

**CITY OF SOUTH BURLINGTON  
RETIREMENT INCOME PLAN**

**GASB STATEMENT NO. 67/68  
FISCAL YEAR ENDED JUNE 30, 2017**

**FINAL REPORT  
APRIL 24, 2018**

**CITY OF SOUTH BURLINGTON  
RETIREMENT INCOME PLAN**

**GASB 67 & 68  
FISCAL YEAR END JUNE 30, 2017**

**ACTUARIAL STATEMENT**

This report is provided to the Plan Sponsor of the City of South Burlington as the intended user, and provides the information for the City of South Burlington Retirement Income Plan ("Plan") in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 67 (GASB 67) and Statement No. 68 (GASB 68).

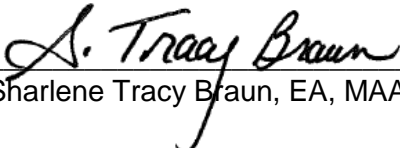
The actuarial valuation for the Plan has been prepared in accordance with generally accepted actuarial standards and practices, and to the best of our knowledge fairly reflects the actuarial position of the Plan as of the date. The liabilities and assets have been prepared as of the measurement date, June 30, 2017, in accordance with the requirements of GASB 67& 68.

The preparation of the actuarial valuation is based on the employee census data and Plan asset data furnished by the Plan Sponsor. The valuation is based on the Plan provisions as reflected in this valuation report. All information has been reviewed for reasonableness and consistency, but has otherwise been accepted and relied upon without audit.

The actuarial valuation is based on the actuarial assumptions outlined herein, which in our opinion, are reasonable in the aggregate, and when applied in combination, represent our best estimate of the measure of anticipated experience under the Plan.

Future actuarial valuation results may differ from the results reflected in this valuation due to such factors as follows: plan experience that differs from the anticipated experience; changes in economic or demographic assumptions; changes in plan provisions or applicable law; and changes in the operation of the funding methodology used in the plan valuation (such as the end of an amortization period).

We are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

  
Sharlene Tracy Braun, EA, MAAA

17-2264  
Enrollment No.

April 24, 2018  
Date

  
Erik Schait, EA, MAAA, MSPA

17-8161  
Enrollment No.

April 24, 2018  
Date

## INTRODUCTION

This report provides the information for the City of South Burlington Retirement Income Plan ("Plan") in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 67 (GASB 67) and Statement No. 68 (GASB 68). The plan does not issue independent audited financials. This report contains the information which must be disclosed in the notes to the City's financials.

### ***Actuarial Assumptions***

The total pension liability as of the measurement date was re-measured based on the July 1, 2017 valuation date, using the actuarial assumptions outlined at the end of this report. These assumptions were set as of the July 1, 2017 actuarial valuation and are reviewed annually for reasonableness.

### ***Long-term Expected Rate of Return on Plan Assets***

The long-term rate of return on plan assets is set by the City in consultation with SEI. It is our understanding that this rate was determined using best estimates of future real rates of return based on the current asset allocation of the plan. The Long-term Expected Rate of Return on Plan Assets was decreased from 7.50% to 7.25% for this fiscal year.

### ***Discount Rate***

The discount rate used to measure total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumes that contributions will continue to be made to the plan at a rate equal to the average of the most recent 5 years of contributions as a percentage of payrolls. The fiduciary net position was projected to be available to make all projected future benefit payments to current plan participants. The assumed discount rate has been determined in accordance with the method prescribed by GASB 67/68.

In the projection of future cash outflows, it was assumed that administrative expenses payable from that plan would remain as a set .535% of total assets.

### ***Notes to Schedules:***

*Benefit changes since June 30, 2016:* None

*Changes in assumptions since June 30, 2016:*

The mortality assumption has been updated to the RP-2014 Annuitant and Non-annuitant adjusted to 2006 with scale MP-2014 and then projected generationally with scale MP2017. Non-Public safety is using the base employee tables. Public Safety is using the blue collar tables. The change reflects continued improvements in mortality published by the Society of Actuaries.

The Long-term Expected Rate of Return on Plan Assets was decreased from 7.50% to 7.25% for this fiscal year.

