Kent County Voluntary Employees' Beneficiary Association

Year Ended December 31, 2023

Financial Statements

Rehmann

KENT COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION

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INDEPENDENT AUDITORS' REPORT

June 10, 2024

Members of the Board of Trustees of the
Kent County Voluntary Employees' Beneficiary Association
Grand Rapids, Michigan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the ***Kent County Voluntary Employees' Beneficiary Association*** (the "VEBA", *a fiduciary component unit of the County of Kent, Michigan*), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the VEBA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the VEBA, as of December 31, 2023, and the change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the VEBA 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 opinion.

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.

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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 VEBA'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.

Independent Auditors' 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 auditors' report that includes our opinion. 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 GAAS and *Government 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 GAAS and *Government 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 VEBA'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 VEBA'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 for the other postemployment benefit plan, as listed 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated June 10, 2024, on our consideration of the VEBA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the VEBA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the VEBA's internal control over financial reporting and compliance.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

The following is a discussion and analysis of the financial performance and position of the Kent County Voluntary Employees' Beneficiary Association ("VEBA") which accounts for the County of Kent, Michigan's (the "County") single-employer defined benefit other postemployment benefits healthcare plan for the year ended December 31, 2023. This analysis should be read in conjunction with the *Independent Auditors' Report* and with the financial statements, which follow this section.

Financial Highlights

- VEBA assets exceeded liabilities at December 31, 2023 by $54,034,621 (reported as *net position).*
- The VEBA's funding objective is to meet its long-term benefit obligations through contributions and investment income. At December 31, 2023, the funded ratio was 85.66%.
- Additions are comprised of contributions of $5,679,974, implicit rate subsidy of $1,619,870 and net investment earnings of $6,081,050.
- Deductions from net position decreased 3.4% from 2022 to 2023 (from $3,806,484 to $3,676,276), and were comprised primarily of healthcare subsidies paid to insurance providers on behalf of plan members and the implicit rate subsidy.

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position

This report consists of two financial statements: the *Statement of Fiduciary Net Position* and the *Statement of Changes in Fiduciary Net Position.* These financial statements report information about the VEBA, as a whole, and about its financial condition that should help answer the question: Is the VEBA better off or worse off as a result of this year's activities? These statements include all assets and liabilities using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, all revenues and expenses are taken into account regardless of when cash is received or paid. The *Statement of Fiduciary Net Position* presents all of the VEBA's assets and liabilities with the difference between the two reported as net position. Over time, increases and decreases in net position measure whether the VEBA's financial position is improving or deteriorating. The *Statement of Changes in Fiduciary Net Position* presents how the VEBA's net position changed during the most recent fiscal year. These two financial statements should be reviewed along with the *Schedule of Changes in the County's Net OPEB Liability and Related Ratios, the Schedule of the Net OPEB Liability, the Schedule of Contributions, and the Schedule of Investment Returns* (presented after the footnotes as required supplementary information) to determine whether the VEBA is becoming financially stronger or weaker and to understand changes over time in the funded status of the VEBA.

Financial Analysis

Total assets as of December 31, 2023 and 2022, were $54,577,132 and $44,889,503, respectively, and were comprised of cash, investments and receivables. Total assets increased $9,687,629 or 21.6% from December 31, 2022 to December 31, 2023, primarily due to investment earnings in the current year, which are expected to fluctuate from year to year based on current market conditions.

Management's Discussion and Analysis

	Net Position December 31, 2023	Net Position December 31, 2022
Assets		
Cash	$ 1,108,342	$ 860,127
Receivables	593,247	308,151
Investments	52,875,543	43,721,225
Total assets	54,577,132	44,889,503
Liabilities		
Accounts payable	513,794	559,500
Due to brokers	28,717	-
Total liabilities	542,511	559,500
Net position	$ 54,034,621	$ 44,330,003

Additions to Fiduciary Net Position

The reserves needed to finance postemployment healthcare benefits are accumulated primarily through the collection of employer contributions and earnings on investments. Additions (net of investment losses) to fiduciary net position for 2023 and 2022 totaled $13,380,894 and $(38,211), respectively.

Total additions to fiduciary net position increased $13,419,105 from 2022 to 2023, primarily due to investment earnings.

