



City of South Burlington Retirement Income Plan

Funding Actuarial Valuation as of July 1, 2021

For the Plan Year of
July 1, 2021 to June 30, 2022



December 3, 2021



Andrew Bolduc
Deputy City Manager
City of South Burlington
180 Market Street
South Burlington, VT 05403

Via Email Delivery

**Re: City of South Burlington Retirement Income Plan
July 1, 2021 Actuarial Funding Valuation**

Dear Andrew,

We are pleased to provide you with the July 1, 2021 actuarial valuation report for the City of South Burlington Retirement Income Plan ("Plan"). Determinations for purposes other than financial accounting requirements may be significantly different from the results reported herein. The use of this report for other than for financial accounting purposes may not be appropriate.

We relied upon participant data supplied by City of South Burlington as of June 30, 2021 and financial information as of June 30, 2021. We reviewed the participant data for internal consistency and reasonableness and have no reason to doubt its substantial accuracy. We also used and relied upon plan information supplied by City of South Burlington. City of South Burlington is solely responsible for the validity and completeness of the information.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board.

The actuarial assumptions are described in the Actuarial Assumptions exhibit of this report. City of South Burlington selected the actuarial assumptions. We provided guidance to City of South Burlington on the support and selection of certain actuarial assumptions. We believe that the actuarial assumptions represent reasonable expectations of future experience of the Plan.

A valuation model was used to develop the liabilities for the plan. The valuation model relies on ProVal software, which was developed by Winklevoss Technologies, LLC. Experts within Newport Group selected this software and determined it is appropriate for performing this valuation. We coded and reviewed the software for the provisions, assumptions, methods, and data of the Plan as outlined in this report.

The undersigned is a Member of the American Academy of Actuaries and other actuarial organizations and meets the Qualification Requirements of the American Academy of Actuaries to render the actuarial opinion contained herein.

We are not aware of any direct or material indirect financial interest or relationship, including investments or other services that could create a conflict of interest that would impair the objectivity of our work.

We want to thank you again for the opportunity to continue serving City of South Burlington and the Plan.

Should you have any questions regarding the information contained in this report, please contact the undersigned.

Sincerely,

Certified by:

A handwritten signature in blue ink that reads "Erik Schait".

Erik Schait, ASA, EA, MAAA
Actuarial Consultant

**CITY OF SOUTH BURLINGTON
RETIREMENT INCOME PLAN
ACTUARIAL VALUATION AS OF
JULY 1, 2021**

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**CITY OF SOUTH BURLINGTON
RETIREMENT INCOME PLAN
ACTUARIAL VALUATION AS OF
JULY 1, 2021**

SUMMARY OF ACTUARIAL VALUATION

	<u>PUBLIC SAFETY</u>	<u>NON-PUBLIC SAFETY</u>	<u>TOTAL</u>
ACTUARIAL VALUATION DATE	7/1/2021	7/1/2021	

MINIMUM RECOMMENDED EMPLOYER CONTRIBUTION RANGE BASED ON MARKET VALUE OF ASSETS:

MINIMUM BASED ON 10-YEAR AMORTIZATION OF UEAAL:	550,412	156,917	707,329
MINIMUM CONTRIBUTION AS PERCENTAGE PAYROLL:	12.2%	10.6%	11.8%
MINIMUM BASED ON 20-YEAR AMORTIZATION OF UEAAL:	494,697	156,917	651,614
MINIMUM CONTRIBUTION AS PERCENTAGE PAYROLL:	11.0%	10.6%	10.9%

MINIMUM RECOMMENDED EMPLOYER CONTRIBUTION RANGE BASED ON ACTUARIAL VALUE OF ASSETS:

MINIMUM BASED ON 10-YEAR AMORTIZATION OF UEAAL:	1,033,389	239,318	1,272,707
MINIMUM CONTRIBUTION AS PERCENTAGE PAYROLL:	22.9%	16.2%	21.3%
MINIMUM BASED ON 20-YEAR AMORTIZATION OF UEAAL:	817,408	211,975	1,029,383
MINIMUM CONTRIBUTION AS PERCENTAGE PAYROLL:	18.2%	14.3%	17.2%