**CITY OF SOUTH BURLINGTON  
RETIREMENT INCOME PLAN  
GASB STATEMENT NO. 67/68 REPORTING  
ACCOUNTING SCHEDULES AS OF  
JUNE 30, 2017**

**EXECUTIVE SUMMARY**

|  |               |
|--|---------------|
| <i>Actuarial Valuation Date</i>                      | July 1, 2016  |
| <i>Measurement Date of the Net Pension Liability</i> | June 30, 2017 |

**Membership**

|                               |           |
|-------------------------------|-----------|
| Active members                | 115       |
| Retirees and Beneficiaries    | 67        |
| Inactive, Non-retired Members | 51        |
| Total                         | 233       |
| <br>Covered Valuation Payroll | 7,257,365 |

**Net Pension Liability**

|  |            |
|--|------------|
| Total Pension Liability  | 37,860,319 |
| Plan Fiduciary Net Position  | 31,753,223 |
| Net Pension Liability/(Asset)  | 6,107,096  |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 83.87%     |
| Net Pension Liability as a percentage of Covered Valuation Payroll     | 84.15%     |

**Development of the Single Discount Rate**

|   |       |
|---|-------|
| Long-Term Expected Rate of Investment Return  | 7.25% |
| Long-Term Municipal Bond Rate   | N/A   |
| Last year ending in the projection period for which projected benefit payments are fully funded | N/A   |
| Resulting Single Discount Rate  | 7.25% |

**Total Pension Expense/(Income)** 1,976,233

**Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future Pension Expense**

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Difference between expected and actual experience                   | 870,312                           | 0                                |
| Changes in assumptions  | 1,487,161                         | 55,778                           |
| Net difference between projected and actual earnings on investments | 2,150,336                         | 1,248,799                        |
| Total   | 4,507,808                         | 1,304,577                        |

**CITY OF SOUTH BURLINGTON  
RETIREMENT INCOME PLAN  
GASB STATEMENT NO. 67/68 REPORTING  
ACCOUNTING SCHEDULES AS OF  
JUNE 30, 2017**

**PENSION EXPENSE/(INCOME) UNDER GASB 68**

***Expense/(Income)***

|  |             |
|--|-------------|
| Service Cost (with interest)   | 932,286     |
| Interest of the Total Pension Liability                                  | 2,548,930   |
| Current-Period Benefit Changes   | 0           |
| Employee Contributions (made negative for addition here)                 | (313,535)   |
| Projected Earnings of Plan Investments (made negative for addition here) | (1,896,473) |
| Other Changes in Plan Fiduciary Net Position                             | 0           |
| Recognition of Outflow (Inflow) of Resources due to Liabilities          | 188,657     |
| Recognition of Outflow (Inflow) of Resources due to Assets               | 516,369     |

***Total Pension Expense/(Income)***

**1,976,233**

**CITY OF SOUTH BURLINGTON  
RETIREMENT INCOME PLAN  
GASB STATEMENT NO. 67/68 REPORTING  
ACCOUNTING SCHEDULES AS OF  
JUNE 30, 2017**

**STATEMENT OF OUTFLOWS AND INFLOWS ARISING FROM CURRENT REPORTING PERIOD**

***Outflows (Inflows) of Resources Due to Liabilities***

|  |                         |
|--|-------------------------|
| Difference between expected and actual experience of the Total Pension Liability (gains) or losses   | 52,789                  |
| Assumption Changes (gains) or losses   | 1,047,528               |
| Recognition period for Liabilities - average future service period of active employees   | 13.8600                 |
| Outflow/(Inflow) of Resources recognized in the current fiscal year for difference in expected and actual experience in Total Pension Liability            | 3,809                   |
| Outflow/(Inflow) of Resources recognized in the current fiscal year for assumption changes   | 75,579                  |
| Outflow/(Inflow) of Resources recognized in current pension expense due to Liabilities   | <u>79,388</u>           |
| Deferred Outflow/(Inflow) of Resources to be recognized in future fiscal years for difference in expected and actual experience in Total Pension Liability | 48,981                  |
| Deferred Outflow/(Inflow) of Resources recognized in future pension expense for assumption changes   | <u>971,949</u>          |
| Deferred Outflow/(Inflow) of Resources to be recognized in future pension expense due to Liabilities   | <u><u>1,020,930</u></u> |

***Outflows (Inflows) of Resources due to Assets***

|  |                           |
|--|---------------------------|
| Net difference between projected and actual earnings on pension plan investments (gains) or losses | (1,560,999)               |
| Recognition period for Assets (in years)   | 5.0000                    |
| Outflow/(Inflow) of Resources recognized in the current fiscal year due to Assets                  | <u>(312,200)</u>          |
| Deferred Outflow/(Inflow) of Resources to be recognized in future years due to Assets              | <u><u>(1,248,799)</u></u> |

**CITY OF SOUTH BURLINGTON  
RETIREMENT INCOME PLAN  
GASB STATEMENT NO. 67/68 REPORTING  
ACCOUNTING SCHEDULES AS OF  
JUNE 30, 2017**

**STATEMENT OF OUTFLOWS AND INFLOWS ARISING FROM  
CURRENT AND PRIOR REPORTING PERIODS**

***Outflows and Inflows of Resources due to Liabilities and Assets to be recognized in Current Pension Expense***

|                    | <b>Outflows<br/>of Resources</b> | <b>Inflows<br/>of Resources</b> | <b>Net Outflows<br/>of Resources</b> |
|--------------------|----------------------------------|---------------------------------|--------------------------------------|
| Due to Liabilities | 193,691                          | 5,034                           | 188,657                              |
| Due to Assets      | 828,569                          | 312,200                         | 516,369                              |
| <b>Total</b>       | <b>1,022,260</b>                 | <b>317,234</b>                  | <b>705,026</b>                       |