Deductions from Fiduciary Net Position

The primary expenses of the VEBA include the healthcare stipends paid on behalf of members and beneficiaries and costs of administering the Plan. Total deductions for fiscal years 2023 and 2022 were $3,676,276 and $3,806,484, respectively. Benefit payments fluctuate annually based on the mix of retirees currently receiving benefits.

Management's Discussion and Analysis

	Changes in Net Position	
	Year Ended December 31,	
	2023	2022
Additions		
Contributions	$ 5,679,974	$ 5,263,756
Contributions - implicit rate subsidy	1,619,870	1,655,826
Net investment earnings (loss)	6,081,050	(6,962,505)
Other revenues	-	4,712
Total additions (net of investment loss)	13,380,894	(38,211)
Deductions		
Benefit payments	1,993,722	2,089,370
Benefit payments - implicit rate subsidy	1,619,870	1,655,826
Administrative expenses	62,684	61,288
Total deductions	3,676,276	3,806,484
Change in net position	9,704,618	(3,844,695)
Net position, beginning of year	44,330,003	48,174,698
Net position, end of year	$ 54,034,621	$ 44,330,003

Economic Factors, Investment Returns, and Other Important Matters

- The stock market is a principal investment forum utilized by the VEBA, therefore the market’s volatility will have either a positive or negative impact on net position. The purpose of the VEBA is to provide long-term benefits through long-term investing. The investment policy is set up to achieve this long-term objective. The VEBA carefully monitors investment performance to achieve acceptable investment results.
- The estimated cash contribution rate for 2024 is 0.55% of covered payroll.

Contacting the VEBA's Financial Management

This financial report is designed to provide the public, citizens, and other interested parties with a general overview of the VEBA's financial position. If you have questions about this report or need additional financial information, contact Jeff Dood, Fiscal Services Director, County of Kent, 300 Monroe Ave. NW, Grand Rapids, MI 49503-2221.

FINANCIAL STATEMENTS

KENT COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION

Statement of Fiduciary Net Position

December 31, 2023

Assets		
Cash		$ 1,108,342
Investments, at fair value:		
U.S. government obligations	$ 14,150,456	
U.S. government agency obligations	3,445,495	
Common stock	19,079,528	
Foreign common stock	13,411,020	
Money market funds	173,193	
Real estate securities	2,615,851	
Total investments		52,875,543
Accrued interest receivable		29,476
Contributions receivable		563,771
Total assets		54,577,132
Liabilities		
Accounts payable		513,794
Due to brokers		28,717
Total liabilities		542,511
Net position restricted for other postemployment benefits		$ 54,034,621

The accompanying notes are an integral part of these basic financial statements.

KENT COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION

Statement of Changes in Fiduciary Net Position

For the Year Ended December 31, 2023

Additions		
Contributions:		
Employer contributions	$ 5,679,974	
Employer contributions - implicit rate subsidy	1,619,870	
Total contributions		$ 7,299,844
Investment earnings:		
Net appreciation in fair value of investments	5,278,057	
Interest and dividends	918,667	
Total investment earnings	6,196,724	
Investment expense	(115,674)	
Net investment earnings		6,081,050
Total additions		13,380,894
Deductions		
Benefit payments		1,993,722
Benefit payments - implicit rate subsidy		1,619,870
Administrative expenses		62,684
Total deductions		3,676,276
Change in net position		9,704,618
Net position, beginning of year		44,330,003
Net position, end of year		$ 54,034,621

The accompanying notes are an integral part of these basic financial statements.

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NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

1. PLAN DESCRIPTION

The Kent County Voluntary Employees’ Beneficiary Association ("VEBA") is a single-employer defined benefit postemployment healthcare plan (the "Plan") established by the County of Kent, Michigan (the "County") and is administered by a five member board called the Kent County Voluntary Employees' Beneficiary Association Board of Trustees. The Board is comprised of the County Administrator/Controller, the County Treasurer, the Director of the County's Fiscal Services Department and two other County employees appointed by the Chair of the Kent County Board of Commissioners. The VEBA provides health insurance benefits to certain retirees or their beneficiaries, which are advance funded on an actuarial basis. Retirees and their beneficiaries are eligible for postemployment healthcare, dental and vision benefits if they are receiving a pension from the Kent County Employees' Retirement Plan.

