City of Burlington Vermont

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To Mayor Peter Clavelle
City Council

From Brendan S. Keleher, CAO

Date: 10/19/05

Subject: Employee Retirement Benefit – An Overview of Discussions and Analysis since FY 2000

I have assembled a chronology and a set of key documents illustrating the analyses, reports, and discussions since FY 2000 on the subject of the employee retirement benefit. The chronology lists most, if not all, of the key events as indicated by my review of the records. The documents included, I believe, while dense and technical at times will provide the reader with a detailed record of the changes in the plan benefit, the analyses of the cost of these changes and the assumptions behind these analyses.

A careful review of the assembled materials will show, I believe, that a good faith effort to improve the benefit for employees based upon the then currently available professional advice has proven to be unsustainable. The analyses available through the Retirement Board in 1999 and 2000 indicated that based upon the financial health of the retirement system the benefit could be increased without significant increase in the annual cost to the city. This was the premise employed by all parties I believe to propose, respond to, and ultimately agree to the increase in benefits.

Time and the investment markets have not been kind to the assets retirement system. Similar analyses performed today show that the once affordable benefit is no longer sustainable. Annual costs today far exceed those projected in 2000. The projected future costs if the benefit levels are not addressed are of even greater concern.

I trust that you will find this assembly of materials helpful in furthering your understanding of the current challenges that we face with the employee retirement benefit.

Cc: Retirement Board
City Attorney
Human Resources Director

RETIREMENT FUND DISCUSSION
TABLE OF CONTENTS

Calendar Year 2005

- City of Burlington Annual General Fund Retirement & FICA Cost;
- Status of Funding Ratio: Burlington Employees Retirement Plan: 1995 – 2008;
- City of Burlington: Retirement System Funding Ratio: June 1999, June 2005, June 2005;
- City of Burlington: Annual Retirement Contributions as Percent of Pay;
- Public Retirement Fund Survey: FY3003.

These summaries illustrates general fund costs and tax rates, a history of the funding ratio (assets/liabilities) for the retirement system, cost of the plan as a percentage of employee pay and a brief comparison of data from the 2004 Public Funds Survey. This summary includes a comparison of actuarial recommendations with budgeted amounts.

This was distributed at the April, 2005 meetings of the Retirement Board, the April 25, 2005 meeting of the Board of Finance and the May 2, 2005 meeting of the City Council.

Section 6: February 11, 2005: Report from Mellon Financial Company (Actuaries) to the Members of the (Retirement) Board re "REPORT ON THE FIFTY-FIRST ACTUARIAL VALUATION OF THE BURLINGTON EMPLOYEES' RETIREMENT SYSTEM, PREPARED AS OF JUNE 30, 2004";

Comments on the above Report: Annually the Retirement Board has the consulting actuary (Buck Consultants/Melon) do an actuarial valuation. This is the June 30, 2004 report; the 2005 valuation has not been completed. This Report includes a description of the plan, the annual recommended funding requirements, the funding requirement as a percentage of employee wages and the plan funding ration of assets to liabilities. In addition the report gives projections based upon current plan features FY07 through FY2015 including: the annual recommended funding requirements, funding requirement as a percentage of employee wages and plan funding ration of assets to liabilities.

Calendar Year 2004

Section 7: Assumption Changes Approved by the Retirement Board as Reflected in June 30, 2004 Actuarial Report (See Above Section);

Section 8: May 24, 2004: Resolution ANNUAL APPROPIATION AND BUDGET FOR FISCAL YEAR BEGINNING JULY 1, 2004

Comments on the above Resolution: The City Council on May 24, 2004 as part of the Resolution on the FY05 Annual Budget Appropriations requested a report back form the Retirement Board on the status of the

Buck Consulting actuarial assumptions. The Resolution also stated that the City Council "strongly urges the Retirement Board to adopt those amendments to the assumptions, or show cause to the City Council, on of before July 12, 2004, why these amendments have not been adopted".

The Retirement Board subsequently adopted, in part, the Buck Consulting recommendations; however, these came only in time for the June 30, 2004 valuation which was then used to as the basis for the change in the FY06 Budget.

For Reference:

The Actuarial Valuation for the period ending:	*Is used to the Budget for the Fiscal Years below:*
6/30/02	*FY 2004*
3/30/03	*FY 2005*
6/30/04	*FY 2006*
6/30/05	*FY 2007*

Section 9: February 3, 2004: Report from Mellon Financial Company (Actuaries) to the Members of the (Retirement) Board re "REPORT ON THE FIFTIETH ACTUARIAL VALUATION OF THE BURLINGTON EMPLOYEES' RETIREMENT SYSTEM, PREPARED AS OF JUNE 30, 2003";

Calendar Year 2003

Section 10: December 18, 2003 Memorandum from Brendan Keleher to City of Burlington Department Heads Re: Retirement Plan;

Section11: December 1, 2003 Resolution "THE BURLINGTON CITY EMPLOYEES RETIREMENT SYSTEM"

Section12: August 11, 2003: Report by Brendan Keleher: Retirement Plan Discussion before City Council Executive Session;

Section 13: August 2003: Selected Public Retirement Plan Benefits compiled by Cynthia Davis, Retirement Administrator;

Section 14: March 25, 2003: Memorandum from Brendan S. Keleher to Mayor Peter Clavelle and City Council Re: Burlington Employees Retirement System, and March 20, 2003: Report by Richard Beck and Christopher Clarke, Buck Consultants, Re: "Burlington Employees' Retirement System";

Section 15: March 19, 2003: Memorandum from Buck Consultants to Members of the (Retirement) Board re 2002 Experience Study;

The March 19, 2003 report form Buck Consulting Actuary contained recommendations that, if adopted by the Retirement Board, would have improved the ration of assets to liabilities and in turn, reduced the recommended annual contributions contained in the annual valuation as of June 30, 2003 which served as the basis for the FY2005 city budget. The Retirement Board did not adopt these recommendations in time for the June 30, 2003 valuation of the Fund.

For reference, the timing of the Actuarial report that provides the information needed for the development of the city budget is as follows:

The Actuarial Valuation for the period ending:	*Is used to the Budget for the Fiscal Years below:*
6/30/02	*FY 2004*
3/30/03	*FY 2005*
6/30/04	*FY 2006*
6/30/05	*FY 2007*

Calendar Year 2002

Section 16: April 5, 2002: Letter form Richard K. Beck, Principal and Consulting Actuary Buck Consultants to Mrs. Cynthia L. Davis Retirement Administrator, re discussion of annual cost of living adjustment assumptions used to calculate benefits;

Section 17: March 19, 2002: Summary Observations from Brendan Keleher presented to the March 21, 2002 Retirement Board Meeting Re: Actuarial Analysis Provided by Buck Consultants;

Comments on the above letter: This letter is alerting the Board to reduction in the asset value of the system and potential impact on the health of the system, and need to consider changes to the benefit.

Section 18: March 4, 2002: E-Mail from Brendan Keleher to Bill Mitchell and Joe McNeil Re: Retirement Cost Projections;

Calendar Year 2001

Section 19: Summary of Various Union Contracts, Including:

- November, 2001: Agreement between IBEW and City of Burlington;

- December 2000: City-AFSME Tentative Agreements for years July 1, 2000 through June 30, 2002;
- Tentative Agreement between the City of Burlington and the Burlington Police Officers' Association;
- Resolution "AUTHORIZATION FOR ACCEPTANCE OF COLLECTIVE BARGAINING AGREEMENT WITH THE BURLINGTON FIREFIGHERES' ASSOCIATION;

Calendar Year 2000

Section 20: August 14, 2000: Memorandum from Brendan Keleher to File re: Retirement Tax Rate analysis;

Section 21: July 3, 2000: E-Mail from Christopher A. Clarke, Buck Consults to Cynthia Davis, Retirement Administrator re: Class B Contribution Projection;

June 12, 2000: E-Mail from Christopher A. Clarke Buck Consultants to Cindy Davis, Retirement Administrator re Burlington Projected Contribution for Class A Employees, and;

June 12, 2000: E-Mail from Bryk Joel to Cynthia Davis Retirement Administrator Re: Offset Improvements with Future Actuarial

June 8, 2000: E-Mail from Christopher A. Clarke Buck Consultants to Cynthia Davis, Retirement Administrator Re: Cost Estimate;

Calendar Year 1999

Section 22: December 3, 1999: Report from Class A Study Group (Members: D. Contois, M. Kost, J. Sonic, J. Marrier, B. Keleher, P. Walsh) to Mayor Clavelle, J. Knodell, M. Gardy, B. Perry, S. Bushor, J. Strouse, M. Kost, B. Keleher, G. Gilbert, T. Green, T. Middleton, R. Albery, S. Bourgiois, J. Lewis, re "THE FINAL REPORT OF THE CLASS "A" STUDY GROUP"

Comments on the above Report: The Committee reviewed the funding status and benefit levels of the retirement system and made recommendations of benefit improvements. The report includes the summary of the analysis and cost impact of the changes performed by Buck/Mellon.

Section 23: November 22, 1999: Report from Class B Study Group (Members: J. Strouse, Robert Albery, P. Paquette, M. Ushakova, W. Rasch, B. Keleher, K. Labounty) to Mayor Clavelle, J. Knodell, M. Gardy, B. Perry, S.

Bushor, J. Strouse, M. Kost, B. Keleher, G. Gilbert, T. Green, T. Middleton, R. Albery, P. Paquette, B. Grimes, L. Atkins, T. Watkins, re "THE FINAL REPORT OF THE CLASS "B" STUDY GROUP"

Comments on the above Report: The Committee reviewed the funding status and benefit levels of the retirement system and made recommendations of benefit improvements. The report includes the summary of the analysis and cost impact of the changes performed by Buck/Mellon.

Section 1

September 20, 2005

Memorandum from Mayor Peter Clavelle to All City Employees re City Retirement Benefits, including:

- How Have Employee Costs Grown?: Comparison of Total Benefit Costs as a Percentage of Payroll, FY2000 and FY2006;
- Summary of Salaries/Wages & Benefits for Fiscal Years 2000 and 2006 for all City Funds;
- Projection of Payroll/Benefit Costs for FY2007;
- General Fund Tax Contribution to the Retirement System;
- City-Wide Retirement/FICA Costs.

This memorandum was circulated to all city employees in September 2005 and was the basis for a open meeting discussion held with Mayor Clavelle and interested employees.

OFFICE OF THE MAYOR
Burlington, Vermont

PETER CLAVELLE, MAYOR
Room 34, City Hall
Burlington, VT 05401
(802)865-7272

September 20, 2005

To: All City Employees
From: Mayor Clavelle
Re: City Retirement Benefit

I want to address with you the issue being most actively discussed among City employees – our pension plan, its troubles, what we are trying to do about it and why.

Historical Background

Our pension plan was in wonderful shape as of the year 2000. It was fully funded, with assets well in excess of obligations. The retirement plan was, according to professional actuarial advice, "very healthy." Based upon this advice, we believed that an increase to the benefit level could be made with no additional cost to employees and only modest cost to the City. Benefits were improved in two respects. The "accrual rate" was increased so that advancement to maximum benefit could occur more rapidly. Employees past service was also recalculated at the new rate of accrual. Additionally, the "early retirement penalty" was reduced.