***Outflows and Inflows of Resources by source to be recognized in Current Pension Expense***

|   | <b>Outflows<br/>of Resources</b> | <b>Inflows<br/>of Resources</b> | <b>Net Outflows<br/>of Resources</b> |
|---|----------------------------------|---------------------------------|--------------------------------------|
| Differences between expected and actual experience                            | 75,244                           | -                               | 75,244                               |
| Assumption Changes  | 118,447                          | 5,034                           | 113,413                              |
| Difference between projected and actual investment earnings on pension assets | 828,569                          | 312,200                         | 516,369                              |
| <b>Total</b>  | <b>1,022,260</b>                 | <b>317,234</b>                  | <b>705,026</b>                       |

***Deferred Outflows and Inflows of Resources by source to be recognized in Future Pension Expense***

|   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> | <b>Net<br/>Deferred Outflows<br/>of Resources</b> |
|---|---|--|---|
| Differences between expected and actual experience                            | 870,312                                   | -  | 870,312   |
| Assumption Changes  | 1,487,161                                 | 55,778                                   | 1,431,383   |
| Difference between projected and actual investment earnings on pension assets | 2,150,336                                 | 1,248,799                                | 901,537   |
| <b>Total</b>  | <b>4,507,808</b>                          | <b>1,304,577</b>                         | <b>3,203,231</b>                                  |

***Deferred Outflows and Inflows of Resources by year to be recognized in Future Pension Expense***

| <b>Year ending<br/>June 30</b> | <b>Net Deferred Outflows<br/>of Resources</b> |
|--------------------------------|---|
| 2018                           | 705,026                                       |
| 2019                           | 705,026                                       |
| 2020                           | 369,654                                       |
| 2021                           | (123,543)                                     |
| 2022                           | 188,657                                       |
| Thereafter                     | 1,358,411                                     |
| <b>Total</b>                   | <b>3,203,231</b>                              |

**CITY OF SOUTH BURLINGTON  
RETIREMENT INCOME PLAN  
GASB STATEMENT NO. 67/68 REPORTING  
ACCOUNTING SCHEDULES AS OF  
JUNE 30, 2017**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS CURRENT PERIOD**

**Total Pension Liability**

|  |             |
|--|-------------|
| Service Cost   | 932,286     |
| Interest on the Total Pension Liability  | 2,548,930   |
| Changes of benefit terms   | -           |
| Difference between expected and actual experience of the Total Pension Liability | 52,789      |
| Changes of assumptions   | 1,047,528   |
| Benefit payments   | (1,413,887) |
| Net change in total pension liability  | 3,167,646   |
| Total pension liability - beginning of period                                    | 34,692,673  |
| Total pension liability - end of period  | 37,860,319  |

**Plan Fiduciary Net Position**

|   |             |
|---|-------------|
| Member contributions                              | 313,535     |
| Employer contributions                            | 1,037,443   |
| Net investment income                             | 3,457,472   |
| Benefit payments                                  | (1,413,887) |
| Other   | 0           |
| Net change in plan fiduciary net position         | 3,394,563   |
| Plan fiduciary net position - beginning of period | 28,358,660  |
| Plan fiduciary net position - end of period       | 31,753,223  |

**Net Pension Liability/(Asset)** 6,107,096

**Plan Fiduciary Net Position as a Percentage of the Total Pension Liability** 83.87%

**Covered Valuation Payroll** 7,257,365

**Net Pension Liability as a Percentage of Covered Valuation Payroll** 84.15%

**Sensitivity of Net Pension Liability/(Asset) to the Single Discount Rate Assumption**

|                                | 1% Decrease<br>6.25% | Current<br>Single Discount<br>Rate Assumption<br>7.25% | 1% Increase<br>8.25% |
|--------------------------------|----------------------|--|----------------------|
| Total Pension Liability:       | 42,955,368           | 37,860,319   | 33,642,067           |
| Plan Fiduciary Net Position:   | 31,753,223           | 31,753,223   | 31,753,223           |
| Net Pension Liability/(Asset): | 11,202,145           | 6,107,096  | 1,888,844            |