PARTICIPANT DATA

Retired Participants currently receiving benefits:	46	43	89
Terminated vested or inactive but still employed participants:	21	26	47
Participants currently employed:	56	22	78
Total participants:	123	91	214
Ineligible Employees:	0	0	0
Aggregate compensation of active participants:	4,503,517	1,480,028	5,983,545
Average compensation per active participant:	80,420	67,274	76,712

ASSET DATA

Fair market value of Plan assets:	34,661,960	11,240,171	45,902,131
Approximate annual rate of return for the plan year (net of expenses):	26.60%	26.60%	26.60%
Actuarial asset value:	31,289,593	10,154,464	41,444,057
Approximate annual rate of return for Actuarial assets (net of expenses):	10.20%	10.16%	10.19%

SUMMARY OF ASSETS AND LIABILITIES

Present Value of Accrued Benefits at Valuation Date:	30,634,245	9,885,394	40,519,639
Fair market value of Plan assets:	34,661,960	11,240,171	45,902,131
Market Value Funded ratio:	113.15%	113.70%	113.28%
Entry Age Normal Accrued Liability at Valuation Date:	35,834,336	10,729,829	46,564,165
Fair market value of Plan assets:	34,661,960	11,240,171	45,902,131
Assets above/(below) Entry Age Normal Accrued Liability:	1,172,376	(510,342)	662,034
Market Value Funded ratio:	96.73%	104.76%	98.58%
Actuarial value of Plan assets:	31,289,593	10,154,464	41,444,057
Assets above/(below) total accumulated benefits:	4,544,743	575,365	5,120,108
Actuarial Value Funded ratio:	87.32%	94.64%	89.00%

**CITY OF SOUTH BURLINGTON
RETIREMENT INCOME PLAN
ACTUARIAL VALUATION AS OF
JULY 1, 2021**

RECONCILIATION OF PARTICIPANT COUNT

	<u>PUBLIC SAFETY</u>	<u>NON-PUBLIC SAFETY</u>	<u>TOTAL</u>
<i>A. RETIREES AND BENEFICIARIES CURRENTLY RECEIVING BENEFITS:</i>			
1. Retirees and beneficiaries at prior valuation date:	42	38	80
2. New retirees and beneficiaries:	4	6	10
3. Retirees Deceased:	0	1	1
4. Retirees and beneficiaries at current valuation date (1+2-3):	46	43	89
<i>B. TERMINATED VESTED AND INACTIVE BUT STILL EMPLOYED PARTICIPANTS:</i>			
1. Terminated vested participants at prior valuation date:	19	25	44
2. New terminated vested participants:	2	4	6
3. Participants moved to inactive status but not yet terminated:	0	0	0
4. Participants retired, cashed out or moved back to active status:	0	3	3
5. Terminated vested participants at current valuation date (1+2+3-4):	21	26	47
<i>C. ACTIVELY EMPLOYED PARTICIPANTS:</i>			
1. Active participants at prior valuation date:	63	29	92
2. New participants:	0	0	0
3. Participants retired:	3	3	6
4. Terminated without vested benefits:	0	0	0
5. Terminated with vested benefits due in future:	2	4	6
6. Terminated with vested benefits and cashed out:	2	0	2
7. Participants transferred out:	0	0	0
8. Active participants at current valuation date (1+2-3-4-5-6-7):	56	22	78
<i>D. TOTAL PARTICIPANTS (A+B+C):</i>	123	91	214
<i>E. AVERAGE AGES:</i>			
1. Retirees and Beneficiaries:	64.36	75.07	69.53
2. Terminated or Inactive participants with vested benefits:	39.37	53.70	47.30
3. Active participants:	41.14	56.32	45.42
<i>F. AVERAGE MONTHLY BENEFITS:</i>			
1. Retirees and Beneficiaries:	2,713.13	1,045.36	1,907.35
2. Terminated or Inactive participants with vested benefits:	796.05	1,058.27	941.11
<i>G. AVERAGE YEARS OF SERVICE FOR ACTIVE PARTICIPANTS:</i>	13.65	15.97	14.31
<i>H. AVERAGE EXPECTED YEARS OF <u>FUTURE</u> SERVICE PARTICIPANTS:</i>	8.95	7.94	8.66
<i>I. ENTRY AGE ACCRUED LIABILITY BY STATUS:</i>			
1. Retirees and Beneficiaries:	17,547,914	4,865,822	22,413,736
2. Terminated or Inactive participants with vested benefits:	1,609,609	2,246,206	3,855,815
3. Active participants:	16,676,814	3,617,801	20,294,615