2000 to Present

The optimistic expectations concerning the continued health of the plan did not materialize. The significant downturn of the stock market and what has been referred to as the '"perfect storm" of lagging economic performance, poor stock market returns, and record low interest rates' reduced the overall asset value of the plan from approximately $120 million to approximately $79 million. It now stands at just over $100 million. The assumption made in 2000 was that the enhanced benefits could be sustained without a significant increase in the level of employer contributions to the plan. This has proven not to be the case. The amount of additional money required to fund the benefit has increased dramatically.

Response to Date

At the urging of employees, we took a "wait and see" approach, waiting to see if the investments of the plan bounced back sufficiently to correct the problem. They have not and the problem remains.

As it became more obvious that waiting alone would not be successful, additional steps were taken. These included the engagement of consultant services to provide advice as to what to do. The consultants determined that either the benefits needed to be scaled back or contributions to the plan dramatically increased in order to keep the plan healthy. The consultants' extensive report was widely circulated to employee representatives.

At my request, my administration also began direct conversations with employee representatives concerning the problem and possible solutions. While the discussions were fruitful, they did not lead to any definitive course of action. Instead, the unions representing our employees requested that the matter be dealt with in actual collective bargaining.

As we study the retirement benefit and consider actions to bring fiscal health to the plan, I am mindful that the benefit is subject to collective bargaining. The collective bargaining process has begun and will continue. Finally, I am very mindful of employees who may, after many years of service, be close to retirement. We will honor the benefits earned thus far.

It is important that action be taken to set a path for long term fiscal responsibility and health of the retirement benefit. The City Council passed – and I supported – a resolution asking that the Board of Finance coordinate with the Retirement Board to further study the problem and derive workable solutions.

HOW HAVE EMPLOYEE COSTS GROWN?

Comparison of Total Benefit Costs as a Percentage of Payroll

	FY 2000	FY 2006
Health Insurance	13.4%	20.2%
Retirement (Pension & FICA)	10.3%	23.3%
Other Benefits	3.7%	6.6%
Total Benefits as a % of Payroll	27.4%	50.1%

Comparison of Cost of Typical Employee

(Grade 19)

	FY 2000	FY 2006	% Change
Salary	$ 38,510	$ 49,850	29.4%
Benefits	$ 10,552	$ 24,975	136.7%
Total	$ 49,062	$ 74,825	52.5%
CPI Growth			18.0%

Summary of Salaries/Wages & Benefits for Fiscal Years 2000 - 2006 for all City Funds

Staffing Costs Base Salary/Wages & Benefits	Budget FY 2000	Budget FY 2006	Increase 2000/06	% Change 2000/06	Average Annual % Change	CPI % Change 2000/06	CPI Average Annual % Change
Total Salaries & Wages - All Funds	$ 22,071,175	$ 29,653,951	$ 7,582,776	34.4%	4.9%		
Total Employee Benefits - All Funds	$ 6,055,891	$ 14,858,626	$ 8,802,735	145.4%	20.8%		
GRAND TOTAL - STAFFING COSTS	$ 28,127,066	$ 44,512,577	$ 16,385,511	58.3%	8.3%	18.0%	2.6%

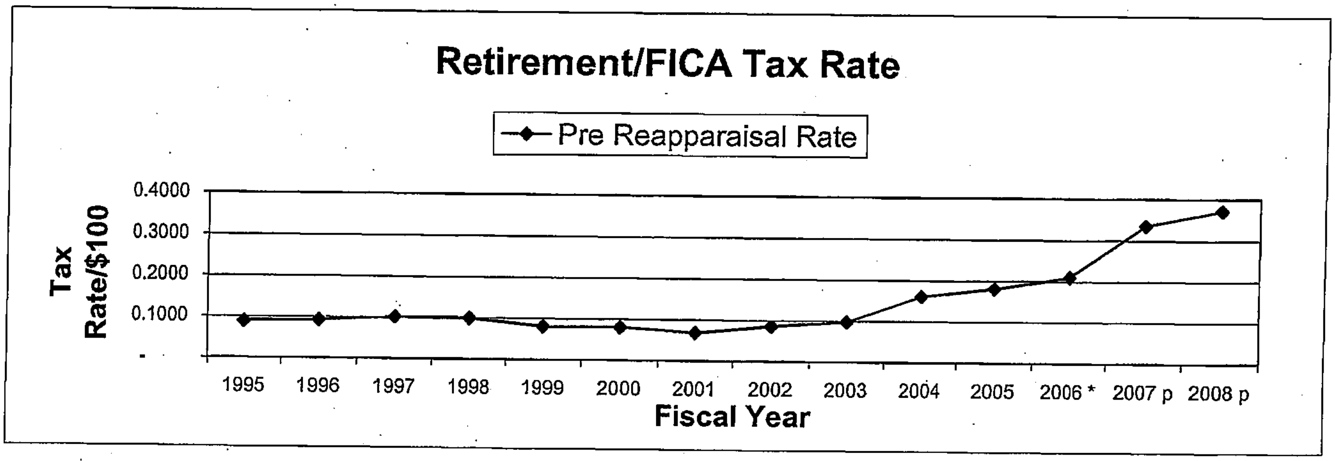
Projection of Payroll/Benefit Costs for FY 2007

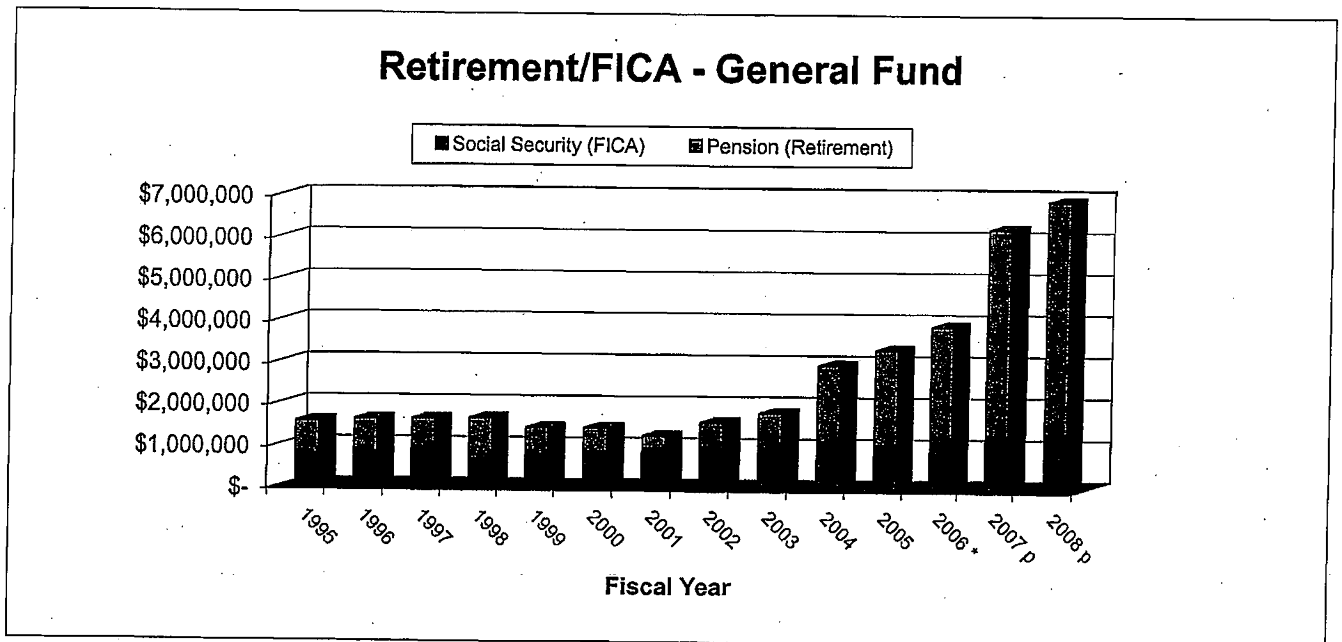
	Projected FY 2007
Total Salaries & Wages - All Funds	$ 30,395,300
Total Employee Benefits - All Funds	$ 18,435,141
GRAND TOTAL - STAFFING COSTS	$ 48,830,441

General Fund Tax Contribution to the Retirement System

	Fiscal Year	Pre- Reapp. Tax Rate	Social Security	Pension	Total
Retirement Tax Rate:	1995	0.0896	773,990	785,750	1,559,740
	1996	0.0933	725,109	894,057	1,619,166
	1997	0.1021	755,360	874,410	1,629,770
	1998	0.0992	766,050	880,590	1,646,640
	1999	0.0808	802,890	631,620	1,434,510
	2000	0.0808	871,152	559,089	1,430,241
	2001	0.0689	956,870	293,130	1,250,000
	2002	0.0856	1,085,360	486,740	1,572,100
	2003	0.0978	1,077,130	727,340	1,804,470
	2004	0.1603	1,139,050	1,821,137	2,960,187
	2005	0.1803	1,061,370	2,269,750	3,331,120
	2006 *	0.2091	1,228,354	2,671,646	3,900,000
	2007 p	0.3344	1,289,773	4,947,249	6,237,022
	2008 p	0.3706	1,354,261	5,558,255	6,912,516

* The tax rate shown as .2091 is expressed in pre-reappraisal terms for comparison purposes. The actual tax rate is .1086 for 2006.





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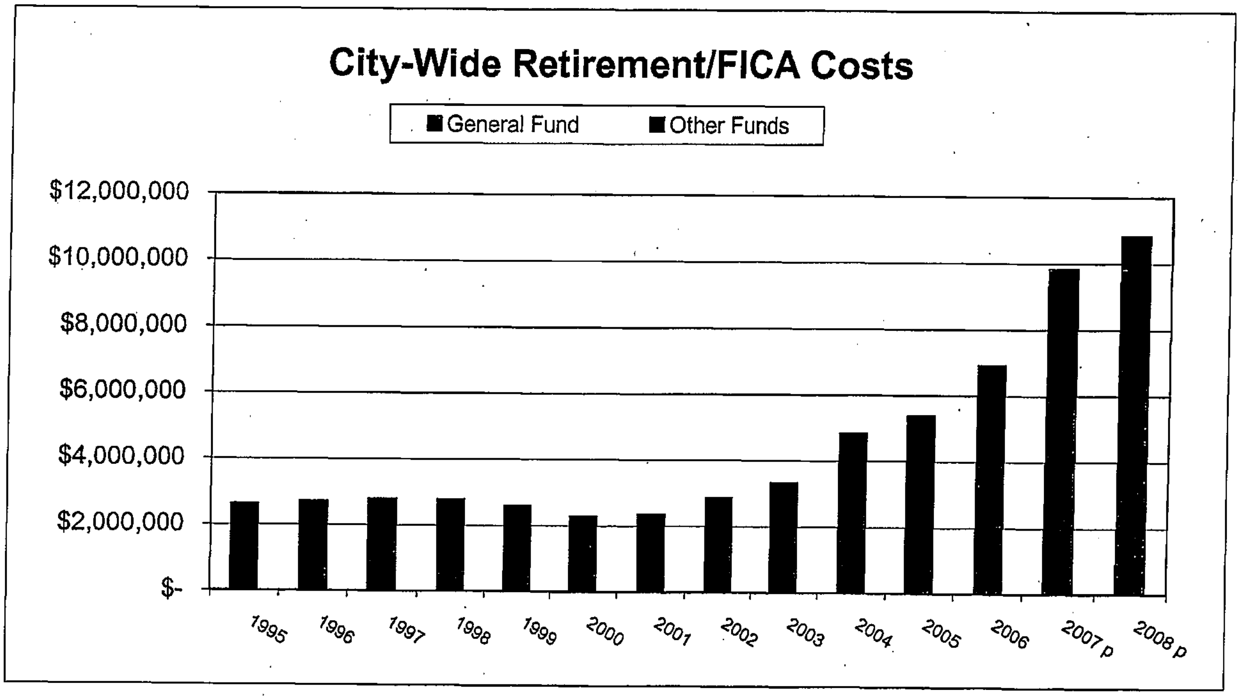
City-Wide Retirement/FICA Costs

City-Wide Retirement Fund Costs include Pension Costs & Social Security.