**CITY OF SOUTH BURLINGTON  
RETIREMENT INCOME PLAN  
GASB STATEMENT NO. 67/68 REPORTING  
ACCOUNTING SCHEDULES AS OF  
JUNE 30, 2017**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
Multiyear Schedule of Changes in Net Pension Liability and Related Ratios**

| <b>Total Pension Liability</b>  | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> | <b>2011</b> | <b>2010</b> | <b>2009</b> | <b>2008</b> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Service Cost  | 932,286     | 804,013     | 764,636     | 649,470     |             |             |             |             |             |             |
| Interest on the Total Pension Liability   | 2,548,930   | 2,337,631   | 2,177,059   | 1,970,702   |             |             |             |             |             |             |
| Changes of benefit terms  | -           | -           | -           | -           |             |             |             |             |             |             |
| Difference between expected and actual experience                                 | 52,789      | 445,709     | 558,135     | 3,091,068   |             |             |             |             |             |             |
| Changes of assumptions  | 1,047,528   | 600,947     | (70,880)    | (1,677,930) |             |             |             |             |             |             |
| Benefit payments  | (1,413,887) | (1,328,091) | (1,247,876) | (1,315,889) |             |             |             |             |             |             |
| Net change in total pension liability   | 3,167,646   | 2,860,209   | 2,181,074   | 2,717,421   |             |             |             |             |             |             |
| Total pension liability - beginning of period                                     | 34,692,673  | 31,832,464  | 29,651,390  | 26,933,969  |             |             |             |             |             |             |
| Total pension liability - end of period   | 37,860,319  | 34,692,673  | 31,832,464  | 29,651,390  |             |             |             |             |             |             |
| <b>Plan Fiduciary Net Position</b>  |             |             |             |             |             |             |             |             |             |             |
| Member contributions  | 313,535     | 305,476     | 297,142     | 310,119     |             |             |             |             |             |             |
| Employer contributions  | 1,037,443   | 765,860     | 1,192,750   | 0           |             |             |             |             |             |             |
| Net investment income   | 3,457,472   | (306,473)   | 451,391     | 4,043,122   |             |             |             |             |             |             |
| Benefit payments  | (1,413,887) | (1,328,091) | (1,247,876) | (1,247,876) |             |             |             |             |             |             |
| Other (Net Transfer)  | 0           | 0           | 0           | 0           |             |             |             |             |             |             |
| Net change in plan fiduciary net position   | 3,394,563   | (563,228)   | 693,408     | 3,105,365   |             |             |             |             |             |             |
| Plan fiduciary net position - beginning of period                                 | 28,358,660  | 28,921,888  | 28,228,481  | 25,191,130  |             |             |             |             |             |             |
| Plan fiduciary net position - end of period                                       | 31,753,223  | 28,358,661  | 28,921,888  | 28,296,495  |             |             |             |             |             |             |
| <b>Net Pension Liability/(Asset)</b>  | 6,107,096   | 6,334,012   | 2,910,576   | 1,354,895   |             |             |             |             |             |             |
| <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b> |             |             |             |             |             |             |             |             |             |             |
|   | 83.87%      | 81.74%      | 90.86%      | 95.43%      |             |             |             |             |             |             |
| <b>Covered Valuation Payroll</b>  | 7,257,365   | 7,064,300   | 6,743,881   | 6,333,287   |             |             |             |             |             |             |
| <b>Net Pension Liability as a Percentage of Covered Valuation Payroll</b>         |             |             |             |             |             |             |             |             |             |             |
|   | 84.15%      | 89.66%      | 43.16%      | 21.39%      |             |             |             |             |             |             |

\*Corresponding information for prior years is not available

**CITY OF SOUTH BURLINGTON  
RETIREMENT INCOME PLAN  
GASB STATEMENT NO. 67/68 REPORTING  
ACCOUNTING SCHEDULES AS OF  
JUNE 30, 2017**

**MULTIYEAR SCHEDULE OF CONTRIBUTIONS - LAST 10 FISCAL YEARS**

| FY Ending<br>June 30 | Actuarially<br>Determined<br>Contribution | Actual<br>Contribution | Contribution<br>Deficiency<br>(Excess) | Covered<br>Valuation<br>Payroll | Actual Contribution<br>as a % of Covered<br>Valuation Payroll |
|----------------------|---|------------------------|--|---------------------------------|---|
| 2017                 | 1,037,443                                 | 1,037,443              | 0                                      | 7,257,365                       | 14.30%  |
| 2016                 | 765,860                                   | 765,860                | 0                                      | 7,064,300                       | 10.84%  |
| 2015                 | 569,198                                   | 569,198                | 0                                      | 6,743,881                       | 8.44%   |
| 2014                 | 569,550                                   | 623,552                | (54,002)                               | 6,333,287                       | 9.85%   |
| 2013                 | 695,749                                   | 660,000                | 35,749                                 | 5,611,009                       | 11.76%  |
| 2012                 | 451,351                                   | 600,000                | (148,649)                              | 5,623,012                       | 10.67%  |
| 2011                 | 1,594,410                                 | 9,595,645              | (8,001,235)                            | 6,004,876                       | 159.80%   |
| 2010                 | 1,642,172                                 | 1,307,612              | 334,560                                | 6,876,637                       | 19.02%  |
| 2009                 | 1,178,615                                 | 1,036,128              | 142,487                                | 5,840,966                       | 17.74%  |
| 2008                 | 877,490                                   | 972,231                | (94,741)                               | 5,684,565                       | 17.10%  |