**CITY OF SOUTH BURLINGTON
RETIREMENT INCOME PLAN
ACTUARIAL VALUATION AS OF
JULY 1, 2021**

PLAN ASSET EXPERIENCE SINCE THE PRECEDING VALUATION DATE

SUMMARY OF INCOME, EXPENSES AND RATE OF RETURN

Asset fair market value at July 1, 2020:		36,617,628
Employer contribution:		1,302,918
Mandatory Employee contributions:		373,582
Benefit Payments to Participants:		(2,077,646)
Investment income and expense:		
Interest and Dividends, other income:	724,219	
Realized gains and (losses):	1,023,925	
Unrealized appreciation/(depreciation) in market value:	8,133,686	
Expenses paid from Plan assets:	(196,180)	
Investment earnings on market value basis, net of expenses:		9,685,649
Asset fair market value at June 30, 2021:		45,902,131
Approximate annual rate of return for the plan year (net of expenses):		26.60%
Additional Employer Contributions received after year-end:		0
Asset Fair Market Value at June 30, 2021:		45,902,131

COMPOSITION OF ASSETS:

	<u>Market Value</u>	<u>Percent Total</u>
Employer Contribution Receivable:	0	--
Money Market Funds:	22	0.00%
Equity Mutual Funds:	28,894,818	62.95%
Fixed Income Mutual Funds:	13,957,479	30.41%
Other Assets:	3,029,360	6.60%
Accrued Income:	20,452	0.04%
Total:	<u>45,902,131</u>	<u>100.0%</u>

ALLOCATION OF ASSETS BETWEEN PUBLIC SAFETY AND NON-PUBLIC SAFETY GROUPS

	<u>PUBLIC SAFETY</u>	<u>NON-PUBLIC SAFETY</u>	<u>TOTAL</u>
Asset Fair Market Value at July 1, 2020:	27,574,791	9,042,837	36,617,628
Employer contributions:	969,073	333,845	1,302,918
Mandatory Employee contributions:	373,582	0	373,582
Benefit Payments to Participants:	(1,562,042)	(515,604)	(2,077,646)
Share of Investment Earnings (net of expenses):	7,306,556	2,379,093	9,685,649
Asset fair market value at June 30, 2021:	34,661,960	11,240,171	45,902,131
Employer contribution receivable:	0	0	0
Employee contribution receivable:	0	0	0
Asset fair market value at June 30, 2021:	34,661,960	11,240,171	45,902,131

**CITY OF SOUTH BURLINGTON
RETIREMENT INCOME PLAN
ACTUARIAL VALUATION AS OF
JULY 1, 2021**

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

DETERMINATION OF ACTUARIAL VALUE OF ASSETS

Actuarial Asset value at July 1, 2020 (excluding receivables):	38,180,434
Contributions less benefit payments and operating expenses:	(597,326)
Average Actuarial Value:	37,881,771
Assumed net investment income, at 7.25%:	2,746,428
Preliminary value of assets at the end of the year:	40,329,536
Asset fair market value at June 30, 2021 (excluding receivables):	45,902,131
Smoothing adjustment, 20%:	1,114,519
Actuarial Asset Value at June 30, 2021:	41,444,055
Contribution receivables:	0
Final Actuarial Value of Assets:	41,444,055
Approximate annual rate of return for the plan year (net of expenses):	10.19%
Actuarial Value of Assets as a percent of market value of assets:	90.29%