Fiscal Year	General Fund	Other Funds	Total Costs
1995	1,559,740	1,053,030	2,612,770
1996	1,619,166	1,079,874	2,699,040
1997	1,629,770	1,148,700	2,778,470
1998	1,646,640	1,120,740	2,767,380
1999	1,434,510	1,157,390	2,591,900
2000	1,430,241	845,150	2,275,391
2001	1,250,000	1,085,100	2,335,100
2002	1,572,100	1,296,810	2,868,910
2003	1,804,470	1,515,220	3,319,690
2004	2,960,187	1,864,925	4,825,112
2005	3,331,120	2,030,240	5,361,360
2006	3,900,000	2,998,805	6,898,626
2007 p	6,237,022	3,589,119	9,826,141
2008 p	6,912,516	3,911,835	10,824,351

Fiscal Year 2007 & 2008 costs are based upon actuarial projections



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Section 2

1999 – 2005: Chronology of Key Events

Meetings, Communications, Reports, Re: Retirement Fund. Note: This Binder includes selected items from the above referenced list.

This is intended to provide a summary of the dialog and correspondence associated with the Retirement Fund funding and benefit question.

Retirement Chronology
September 2005

November, 1999	Final Report of the Class "B" Study Committee concerning retirement plan changes (Included in folder);
December, 1999	Final Report of the Class "A" Study Committee concerning retirement plan changes (Included in folder);
Spring 2000	Labor contract negotiations which led to improvements to the retirement benefit;
June 2000	Tentative settlement with Burlington Police Officers Association, the first of the contracts to be settled; other contracts followed;
August 14, 2000	Internal Memo to file Brendan Keleher "Retirement Tax Rate Analysis" (reviewed with comments by Cindy Davis);
March 4, 2002	Internal memo from Brendan Keleher to Mayor Peter Clavelle and City Attorney Joe McNiel on recent information received from actuaries on impact of market losses;
March 19, 2002	"Observations on Retirement Cost Projections," by Brendan Keleher, shared with Retirement Board at the March meeting;
March 19, 2002	Memo to all employees from Brendan Keleher concerning retirement specifically, no-COLA and Half COLA options;
April 5, 2002	Letter from Richard K. Beck of Buck Consultants to Cindy Davis recommending that No COLA and Half COLA options "… be redetermined using a 3% future annual COLA increase assumption.";
May 16, 2002	Resolution by Retirement Board concerning retirement benefits for non-union employees passed 5 yes, 3 no;
September 19, 2002	"Burlington Employees" Retirement System Funding and Contribution Review" by Buck Consultants;
March 2003	Notice to all employees from Retirement System Office regarding March 20 meeting in Contois Auditorium on the status of the retirement system for the years ahead;
March 6, 2003	Memorandum from Brendan Keleher to presidents of four city unions on notice of the March 20 meeting;
March 19, 2003	Letter from Buck Consultants concerning 2002 Experience Study with recommended changes in plan assumptions;
March 20, 2003	"Burlington Employees' Retirement System, Study of Projected Contributions," by Richard Beck and Christopher Clarke of Buck Consultants.

March 20, 2003	All employees meeting in Contois Auditorium attended by about 50 employees; CH 17 tape available;
March 25, 2003	Memorandum from Brendan Keleher to Mayor and City Council regarding the March 20, meeting and the presentation by Buck Consultants;
April 17, 2003	Discussion at Retirement Board Meeting of recommendations from Buck Consultants on changes in assumptions;
June 19, 2003	Resolution adopted by Retirement Board concerning action to improve the viability of the retirement plan;
July 15 (14?), 2003	Meeting of Mayor Peter Clavelle and union representation concerning the status of the retirement system;
July 16, 2003	Memorandum from Mayor Peter Clavelle to union leadership proposing joint management-labor study committee on the status of the retirement system;
July 29, 2003	Meeting of joint management- labor study committee on the status of the retirement system;
August 4, 2003	Memorandum from Mayor Peter Clavelle to City Council concerning Retirement Ordinance proposed amendments concerning the calculation of the no-COLA and half-COLA options and the disability benefit;
August 11, 2003	Burlington City Council executive session discussion on the retirement plan;
September 3, 2003	Meeting of joint management- labor study committee on the status of the retirement system;
September 25, 2003	Discussion at Retirement Board of recommendations from Buck Consultants on changes in assumptions;
October 16, 2003	Discussion at Retirement Board of recommendations from Buck Consultants on changes in assumptions;
November 20, 2003	Discussion at Retirement Board of recommendations from Buck Consultants on changes in assumptions;
December 1, 2003	Memorandum (e-mail) from Brendan Keleher to participants in management-labor study committee;
December 2, 2003	Meeting of joint management- labor study committee on the status of the retirement system;
December 12, 2003	Information request from Dave Ducham on behalf of Class A employees regarding actuarial analysis;

December 15, 2003	Memorandum (e-mail) from Brendan Keleher to Retirement Board regarding additional actuarial analysis;
December 18, 2003	Memorandum (e-mail) from Brendan Keleher to department heads concerning the status of the review of the retirement plan;
December 18, 2003	Information request from Sylvia Rabidoux on behalf of Burlington Electric employees;
December 22, 2003	Request from Cindy Davis to Buck Consultants for additional actuarial analysis;
____________	Retirement Board adopts recommendations, in part, from Buck Consultants regarding assumptions changes;
January 16, 2004	Report from Richard K Beck of Buck Consultants concerning additional actuarial analysis;
February 23, 2004	"City Pension Underfunded" lead article in Vermont section of Burlington Free Press;
March 4, 2004	Meeting of joint management- labor study committee on the status of the retirement system;
March 8, 2004	Executive session with City Council on status of retirement plan;
March 18, 2004	Discussion at Retirement Board of recommendations from Buck Consultants on changes in assumptions;
May 25, 2004	Memorandum from Brendan Keleher to Retirement Board explaining the City Council's request for response from Board regarding adoption of assumption changes as recommended by Buck Consultants;
September 6, 2005	City Council resolution asking the Board of Finance as supplemented by two additional City Councilors (committee of sustainable budgets) to review the retirement ordinance;
September 19, 2005	Retirement Board letter to City Council requesting full funding of plan as recommended by the actuary;
October 5, 2005	Meeting of the Board of Finance and the committee of sustainable budgets with the Retirement Board invited to discuss the status.

Section 3

September 6, 2005

City Council Resolution "AMENDMENTS TO THE EMPLOYEE RETIREMENT ORDINANCE"

Overview of Section 3: This Resolution requests the Priority Setting Committee to review the Retirement ordinance and report back by November, 2005.

Section 3

Resolution Relating to

RESOLUTION 13.0
Sponsor(s): Councilors Carleton, Bushor, Curley: Bd. of Finance
Introduced: 09/06/05
Referred to:
Action: amended; adopted
Date: 09/06/05
Signed by Mayor: 9/12/05

AMENDMENTS TO THE EMPLOYEE RETIREMENT ORDINANCE

CITY OF BURLINGTON

In the year Two Thousand Five...
Resolved by the City Council of the City of Burlington, as follows:

That WHEREAS, the City of Burlington in the year 2000 enacted changes to the city ordinances significantly increasing the retirement benefits under the Burlington Employee Retirement System; and

WHEREAS, the changes made in 2000 were based, in part, upon the advice from professional actuaries engaged by the Burlington Employees Retirement Board, such advice indicated, among other things, that the Retirement System at that time enjoyed a significant surplus in assets in relation to the then existing actuarial liabilities, and that improvements to the benefits under consideration at that time could be adopted without significant increase in the cost to either employees or the city as the employer; and

WHEREAS the assets of the Burlington Employees Retirement System experienced a significant decrease in 2000 as part of the overall decline in the investment markets; and

WHEREAS, the plan asset value as of June 30, 2005 of $100,574,176 as reported by the Retirement Board remains below that of the peak asset value of March 30, 2000 ($120,161,502); and

WHEREAS, the plan assets of June 30, 2005 are significantly below their expected value as of this time period as projected by the actuaries in 2000 as part of the evaluation of the affordability of the increase in benefits; and

Resolution Relating to AMENDMENTS TO THE EMPLOYEE RETIREMENT ORDINANCE

WHEREAS the city has increased the annual contribution for the Retirement System from $ 1,570,000 in FY 2002 to $4,590,000 in FY 2006, the amount in the current year being a) significantly more than the annual contribution projected by the actuaries when adopting the 2000 benefit improvements; b) sufficient to cover expected current year cash flow requirements; and c) still not sufficient to meet the actuarially projected future costs; and

WHEREAS, the City Council is of the opinion that the fiduciary responsibilities of the Retirement System require actions to bring into balance the actuarial assets and liabilities; and

WHEREAS, the City Council acknowledges that certain aspects of the Retirement Benefit are subject to collective bargaining; and

WHEREAS, the FY 2006 wage and salary adjustments for non-union employees have been on hold pending a resolution on a satisfactory level of total compensation, including the costs of retirement and health benefits;

NOW, THEREFORE, BE IT RESOLVED that the City Council requests that the Board of Finance, meeting jointly with the Priority Setting Super amended 9/6/05 ~~Ordinance~~ Committee, review the content of the retirement ordinance and make recommendations to the Council, subject to collective bargaining where necessary, for amendments to lower the cost of the Retirement System; and

BE IT FURTHER RESOLVED that the Board of Finance meeting jointly with the Priority Setting Super amended 9/6/05 ~~Ordinance~~ Committee is requested to use as a guide in developing any recommendations the expected costs of the plan as projected by the actuaries in 2000 as expressed in terms of tax and utility rates, and employer contribution as percentage of compensation; and

BE IT FURTHER RESOLVED that the Board of Finance meeting jointly with the Priority Setti Super amended 9/6/05 ~~Ordinance~~ Committee is requested to review and advise, including but not limited to, any changes

Resolution Relating to AMENDMENTS TO THE EMPLOYEE RETIREMENT ORDINANCE

to the annual accrual rate, the age of retirement, the benefit reduction for early retirement, vesting schedule, the level of employee contribution, the elimination of the no-COLA and half-COLA options, and introduction of a requirement of employment in good standing for eligibility for disability benefits;

**** amended 9/6/05

AND BE IT FURTHER RESOLVED that the City Council request a report back from the Board of Finance meeting jointly with the ~~Ordinance~~ Priority Setting Super Committee by the second meeting in November, 2005. amended 9/6/05

****BE IT FURTHER RESOLVED that the Board of Finance with the Priority Setting Super Committee request the input of the Retirement Board as part of the review process.

lb/jem/c: Resolutions 2005/Retirement Ordinance re Employees – Amendments thereto
8/31/05

Section 4

July, 2005

Analysis of Alternate Assumptions on Future Rate of Return on Plan Assets.