**CITY OF SOUTH BURLINGTON  
RETIREMENT INCOME PLAN  
GASB STATEMENT NO. 67/68 REPORTING  
ACCOUNTING SCHEDULES AS OF  
JUNE 30, 2017**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
Schedule of Differences between Expected and Actual Experience**

| Year  | Differences between<br>Expected and Actual<br>Experience | Recognition<br>Period (Years) | <i>Increase (decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience</i> |               |               |               |               |               |               |               |               |
|---|--|-------------------------------|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|   |  |                               | 2015  | 2016          | 2017          | 2018          | 2019          | 2020          | 2021          | 2022          | 2023          |
| 2015  | 558,135  | 14.0795                       | 39,642  | 39,642        | 39,642        | 39,642        | 39,642        | 39,642        | 39,642        | 39,642        | 39,642        |
| 2016  | 445,709  | 14.02                         | -   | 31,794        | 31,794        | 31,794        | 31,794        | 31,794        | 31,794        | 31,794        | 31,794        |
| 2017  | 52,789   | 13.86                         | -   | -             | 3,809         | 3,809         | 3,809         | 3,809         | 3,809         | 3,809         | 3,809         |
| <b>Net Increase (decrease) in pension expense</b> |  |                               | <b>39,642</b>   | <b>71,435</b> | <b>75,244</b> | <b>75,244</b> | <b>75,244</b> | <b>75,244</b> | <b>75,244</b> | <b>75,244</b> | <b>75,244</b> |

**CITY OF SOUTH BURLINGTON  
RETIREMENT INCOME PLAN  
GASB STATEMENT NO. 67/68 REPORTING  
ACCOUNTING SCHEDULES AS OF  
JUNE 30, 2017**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
Schedule of Differences between Expected and Actual Experience (cont.)**

*Increase (decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience*

| 2024   | 2025   | 2026   | 2027   | 2028   | 2029   | 2030  | 2031 | 2032 | 2033 | 2034 |
|--------|--------|--------|--------|--------|--------|-------|------|------|------|------|
| 39,642 | 39,642 | 39,642 | 39,642 | 39,642 | 3,152  | -     | -    | -    | -    | -    |
| 31,794 | 31,794 | 31,794 | 31,794 | 31,794 | 31,794 | 596   | -    | -    | -    | -    |
| 3,809  | 3,809  | 3,809  | 3,809  | 3,809  | 3,809  | 3,276 | -    | -    | -    | -    |
| 75,244 | 75,244 | 75,244 | 75,244 | 75,244 | 38,754 | 3,872 | -    | -    | -    | -    |

**CITY OF SOUTH BURLINGTON  
RETIREMENT INCOME PLAN  
GASB STATEMENT NO. 67/68 REPORTING  
ACCOUNTING SCHEDULES AS OF  
JUNE 30, 2017**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
Schedule of Changes of Assumptions**

| Year  | Changes of Assumptions | Recognition<br>Period (Years) | <i>Increase (decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience</i> |               |                |                |                |                |                |                |                |
|---|------------------------|-------------------------------|---|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|   |                        |                               | 2015  | 2016          | 2017           | 2018           | 2019           | 2020           | 2021           | 2022           | 2023           |
| 2015  | (70,880)               | 14.0795                       | (5,034)   | (5,034)       | (5,034)        | (5,034)        | (5,034)        | (5,034)        | (5,034)        | (5,034)        | (5,034)        |
| 2016  | 600,947                | 14.02                         | -   | 42,867        | 42,867         | 42,867         | 42,867         | 42,867         | 42,867         | 42,867         | 42,867         |
| 2017  | 1,047,528              | 13.86                         | -   | -             | 75,579         | 75,579         | 75,579         | 75,579         | 75,579         | 75,579         | 75,579         |
| <b>Net Increase (decrease) in pension expense</b> |                        |                               | <b>(5,034)</b>  | <b>37,833</b> | <b>113,413</b> | <b>113,413</b> | <b>113,413</b> | <b>113,413</b> | <b>113,413</b> | <b>113,413</b> | <b>113,413</b> |

**CITY OF SOUTH BURLINGTON  
RETIREMENT INCOME PLAN  
GASB STATEMENT NO. 67/68 REPORTING  
ACCOUNTING SCHEDULES AS OF  
JUNE 30, 2017**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
Schedule of Changes of Assumptions (cont.)**