The VEBA is funded by a trust agreement established pursuant to Section 501(c)(9) of the Internal Revenue Code which allows for the formation of such a plan. The VEBA is included as a fiduciary component unit of the County because (1) the VEBA is a legally separate entity; (2) the County Board of Commissioners appoints a voting majority of the VEBA Board; and (3) the County makes contributions to the VEBA on behalf of its participants.

VEBA membership consisted of the following at December 31, 2023:

Retirees and beneficiaries currently receiving benefits	754
Active participants	1,636
Total membership	2,390

Benefits Provided

The County provides a fixed monthly dollar subsidy of up to $450 ($400 for retirees before December 31, 2023) to be used by retirees toward health insurance premiums in a County-sponsored insurance plan. In addition, the County provides an implicit subsidy due to having one premium based on a blended rate that treats current employees, retirees, eligible beneficiaries, and dependents as one homogeneous group. The implicit subsidy is factored into the actuarial computation of the OPEB liability. Effective 2016, the Collective Bargaining groups have begun to place retirees into separate groups for premium rating purposes for employees who were hired on or after January 1, 2016 for Captains/Lieutenants and UAW, and July 1, 2016 for all other pension groups.

Contributions

The contribution requirements of VEBA members and the County are established and may be amended by the County Board of Commissioners, in accordance with County policies, union contracts, and Plan provisions. The VEBA covers the Management Pay Plan, both exempt and non-exempt employees, elected officials, and nine collective bargaining units. Normal retirement eligibility is summarized as follows:

VEBA members hired through December 31, 2010 are eligible to receive benefits at age 60 with 5 years of service or 25 years of service regardless of age. Military service may be purchased.

VEBA members hired on or after January 1, 2011, are eligible for benefits at age 62 with 5 years of service or age 60 (age 55 for Captains/Lieutenants) with 25 years of service, for the following groups: MPP, Judges, Elected Officials, Commissioners, UAW, TPOAM, Prosecuting Attorneys and Captains/Lieutenants.

VEBA members hired on or after January 1, 2012, are eligible for benefits at age 62 with 5 years of service or age 60 with 25 years of service, for the following groups: Teamsters-Parks, Teamsters-PHN, and Circuit Court Referees.

VEBA members of the KCDSA bargaining unit hired on or after January 1, 2013, are eligible for benefits at age 60 with 5 years of service or age 50 with 25 years of service.

VEBA members of the FOP bargaining unit hired on or after January 1, 2015, are eligible for benefits at age 60 with 5 years of service or age 50 with 25 years of service.

The subsidy is prorated for service less than 25 years. An employee that retirees at age 55 or older with 15 or more years of service is eligible for the subsidy under the early retirement option, prorated for service less than 25 years. Employees who retire under a duty disability retirement are immediately eligible.

Retirees are responsible for reimbursing the County for the cost of premiums for the selected level of coverage in excess of the subsidy. The retiree's share of premiums can be deducted automatically from their monthly pension distribution, or paid directly to the County Treasurer. Since retirees must participate in one of the County's health insurance plans in order to receive the benefit, the entire cost of retiree healthcare premiums is accounted for in the County's health insurance internal service fund. Retiree reimbursements are reported as operating revenue in the internal service fund. On a quarterly basis, the total amount of retiree subsidies for the previous period is billed to the VEBA. This portion of premium costs, which includes the County subsidy only, comprises the entire amount of benefit payments in the Statement of Changes in Fiduciary Net Position. Active employees are not required to contribute to the VEBA.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The VEBA’s financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized in the period in which the contributions are earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Valuation of Investments and Income Recognition

VEBA 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. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the Kent County VEBA Board of Trustees, with the assistance of a valuation service.

Administration

Administrative costs are financed through the VEBA’s investment earnings.

Receivables

Receivables represent contributions due to the VEBA but not paid until after year-end.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of net position at the date of the financial statements and the actuarial present value of accumulated benefits as of the benefit information date, the changes in net position during the reporting period and, when applicable, the disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Risk and Uncertainties

Contributions and the actuarial present value of accumulated benefits are prepared based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Investments are exposed to various risks, such as credit, custodial credit, concentrations, foreign currency fluctuations, and interest rates. Due to uncertainties inherent in the estimations and assumptions process and the level of uncertainty related to changes in these estimates, assumptions and risks in near-term would be material to the financial statements.

3. DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the VEBA’s deposits might not be returned. As of year-end, $858,343 of the VEBA's bank balance of $1,108,342 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The amounts reported as money market funds in the statement of fiduciary net position are insured by the Securities Investors Protection Act for up to $500,000 each. The carrying amount of these accounts as of December 31, 2023, was $173,193, which is fully insured.

Investments

The VEBA is authorized by the Michigan Public Employees Retirement Systems’ Investment Act 314 of 1965, as amended, to invest in stocks, government and corporate securities, mortgages, and various other instruments, subject to certain limitations. The VEBA’s Board of Trustees is responsible for adopting the investment policies and strategies, and retaining/monitoring the various investment managers, trustees, advisors, actuaries, and other fiduciaries utilized by the VEBA.

Notes to Financial Statements

The VEBA's investments are held in one portfolio. Following is a summary of the VEBA's investments (at fair value, as determined by quoted market price) as of December 31, 2023:

Investments at fair value	
U.S. government obligations	$ 14,150,456
U.S. government agency obligations	3,445,495
Common stock	19,079,528
Foreign common stock	13,411,020
Money market funds	173,193
Real estate securities	2,615,851
Total investments	$ 52,875,543

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The VEBA's investment policy requires that bonds have a minimum quality rating of BBB-/Baa3 at the time of purchase. The overall portfolio is expected to maintain an average credit quality of A- or higher. Money market instruments shall have a minimum quality rating comparable to an A bond rating and commercial paper shall be rated A1/P1 unless held in a diversified short-term commingled fund.

As of December 31, 2023, the VEBA's investments were rated as follows:

Unrated	$ 14,323,649
Not subject to credit risk	38,551,894
Total investments	$ 52,875,543

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 VEBA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Real estate securities are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the VEBA's investment in a single issuer. For core fixed income portfolios, the VEBA's Investment Policy provides that, with the exception of the U.S. government, agencies and U.S. government sponsored (GSE's), no more than 3% of the portfolio shall be invested in the obligations of any one issuer. For the VEBA's large cap equity portfolio, no single company's security should represent more than 2% plus the benchmark weight at the time of purchase of the individual manager's portfolio. At December 31, 2023, none of the VEBA's investments were invested in a single issuer exceeding the policy limits.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The VEBA's investment policy mitigates foreign currency risk by requiring the portfolio to be broadly diversified by number of holdings, by geographic location and across industry sectors. The County monitors its exposure to foreign currency risk through a quarterly performance report. The VEBA's exposure to foreign currency risk as of December 31, 2023 was $13,411,020. This amount was comprised of foreign common stock denominated in U.S. dollars.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The VEBA’s policy provides for its fixed income portfolio to have an average duration of no more than 120% of the duration of the stated benchmark (which varies by portfolio). Investments in real estate securities are comprised of securities with no stated maturity date. Accordingly, such investments are deemed to have an average duration of zero years. The VEBA's investments in fixed income mutual funds have average durations ranging from 5.87 to 8.36 years.

Fair Value Measurements. The VEBA categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by management's review of the type and substance of investments held by the VEBA. Level 2 inputs use one of the following valuation techniques depending on the investment: a) traditional asset valuation (dividing the asset value by the number of units owned), b) matrix pricing technique (relying on the securities' relationship to other benchmark quoted securities instead of exclusively on quoted prices for specific securities), or c) quoted market prices for similar assets in active markets or quoted prices for identical or similar assets in markets that are not active.

VEBA investments have the following recurring fair value measurements as of December 31, 2023:

	Level 1	Level 2	Level 3	Total
U.S. government obligations	$ 10,434,279	$ 3,716,177	$ -	$ 14,150,456
U.S. government agency obligations	-	3,445,495	-	3,445,495
Common stock	5,655,347	13,424,181	-	19,079,528
Foreign common stock	13,411,020	-	-	13,411,020
Real estate securities	-	-	2,615,851	2,615,851
Total investments by fair value level	$ 29,500,646	$ 20,585,853	$ 2,615,851	52,702,350
Money market funds measured at amortized cost (which approximates fair value)				173,193
Total investments				$ 52,875,543

Notes to Financial Statements

Certain investments are subject to redemption restrictions. Real estate securities are restricted based on the applicable portfolio: (a) quarterly with a 45-day written notice, or (b) on March 31 or September 30 with a 90-day notice. All other investments are subject to daily redemption.