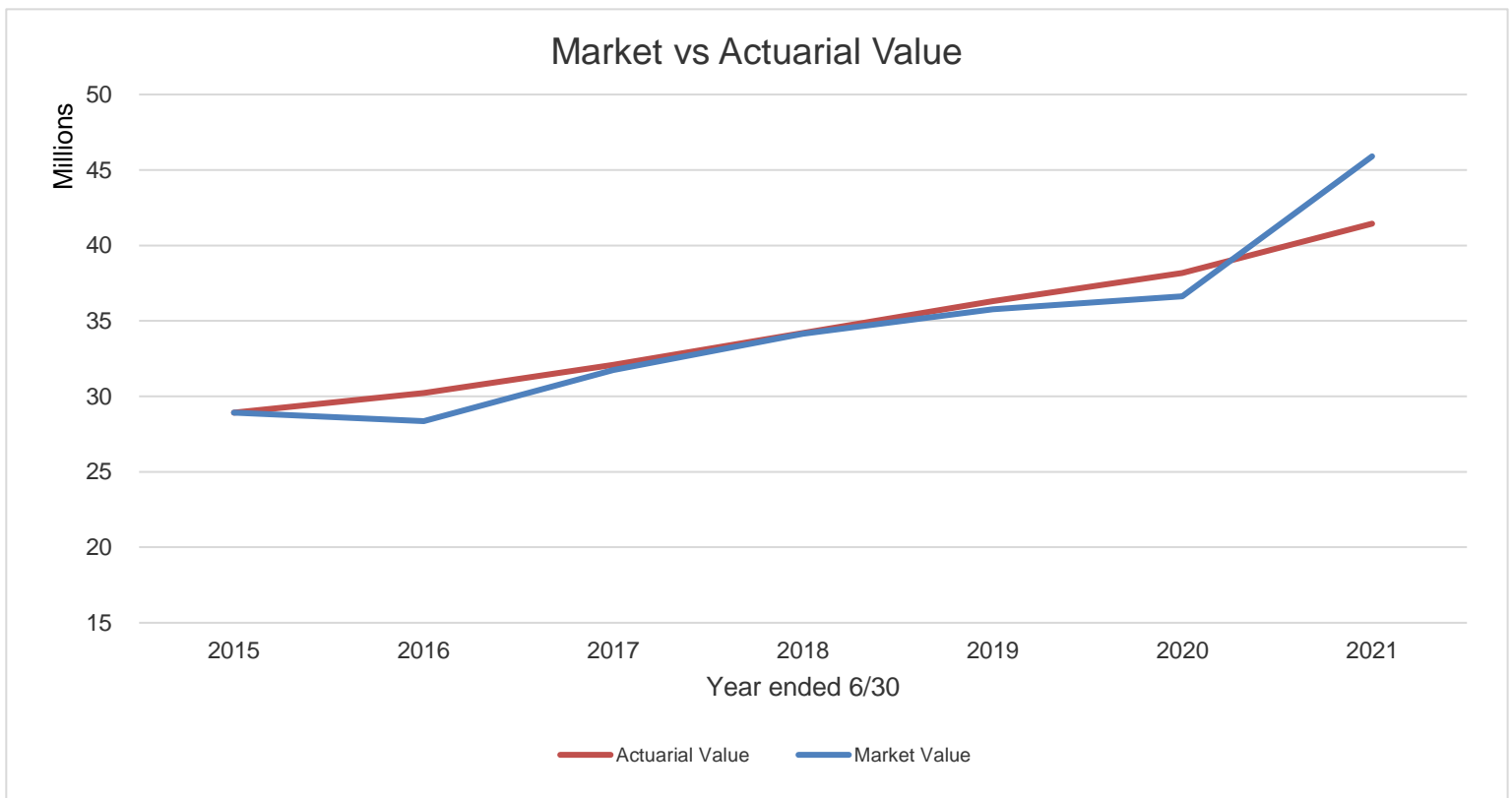
ALLOCATION OF ACTUARIAL VALUE OF ASSETS BETWEEN PUBLIC SAFETY AND NON-PUBLIC SAFETY GROUPS