*Increase (decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience*

| 2024    | 2025    | 2026    | 2027    | 2028    | 2029    | 2030   | 2031 | 2032 | 2033 | 2034 |
|---------|---------|---------|---------|---------|---------|--------|------|------|------|------|
| (5,034) | (5,034) | (5,034) | (5,034) | (5,034) | (404)   | -      | -    | -    | -    | -    |
| 42,867  | 42,867  | 42,867  | 42,867  | 42,867  | 42,867  | 804    |      |      |      |      |
| 75,579  | 75,579  | 75,579  | 75,579  | 75,579  | 75,579  | 64,998 |      |      |      |      |
| 113,413 | 113,413 | 113,413 | 113,413 | 113,413 | 118,043 | 65,802 | -    | -    | -    | -    |

**CITY OF SOUTH BURLINGTON  
RETIREMENT INCOME PLAN  
GASB STATEMENT NO. 67/68 REPORTING  
ACCOUNTING SCHEDULES AS OF  
JUNE 30, 2017**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
Schedule of Differences between Projected and Actual Earnings on Pension Plan Investments**

| Year  | Differences between Projected and Actual Earnings on Pension Plan Investments | Recognition Period (Years) | Increase (decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience |                |                |                |                |                |                  |           |          |          |
|---|---|----------------------------|--|----------------|----------------|----------------|----------------|----------------|------------------|-----------|----------|----------|
|   |   |                            | 2015   | 2016           | 2017           | 2018           | 2019           | 2020           | 2021             | 2022      | 2023     |          |
| 2015  | 1,676,859   | 5.00                       | 335,372  | 335,372        | 335,372        | 335,372        | 335,372        |                |                  |           |          |          |
| 2016  | 2,465,987   | 5.00                       | -  | 493,197        | 493,197        | 493,197        | 493,197        | 493,197        | 493,197          |           |          |          |
| 2017  | (1,560,999)   | 5.00                       | -  | -              | (312,200)      | (312,200)      | (312,200)      | (312,200)      | (312,200)        | (312,200) |          |          |
| <b>Net Increase (decrease) in pension expense</b> |   |                            | <b>335,372</b>   | <b>828,569</b> | <b>516,369</b> | <b>516,369</b> | <b>516,369</b> | <b>180,998</b> | <b>(312,200)</b> | <b>-</b>  | <b>-</b> | <b>-</b> |

**CITY OF SOUTH BURLINGTON  
RETIREMENT INCOME PLAN  
GASB STATEMENT NO. 67/68 REPORTING  
ACCOUNTING SCHEDULES AS OF  
JUNE 30, 2017**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
Deferred Outflows of Resources and Deferred Inflows of Resources Arising from Differences between Expected and Actual  
Experience**

| Year | Experience<br>Losses<br>(a) | Experience<br>Gains<br>(b) | Amounts Recognized in<br>Pension Expense through JUNE<br>30, 2017<br>(c) | Balances at JUNE 30, 2017                         |  |
|------|-----------------------------|----------------------------|--|---|--|
|      |                             |                            |  | Deferred<br>Outflows of<br>Resources<br>(a) - (c) | Deferred<br>Inflows of<br>Resources<br>(b) - (c) |
| 2015 | 558,135                     |                            | 118,925  | 439,210   |  |
| 2016 | 445,709                     |                            | 63,588   | 382,121   |  |
| 2017 | 52,789                      |                            | 3,809  | 48,981  |  |
|      |                             |                            |  | 870,312   | -  |
|      |                             |                            |  | 870,312   | -  |



**CITY OF SOUTH BURLINGTON  
RETIREMENT INCOME PLAN  
GASB STATEMENT NO. 67/68 REPORTING  
ACCOUNTING SCHEDULES AS OF  
JUNE 30, 2017**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

***Deferred Outflows of Resources and Deferred Inflows of Resources Arising from Changes in Assumptions***

| Year | Increases in<br>the Total<br>Pension<br>Liability<br>(a) | Decreases in<br>the Total<br>Pension<br>Liability<br>(b) | Amounts Recognized in<br>Pension Expense through JUNE<br>30, 2017<br>(c) | Balances at JUNE 30, 2017                         |  |
|------|--|--|--|---|--|
|      |  |  |  | Deferred<br>Outflows of<br>Resources<br>(a) - (c) | Deferred<br>Inflows of<br>Resources<br>(b) - (c) |
| 2015 |  | 70,880   | 15,102   |   | 55,778   |
| 2016 | 600,947  |  | 85,735   | 515,212   |  |
| 2017 | 1,047,528  |  | 75,579   | 971,949   |  |
|      |  |  |  | 1,487,161   | 55,778   |
|      |  |  |  | 1,487,161   | 55,778   |

**CITY OF SOUTH BURLINGTON  
RETIREMENT INCOME PLAN  
GASB STATEMENT NO. 67/68 REPORTING  
ACCOUNTING SCHEDULES AS OF  
JUNE 30, 2017**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