Burlington Employees' Retirement System

Impact of Valuation Interest Rate Change*

Accrued Liability

Valuation Rate	8.00%	7.00%	6.00%	5.00%
Class A	$62,800,000	$71,900,000	$83,500,000	$98,400,000
Class B	$62,700,000	$72,700,000	$85,200,000	$101,100,000
Total	$125,500,000	$144,600,000	$168,700,000	$199,500,000

Fiscal Year End 2006 Contribution Requirement

Valuation Rate	8.00%	7.00%	6.00%	5.00%
Class A	$2,500,000	$3,800,000	$5,300,000	$7,100,000
Class B	$3,400,000	$4,800,000	$6,300,000	$8,100,000
Total	$5,900,000	$8,600,000	$11,600,000	$15,200,000

*Assumes all other assumptions remain the same, including salary scale and 4% cost of living assumption.

data
as of June '04

Don and Mary Ann Horenstein

From: "Mary Ann Horenstein" <madon@surfglobal.net>
To: <bkeleher@ci.burlington.vt.us>; <tgreen@bpdvt.org>; <ralberry@burlingtonelectric.com>; <jstrouse@chittenden.com>; <cdavis@ci.burlington.vt.us>; <sbourgeois@ci.burlington.vt.us>; <1148@juno.com>
Sent: Thursday, May 19, 2005 12:17 PM
Subject: Improving BERS Performance

The following issues must be addressed and acted upon ASAP to improve the over-all performance and solvency of the BERS' investment portfolio and to address possible conflicts of interest:

1) The assumed rate of return of 8% for actuarial assumption purposes continues to appear to be too high. Prudence would suggest that Mellon (formerly Buck Associates) calculate for the June meeting actuarial assumptions based upon:
   a) 5% interest per annum compounded annually
   b) 6% interest per annum compounded annually
   c) 7% interest per annum compounded annually
   Each of these assumptions has some validity.
2) Need for monthly cash flow statements
3) Investment Manager–duties, strategies and compensation
4) Asset Management strategies, including the costs, practicalities and expected results of indexing vs. current practices
5) The wisdom of separating BERS' management oversight responsibilities for a) investments and b) retirement and benefit responsibilities to both avoid possible conflicts of interest and improve investment performance

The above issues–and others–should be discussed at a retrest ASAP!

Don Horenstein

5/19/05

Section 5

April/May 2005

FY2006 Retirement Budget Estimate Prepared by Cynthia Davis, Retirement Administrator.

Cindy Davis for FY06

		NOT FULLY FUNDED		NOT FULLY FUNDED	
	FY 04	FY 05	FY05 adj	FY 06	FY06 adj
B Employees' Retirement Cost	1,439,487	2,956,619	1,684,970	4,106,200	2,732,806
A Employees' Retirement Cost	1,308,495	1,930,405	1,517,090	2,787,425	1,855,120
Other Plan Retirement Cost	5,000	5,000	5,000	5,000	5,000
Total		#4,892,024		#6,898,625	
Social Security B Employees	1,972,650	2,041,753	2,041,750	2,170,725	2,170,725
Social Security A Employees	99,480	112,544	112,550	134,975	134,975
GROSS RETIREMENT EXPENSE	4,825,112	7,046,321	5,361,360	9,204,325	6,898,626
LESS					
Retirement Cost of Revenue Departs.	(931,845)	(1,667,820)	(1,049,860)	(2,199,935)	(1,921,280)
Social Security Cost of Revenue Departs.	(933,070)	(980,384)	(980,380)	(1,077,345)	(1,077,345)
					2,998,625
NET RETIREMENT COST	2,960,197	4,398,117	3,331,120	5,927,045	3,900,001

Section 5A

April 2005 Retirement Board Meeting
May 2, 2005 City Council Meeting

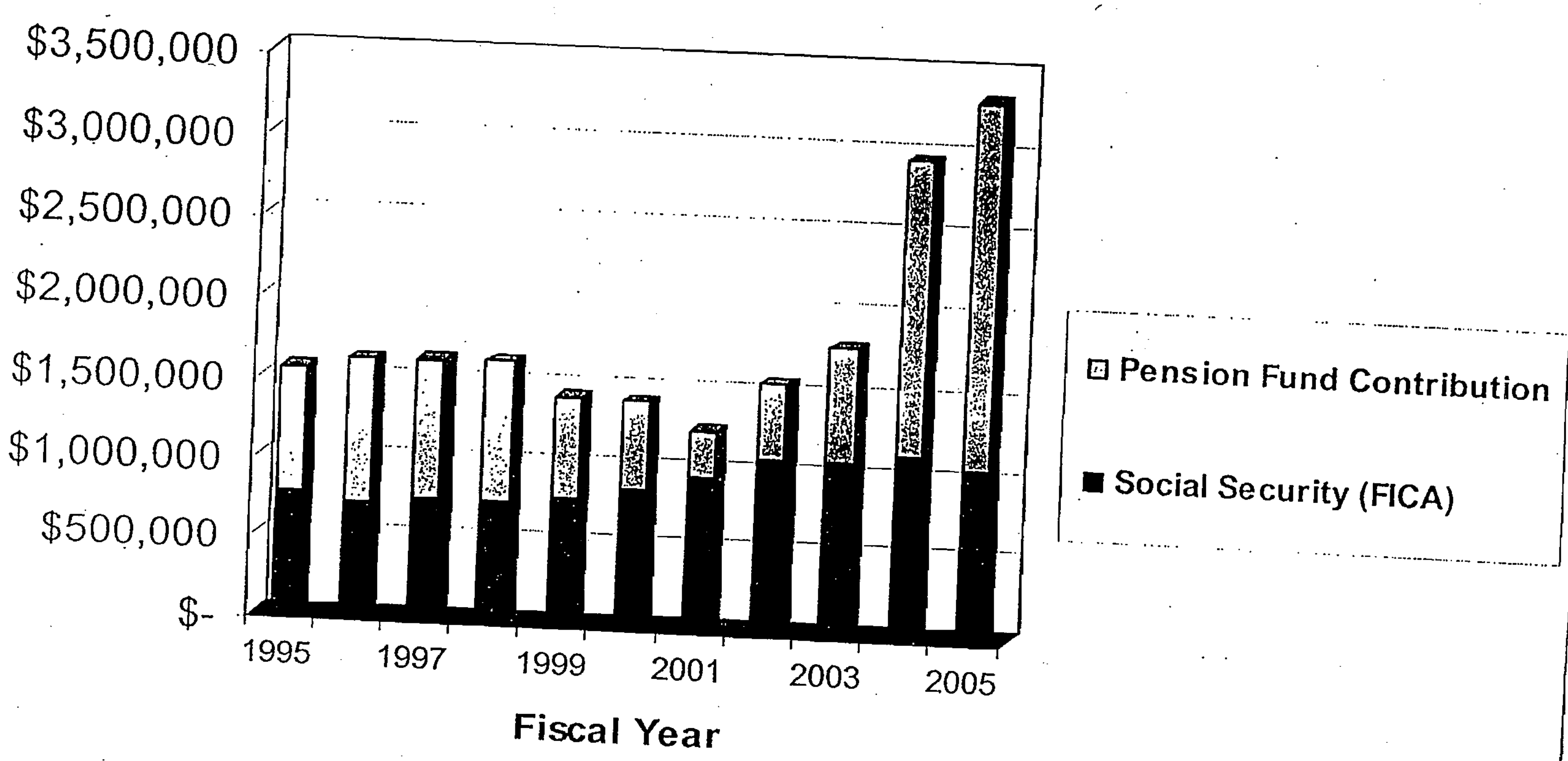
Tables and Charts illustrating the history of the Retirement Fund, including:

- Retirement Cost to the General Fund: 1995 – 2005;
- Retirement/FICA Tax Rate 19995 – 2005;
- City of Burlington Annual General Fund Retirement & FICA Cost;
- Status of Funding Ratio: Burlington Employees Retirement Plan: 1995 – 2008;
- City of Burlington: Retirement System Funding Ratio: June 1999, June 2005, June 2005;
- City of Burlington: Annual Retirement Contributions as Percent of Pay;
- Public Retirement Fund Survey: FY3003.

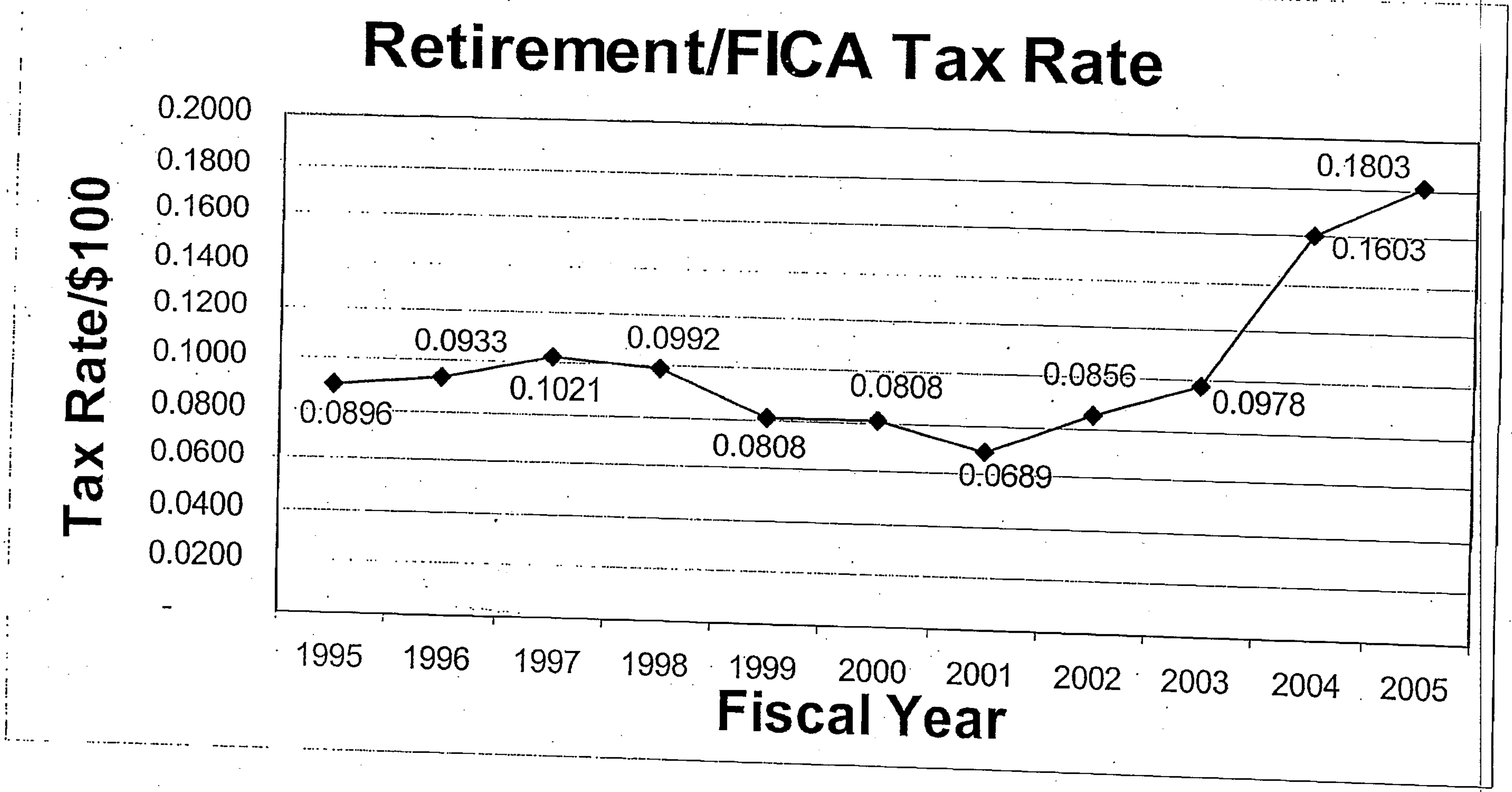
These summaries illustrates general fund costs and tax rates, a history of the funding ratio (assets/liabilities) for the retirement system, cost of the plan as a percentage of employee pay and a brief comparison of data from the 2004 Public Funds Survey. This summary includes a comparison of actuarial recommendations with budgeted amounts.

