

**City of South Burlington
Retirement Income Plan**

**Actuarial Valuation
as of July 1, 2012**

**Revised Report
January 21, 2013**

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INTRODUCTION

Following is the **revised** report of the actuarial valuation of the City of South Burlington Retirement Income Plan (the "Plan") that has been made for purposes of determining a recommended level of contribution and reviewing the current funded status of the Plan. The valuation, performed as of the beginning of the current plan year, July 1, 2012, measures the liabilities of the Plan, compares them to existing Plan assets and determines what level of contribution, is recommended to properly fund the Plan.

The actuarial valuation has been revised to reflect corrected compensation for the Public Safety group for the plan year ended June 30, 2012. After the original report was issued on November 30, 2012 the Plan's actuaries and the City of South Burlington ("the City") determined that compensation provided by the City for the Public Safety employees had not included the appropriate amount of overtime, understating compensation used in the valuation. The change was determined to be of material impact to the overall valuation results; accordingly the valuation has been revised and the report is being reissued as of this date, January 21, 2013.

Employer Contribution Recommended for 2012-2013 Plan Year

Following is this year's minimum recommended Employer contribution based on amortization of unfunded actuarial accrued liability over 10-year and 20-year periods (see page 4):

	<u>Minimum Recommended Contribution Based on 10-Year and 20-Year Amortization Bases</u>			
	<u>10-Year Amortization</u>		<u>20-Year Amortization</u>	
	<u>\$ Amount</u>	<u>\$ Amount</u>	<u>% Payroll</u>	<u>% Payroll</u>
Public Safety Group:	\$431,186	\$417,065	11.0%	10.6%
Non-Public Safety Group:	<u>282,790</u>	<u>242,278</u>	16.8%	14.4%
	<u>\$713,976</u>	<u>\$659,343</u>	12.7%	11.7%

The above is the amount payable by the City of South Burlington ("the City"), which is in addition to mandatory employee contributions required from Public Safety employees of 6.5% of compensation.

Projected Recommended Contribution for 2013-2014 Fiscal Year

We have projected assets and liabilities forward for estimating the total contribution for the next fiscal year to assist with the City's 2013-2014 FY budget process. Our projection is based on (1) actuarial assumptions in this year's valuation, including asset return of 7.5% and 4% payroll increase; and (2) contributions at the recommended level of \$660,000. Due to market volatility, however, we did two additional projections at varying projected rates of return (ROR) of 0% and a loss of 7.5%:

	<u>Employer Contribution for 2013-2014 FY including 10-20 Yr Amortization FIL *</u>		
	<u>7.5% ROR</u>	<u>0% ROR</u>	<u>-7.5% ROR</u>
Public Safety Group:	\$442,871 - 457,214	\$644,438 - 658,702	\$846,004 - 860,190
Non-Public Safety Group:	\$254,041 - 295,328	\$309,864 - 351,209	\$365,687 - 407,091
Total:	\$696,912 - 752,542	\$954,302 - 1,009,911	\$1,211,691 - 1,267,281

* Each range reflects amortization of Frozen Initial Liability over 10-20 year period (longer amortization increases the contribution)

With actuarial gain/loss spread out over future working lifetime of each group, Plan experience is of greater impact on the Public Safety group due to the lower normal retirement age 50, as compared to age 65 of the Non-Public Safety group. This means that the range in contribution from varying investment return is greater under the PS Group.

INTRODUCTION (CONTINUED)

Payroll Data changes – Impact on Contribution and Liabilities

Valuation payroll this year, as compared to last year was less than the 4% expected for the Non-Public Safety group and more than the 4% expected for the Public Safety group:

Non-PS payroll growth 6/30/11 – 6/30/12:	1.8%
PS payroll growth 6/30/11 – 6/30/12:	12.7%

Average 6/30/12 FYE compensation in the active Public Safety group was reported at \$56,215 for the 70 active participants as compared with \$51,210 reported last year for 72 active participants. Average 6/30/12 FYE compensation in the covered Non-PS group was \$48,277 for the 35 active participants as compared with \$57,944 last year for 40 active participants.