	<u>PUBLIC SAFETY</u>	<u>NON-PUBLIC SAFETY</u>	<u>TOTAL</u>
Actuarial Asset value at July 1, 2020 (excluding receivables):	28,743,057	9,437,378	38,180,435
Contributions less benefit payments and operating expenses:	(367,120)	(230,206)	(597,326)
Average Actuarial Value:	28,559,497	9,322,275	37,881,772
Assumed net investment income, at 7.25%:	2,070,564	675,865	2,746,429
Preliminary value of assets at the end of the year:	30,446,501	9,883,037	40,329,538
Asset fair market value at June 30, 2021 (excluding receivables):	34,661,960	11,240,171	45,902,131
Smoothing adjustment, 20%:	843,092	271,427	1,114,519
Actuarial Asset Value at June 30, 2021:	31,289,593	10,154,464	41,444,057
Contribution receivables:	0	0	0
Final Actuarial Value of Assets:	31,289,593	10,154,464	41,444,057
Approximate annual rate of return for the plan year (net of expenses):	10.20%	10.16%	10.19%
Actuarial Value of Assets as a percent of market value of assets:	90.27%	90.34%	90.29%

**CITY OF SOUTH BURLINGTON
RETIREMENT INCOME PLAN
ACTUARIAL VALUATION AS OF
JULY 1, 2021**

SUMMARY OF PLAN ASSET EXPERIENCE DURING THE PLAN YEAR

Year Ended 06/30	Employer Contributions	Employee Contributions	Net Investment Return	Benefit Payments	Market Value of Assets	Actuarial Value of Assets
2015	569,198	297,142	451,391	(1,247,876)	28,921,888	28,921,888
2016	765,860	305,476	(306,473)	(1,328,091)	28,358,661	30,216,436
2017	1,037,443	313,535	3,457,472	(1,413,887)	31,753,223	32,098,394
2018	1,246,468	337,958	2,415,936	(1,615,723)	34,137,861	34,203,530
2019	1,394,798	349,543	1,695,376	(1,816,072)	35,761,509	36,297,464
2020	1,384,798	379,718	1,020,612	(1,929,009)	36,617,628	38,180,434
2021	1,302,918	373,582	9,685,649	(2,077,646)	45,902,131	41,444,055



**CITY OF SOUTH BURLINGTON
RETIREMENT INCOME PLAN
ACTUARIAL VALUATION AS OF
JULY 1, 2021**

DETERMINATION OF RECOMMENDED EMPLOYER CONTRIBUTION BASED ON MARKET VALUE OF ASSETS

<i>MINIMUM RECOMMENDED EMPLOYER CONTRIBUTION RANGE</i>	<i>PUBLIC SAFETY</i>	<i>NON-PUBLIC SAFETY</i>	<i>TOTAL</i>
<i>Minimum based on 10-Year Amortization of Unfunded Entry Age Accrued Liability:</i>			
1. Total Normal Cost:	628,731	147,138	775,869
2. Unfunded Entry Age Accrued Liability:	1,172,376	(510,342)	662,034
3. 10-Year Amortization of Unfunded Accrued Liability:	157,440	0	157,440
4. Interest to Expected Payment Date:	52,248	9,779	62,026
5. Minimum Total Recommended Contribution (1+2+3+4):	838,418	156,917	995,335
6. Expected Employee Contributions:	288,006	0	288,006
7. Employer Recommended Contribution (5-6):	550,412	156,917	707,329
8. Employer Contribution as Percentage Payroll:	12.2%	10.6%	11.8%