This was distributed at the April, 2005 meetings of the Retirement Board, the April 25, 2005 meeting of the Board of Finance and the May 2, 2005 meeting of the City Council.

Retirement Costs - General Fund



City Council 5-9-05


Retirement/FICA Tax Rate
Tax Rate/$100
0.2000
0.1800
0.1600
0.1400
0.1200
0.1000
0.0800
0.0600
0.0400
0.0200
0.0896
0.0933
0.1021
0.0992
0.0808
0.0808
0.0689
0.0856
0.0978
0.1603
0.1803
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
Fiscal Year

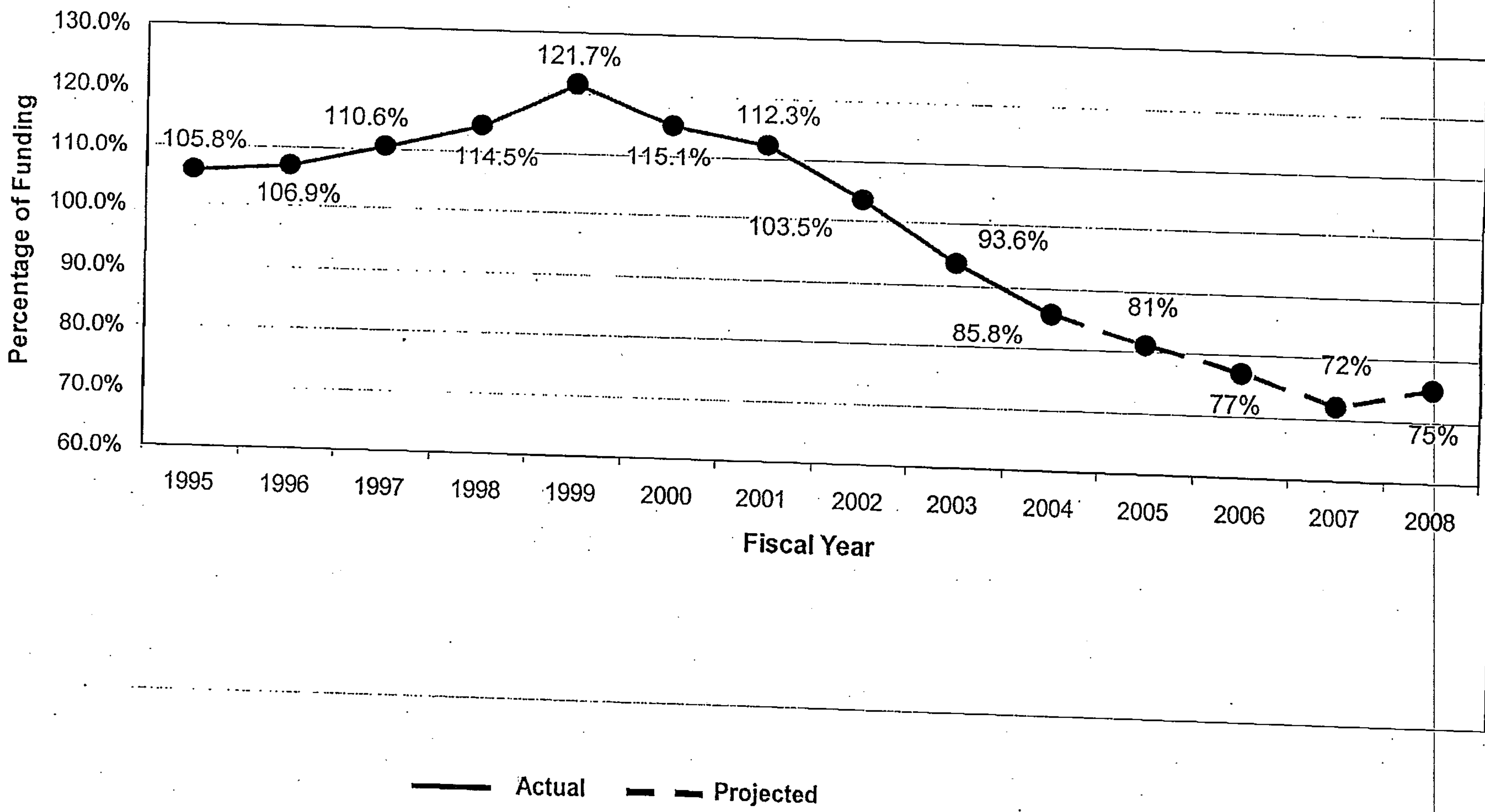
2

City of Burlington
Annual general Fund Retirement & FICA Cost

		Tax Rate
FY2002 Funded	$1,572,100	8.5 cents
FY2003 Funded	$1,804,470	10 cents
FY2004 Funded	$2,960,187	16 cents
FY2005 Recommended	$4,398,117	24 cents
Funded	$3,331,120	18 cents
FY2006 Recommended	$5,297,045	32 cents
Preliminary Funded	$3,900,000	21 cents

April 25, 2005
Revised May 2, 2005

STATUS OF FUNDING RATIO
Burlington Employees Retirement Plan



April 25, 2005

4

City of Burlington
Retirement System Funded Ratio

- June 1999 Funded Ratio 122%

Assets	92.8 Million
Liabilities	76.2 Million
Excess	16.6 Million

- June 2004 Funded Ratio 86%

Assets	107.6 Million
Liabilities	125.5 Million
Excess	-17.9 Million

- June 2005 Funded Ratio Estimate 81%

Assets	107 Million
Liabilities	131.8 Million
Excess	-24.8 Million

- Estimated to reduce to about 70-75% over the subsequent five years

City of Burlington
Annual Retirement Contributions As Percent of Pay

- Historical Levels (1990's)

Class A	11-15%
Class B	3-6%

- FY 2004

Class A	17%
Class B	6%

- FY 2005 Actuarial Recommended

Class A	23%
Class B	12%
Combined	15%

- FY 2006 Actuarial Recommended

Class A	30%
Class B	14%
Combined	18%

- June 30, 2010 Projected

Class A	34%
Class B	15%
Combined	20%

Public Retirement Fund Survey
FY 2003

- Actuarial Funding Levels (Assets/Liabilities)

FY 2001	100.9%
FY 2002	96.3%
FY 2003	91.1%

(74% of Plans have funding levels 80% or higher)

- Median Retirement Multiplier

Social Security Eligible	1.85%
Non-Social Security Eligible	2.2%

- Median Contribution Rates

Social Security Eligible		
	Employee	5.0%
	Employer	6.1%
Non-Social Security Eligible		
	Employee	8.6%
	Employer	10.4%

Source: Public Funds Survey September 2004

Survey of 101 Public Retirement Systems 7

April 25, 2005

Section 6

February 11, 2005

Report from Mellon Financial Company (Actuaries) to the Members of the (Retirement) Board re "REPORT ON THE FIFTY-FIRST ACTUARIAL VALUATION OF THE BURLINGTON EMPLOYEES' RETIREMENT SYSTEM, PREPARED AS OF JUNE 30, 2004";

Comments on the above Report: Annually the Retirement Board has the consulting actuary (Buck Consultants/Melon) do an actuarial valuation. This is the June 30, 2004 report; the 2005 valuation has not been completed. This Report includes a description of the plan, the annual recommended funding requirements, the funding requirement as a percentage of employee wages and the plan funding ration of assets to liabilities. In addition the report gives projections based upon current plan features FY07 through FY2015 including: the annual recommended funding requirements, funding requirement as a percentage of employee wages and plan funding ration of assets to liabilities.

REPORT ON THE FIFTY-FIRST
ACTUARIAL VALUATION OF THE
BURLINGTON EMPLOYEES' RETIREMENT SYSTEM
PREPARED AS OF JUNE 30, 2004

Mellon

Human Resources & Investor Solutions

February 11, 2005

Retirement Board
Burlington Employees' Retirement System
Burlington, Vermont 05401

Members of The Board:

Article II, Division 2, Section 24-60 of the ordinance in relation to the Burlington Employees' Retirement System provides for actuarial valuations of the assets and liabilities of the System at least once every three years and more often if the Retirement Board so directs.

The fifty-first actuarial valuation of the System, prepared as of June 30, 2004, has now been completed and the results are presented in this report, together with the determination of the amount of contributions payable by the City in accordance with the Retirement Board's funding policy and the disclosure information for accounting purposes required by the Governmental Accounting Standards Board.

The valuation results reflect our recommended change to a new disability mortality table and modified assumed rates of withdrawal and retirement that were approved by the Board. In addition, the valuation reflects a change in the funding policy adopted by the Retirement Board to amortize the unfunded accrued liability beginning June 30, 2004 over 30 years, and to recognize future changes in the unfunded accrued liability over 30 years from the date of establishment.

The actuarial assumptions and methods used in this valuation are described in Schedule B.

The results of the valuation are based on the Plan provisions in effect on June 30, 2004. A summary of the System provisions is shown in Schedule C.

The Table of Contents, which immediately follows, outlines the material contained in the report.

Respectfully submitted,

(Signed) RICHARD K. BECK

Richard K. Beck
Principal and Consulting Actuary

(Signed) CHRISTOPHER A. CLARKE

Christopher A. Clarke
Director, Consulting Actuary

TABLE OF CONTENTS

REPORT ON THE FIFTY-FIRST ACTUARIAL VALUATION OF THE BURLINGTON EMPLOYEES' RETIREMENT SYSTEM PREPARED AS OF JUNE 30, 2004

SECTION I - SUMMARY OF PRINCIPAL RESULTS

For convenience of reference, the principal results of the valuation and a comparison with the preceding year's results are summarized below.

Valuation Date	6/30/2004	6/30/2003
Class A:		
Number of active members	173	173
Earnable compensation	$ 7,039,780	$ 6,699,679
Number of retirees and beneficiaries	113	115
Annual retirement benefits	$ 2,927,388	$ 2,914,602
Number with vested rights	11	9
Class B:		
Number of active members	576	565
Earnable compensation	$ 22,329,326	$ 21,076,650
Number of retirees and beneficiaries	244	235
Annual retirement benefits	$ 2,138,943	$ 2,071,333
Number with vested rights	313	323
Actuarial Value of Assets		
Class A	$ 54,376,370	$ 55,507,075
Class B	53,272,570	54,018,878
Unfunded Past Service Cost (Surplus)		
Class A	$ 8,397,440	$ 3,434,583
Class B	9,462,103	4,087,182
Contributions for Fiscal Year	**2006**	**2005**
Class A:		
Normal Rate	20.10%	19.64%
Past Service Contribution	$ 784,127	$ 241,703
Class B:		
Normal Rate	10.21%	10.04%
Past Service Contribution	$ 873,347	$ 387,121

Comments on the valuation results as of June 30, 2004 are set forth in Section IV and further discussion of the contribution levels is set out in Section V. Section VI presents the referenced disclosure information for accounting purposes.