The reduction in average compensation for the Non-Public Safety group reflects change in makeup of the group, in large part due to the close of the Plan for most new Non-PS employees (e.g. VMERS). The growth in Public Safety payroll is attributable to overtime, which represented approximately 13.8% of total PS payroll this year, as compared with last year's reported overtime, of approximately 3.0%. The City has reviewed the additional overtime reported for FY 2012 as compared to FY 2011 and stated that the change is most likely due to an understatement of overtime in data it provided last year, rather than an actual increase in overtime worked. Increased payroll translates to increased contribution on the PS side although some of the increase was offset by Non-PS payroll being less than expected.

Payroll increases, combined with asset return less than expected has increased the Plan's contribution and decreased the Plan's funded ratio from 107% to 100% (see next section).

Funded Status Update

Following is an update on the Plan's funded status, as of July 1, 2012, as compared to last year (bottom of page 1 and page 5):

	Funded Ratio Current Year – July 1, 2012		
	Public Safety	Non-PS	Total
PV of Accumulated Plan Benefits:	\$16,586,295	\$5,776,364	\$22,362,659
Fair Market Value of Plan Assets:	16,322,208	6,032,342	22,354,550
(Shortfall)/Excess of Assets:	(264,087)	255,978	(8,109)
Funded Ratio:	98%	104%	100%
	Funded Ratio Prior Year – July 1, 2011		
	Public Safety	Non-PS	Total
PV of Accumulated Plan Benefits:	\$15,287,025	\$5,490,256	\$20,777,281
Fair Market Value of Plan Assets:	16,224,502	5,916,216	22,140,718
(Shortage)/Excess of Assets:	937,477	425,960	1,363,437
Funded Ratio:	106%	108%	107%

The liabilities stated here have been measured on an *ongoing Plan basis*, and as such are based on the Plan's current funding assumptions, mainly 7.5% investment return expected for plan assets for the long-term. If the Plan were terminated, additional calculations would be required to determine liabilities on a *Plan termination basis*. In the current low interest rate environment, unfunded liabilities on a Plan Termination basis would be considerably higher than have been stated here. Thus the funded ratios on a termination basis would be less than what is stated above.

It is also important to understand that under the Plan's funding method, contributions fund both benefits accrued to date and those expected to accrue from future service. Theoretically, the objective is to fund future benefits before they accrue so that over the long term, costs will be consistent as a percentage of payroll. Thus a healthy funded ratio is one which exceeds 100%, thereby helping to keep the costs of future benefits level, as a percentage of payroll.

INTRODUCTION (CONTINUED)

Plan Experience – Assets – Impact on Funded Status and Contribution

This year's rate of return, while positive, was considerably less than 7.5% assumed in the valuation calculations. This results in an actuarial loss, increasing the contribution and reducing the Plan's funded ratio as compared to last year. Historical approximate rates of annual asset return and assumed rates of return over the last eleven years follow:

<u>Plan Year</u>	<u>Rate of Return</u>	<u>Assumed Rate</u>
6/30/12	1.7%	7.5%
6/30/11	20.1%	7.5%
6/30/10	13.2%	7.5%
6/30/09	(16.0%)	7.5%
6/30/08	(9.0%)	7.5%
6/30/07	14.1%	7.5%
6/30/06	9.9%	7.5%
6/30/05	7.9%	7.5%
6/30/04	12.2%	7.5%
6/30/03	2.8%	8.5%
6/30/02	(4.2%)	8.5%
3-Year Average:	11.67%	
5-Year Average:	2.00%	
9-Year Average:	6.01% (years since 7.5% change)	

Generally, in the case of publicly funded pension plans, an assumed rate of return of 7.5% would be considered reasonable. Publicly funded plans are often deemed to exist in perpetuity or at a minimum over a long period of time, due to the ongoing existence of the public employer plan sponsor. Though down at 6/30/12, asset return improved considerably in the prior two years; we note that over the 9 years since the rate of return was reduced from 8.5% to 7.5%, net investment return has averaged 6.01%. Plan Trustees should continue to evaluate whether or not continued use of a 7.5% assumed rate of return is supported by its current investment portfolio. Its determination should be based primarily on the classes of assets in which the Plan is invested, the risk associated with same and the investment manager's long term objectives.