4. NET OPEB LIABILITY OF THE COUNTY

Net OPEB Liability. The components of the net OPEB liability of the County at December 31, 2023, were as follows:

Total OPEB liability	$ 63,080,637
Plan fiduciary net position	54,034,621
County's net OPEB liability	**$ 9,046,016**
Plan fiduciary net position as percentage of total OPEB liability	85.66%

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of December 31, 2022, rolled forward to December 31, 2023, using the following 2022 actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll, Closed
Remaining amortization period	18 years
Asset valuation method	Smoothed fair value of assets
Price inflation	2.5%
Salary increases	3.6% to 12.0%, including inflation
Investment rate of return	6.50%, net of OPEB plan investment expense, including inflation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2023 valuation pursuant to the January 1, 2018 – December 31, 2022 Experience Study for the Retirement Plan and Trust.
Mortality	Pub-2010 Mortality Tables with 2-dimensional, fully generational improvements projected with the MP-2021 Mortality Improvement Scales. These tables were first used for the December 31, 2023 valuation
Health care trend rates	Non-Medicare trend starting at 7.25% gradually decreasing to an ultimate trend rate of 4.50%. Medicare trend starting at 5.50% gradually decreasing to an ultimate trend rate of 4.50%.
Aging factors	The tables used in developing the retiree premium are based on a recent Society of Actuaries study of health costs.

Notes to Financial Statements

Rate of Return. For the year ended December 31, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 12.95%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Long-term Expected Rate of Return. Long-term expected rate of return on VEBA plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of VEBA plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the VEBA plan's target asset allocation as of December 31, 2023 (see the discussion of the VEBA plan's investment policy in Note 3) are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Core bonds	15.00%	5.31%	0.80%
Multi-sector fixed income	15.00%	6.25%	0.94%
Liquid absolute return	5.00%	6.00%	0.30%
U.S. large cap equity	25.00%	9.90%	2.48%
U.S. small cap equity	10.00%	11.33%	1.13%
Non U.S. equity	25.00%	11.01%	2.75%
Core real estate	5.00%	9.24%	0.46%
Total	100.00%		8.86%
Risk adjustment			-2.36%
Investment rate of return			6.50%

Discount Rate. The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at the current contribution rate and that Plan contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the VEBA 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 VEBA plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Notes to Financial Statements

Changes in the Net OPEB Liability. The components of the change in the net OPEB liability are summarized as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at December 31, 2022	$ 66,706,364	$ 44,330,003	$ 22,376,361
Changes for the year:			
Service cost	1,315,769	-	1,315,769
Interest on total OPEB liability	4,261,234	-	4,261,234
Changes of benefit terms	1,714,978	-	1,714,978
Differences between expected and actual experience	(6,022,460)	-	(6,022,460)
Changes of assumptions	(1,281,656)	-	(1,281,656)
Employer contributions	-	7,299,844	(7,299,844)
Net investment income	-	6,081,050	(6,081,050)
Benefit payments, including refunds of employee contributions	(3,613,592)	(3,613,592)	-
Administrative expense	-	(62,684)	62,684
Net changes	(3,625,727)	9,704,618	(13,330,345)
Balances at December 31, 2023	$ 63,080,637	$ 54,034,621	$ 9,046,016

Assumption Changes. The December 31, 2023 valuation incorporates assumption changes in accordance with the five-year experience study report issued February 17, 2024 covering the period from January 1, 2018 through December 31, 2022. Additionally, the health care trend assumption was updated for the fiscal year 2024. The non-Medicare and Medicare initial trend rates remain at 7.25% and 5.50%, respectively.

Benefit Changes. For the December 31, 2023 valuation a benefit change was reflected for future retirees: the maximum monthly flat dollar stipend increased from $400 to $450.