***Deferred Outflows of Resources and Deferred Inflows of Resources Arising from Differences between Projected and Actual Earnings  
on Pension Plan Investments***

| Year | Investment<br>Earnings Less<br>Than Projected<br>(a) | Investment<br>Earnings<br>Greater Than<br>Projected<br>(b) | Amounts Recognized in<br>Pension Expense through JUNE<br>30, 2017<br>(c) | Balances at JUNE 30, 2017                         |  |
|------|--|--|--|---|--|
|      |  |  |  | Deferred<br>Outflows of<br>Resources<br>(a) - (c) | Deferred<br>Inflows of<br>Resources<br>(b) - (c) |
| 2015 | 1,676,859  |  | 1,006,115  | 670,744   |  |
| 2016 | 2,465,987  |  | 986,395  | 1,479,592   |  |
| 2017 |  | 1,560,999  | 312,200  |   | 1,248,799  |
|      |  |  |  | 2,150,336   | 1,248,799  |

**CITY OF SOUTH BURLINGTON  
 RETIREMENT INCOME PLAN  
 GASB STATEMENT NO. 67/68 REPORTING  
 JUNE 30, 2017**

**ACTUARIAL ASSUMPTIONS AND COST METHOD**

|  |  |
|--|--|
| <i>ACTUARIAL VALUATION DATE:</i>                                       | 01-Jul-16  |
| <i>VALUATION INTEREST (Pre and Post-retirement):</i>                   | 7.25%  |
| <i><u>BEGINNING</u> OF YEAR COMPENSATION RATE OF INCREASE:</i>         | <i>Public Safety:</i> 5.00%<br><i>Non-Public Safety:</i> 4.00%   |
| <i><u>END</u> OF YEAR COMPENSATION RATE OF INCREASE:</i>               | <i>Public Safety:</i> 5.00%<br><i>Non-Public Safety:</i> 4.00%   |
| <i>VALUATION COMPENSATION:</i>   |  |
| Compensation paid during the plan year<br>preceding the Valuation Date | <i>Public Safety:</i> Base compensation plus overtime<br>not to exceed 25% of base pay<br><i>Non-Public Safety:</i> Total compensation   |
| <i>EMPLOYEE CONTRIBUTION RATE (Public Safety Only):</i>                | 6.50%  |
| <i>ASSUMED RETIREMENT AGE:</i>   | <i>Public Safety:</i> Age 53<br><i>Non-Public Safety:</i> Normal Retirement Age  |
| <i><u>BEGINNING</u> OF YEAR MORTALITY (Pre and Post-retirement):</i>   | RP-2014 Static Annuitant and<br>Nonannuitant adjusted to 2006 with<br>scale MP-2014 and then projected to<br>2023 with scale MP2016  |
| <i><u>END</u> OF YEAR MORTALITY (Pre and Post-retirement):</i>         | RP-2014 Annuitant and<br>Nonannuitant adjusted to 2006 with<br>scale MP-2014 and then projected<br>generationally with scale MP2017.<br>Non-Public safety - base tables.<br>Public Safety - Blue collar tables |
| <i>EMPLOYEE TURNOVER:</i>  | Scale T-3 from the<br>Pension Actuary's Handbook   |
| <i>IRC SECTION 401(a)(17) MAXIMUM COMPENSATION LIMIT:</i>              | \$270,000  |
| <i>IRC SECTION 415(b) MAXIMUM BENEFIT LIMIT:</i>                       | \$215,000  |
| <i>ASSET VALUATION METHOD:</i>   | Fair Market Value  |
| <i>ACTUARIAL COST METHOD:</i>  | Entry Age Normal   |

Under the Entry Age Normal Cost Method the Employer contribution is equal to Normal Cost plus amortization of Unfunded Entry Age Accrued Liability. Normal Cost is computed on an individual basis for all participants as follows:

1. Projected benefits of each individual included in an actuarial valuation are allocated on a level basis over the earnings of the individual between entry age and assumed exit. The portion of this actuarial present value allocated to a valuation year is the normal cost

**CITY OF SOUTH BURLINGTON  
 RETIREMENT INCOME PLAN  
 GASB STATEMENT NO. 67/68 REPORTING  
 JUNE 30, 2017**

**SUMMARY OF PRINCIPAL PLAN PROVISIONS - PUBLIC SAFETY EMPLOYEES**

*PLAN EFFECTIVE DATE:* December 1, 1972  
*ELIGIBILITY:* Immediate at Employment  
*EMPLOYEE CONTRIBUTION RATE:* Mandatory 6.5% of Plan Compensation

*EMPLOYEE CONTRIBUTION RATE:* Mandatory 6.5% of Plan Compensation

|  |                                 |            |
|--|---------------------------------|------------|
| <i>NORMAL RETIREMENT AGE:</i><br><br>* or other termination of service | <u>Retirement * on or After</u> | <u>Age</u> |
|  | Prior to July 1, 2001           | 60         |
|  | July 1, 2001                    | 55         |
|  | July 1, 2005                    | 54         |
|  | July 1, 2007                    | 53         |
|  | July 1, 2009                    | 52         |
|  | July 1, 2010                    | 51         |
|  | July 1, 2011                    | 50         |

*BENEFIT FORMULA:* 2.5% of average annual compensation per Year of Service with Police or Fire departments up to 25 years.