Minimum based on 20-Year Amortization of Unfunded Entry Age Accrued Liability:

1. Total Normal Cost:	628,731	147,138	775,869
2. Unfunded Entry Age Accrued Liability:	1,172,376	(510,342)	662,034
3. 20-Year Amortization of Unfunded Accrued Liability:	105,197	0	105,197
4. Interest to Expected Payment Date:	48,776	9,779	58,554
5. Minimum Total Recommended Contribution (1+2+3+4):	782,703	156,917	939,620
6. Expected Employee Contributions:	288,006	0	288,006
7. Employer Recommended Contribution (5-6):	494,697	156,917	651,614
8. Employer Contribution as Percentage Payroll:	11.0%	10.6%	10.9%

Unfunded Entry Age Accrued Liability (Fresh Start):

1. Entry Age Normal Accrued Liability at Valuation Date:	35,834,336	10,729,829	46,564,165
2. <u>Market Asset Value</u> at Valuation Date:	34,661,960	11,240,171	45,902,131
3. Unfunded EAN Accrued Liability at Valuation Date (1-2):	1,172,376	(510,342)	662,034

Employer Contribution amounts are anticipated to be paid on or before June 1, 2022. Mandatory Employee Contributions are payable during the year, deducted from employee earnings and deposited regularly into the Trust.

**CITY OF SOUTH BURLINGTON
RETIREMENT INCOME PLAN
ACTUARIAL VALUATION AS OF
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DETERMINATION OF RECOMMENDED EMPLOYER CONTRIBUTION BASED ON ACTUARIAL VALUE OF ASSETS

<i>MINIMUM RECOMMENDED EMPLOYER CONTRIBUTION RANGE</i>	<i>PUBLIC SAFETY</i>	<i>NON-PUBLIC SAFETY</i>	<i>TOTAL</i>
<i>Minimum based on 10-Year Amortization of Unfunded Entry Age Accrued Liability:</i>			
1. Total Normal Cost:	628,731	147,138	775,869
2. Unfunded Entry Age Accrued Liability:	4,544,743	575,365	5,120,108
3. 10-Year Amortization of Unfunded Accrued Liability:	610,319	77,266	687,585
4. Interest to Expected Payment Date:	82,345	14,914	97,259
5. Minimum Total Recommended Contribution (1+2+3+4):	1,321,395	239,318	1,560,713
6. Expected Employee Contributions:	288,006	0	288,006
7. Employer Recommended Contribution (5-6):	1,033,389	239,318	1,272,707
8. Employer Contribution as Percentage Payroll:	22.9%	16.2%	21.3%

Minimum based on 20-Year Amortization of Unfunded Entry Age Accrued Liability:

1. Total Normal Cost:	628,731	147,138	775,869
2. Unfunded Entry Age Accrued Liability:	4,544,743	575,365	5,120,108
3. 20-Year Amortization of Unfunded Accrued Liability:	407,797	51,627	459,424
4. Interest to Expected Payment Date:	68,886	13,210	82,096
5. Minimum Total Recommended Contribution (1+2+3+4):	1,105,414	211,975	1,317,389
6. Expected Employee Contributions:	288,006	0	288,006
7. Employer Recommended Contribution (5-6):	817,408	211,975	1,029,383
8. Employer Contribution as Percentage Payroll:	18.2%	14.3%	17.2%

Unfunded Entry Age Accrued Liability (Fresh Start):

1. Entry Age Normal Accrued Liability at Valuation Date:	35,834,336	10,729,829	46,564,165
2. <u>Actuarial Asset Value</u> at Valuation Date:	31,289,593	10,154,464	41,444,057
3. Unfunded EAN Accrued Liability at Valuation Date (1-2):	4,544,743	575,365	5,120,108

Employer Contribution amounts are anticipated to be paid on or before June 1, 2022. Mandatory Employee Contributions are payable during the year, deducted from employee earnings and deposited regularly into the Trust.