Actuarial Assumptions and Funding Method

The assumptions and funding method underlying the valuation are outlined on page 6. No changes have been made since the last valuation. Each year's experience will continue to be reviewed in comparison with experience anticipated under the assumptions, mainly in regards to investment experience, employee turnover/retirement and compensation growth, with changes being made as needed in consideration of such experience (over the long term), combined with the City's expectation for the future.

Participant Data

Participant data listings will be sent separately at the same time as individual participant benefit statements are prepared.

GASB 27 Disclosures

Pages 10-11 provide information required under GASB 27 for disclosure on the City's financial statements, as of June 30, 2012. The Annual Required Contribution (ARC) is based on 20-year amortization of the Plan's Frozen Initial Liability. Net Pension Obligation/Asset as of June 30, 2012 is an asset of \$6,955,383.

INTRODUCTION (CONTINUED)

Change is Governmental Accounting Standards: GASB 68

In June of 2012, GASB issued Statements GASB 67 and 68 pertaining to reporting and disclosure requirements for public pension plans. GASB 68 applies to the City of South Burlington Retirement Income Plan, effectively replacing GASB 27 as it now applies to the City. GASB 68 significantly changes the amount that is expensed and the net pension liability that will be reported on the City's financial statements. The new rules include the following:

- ARC replaced by Pension Expense
- Pension Expense is determined under a single method, with no flexibility
- Accrued Liability measured under single method
- Amortization of gains/losses and unfunded liabilities will be over a shorter period than those prescribed under GASB 27
- Plan changes (e.g. benefit increases or decreases) are recognized immediately in pension expense (e.g. no amortization)
- Discount rate – reflects expected return on assets only to the point at which assets are projected to be sufficient to pay benefits. Benefits payable beyond that time must be discounted using a prescribed Municipal Bond Rate
- Net Pension Obligation (now an asset for the City), which under GASB 27 is difference between cumulative ARCs and contributions, is replaced with unfunded Entry Age Accrued Liability.

Although the changes are complex and will be of impact to the City's financial statement reporting requirements, the City's funding of the Plan's unfunded accumulated benefits in 2011 with the Bond proceeds means the City is much better prepared to transition to the new rules. Although we have not yet measured the Plan's liabilities under GASB 68, we are expecting that the Plan will fare much better than many given the Plan's improvement in its funded ratio.

The new requirements are effective for fiscal years beginning after June 15, 2014; or FYB July 1, 2014 for the City. We have discussed the new requirements with City management and are recommending that the next valuation for FYB July 1, 2013 include a draft valuation under GASB 68, e.g. what GASB 68 would have required were it implemented as of July 1, 2013. This will provide the City with an understanding of the impact of GASB 68 and provide time to address issues that may arise as a result.

Lastly it is important to note that GASB 68 does not in itself change the City's funding policy, but the City may decide to change its funding policy depending on the impact GASB 68 will have on its financial statements.

**CITY OF SOUTH BURLINGTON
RETIREMENT INCOME PLAN
ACTUARIAL VALUATION AS OF
JULY 1, 2012**

SUMMARY OF ACTUARIAL VALUATION

	<u>PUBLIC SAFETY</u>	<u>NON-PUBLIC SAFETY</u>	<u>TOTAL</u>
ACTUARIAL VALUATION DATE	7/1/2012	7/1/2012	
<i>MINIMUM RECOMMENDED EMPLOYER CONTRIBUTION RANGE:</i>			
<i>MINIMUM BASED ON 10-YEAR AMORTIZATION OF UEAAL:</i>	431,186	282,790	713,976
<i>MINIMUM CONTRIBUTION AS PERCENTAGE PAYROLL:</i>	11.0%	16.8%	12.7%
<i>MINIMUM BASED ON 20-YEAR AMORTIZATION OF UEAAL:</i>	417,065	242,278	659,343
<i>MINIMUM CONTRIBUTION AS PERCENTAGE PAYROLL:</i>	10.6%	14.4%	11.7%