Notes to Financial Statements

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability of the County, calculated using the discount rate of 6.50%, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (5.50%) or 1% higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
County's net OPEB liability	$ 15,770,371	$ 9,046,016	$ 3,278,711

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate Assumption. The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (6.25% decreasing to 3.50%) or 1% higher (8.25% increasing to 5.50%) than the current healthcare cost trend rates:

	1% Decrease (6.25% Decreasing to 3.50%)	Healthcare Cost Trend Rates (7.25% to 4.50%)	1% Increase (8.25% Decreasing to 5.50%)
County's net OPEB liability	$ 5,859,049	$ 9,046,016	$ 12,430,812

5. RISK MANAGEMENT

The VEBA is exposed to various risks of loss including fiduciary liability and torts. For the fiduciary liability exposure, a commercial fiduciary liability insurance policy is purchased with a $1,000,000 limit. For the tort exposures, the VEBA participates in the County's insurance program that includes the self-insured loss fund and excess liability insurance as an individual member of the Michigan Municipal Risk Management Authority. The County estimates the program costs, the liability for unpaid claims (including those that are incurred-but-not-reported) and allocates the cost to all appropriate entities and funds. There is no further exposure to the VEBA that would require a liability to be recorded in the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

Schedule of Changes in the County's Net OPEB Liability and Related Ratios

	Year Ended December 31,		
	2023	2022	2021
Total OPEB liability			
Service cost	$ 1,315,769	$ 1,364,355	$ 1,445,063
Interest	4,261,234	4,342,433	4,094,752
Changes in benefit terms	1,714,978	-	-
Differences between expected and actual experience	(6,022,460)	(3,252,306)	2,532,526
Changes of assumptions	(1,281,656)	-	1,615,108
Benefit payments, including refunds of employee contributions	(3,613,592)	(3,745,196)	(3,261,654)
Net change in total OPEB liability	(3,625,727)	(1,290,714)	6,425,795
Total OPEB liability, beginning of year	66,706,364	67,997,078	61,571,283
Total OPEB liability, end of year	63,080,637	66,706,364	67,997,078
Plan fiduciary net position			
Employer contributions	7,299,844	6,919,582	5,434,401
Net investment income (loss)	6,081,050	(6,962,505)	4,759,318
Benefit payments, including refunds of employee contributions	(3,613,592)	(3,745,196)	(3,261,654)
Administrative expense	(62,684)	(61,288)	(60,554)
Other	-	4,712	6,296
Net change in plan fiduciary net position	9,704,618	(3,844,695)	6,877,807
Plan fiduciary net position, beginning of year	44,330,003	48,174,698	41,296,891
Plan fiduciary net position, end of year	54,034,621	44,330,003	48,174,698
County's net OPEB liability	$ 9,046,016	$ 22,376,361	$ 19,822,380
Plan fiduciary net position as a percentage of total OPEB liability	85.66%	66.46%	70.85%
Covered employee payroll	$ 133,162,822	$ 123,626,823	$ 119,823,309
County's net OPEB liability as a percentage of covered employee payroll	6.79%	18.10%	16.54%

See notes to required supplementary information.

Year Ended December 31,			
2020	2019	2018	2017
$ 1,321,125	$ 1,359,413	$ 1,072,729	$ 1,127,286
4,065,569	3,807,630	4,038,791	3,974,131
-	-	1,527,575	-
(1,722,740)	1,832,578	(5,733,050)	-
-	-	711,496	2,759,510
(3,325,532)	(2,992,778)	(3,104,339)	(3,145,772)
338,422	4,006,843	(1,486,798)	4,715,155
61,232,861	57,226,018	58,712,816	53,997,661
61,571,283	61,232,861	57,226,018	58,712,816
6,909,780	4,475,538	5,321,892	5,271,289
5,037,638	5,422,212	(1,599,916)	3,554,463
(3,325,532)	(2,992,778)	(3,104,339)	(3,145,772)
(59,854)	(61,225)	(48,229)	(34,479)
-	-	6,132	4,334
8,562,032	6,843,747	575,540	5,649,835
32,734,859	25,891,112	25,315,572	19,665,737
41,296,891	32,734,859	25,891,112	25,315,572
$ 20,274,392	$ 28,498,002	$ 31,334,906	$ 33,397,244
67.07%	53.46%	45.24%	43.12%
$ 119,307,486	$ 109,665,514	$ 92,095,534	$ 88,846,626
16.99%	25.99%	34.02%	37.59%

KENT COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION

Required Supplementary Information

Schedule of Contributions

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution (Deficiency) Excess	Covered Employee Payroll	Contributions as Percentage of Covered Employee Payroll
2017	$ 3,394,981	$ 5,271,289	$ 1,876,308	$ 88,846,626	5.93%
2018	3,151,965	5,321,892	2,169,927	92,095,534	5.78%
2019	2,908,628	4,475,538	1,566,910	109,665,514	4.08%
2020	3,513,339	6,909,780	3,396,441	119,307,486	5.79%
2021	3,338,355	5,434,401	2,096,046	119,823,309	4.54%
2022	3,416,926	6,919,582	3,502,656	123,626,823	5.60%
2023	2,952,260	7,299,844	4,347,584	133,162,822	5.48%

See notes to required supplementary information.