*POST-RETIREMENT COLA AND SOCIAL SECURITY OFFSET FOR PARTICIPANTS RETIRING ON OR AFTER NORMAL RETIREMENT DATE:*

|  |   |                              |
|--|---|------------------------------|
| Participants whom retire on or after Normal Retirement Date will receive an annual increase in their monthly benefit of 3% until Social Security benefits commence. Upon commencement of Social Security, the Plan benefit is reduced by a fraction of the Participant's Social Security Benefit based on the Participants Years of Service at retirement. | <u>Years of Service at later of 6/30/02 or Retirement</u> | <u>PIA Offset Percentage</u> |
|  | 25 or Less  | 50%                          |
|  | 26  | 45%                          |
|  | 27  | 40%                          |
|  | 28  | 35%                          |
|  | 29  | 30%                          |
|  | 30 or more  | 25%                          |

*AVERAGE ANNUAL COMPENSATION* Plan Compensation\* is averaged over high three consecutive years of service. Compensation is annualized for years in which the Participant completes less than 2,000 Hours of Service, but at least 1,000 Hours of Service.

\* Effective July 1, 2009, Plan Compensation includes overtime up to 25% of Base Pay.

*NORMAL ANNUITY FORM:* Life Annuity

*ACCRUED BENEFIT DEFINITION:* Unit Credit Accrual, based on Years of Service completed at determination date

*EARLY RETIREMENT:* Age 50, Accrued Benefit reduced 10% per year for benefit commencement prior to Normal Retirement Date

*DISABILITY:* Actuarial Equivalent of Accrued Benefit

*PRE-RETIREMENT DEATH BENEFIT:* Actuarial Equivalent of Accrued Benefit

*VESTING:* 7-Year Graded - 20% after 3 years, 20% per year thereafter, 100% after 7 years.

**CITY OF SOUTH BURLINGTON  
RETIREMENT INCOME PLAN  
GASB STATEMENT NO. 67/68 REPORTING  
JUNE 30, 2017**

**SUMMARY OF PRINCIPAL PLAN PROVISIONS - NON-PUBLIC SAFETY EMPLOYEES**

|                                      |  |
|--------------------------------------|--|
| <i>PLAN EFFECTIVE DATE:</i>          | December 1, 1972   |
| <i>ELIGIBILITY:</i>                  | Eligible Employees - 36 months of service, entry on July 1st of plan year in which service requirement met   |
| <i>ELIGIBLE EMPLOYEES:</i>           | Non-Public Safety Employees who meet age and service requirements  |
| <i>ELIGIBLE EMPLOYEES:</i>           | Non-Public Safety Employees who meet age and service requirements <u>except the following classes of employee:</u> <ol style="list-style-type: none"><li>(1) Employees who are members of the Water Pollution Control Employees Association (WPC) who are hired on or after 1/1/11; and</li><li>(2) Employees who are not members of either the WPC or the South Burlington City Hall &amp; Public Works Employees' Association (SBCH&amp;PW) unless such employee was a Participant in the Plan on 6/30/10.</li></ol> |
| <i>NORMAL RETIREMENT AGE:</i>        | Attainment of Age 65   |
| <i>BENEFIT FORMULA:</i>              | 1.75% of Average Compensation times Years of Service completed with City Departments other than Police or Fire (Non-Public Safety Departments)   |
| <i>AVERAGE COMPENSATION</i>          | Plan Compensation is averaged over high three consecutive years that produce highest average. Compensation is annualized for years in which the Participant completes less than 2,000 Hours of Service, but at least 1,000 Hours of Service.   |
| <i>PLAN COMPENSATION</i>             | SBCH&PW Members - effective 7/1/09, total compensation<br>WPC Members - effective 7/1/07 total compensation, including scheduled and unscheduled overtime, on-call pager pay.<br>For all other Non-Public Safety employees - Base pay  |
| <i>NORMAL ANNUITY FORM:</i>          | Life Annuity   |
| <i>ACCRUED BENEFIT DEFINITION:</i>   | Unit Credit Accrual, based on Years of Service completed at determination date   |
| <i>EARLY RETIREMENT:</i>             | Age 55, Accrued Benefit reduced by 1/15 per year for benefit commencement prior to 65  |
| <i>DISABILITY:</i>                   | Actuarial Equivalent of Accrued Benefit  |
| <i>PRE-RETIREMENT DEATH BENEFIT:</i> | Actuarial Equivalent of Accrued Benefit  |
| <i>VESTING:</i>                      | 7-Year Graded - 20% after 3 years, 20% per year thereafter, 100% after 7 years.  |