PARTICIPANT DATA

Retired Participants currently receiving benefits:	23	32	55
Terminated vested or inactive but still employed participants:	8	30	38
Participants currently employed:	70	35	105
Total participants:	101	97	198
Ineligible Employees:	0	11	11
Aggregate compensation of active participants:	3,935,083	1,687,929	5,623,012
Average compensation per active participant:	56,215	48,227	53,552

ASSET DATA

Fair market value of Plan assets:	16,322,208	6,032,342	22,354,550
Actuarial asset value:	16,322,208	6,032,342	22,354,550
Approximate annual rate of return for the plan year (net of expenses):	1.66%	1.66%	1.66%

SUMMARY OF ASSETS AND LIABILITIES FOR DISCLOSURE UNDER FAS 35

Present value of vested accumulated benefits:	16,429,836	5,734,172	22,164,008
Present value of non-vested accumulated benefits:	156,459	42,192	198,651
Present value of total accumulated benefits:	16,586,295	5,776,364	22,362,659
Fair market value of Plan assets:	16,322,208	6,032,342	22,354,550
Assets above/(below) total accumulated benefits:	(264,087)	255,978	(8,109)
Funded ratio:	98%	104%	100%

**CITY OF SOUTH BURLINGTON
RETIREMENT INCOME PLAN
ACTUARIAL VALUATION AS OF
JULY 1, 2012**

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:	21	31	52
2. New retirees and beneficiaries:	2	3	5
3. Retirees Deceased:	0	2	2
4. Retirees and beneficiaries at current valuation date (1+2-3):	23	32	55
<i>B. TERMINATED VESTED AND INACTIVE BUT STILL EMPLOYED PARTICIPANTS:</i>			
1. Terminated vested participants at prior valuation date:	6	33	39
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	7	7
5. Terminated vested participants at current valuation date (1+2+3-4):	8	30	38
<i>C. ACTIVELY EMPLOYED PARTICIPANTS:</i>			
1. Active participants at prior valuation date:	72	40	112
2. New participants:	3	0	3
3. Participants retired:	2	0	2
4. Terminated without vested benefits:	1	2	3
5. Terminated with vested benefits due in future:	1	3	4
6. Terminated with vested benefits and cashed out:	1	0	1
7. Participants transferred out:	0	0	0
8. Active participants at current valuation date (1+2-3-4-5-6-7):	70	35	105
<i>D. TOTAL PARTICIPANTS (A+B+C):</i>	101	97	198
<i>E. AVERAGE AGES:</i>			
1. Retirees and Beneficiaries:	61.34	72.75	
2. Terminated or Inactive participants with vested benefits:	37.85	49.50	
3. Active participants:	38.14	52.26	
<i>F. AVERAGE MONTHLY BENEFITS:</i>			
1. Retirees and Beneficiaries:	2,586.00	833.00	
2. Terminated or Inactive participants with vested benefits:	547.00	628.00	
3. Active participants: *	2,479.13	1,963.00	
<i>G. AVERAGE YEARS OF SERVICE FOR ACTIVE PARTICIPANTS:</i>	10.34	14.09	

* Average of benefit expected at retirement age, based on current compensation and service at retirement

**CITY OF SOUTH BURLINGTON
RETIREMENT INCOME PLAN
ACTUARIAL VALUATION AS OF
JULY 1, 2012**

PLAN ASSET EXPERIENCE SINCE THE PRECEDING VALUATION DATE

SUMMARY OF INCOME, EXPENSES AND RATE OF RETURN

Asset fair market value at July 1, 2011:		22,140,718
Additional Bond Proceeds:		700
Employer contribution - paid April 4, 2012:		600,000
Mandatory Employee contributions:		282,608
Benefit Payments to Participants:		(1,036,673)
Investment income and expense:		
Interest and Dividends, other income	431,349	
Realized gains and (losses)	144,151	
Unrealized appreciation/(depreciation) in market value:	(187,242)	
Expenses paid from Plan assets:	(21,060)	
Investment earnings on market value basis, net of expenses:		367,198
Asset fair market value at June 30, 2012:		22,354,550
Approximate annual rate of return for the plan year (net of expenses):		1.66%
Additional Employer Contribution (Bond Proceeds) received after year-end:		0
Actuarial Asset Value at June 30, 2012:		22,354,550

