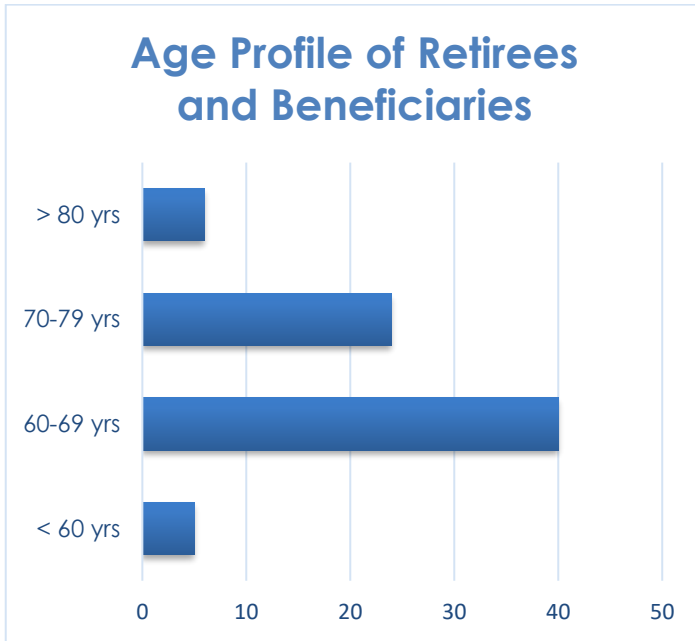
Year Ended	Actuarial Assets	Actuarial Liabilities	Funded Ratio
2016	\$ 30,330	\$ 22,628	134.0%
2017	\$ 31,648	\$ 23,521	134.6%
2018	\$ 32,040	\$ 24,671	129.9%
2019	\$ 32,928	\$ 26,875	122.5%
2020	\$ 33,857	\$ 28,129	120.4%

Member Contributions	
Weighted average	1.45%
Employer Contributions	
Computed Normal Cost of benefits	
expressed a a percentage of valuation payroll	11.14%
Unfunded Actuarial Accrued Liability contribution rate	
expressed a a percentage of valuation payroll	-0.25% *
Valuation Payroll	\$ 5,214,419

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

Actuary assumptions include 7.0% Investment rate of return and 3.25% Wage inflation rate. Cost Method is Entry Age, Normal.

ACTUARIAL SUMMARY



PLAN ADMINISTRATION

BOARD OF TRUSTEES

The CCTA Pension Plan has a six-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, the Deputy Director for Support Services of the CCTA, two members of the CCTA Board of Directors, the President of ATU Local #1093, and the Chief Financial Officer of the City of Kalamazoo.

Board Members

Sean McBride	CCTA Executive Director
Greg Vlietstra	CCTA Deputy Director for Support Services
Chris Burns	CCTA Board member
GarryLee McCormick	CCTA Board member
Earl Cox	ATU Local #1093 President
Steve Vicenzi	City of Kalamazoo CFO

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.

<u>Board Members</u>		<u>Term Expires</u>
Robert Salisbury	Chair	3/31/2023
Dr. Randall Eberts	Vice Chair	3/31/2023
Daniel DeMent		3/31/2023
Dean Bergy		3/31/2022
Sandi Doctor		3/31/2022
Joshua Sledge		3/31/2022
Nick Griffith		3/31/2022

PLAN ADMINISTRATION

ADVISORS & CONSULTANTS

Actuary	Gabriel, Roeder, Smith & Company
Attorney	Miller Johnson
Auditor	Maner Costerisan
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, or need to make changes to beneficiary or general contact information, please contact:

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Kalamazoo, MI 49007

Lisa Brown 269-337-8472 pension@kalamazoocity.org