Schedule B of this report outlines the full set of actuarial assumptions and methods employed. The valuation reflects a change to the RP-2000 Disability Mortality Table as well as a change in the assumed rates of withdrawal and retirement for Class A and B employees. All other assumptions are the same as those used in the previous valuation. The valuation also reflects a change in the Retirement Board's funding policy to recognize changes in the unfunded accrued liability over 30 years rather than 10 years as described in Section V.

Schedule C presents a summary of the principal System provisions as interpreted for the valuation. The valuation was based on the same Plan provisions as the previous valuation.

SECTION II - EMPLOYEE DATA

Employee data were furnished by the Retirement Administrator.

Tables 1 through 4 of Schedule D show the number and annual earnable compensation of active members who were included in the valuation, while Tables 5 through 10 of Schedule D show the number and annual retirement benefits of retirees and beneficiaries included in the valuation. In addition, there are 11 Class A former members and 313 Class B former members entitled to deferred vested benefits.

SECTION III - ASSETS

The amount of assets taken into account in this valuation is based on information reported by the Retirement Administrator.

Assets are valued on the basis of a five-year expected average market value method. The operation of this method is described in Schedule B. Based on this method, the actuarial value of assets amount to

$107,648,940. This may be compared to current book and market values of $87,193,956 and $96,149,986, respectively.

As part of the valuation procedure, investment earnings for the year ending June 30, 2004 have been analyzed. Based on the procedures used and certain approximations, the yield for the year is determined as being 12.1% based on market value of assets and .5% based on actuarial value of assets.

SECTION IV - COMMENTS ON VALUATION

The projected unit credit actuarial cost method was used for this valuation. Under this cost method, benefits for active participants are determined on the basis of projected compensation at the time of anticipated termination and service credited to the valuation date. The normal cost under this method is the value of the difference between the benefits accrued for service to the valuation date and the benefits based on service to one year after the valuation date.

Schedule A of this report contains the valuation balance sheet, which shows the present and prospective assets and liabilities of the Plan as of June 30, 2004. Since the Plan is valued on a unit credit cost method basis, the balance sheet does not take into account accruals after the valuation date.

The valuation balance sheet shows that as of June 30, 2004 the Plan has accrued liabilities of $125,508,483. Of this amount $60,923,863 represents the present value of benefits payable on account of retired members, beneficiaries and former members entitled to deferred vested benefits and $64,584,620 represents the present value of prospective benefits payable on account of active members. Against these liabilities the Plan has actuarial assets of $107,648,940. The difference between the total liabilities of $125,508,483 and the assets of $107,648,940 is $17,859,543 which represents the unfunded past service cost as of June 30, 2004. The Plan's unfunded accrued liability increased by $10,337,778 from the unfunded accrued liability of $7,521,765 as of June 30, 2003. Schedule A contains a breakdown of the assets and liabilities described above by membership class.

SECTION V - APPROPRIATION TO BE MADE BY THE CITY

Article II, Division 1, Section 24-32 of the ordinance governing the operation of the System provides that the Retirement Board shall certify to the Board of Finance the amounts payable by the City to the System, including an estimated amount required for operating expenses.

The contribution by the City, excluding operating expenses, consists of

(i) a normal contribution to cover the cost of benefits expected to accrue under the Plan during the fiscal year following the valuation date reduced by required Class A member contributions equal to 8.8% of compensation, plus

(ii) a past service contribution to liquidate the unfunded past service cost over a 30 year period from the date of establishment in accordance with the policy adopted by the Retirement Board. The initial unfunded past service cost to be amortized over 30 years is as of June 30, 2004.

Based on the latest valuation results and the adopted funding policy, the following table sets forth the basis for determining the City's contributions, excluding an amount for operating expenses, for the fiscal year ending June 30, 2006.

CONTRIBUTIONS PAYABLE BY THE CITY TO THE SYSTEM

CONTRIBUTION	AMOUNT	PERCENT OF COMPENSATION
Class A		
Normal	$ 1,676,560*	20.10%
Past Service	784,127	9.40%*
Total	$ 2,460,687	
Class B		
Normal	$ 2,537,098*	10.21%
Past Service	873,347	3.51%*
Total	$ 3,410,445	

* Estimated based on fiscal year end 2006 budget payrolls of $8,341,093 and $24,849,152 for Class A and Class B, respectively.

The recommended normal contribution rates in the table above should be applied to the respective earnable compensation of Class A and Class B members of the System for the fiscal year ending 2006 in order to determine the required appropriations for currently accruing benefits. In addition, the amount estimated to be required for operating expenses of the System is to be included in the certification of the Retirement Board.

Schedule E presents a projection of the required City contributions to the Retirement System assuming all actuarial assumptions are realized. No future liability gains or losses are reflected and assets are projected to grow 8% per annum. The projected payroll is assumed to increase 5% per annum. The actual annual contributions required by the City will be based upon future actuarial valuations.

SECTION VI - ACCOUNTING INFORMATION

Statement Nos. 25 and 27 of the Governmental Accounting Standards Board, issued November 1994, established standards of disclosure of pension information by public retirement systems. The annual pension cost is determined as the annual required contribution under the Plan's regular funding method with adjustments made to reflect the employer's net pension obligation (NPO). The NPO is the cumulative difference between the annual pension cost and the actual contributions made since January 1, 1987. The annual pension cost is adjusted for interest charged on the NPO at the valuation interest rate and amortization of the NPO. The annual pension cost (income) under this policy for the fiscal year ending June 30, 2004 is $2,461,840. The statements also require the following supplementary information be furnished by the actuary. The Schedule of Funding Progress details the progress made over the last six years in accumulating sufficient assets to provide for benefits when they are due. The Schedule of Employer Contributions shows the required and actual contributions over the last six years. The Schedule of Annual Pension Cost shows the Annual Pension Cost for the last 3 years.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets over AAL (a – b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess as a percentage of Covered Payroll ((a-b)/c)
6/30/99	92,782,371	76,225,530	16,556,841	121.72%	22,938,963	72.18%
6/30/00	111,224,657	96,610,677	14,613,980	115.13%	23,914,477	61.11%
6/30/01	114,203,990	101,700,266	12,503,724	112.29%	24,730,357	50.56%
6/30/02	112,980,276	109,116,441	3,863,835	103.54%	26,050,313	14.83%
6/30/03	109,525,953	117,047,718	(7,521,765)	93.57%	27,776,329	-27.08%
6/30/04	107,648,941	125,508,483	(17,859,542)	85.77%	29,369,106	-60.81%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/99	752,481	752,481	100.00%
6/30/00	43,834	43,834	100.00%
6/30/01	274,878	274,878	100.00%
6/30/02	767,446	767,446	100.00%
6/30/03	1,079,911	1,079,911	100.00%
6/30/04	2,461,840	2,461,840	100.00%

SCHEDULE OF ANNUAL PENSION COST

Year Ended	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
6/30/02	767,446	100.00%	0
6/30/03	1,079,911	100.00%	0
6/30/04	2,461,840	100.00%	0

SECTION VII - EXPERIENCE

Records are being maintained whereby the actual experience of active and retired members is being compared with that expected on the basis of the tables adopted by the Retirement Board. In this way, deviations in the experience from that anticipated will be noted and any adjustments believed necessary will be brought to the attention of the Retirement Board.

SCHEDULE A

VALUATION BALANCE SHEET
SHOWING THE ASSETS AND LIABILITIES ACCRUED UNDER THE BURLINGTON EMPLOYEES' RETIREMENT SYSTEM
AS OF JUNE 30, 2004

ASSETS

	Class A Members	Class B Members	Total System
Valuation Assets	$ 54,376,370	$ 53,272,570	$ 107,648,940
Unfunded past service cost	8,397,440	9,462,103	17,859,543
Total Assets	$ 62,773,810	$ 62,734,673	$ 125,508,483

LIABILITIES

	Class A Members	Class B Members	Total System
Present value of benefits payable on account of retired members, beneficiaries and members entitled to deferred vested benefits	$ 35,251,427	$ 25,672,436	$ 60,923,863
Present value of prospective benefits accrued to date on account of present active members	27,522,383	37,062,237	64,584,620
Total Liabilities	$ 62,773,810	$ 62,734,673	$ 125,508,483

SCHEDULE B

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

FOR DETERMINATION OF CONTRIBUTION AMOUNTS

INTEREST RATE: 8% per annum, compounded annually.

SEPARATIONS BEFORE NORMAL RETIREMENT: Representative values of the assumed annual rates of withdrawal and vesting, early service retirement, death, and disability are as follows:

Class A Members

Age	Withdrawal and Vesting	Early Service Retirement*	Death**	Disability**
20	14.0%			
25	9.0		.1%	.2%
30	6.0		.1	.3
35	3.0		.1	.4
40	2.5		.1	.5
42	1.4	30.0%	.1	.6
45	2.0	30.0	.1	.7
50		25.0	.2	1.3
53		20.0	.3	1.8
54		20.0	.3	2.0

Class B Members

Age	Withdrawal and Vesting***	Early Service Retirement	Death**	Disability**
25	12.0%		.1%	.1%
30	11.0		.1	.1
35	9.5		.1	.1
40	5.0		.1	.2
45	5.0		.1	.3
50	5.0		.2	.5
55		5.0%	.4	.9
60		3.0	.6	1.7
61		20.0	.7	2.1
62		30.0	.8	2.5
63		30.0	1.0	2.9
64		10.0	1.1	3.4

* Rates are assumed to be 100% higher when first eligible for unreduced benefits.

** Rates reflect both ordinary and accidental occurrences.

*** Rates are assumed to be 75% higher during the first year of membership, 50% higher during the second year and 25% higher during the third year.

NORMAL SERVICE RETIREMENT: The representative values of the assumed rates of normal service retirement are as follows:

Age	Class A	Age	Class B
55	20.0%	65	50.0%
56	20.0	66	25.0
57	20.0	67	25.0
58	20.0	68	25.0
59	20.0	69	50.0
60	100.0	70	100.0

BENEFIT COMMENCEMENT AFTER SEPARATION: Class A vested terminations are assumed to commence benefits at age 55. Class B vested terminations prior to June 30, 2000 are assumed to commence at age 65. Class B vested retirements after June 30, 2000 are assumed to commence at age 55 with a reduced benefit.

SALARY INCREASES: Representative values of the assumed annual rates of future salary increase are as follows:

Age	Class A&B
25	8.8%
30	7.0
35	5.6
40	4.9
45	4.6
50	4.3
55	4.0
59	3.9
60	3.9
65	3.8
69	3.8

DEATHS AFTER RETIREMENT: According to the 1995 GBB Mortality Table for males and females; RP-2000 Disability Mortality Table for the period after disability retirement.

FUTURE EXPENSES: No provisions made.