COMPOSITION OF ASSETS AT JUNE 30, 2012:

	<u>Market Value</u>	<u>Percent Total</u>
Employer Contribution Receivable:	0	-
Short Term Fund (Cash equivalent):	1,146,643	5.13%
U.S. Stocks:	9,632,232	43.09%
U.S. Bonds:	7,509,864	33.59%
International Stocks:	3,269,681	14.63%
Real Estate:	796,130	3.56%
Total:	<u>22,354,550</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, 2011:	16,224,502	5,916,216	22,140,718
Additional Bond Proceeds:	578	122	700
Employer contributions:	245,628	354,372	600,000
Mandatory Employee contributions:	282,608	0	282,608
Benefit Payments to Participants:	(700,529)	(336,144)	(1,036,673)
Share of Investment Earnings (net of expenses):	269,421	97,776	367,197
Asset fair market value at June 30, 2012:	16,322,209	6,032,341	22,354,550
Employer contribution receivable:	0	0	0
Employee contribution receivable:	0	0	0
Asset fair market value at June 30, 2012:	16,322,209	6,032,341	22,354,550

**CITY OF SOUTH BURLINGTON
RETIREMENT INCOME PLAN
ACTUARIAL VALUATION AS OF
JULY 1, 2012**

DETERMINATION OF RECOMMENDED EMPLOYER CONTRIBUTION

<i>DETERMINATION OF NORMAL COST</i>	<u>PUBLIC SAFETY</u>	<u>NON-PUBLIC SAFETY</u>	<u>TOTAL</u>
1. Actuarial Present Value of Future Benefits:			
(a) Inactive Participants	8,220,273	3,705,748	
(b) Active Participants	12,868,125	4,518,371	
(c) Total	21,088,398	8,224,119	
2. Actuarial Asset Value:	16,322,208	6,032,342	
3. Present Value of Future Employee Contributions:	1,813,609	0	
4. Unfunded Entry Age Accrued Liability:	252,369	779,045	
5. Present Value of Future Normal Cost (1c-2-3-4):	2,700,212	1,412,732	
6. Present Value of Future Payroll:	27,901,680	15,299,527	
7. Normal Cost Accrual Rate (5/6):	9.6776%	9.2338%	
8. Current Payroll:	3,935,083	1,687,929	5,623,012
9. Normal Cost (7*8):	380,821	155,860	536,682

MINIMUM RECOMMENDED EMPLOYER CONTRIBUTION RANGE

Minimum based on 10-Year Amortization of Unfunded Entry Age Accrued Liability:

1. Normal Cost:	380,821	155,860	536,682
2. 10-Year Amortization of Unfunded Accrued Liability:	42,429	121,725	164,154
3. Interest to Expected Payment Date:	7,936	5,205	13,141
4. Minimum Recommended Contribution (1+2+3):	431,186	282,790	713,976
5. Minimum Contribution as Percentage Payroll:	11.0%	16.8%	12.7%

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

1. Normal Cost:	380,821	155,860	536,682
2. 20-Year Amortization of Unfunded Accrued Liability:	28,568	81,959	110,527
3. Interest to Expected Payment Date:	7,676	4,459	12,135
4. Minimum Recommended Contribution (1+2+3):	417,065	242,278	659,343
5. Minimum Contribution as Percentage Payroll:	10.6%	14.4%	11.7%

Employer Contribution amounts are anticipated to be paid on or before March 31, 2013. 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, 2012**

ACCRUED LIABILITY AMORTIZATION BASES

PUBLIC SAFETY GROUP

<i>Reason/Date Established</i>	<i>Original Balance</i>	<i>Remaining Balance at Valuation Date</i>	<i>Minimum Recommended Range</i>			
			<i>Period</i>	<i>Amount</i>	<i>Period</i>	<i>Amount</i>
Fresh Start						
1-Jul-11	313,079	252,369	10	42,429	20	28,568