KENT COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION

Required Supplementary Information

Schedule of Investment Returns

Fiscal Year Ended December 31,	Annual Return [1]
2017	17.76%
2018	-6.09%
2019	20.98%
2020	15.20%
2021	11.50%
2022	-14.07%
2023	12.95%

(1) Annual money-weighted rate of return, net of investment expenses.

See notes to required supplementary information.

Notes to Required Supplementary Information

Notes to the Schedule of Changes in the County's Net OPEB Liability and Related Ratios

The December 31, 2023 valuation incorporates assumption changes in accordance with the five-year experience study report issued February 17, 2024 covering the period from January 1, 2018 through December 31, 2022. Additionally, the health care trend assumption was updated in accordance with the Uniform Assumption reporting requirements for the Fiscal Year 2024. The non-Medicare and Medicare initial trend rates remain at 7.25% and 5.50%, respectively.

For the December 31, 2023 valuation a benefit change was reflected for future retirees: the maximum monthly flat dollar stipend increased from $400 to $450.

The December 31, 2021 valuation incorporates assumption changes, including: reduced the assumed rate of return from 6.75% to 6.50% and reset the health care trend rate to increase by 8.25% in 2022 and trending down to 4.5% in 2036.

The December 31, 2018 valuation incorporates assumption changes in accordance with the pension experience study dated November 8, 2018 and adopted by the Board on November 14, 2018. Further the healthcare specific assumptions were investigated in the experience study dated February 8, 2018. The adopted changes are summarized as follows: 6.75% investment return assumption; 3.50% wage inflation assumption; MP-2018 mortality projection scale; decrease retirement rates; decrease withdrawal rates; lowered election percentage assumptions; public act 202 healthcare trend assumption. The overall impact of the assumption changes increased the contribution rate by 0.25% and slightly reduced the funded ratio.

For the December 31, 2018 valuation a benefit change was reflected for future retirees: the maximum monthly flat dollar stipend increased from $350 to $400. The benefit change increased the employer contribution rate by 0.18% and slightly reduced the funded ratio.

The December 31, 2017 valuation incorporates assumption changes, including: reduced the assumed rate of return from 7.5% to 7.0%; changed the amortization period from 30 years open to 23 years closed; reset the health care trend rate to increase by 9.0% in 2018 and trending down to 4.0% in 2028.

GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to Required Supplementary Information

Notes to the Schedule of Contributions

Valuation Date	December 31, 2021
Notes	Actuarially determined contribution rates are calculated as of December 31, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19 years
Asset valuation method	Smoothed fair value of assets
Price inflation	2.5%
Salary increases	3.5% to 10.5%, including inflation
Investment rate of return	6.50%, net of OPEB plan investment expense, including inflation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to the January 1, 2013 – December 31, 2017 Experience Study for the Retirement Plan and Trust.
Mortality	The RP-2014 Mortality Tables with 2-dimensional, fully generational improvements projected with the MP-2018 Mortality Improvement Scales. These tables were first used for the December 31, 2018 valuation.
Health care trend rates	Non-Medicare: Trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 4.50%. Medicare: Trend starting at 5.75% and gradually decreasing to an ultimate trend rate of 4.50%.
Aging factors	The tables used in developing the retiree premium are based on a recent Society of Actuaries study of health costs.
Expenses	Investment expenses are net of the investment returns; Administrative expenses are included in the premium costs.

GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to the Schedule of Investment Returns

GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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INTERNAL CONTROL AND COMPLIANCE

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Rehmann

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

June 10, 2024

Members of the Board of Trustees of the
Kent County Voluntary Employees' Beneficiary Association
Grand Rapids, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the ***Kent County Voluntary Employees' Beneficiary Association*** (the "VEBA", *a fiduciary component unit of the County of Kent, Michigan*), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the VEBA's basic financial statements, and have issued our report thereon dated June 10, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the VEBA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the VEBA's internal control. Accordingly, we do not express an opinion on the effectiveness of the VEBA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the VEBA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the VEBA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rehmann Robson LLC