ADJUSTMENTS TO ALLOWANCES: Cost-of-living increases averaging 4% per year were assumed.

FUNDING METHOD: Projected unit credit cost method. Gains (losses) as they occur, reduce (increase) the unfunded past service cost.

ASSET VALUATION METHOD: Based on a five-year expected value of assets method in which actuarial assets are set equal to the market value of assets as of the valuation date plus:

i) four-fifths of the difference between the expected return on market assets and the actual return on market assets during the year preceding the valuation;

ii) three-fifths of the difference between the expected return on market assets and the actual return on market assets during the second year preceding the valuation;

iii) two-fifths of the difference between the expected return on market assets and the actual return on market assets during the third year preceding the valuation; and

iv) one-fifth of the difference between the expected return on market assets and the actual return on market assets during the fourth year preceding the valuation.

Expected return is equal to a year of expected investment earnings (based on the valuation interest rate) on the market value of assets as of the beginning of the year and the cash flow (contributions minus benefit payments) during the year, assuming mid-year contributions and benefit payments.

MISCELLANEOUS: The valuation was prepared on an ongoing-plan basis. The valuation was based on members in the System as of the valuation date and did not take future members into account. No provision has been made for contingent liabilities with respect to nonvested terminated members who may be reemployed. The valuation assumptions anticipate future inflation of about 4% a year.

SCHEDULE C

BRIEF SUMMARY OF PRINCIPAL SYSTEM PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES

System Name — Burlington Employees' Retirement System.

Effective Date — July 1, 1954.

Average Final Compensation (AFC) — Average earnable compensation during highest 3 non-overlapping 12-month periods.

Membership Eligibility — Regular employees of the City of Burlington excluding elective officers other than the mayor and excluding teachers other than certain teachers employed prior to July 1, 1947 provided age at employment is less than normal retirement age. Maximum age limitation does not apply to mayor or appointee working full time for the City.

Membership Classification

Class A — Members of the Fire and Police Departments not including clerical employees.

Class B — All other members.

Service Retirement

Eligibility

Class A — Age 42 and 7 years of creditable service. Compulsory at age 60.

Class B — Age 55 and 7 years of creditable service.

Amount of Benefit

Class A — Age 55 and older, 2.75% of AFC times creditable service not in excess of 25 years plus .5% of AFC times creditable service between 25 and 35 years. Benefit increased by Cost of Living Adjustment detailed below.

In lieu of this benefit, at the time of retirement, a member may choose either an accrual rate of 3.25% for the first 25 years of creditable service plus an accrual of .5% for creditable service between 25 and 35 years and a Cost of Living Adjustment equal to one half of the Cost of Living Adjustment detailed below, or an accrual rate of 3.80% for the first 25 years plus an accrual of .5% for creditable service between 25 and 35 years and no Cost of Living Adjustment.

Prior to age 55, the above benefit based on AFC and creditable service at retirement reduced actuarially for the period of time by which retirement precedes the earlier of 25 years of creditable service and age 55. For employees who terminate with 20 to 25 years of creditable service the above benefit based on AFC and creditable service at retirement reduced by 1.82% for each year that creditable service is less than 25 years.

Class B

Age 65 and older, the greater of (i) 1.6% of AFC (at age 65) times creditable service not in excess of 25 years plus .5% of AFC (at age 65) times creditable service in excess of 25 years or (ii) the actuarial equivalent of the benefit determined at age 65. This benefit will be increased by the Cost of Living Adjustment detailed below.

In lieu of this benefit, at the time of retirement, a member may choose an accrual rate of 1.9% for the first 25 years of service plus an accrual of .5% for creditable service in excess of 25 years and a Cost of Living Adjustment equal to one-half of the Cost of Living Adjustment detailed below, or an accrual rate of 2.2% for the first 25 years of service plus an accrual of .5% for creditable service in excess of 25 years and no Cost of Living Adjustment.

Prior to age 65, the above benefit based on AFC and creditable service at retirement reduced by 2% for each year that retirement precedes age 65.

Cost of Living Adjustment

Benefits increase annually by changes in the Consumer Price Index of more than 1%. The maximum annual increase is 5%. Increase is not applicable to deferred vested benefit prior to commencement, survivor income benefit, disability benefit prior to normal retirement age or members who choose to have no cost of living adjustment.

Service Adjustment

Class A service for calculation of benefits shall be adjusted such that any Class A employee shall be granted 1.07 years of credit for each year in which the employee worked prior to July 1, 1996, and 1.17 years thereafter, in a position regularly assigned a workweek consisting on average of fifty-three or more hours of work per week.

Disability Retirement

Eligibility

All Members. Permanently disabled.

Amount of Benefit

A benefit payable until normal service retirement eligibility (Class A - age 55 and 7 years of creditable service, Class B – age 65 and 7 years of creditable service), equal to 75% of the member's earnable compensation less workmen's compensation and, in the case of Class B, less Social Security.

After normal service retirement eligibility, a service retirement benefit based on AFC at retirement and creditable service at normal service retirement eligibility, including the period while permanently disabled and receiving a disability benefit from the System.

Accidental Death

Eligibility	Class A only. Death due to accident while in the performance of duty.
Amount of Benefit	A benefit to the spouse until death or remarriage of 50% of AFC. Upon death or remarriage of the spouse, the benefit will be payable to children until age 21.

Survivor Income

Eligibility	All Members. Death in active service.
Amount of Benefit	
Class A	30% of compensation during the July preceding death payable to spouse until earlier of death or 2nd anniversary of remarriage. An additional 5% per unmarried child under 21 (maximum additional 10%) is payable until benefits cease or children no longer eligible. If there is no spouse or spouse dies, the benefit is payable to unmarried children under age 21 until earlier of death, marriage or age 21.
Class B	30% of compensation during the July preceding death payable to spouse until earlier of death, 2nd anniversary of remarriage or age 62. Upon the spouse's attainment of age 62 (if not remarried) a benefit based on the 50% Joint and Survivor form of payment will be paid to the spouse for life. If there is no spouse or spouse dies, the benefit is payable to unmarried children under age 21 until earlier of death, marriage or age 21.

Return of Contributions

Accumulated contributions returned upon separation with less than 3 years of service or upon death with no accidental death benefit payable.

Upon death of a retired Class B member, the excess of his contribution at retirement over the benefits paid will be paid to his beneficiary or estate.

Vested Retirement

Eligibility	All Members. 3 years of creditable service.
Amount of Benefit	
Class A	A percentage grading from 20% after 3 years to 100% after 7 years, of the benefit calculated using AFC and creditable service at termination. The benefit is payable commencing at age 55. Member may elect early receipt with reduction as for service retirement prior to age 55.
Class B	Same form as Class A except benefit is payable at age 65. Member may elect early receipt with reduction as for service retirement prior to age 65.

Survivor Spouse's Pension

Eligibility	All Members. Death of a terminated member entitled to a vested retirement benefit prior to commencement of such benefit.
Amount of Benefit	50% of reduced accrued benefit reflecting the 50% Joint and Survivor form of payment (ages as of date payments commence) payable at member's early retirement date. Spouse may elect to receive payments later than member's early retirement date with no reduction for receipt at member's 65th birthday.

Offsets on Benefits — Disability and accidental death benefits are offset by workmen's compensation paid for the same disability or death.

Contributions

By Members	
Class A	8.8% of earnable compensation for the first 35 years of creditable service, none thereafter.
Class B	None.
By City	Remainder necessary to fund for the benefits of the System on an actuarial basis.

SCHEDULE D

TABLE 1

THE NUMBER AND ANNUAL EARNABLE COMPENSATION OF
ACTIVE MEMBERS DISTRIBUTED BY AGE
BY AGE AS OF JUNE 30, 2004

CLASS A MEMBERS

	MEN		WOMEN	
AGE	NUMBER	AMOUNT	NUMBER	AMOUNT
20	1	$ 26,908		
21	1	32,857		
23	3	97,661		
24	5	158,430		
25	2	72,125	2	$ 68,408
26	7	245,411	1	37,983
27	5	181,562		
28	7	257,610		
29	8	281,265		
30	9	313,495		
31	5	191,263		
32	7	257,150	1	36,164
33	9	340,348		
34	9	363,283		
35	7	261,640	1	52,577
36	9	329,179		
37	7	300,682	1	40,160
38	8	356,019		
39	5	229,558	1	54,269
40	8	334,671		
41	5	231,421		
42	4	175,462	1	40,143
43	7	345,534		
44	3	149,336		
45	3	125,953		
46	1	54,954		
47	3	131,665		
48	3	159,341	1	40,444

TABLE 1

THE NUMBER AND ANNUAL EARNABLE COMPENSATION OF
ACTIVE MEMBERS DISTRIBUTED BY AGE
BY AGE AS OF JUNE 30, 2004

CLASS A MEMBERS
(CONTINUED)

	MEN		WOMEN	
AGE	NUMBER	AMOUNT	NUMBER	AMOUNT
49	5	273,050		
51	1	53,552		
52	1	40,747		
53	1	55,595		
54	2	90,689		
55	1	59,096		
57	2	92,118		
TOTAL	164	$ 6,669,631	9	$ 370.149

TABLE 2

THE NUMBER AND ANNUAL EARNABLE COMPENSATION OF
ACTIVE MEMBERS DISTRIBUTED BY AGE
BY AGE AS OF JUNE 30, 2004

CLASS B MEMBERS

	MEN		WOMEN	
AGE	NUMBER	AMOUNT	NUMBER	AMOUNT
21	1	$ 33,803		
22	1	19,427		
23	3	75,122	1	$ 25,522
24	3	96,245	4	129,568
25	1	28,574	4	122,471
26	2	64,389	4	105,296
27	5	155,901	3	89,444
28	4	113,498		
29	1	32,096	4	141,516
30	7	254,079	2	37,288
31	8	324,228	2	74,600
32	2	72,662	3	99,476
33	10	324,325	3	105,902
34	6	213,105	2	66,410
35	7	235,617	4	158,732
36	6	222,673	1	31,846
37	9	348,223	8	251,073
38	5	194,861	3	121,286
39	10	378,342	6	250,967
40	13	571,729	5	185,065
41	12	421,868	5	203,396
42	16	636,219	2	44,375
43	12	447,274	13	493,826
44	9	382,811	17	624,034
45	14	652,404	10	343,134
46	15	588,756	8	293,756
47	11	466,983	3	111,194
48	16	693,696	6	255,871
49	10	420,334	5	179,886
50	12	543,073	4	148,780

TABLE 2

THE NUMBER AND ANNUAL EARNABLE COMPENSATION OF
ACTIVE MEMBERS DISTRIBUTED BY AGE
BY AGE AS OF JUNE 30, 2004

CLASS B MEMBERS
(CONTINUED)

	MEN		WOMEN	
AGE	NUMBER	AMOUNT	NUMBER	AMOUNT
51	16	$ 774,764	6	$ 215,371
52	24	1,058,238	7	248,998
53	10	428,573	11	414,661
54	19	858,444	8	327,969
55	17	781,004	10	375,493
56	10	411,514	4	148,482
57	11	371,331	5	147,657
58	7	216,832	4	191,234
59	2	125,149	1	27,240
60	4	181,947	1	34,398
61	5	189,472	3	88,568
62	4	161,634	7	224,134
63	4	201,794	3	103,021
64			3	62,653
65	1	51,487		
66			2	63,202
67	1	36,079	1	37,975
68	1	44,875	1	18,104
TOTAL	367	$ 14,905,452	209	$ 7,423,874

TABLE 3

THE NUMBER AND ANNUAL EARNABLE COMPENSATION OF ACTIVE MEMBERS DISTRIBUTED BY YEARS OF SERVICE* AS OF JUNE 30, 2004

CLASS A MEMBERS

YEARS OF SERVICE	MEN NUMBER	MEN AMOUNT	WOMEN NUMBER	WOMEN AMOUNT
0	7	$ 206,205	1	$ 32,857
1	7	232,033		
2	19	655,529	2	75,711
3	12	432,982	1	37,983
4	12	411,737		
5	11	417,628	1	40,444
6	11	395,790		
7	6	176,880		
8	4	172,803		
9	7	274,063		
10	1	42,657	1	36,164
11	5	231,893		
12	1	47,731		
13	2	90,198	1	52,577
14	5	224,588	1	54,269
15	9	415,331		
16	8	374,462	1	40,143
17	10	485,979		
18	9	425,191		
19	3	154,402		
20	5	252,529		
21	1	77,186		
22	1	49,387		
23	1	59,096		
24	2	107,693		
25	1	54,954		
28	1	55,033		
31	2	100,731		
33	1	44,939		
TOTAL	164	$ 6,669,631	9	$ 370,149

*Excludes service adjustment for employees with a regularly assigned workweek of 53 or more hours.