NON-PUBLIC SAFETY GROUP

<i>Reason/Date Established</i>	<i>Original Balance</i>	<i>Remaining Balance at Valuation Date</i>	<i>Minimum Recommended Range</i>			
			<i>Period</i>	<i>Amount</i>	<i>Period</i>	<i>Amount</i>
Fresh Start						
1-Jul-11	898,193	779,045	10	121,725	20	81,959

REMAINING UNFUNDED ENTRY AGE ACCRUED LIABILITY

	<i>PUBLIC SAFETY</i>	<i>NON-PUBLIC SAFETY</i>	<i>TOTAL</i>
Remaining Unfunded at July 1, 2011:	313,079	898,193	
Normal Cost at July 1, 2011:	154,459	162,329	
Interest Charge:	35,065	79,539	
ER Contribution paid April 4, 2012	245,628	354,372	600,000
Interest Credits from April 4, 2012 to June 30, 2012:	4,606	6,644	
Remaining Balance at July 1, 2012:	252,369	779,045	
Total Remaining Balance:	252,369	779,045	1,031,414

**CITY OF SOUTH BURLINGTON
RETIREMENT INCOME PLAN
ACTUARIAL VALUATION AS OF
JULY 1, 2012**

ACCUMULATED BENEFITS AND ASSETS UNDER FINANCIAL ACCOUNTING STANDARD NO. 35

A. ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS AS OF VALUATION DATE:

	<i>PUBLIC SAFETY</i>	<i>NON-PUBLIC SAFETY</i>	<i>TOTAL</i>
Actuarial present value of vested accumulated Plan benefits			
Inactive Participants (Retirees, Term Vested):	8,220,273	3,705,748	11,926,021
Actively employed participants:	8,209,563	2,028,424	10,237,987
Total:	16,429,836	5,734,172	22,164,008
Actuarial present value of non-vested accumulated Plan benefits:	156,459	42,192	198,651
Actuarial present value of total accumulated Plan benefits:	16,586,295	5,776,364	22,362,659
Plan assets available to provide accumulated benefits:	16,322,209	6,032,341	22,354,550
Funded ratio:	98.4%	104.4%	100.0%

B. CHANGE IN ACCUMULATED BENEFITS FROM PRIOR VALUATION DATE TO CURRENT VALUATION DATE

Total present value of accumulated benefits at prior valuation date:	15,287,025	5,490,256	20,777,281
Benefits paid:	(700,529)	(336,144)	(1,036,673)
Passage of time (interest accrued):	1,120,257	399,164	1,519,421
Assumptions change:	0	0	0
Plan changes:	0	0	0
Benefits accumulated due to employee service, salary experience, retiree COLA adjustments, mortality/turnover experience:	879,542	223,088	1,102,630
Total present value of accumulated benefits at current valuation date:	16,586,295	5,776,364	22,362,659

C. ACTUARIAL ASSUMPTIONS AND VALUATION DATE

Current actuarial valuation date:	July 1, 2012
Actuarial present value interest rate:	7.50%
Mortality table used in determining actuarial present values:	IRC Section 430 2009 Mortality Optional Combined
Changes in actuarial assumptions from prior valuation date:	None
Plan changes not reflected at prior valuation date:	None

**CITY OF SOUTH BURLINGTON
RETIREMENT INCOME PLAN
ACTUARIAL VALUATION AS OF
JULY 1, 2012**

ACTUARIAL ASSUMPTIONS AND COST METHOD

ACTUARIAL VALUATION DATE:	July 1, 2012
VALUATION INTEREST (Pre and Post-retirement):	7.50%
COMPENSATION ANNUAL RATE OF INCREASE:	4.00%
VALUATION COMPENSATION:	
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
EMPLOYEE CONTRIBUTION RATE (Public Safety Only):	6.50%
ASSUMED RETIREMENT AGE:	Normal Retirement Age
MORTALITY (Pre and Post-retirement):	IRC Section 430 2009 Optional Combined Tables
EMPLOYEE TURNOVER:	Scale T-3 from the Pension Actuary's Handbook
IRC SECTION 401(a)(17) MAXIMUM COMPENSATION LIMIT:	\$245,000
IRC SECTION 415(b) MAXIMUM BENEFIT LIMIT:	\$200,000
ASSET VALUATION METHOD:	Fair Market Value
ACTUARIAL COST METHOD:	Frozen Initial Liability