**CITY OF SOUTH BURLINGTON
RETIREMENT INCOME PLAN
ACTUARIAL VALUATION AS OF
JULY 1, 2021**

RECONCILIATION OF UNFUNDED LIABILITY

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>
1. Unfunded Liability Beginning of Year:	6,107,096	6,365,561	6,795,385	8,005,369
2. Normal Cost:	966,711	1,049,187	992,682	992,644
3. Interest:	493,147	511,223	544,932	632,647
4. Contributions - Employer:	(1,246,468)	(1,394,798)	(1,384,798)	(1,302,918)
5. Contributions - Employee:	(337,958)	(349,543)	(379,718)	(373,582)
6. Liability (Gain) or Loss:	536,515	(122,211)	(88,506)	(210,987)
<i>a. Participant Experience</i>	896,843	(288,542)	57,126	(194,956)
<i>b. Change in Discount Rate</i>	0	0	0	0
<i>c. Change in Mortality Tables</i>	(360,328)	(90,846)	(145,632)	(16,031)
<i>d. Other Assumption Changes</i>	0	257,177	0	0
<i>e. Plan Amendments</i>	0	0	0	0
7. Asset (Gain) or Loss:	(153,482)	735,966	1,525,393	(7,081,139)
8. Expenses:	0	0	0	0
9. Unfunded Liability End of Year:	6,365,561	6,795,385	8,005,369	662,034

**CITY OF SOUTH BURLINGTON
RETIREMENT INCOME PLAN
ACTUARIAL VALUATION AS OF
JULY 1, 2021**

RISK AND DURATION MEASURES

Risk is the potential that actual future measurements deviate from expected future measurements that result from actual experience deviating from actuarially assumed experience. Please see the Appendix to this report for a general discussion on pension plan risk. This section of the report contains additional information that in the judgement of the actuary who has signed this document, a more detailed assessment should be provided.

	<u>7/1/2018</u>	<u>7/1/2019</u>	<u>7/1/2020</u>	<u>7/1/2021</u>
Duration of the actuarial accrued liability	12.75	12.67	12.40	12.08
Ratio of retired liability to total accrued liability	44.11%	45.78%	45.45%	48.14%
Ratio of market value of assets to benefit payments	21.13	19.69	18.98	22.09
Ratio of benefit payments to contributions (cash basis)	1.02	1.04	1.09	1.24
Plan Asset Allocation	<i>See Asset Statements</i>			

Duration of actuarial liability - is another method of measuring the effects of interest rates on the plan liabilities. The smaller this number is, the less effect there will be from changing interest rates. A rough estimate is that for every 100 basis point change in interest rates, the liability changes in the opposite direction by the duration divided by 100. Duration is also the weighted average of time of future benefit payments which may also be used for assessing cash flow needs of the plan. This duration may be compared to the asset duration to assess asset/liability mismatch risk, see the Appendix for more risk assessment information.

Ratio of retired liability to total accrued liability - The larger this measure is, the more mature the plan is, and the less expected time there will be before the majority of benefits must be paid. The larger the measure, the less susceptible the plan may be to demographic and economic risks.

Ratio of market value of assets to benefit payments - is used as a predictor of the number of annual payments a plan can make with the current assets and rate of benefit payments. It is also useful for judging cash flow needs. The lower the number, the fewer years of benefit payments the current assets will support.

Ratio of benefit payments to contributions - a number over 1 indicates that the plan pays annual benefits greater than the contributions to the plan. Numbers over 1 indicate a negative cash flow.

Plan Asset Allocation - is used to assess the level of risk the underlying investment strategy may hold. Therefore, it is important to the Plan Sponsor to have regular discussions with the plan's investment advisor to ensure that the investment policy of the plan is designed to meet the goals of the Plan Sponsor to meet a specific liability and understand the volatility of the underlying asset returns as they relate to future required contribution levels and expected benefit payments.