Under the Frozen Initial Liability Cost Method the Employer contribution is equal to Normal Cost plus amortization of Unfunded Entry Age Accrued Liability. Normal Cost is computed in the aggregate for all participants as follows:

1. Normal Cost is equal to the Normal Cost Accrual Rate multiplied by current payroll.
2. Normal Cost Accrual Rate is equal to the Present Value of Future Normal Cost divided by the Present Value of Future Payroll.
3. Present Value of Future Normal Cost is equal to the Actuarial Present Value of Future Benefits less the sum of (1) the Actuarial Value of Plan assets, (2) the Actuarial Present Value of Future Employee Contributions and (3) the outstanding balances of any Unfunded Entry Age Accrued Liability Amortization Bases.
4. Actuarial Present Value of Future Benefits is the single sum amount required as of the valuation date to provide future benefits at assumed retirement age.

Unfunded Entry Age Accrued Liability has been "fresh started" as of July 1, 2011 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 years

**CITY OF SOUTH BURLINGTON
RETIREMENT INCOME PLAN
ACTUARIAL VALUATION AS OF
JULY 1, 2012**

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

<i>NORMAL RETIREMENT AGE:</i> * 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
ACTUARIAL VALUATION AS OF
JULY 1, 2012**

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 employeee:</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.
<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.

**CITY OF SOUTH BURLINGTON RETIREMENT INCOME PLAN
GASB 27 DISCLOSURES FOR FISCAL YEAR ENDED JUNE 30, 2012**

Components of Annual Required Contribution (ARC):

Normal Cost	316,788
Amortization of Accrued Liability:	110,527
Interest Cost:	24,036
Annual Required Contribution:	451,351

Adjustment to ARC

Net Pension Obligation at beginning of year:	(7,134,386)
Level Dollar Amortization Factor:	8.269543
Adjustment to ARC:	862,730

Annual Pension Cost (APC):

Annual Required Contribution (ARC):	451,351
Interest on net beginning Net Pension Obligation (NPO):	(535,079)
Adjustment to ARC:	862,730
Annual Pension Cost (APC):	779,003

Change in NPO During the Fiscal Year

NPO at beginning of fiscal year:	(7,134,386)
Interest on NPO:	(535,079)
Annual Required Contribution (ARC) for the fiscal year:	451,351
Adjustment to the ARC:	862,730
Employer Contribution made during the fiscal year:	600,000
NPO (assets) at end of fiscal year:	(6,955,383)
Net change in NPO:	179,003

Funded Status at end of Fiscal Year:

Present Value of Accumulated Plan Benefits at end of year:	22,362,659
Plan assets at end of year:	22,354,550
Assets above / (below) Accumulated Plan Benefits at end of year:	(8,109)
Percentage of Accumulated Plan Benefits Funded:	100%

10 Year Benefit Projections:

6/30/13	1,399,400	6/30/18	1,884,700
6/30/14	1,439,100	6/30/19	2,050,600
6/30/15	1,495,700	6/30/20	2,225,800
6/30/16	1,612,700	6/30/21	2,297,100
6/30/17	1,792,200	6/30/22	2,456,200

Actuarial Cost Method used to determine ARC:

Frozen Initial Liability

Amortization Method and Period of Amortization:

Level dollar over 20 Years

Actuarial Assumptions:

See page 7 of July 1, 2011 Actuarial Report

Plan Description:

See pages 8-9 of July 1, 2011 Actuarial Report

Employer Funding Policy:

Payment of Normal Cost plus amortization of Actuarial Accrued Liability over 20 years
People's United Bank, Retirement Services

**CITY OF SOUTH BURLINGTON RETIREMENT INCOME PLAN
GASB 27 DISCLOSURES FOR FISCAL YEAR ENDED JUNE 30, 2012**

HISTORICAL SUMMARY OF DEVELOPMENT OF FISCAL YEAR END NET PENSION OBLIGATION (NPO)

<i>Fiscal Year</i>	<i>FYB</i>	<i>FY Discount Rate</i>	<i>Opening NPO Balance</i>	<i>Interest Charge on NPO Balance</i>	<i>Annual Required Contribution (ARC)</i>	<i>ARC Adjust Amor Factor</i>	<i>ARC Adjustment</i>	<i>Annual Pension Cost (APC)</i>	<i>Employer Contribution</i>	<i>Change in NPO Liability</i>	<i>Ending NPO Balance</i>	<i>FYE</i>
1		8.5%	0	0	121,519	10.74684	0	121,519	121,537	0	0	30-Jun-92
2		8.5%	0	0	139,849	10.74684	0	139,849	128,004	11,845	11,845	30-Jun-93
3		8.5%	11,845	1,007	152,575	11.95137	(991)	152,591	115,401	37,190	49,035	30-Jun-94
4		8.5%	49,035	4,168	175,365	11.92929	(4,110)	175,423	154,061	21,362	70,396	30-Jun-95
5		8.5%	70,396	5,984	180,047	11.71577	(6,009)	180,022	170,402	9,620	80,016	30-Jun-96
6		8.5%	80,016	6,801	131,375	11.41104	(7,012)	131,164	145,604	(14,440)	65,576	30-Jun-97
1	01-Jul-97	8.5%	65,576	5,574	70,439	11.44237	(5,731)	70,282	70,439	(157)	65,419	30-Jun-98
2	01-Jul-98	8.5%	65,419	5,561	101,365	11.35489	(5,761)	101,164	26,168	74,996	140,416	30-Jun-99
3	01-Jul-99	8.5%	140,416	11,935	51,282	11.15892	(12,583)	50,634	10,000	40,634	181,049	30-Jun-00
4	01-Jul-00	8.5%	181,049	15,389	67,425	11.27816	(16,053)	66,761	0	66,761	247,810	30-Jun-01
5	01-Jul-01	8.5%	247,810	21,064	445,960	7.97235	(31,084)	435,940	412,834	23,106	270,916	30-Jun-02
6	01-Jul-02	8.5%	270,916	23,028	584,858	7.01744	(38,606)	569,280	408,164	161,116	432,032	30-Jun-03
7	01-Jul-03	7.5%	432,032	32,402	592,140	9.63650	(44,833)	579,710	430,763	148,947	580,979	30-Jun-04
8	01-Jul-04	7.5%	580,979	43,573	709,457	9.18851	(63,229)	689,802	597,141	92,661	673,639	30-Jun-05
9	01-Jul-05	7.5%	673,639	50,523	919,435	8.50623	(79,194)	890,764	893,000	(2,236)	671,403	30-Jun-06
10	01-Jul-06	7.5%	671,403	50,355	883,866	9.03885	(74,280)	859,941	919,435	(59,494)	611,910	30-Jun-07
11	01-Jul-07	7.5%	611,910	45,893	877,490	8.83839	(69,233)	854,150	972,231	(118,081)	493,829	30-Jun-08
12	01-Jul-08	7.5%	493,829	37,037	1,178,615	8.00175	(61,715)	1,153,937	1,036,128	117,809	611,638	30-Jun-09
13	01-Jul-09	7.5%	611,638	45,873	1,642,172	8.02330	(76,233)	1,611,812	1,307,612	304,200	915,838	30-Jun-10
14	01-Jul-10	7.5%	915,838	68,688	1,594,410	7.78264	(117,677)	1,545,421	9,595,645	(8,050,224)	(7,134,386)	30-Jun-11
15	01-Jul-11	7.5%	(7,134,386)	(535,079)	451,351	8.26954	862,730	779,003	600,000	179,003	(6,955,383)	30-Jun-12