If in the judgement of the actuary who has signed this document, a specific risk should have a more detailed assessment, the actuary will communicate and discuss this issue in a separate document.

**CITY OF SOUTH BURLINGTON
RETIREMENT INCOME PLAN
ACTUARIAL VALUATION AS OF
JULY 1, 2021**

ACTUARIAL ASSUMPTIONS AND COST METHOD

<i>ACTUARIAL VALUATION DATE:</i>	July 1, 2021
<i>VALUATION INTEREST (Pre and Post-retirement):</i>	7.25%
<i>COMPENSATION ANNUAL RATE OF INCREASE:</i>	<i>Public Safety:</i> 5.00% <i>Non-Public Safety:</i> 4.00%
<i>VALUATION COMPENSATION:</i>	
Compensation paid during the plan year preceding the Valuation Date	<i>Public Safety:</i> Base compensation plus overtime not to exceed 25% of base pay <i>Non-Public Safety:</i> Total compensation
<i>EMPLOYEE CONTRIBUTION RATE (Public Safety Only):</i>	<i>Police</i> 7.50% <i>Fire</i> 7.50%
<i>ASSUMED RETIREMENT AGE:</i>	<i>Public Safety:</i> Age 53 <i>Non-Public Safety:</i> Normal Retirement Age <i>Terminated Public Safety Participants:</i> Age 50
<i>MORTALITY (Pre and Post-retirement):</i>	NPS: Pri-2012 Total Dataset projected generationally with scale MP2021 PS: Pri-2012 Blue Collar projected generationally with scale MP2021
<i>EMPLOYEE TURNOVER:</i>	Scale Crocker-Sarason T-3
<i>ASSET VALUATION METHOD:</i>	Actuarial Value and Fair Value of Assets

The actuarial value of assets is calculated as follows:

- (1) the actuarial value at the beginning of the year, plus contributions and expected investment earnings, less benefit payments; plus
- (2) 20% of the difference between the market value at the end of the year and the adjusted actuarial value in (1) above
- (3) Subject to corridor of 80-120% of the actual market value.

ACTUARIAL COST METHOD: 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:

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.

Unfunded Entry Age Accrued Liability has been "fresh started" as of July 1, 2021 as the excess of Entry Age Accrued Liability over the Actuarial Value of Plan Assets. Unfunded Entry Age Accrued Liability is recommended to be amortized over a period of 10 to 20 years.

**CITY OF SOUTH BURLINGTON
RETIREMENT INCOME PLAN
ACTUARIAL VALUATION AS OF
JULY 1, 2021**

SUMMARY OF PRINCIPAL PLAN PROVISIONS - PUBLIC SAFETY EMPLOYEES

PLAN EFFECTIVE DATE: December 1, 1972

ELIGIBILITY: Immediate at Employment. **Effective July 1, 2019 no new employees shall enter the plan.**

EMPLOYEE CONTRIBUTION RATE: Police: 7.5% of Plan Compensation
Fire: Mandatory 7.5% of Plan Compensation

NORMAL RETIREMENT AGE:

	<u>Retirement * on or After</u>	<u>Age</u>
	Prior to July 1, 2001	60
* or other termination of service	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 who 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 Participant's 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
	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
ACTUARIAL VALUATION AS OF
JULY 1, 2021

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 <u>except the following classes of employee:</u> (1) Employees who are members of the Water Pollution Control Employees Association (WPC) who are hired on or after 1/1/11; and (2) Employees who are not members of either the WPC or the South Burlington City Hall & Public Works Employees' Association (SBCH&PW) unless such employee was a Participant in the Plan on 6/30/10. (3) Employees who are members of SBCH&PW, unless such employee was a Participant in the plan on June 30, 2013. (4) Employees hired after June 30, 2019.
<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 WPC Members - effective 7/1/07 total compensation, including scheduled and unscheduled overtime, on-call pager pay. 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.