TABLE 4

THE NUMBER AND ANNUAL COMPENSATION OF ACTIVE MEMBERS DISTRIBUTED BY YEARS OF CREDITABLE SERVICE AS OF JUNE 30, 2004

CLASS B MEMBERS

YEARS OF SERVICE	MEN NUMBER	MEN AMOUNT	WOMEN NUMBER	WOMEN AMOUNT
0	23	$ 715,269	9	$ 287,307
1	24	727,369	22	697,589
2	23	770,802	6	176,059
3	30	983,026	23	821,195
4	9	248,749	15	467,616
5	27	912,496	22	678,293
6	10	471,395	12	363,413
7	10	347,293	4	144,904
8	15	684,509	6	189,499
9	17	636,523	16	549,754
10	6	244,601	1	44,697
11	3	180,267	2	51,829
12	2	105,949	1	33,611
13	9	385,562	2	56,655
14	8	342,316	4	137,347
15	8	373,156	5	240,063
16	14	664,776	8	324,628
17	6	264,991	6	272,110
18	5	311,888	2	89,100
19	5	223,098	5	192,518
20	21	983,387	4	170,511
21	15	760,921	2	86,113
22	5	220,558	3	129,610
23	11	496,970	4	145,845
24	8	378,727	3	126,406
25	11	484,367	2	93,748
26	6	310,492	5	203,589
27	2	65,617	1	34,807
28	2	89,467	3	122,941
29	1	43,819		
30	3	150,743	2	71,919

TABLE 4

THE NUMBER AND ANNUAL COMPENSATION OF ACTIVE MEMBERS DISTRIBUTED BY YEARS OF CREDITABLE SERVICE AS OF JUNE 30, 2004

CLASS B MEMBERS
(CONTINUED)

YEARS OF SERVICE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
31	2	$ 97,904	3	$ 145,574
32	4	197,837	1	37,975
33	5	232,191		
34	5	204,903		
35	3	159,353	2	81,053
36	3	145,410	1	46,978
37	3	154,848	1	56,604
39	1	43,639		
40	1	44,875		
42			1	52,016
43	1	45,392		
TOTAL	367	$ 14,905,452	209	$ 7,423,874

TABLE 5

THE NUMBER AND ANNUAL RETIREMENT
BENEFITS OF RETIREES DISTRIBUTED
BY AGE AS OF JUNE 30, 2004

CLASS A MEMBERS

SERVICE RETIREMENTS

	MEN		WOMEN	
AGE	NUMBER	AMOUNT	NUMBER	AMOUNT
44	1	$ 37,738	1	$ 30,952
45	3	120,261		
46	3	96,416		
47	2	43,003		
48	4	121,028		
49	1	34,703		
50	1	28,572		
51	3	115,001		
52	1	35,546		
53	3	80,379		
54	5	181,767		
55	5	163,857		
56	7	204,242		
57	4	129,337		
58	6	161,434		
59	2	72,365		
60	7	240,736		
61	4	125,807		
62	3	62,589		
63	6	138,192		
64	1	15,959		
65	1	923		
68	1	43,668		
69	2	58,900		
70	1	27,462		
71	1	21,800		
72	1	21,357		
73	1	20,161		
74	4	69,079		
75	1	21,520		
78	1	23,509		
79	1	17,613		
81	1	14,637		
83	1	18,714		
TOTAL	89	$ 2,568,275	1	$ 30,952

THE NUMBER AND ANNUAL RETIREMENT
BENEFITS OF RETIREES DISTRIBUTED
BY AGE AS OF JUNE 30, 2004

CLASS B MEMBERS

SERVICE RETIREMENTS

	MEN		WOMEN	
AGE	NUMBER	AMOUNT	NUMBER	AMOUNT
55			1	$ 10,352
56	1	$ 23,049		
57	1	8,860	2	18,410
58	2	1,384		
59	2	27,744		
60	2	19,456		
61			1	224
62	4	60,661	2	5,871
63	3	36,978	3	33,246
64	2	34,812	3	43,808
65	7	48,504	1	1,357
66	9	97,965	2	19,956
67	5	77,881	3	20,560
68	4	28,069	5	41,361
69	11	85,814	6	34,692
70	4	47,022	3	12,902
71	1	15,670	1	10,707
72	6	66,753	3	41,130
73	5	36,634	3	3,133
74	1	25,622	5	52,600
75	2	8,447	3	37,733
76	5	68,711	1	352
77	1	8,868	1	4,376
78	7	45,951	2	18,906
79	1	17,943	1	1,609
80	1	2,514		
81	3	25,370	2	18,033
82	2	4,766	1	6,787
83	5	38,572	2	9,152
84	1	4,753	3	27,246
85			1	6,776
86	1	6,178	1	6,086
87	1	15,864		
88	1	10,441	1	3,651
89	3	24,528		
90	2	20,154	1	3,276
93	1	11,915	1	7,566
98			1	10,349
TOTAL	107	$ 1,057,853	66	$ 512,207

TABLE 7

THE NUMBER AND ANNUAL RETIREMENT
BENEFITS OF RETIREES DISTRIBUTED
BY AGE AS OF JUNE 30, 2004

CLASS A MEMBERS

DISABILITY RETIREMENTS

	MEN		WOMEN	
AGE	NUMBER	AMOUNT	NUMBER	AMOUNT
31			1	$ 10,746
41	1	$ 27,013		
43	1	33,188		
46	1	29,956		
49	1	25,191		
53	1	20,488		
57	1	13,102		
71	1	13,883		
72	2	30,212		
82	2	24,239		
TOTAL	11	$ 217,272	1	$ 10,746

TABLE 8

THE NUMBER AND ANNUAL RETIREMENT BENEFITS OF RETIREES DISTRIBUTED BY AGE AS OF JUNE 30, 2004

CLASS B MEMBERS

DISABILITY RETIREMENTS

	MEN		WOMEN	
AGE	NUMBER	AMOUNT	NUMBER	AMOUNT
42	1	$ -		
44	2	35,072		
45			1	$ -
46	1	20,881		
48	1	9,282	1	16,121
49	2	8,681		
51	1	10,935	1	-
52	1	7,771		
53	1	6,810	2	22,427
54	1	11,638	1	7,602
56	1	13,081		
58	2	33,711		
59	2	20,232		
60	1	19,333		
62	2	39,353		
63	2	22,767		
74	1	4,652		
77	1	4,588		
79	1	11,484		
83	1	6,950		
TOTAL	25	$ 287,221	6	$ 46,150

TABLE 9

THE NUMBER AND ANNUAL RETIREMENT BENEFITS OF BENEFICIARIES OF RETIREES DISTRIBUTED BY AGE AS OF JUNE 30, 2004

CLASS A MEMBERS

BENEFICIARIES OF DECEASED MEMBERS

	MEN		WOMEN	
AGE	NUMBER	AMOUNT	NUMBER	AMOUNT
11			1	$ 6,076
46			1	6,782
47			1	8,499
51			1	6,916
60			2	9,132
61			1	19,749
63			1	9,538
69			1	15,038
72			1	5,425
77			1	12,988
TOTAL			11	$ 100,143

TABLE 10

THE NUMBER AND ANNUAL RETIREMENT BENEFITS OF BENEFICIARIES OF DECEASED MEMBERS DISTRIBUTED BY AGE AS OF JUNE 30, 2004

CLASS B MEMBERS

BENEFICIARIES OF DECEASED MEMBERS

	MEN		WOMEN	
AGE	NUMBER	AMOUNT	NUMBER	AMOUNT
39			1	$ 6,398
41	1	$ 9,480		
51			2	15,040
55			2	14,591
57			1	7,580
59			2	9,131
62			1	6,808
64			5	29,600
65			2	10,023
66			2	8,071
68			2	19,911
69			1	1,632
70			2	11,579
71			1	8,059
72			1	4,765
73	1	1,200	1	5,026
74			2	6,135
77			2	11,018
78	1	5,624		
79			1	8,712
80			2	8,401
81			2	16,310
82			1	9,331
87			1	1,087
TOTAL	3	$ 16,304	37	$ 219,208

SCHEDULE E

Burlington Employees' Retirement System
Contribution Projections

Class A & B Employees

Fiscal Year Ending	Projected Payroll	Normal Contribution		Past Service Contribution	Total City Contribution	
June 30, 2005	$ 31,374,680	$ 3,934,287	12.5%	$ 628,823	$ 4,563,110	14.5%
June 30, 2006	33,190,245	4,213,658	12.7%	1,657,474	5,871,132	17.7%
June 30, 2007	34,849,757	4,424,341	12.7%	2,506,966	6,931,307	19.9%
June 30, 2008	36,592,245	4,645,558	12.7%	2,903,999	7,549,556	20.6%
June 30, 2009	38,421,857	4,877,836	12.7%	2,930,836	7,808,672	20.3%
June 30, 2010	40,342,950	5,121,728	12.7%	2,869,442	7,991,170	19.8%

Notes:
No future liability gains or losses are assumed; assets are assumed to earn 8% per annum.
Projected payroll assumed to increase 5% per annum.
Unfunded accrued liability as of June 30, 2004 amortized over 30 years; initial recognition in FY 2006 contribution.
All future changes in unfunded accrued liability amortized over 30 years.

SCHEDULE E

Burlington Employees' Retirement System
Contribution Projections

Class A Employees

Fiscal Year Ending	Projected Payroll	Normal Contribution		Past Service Contribution	Total City Contribution	
June 30, 2005	$ 8,169,478	$ 1,604,485	19.6%	$ 241,702	$ 1,846,187	22.6%
June 30, 2006	8,341,093	1,676,560	20.1%	784,127	2,460,687	29.5%
June 30, 2007	8,758,148	1,760,388	20.1%	1,217,884	2,978,272	34.0%
June 30, 2008	9,196,055	1,848,407	20.1%	1,420,187	3,268,594	35.5%
June 30, 2009	9,655,858	1,940,828	20.1%	1,433,876	3,374,704	34.9%
June 30, 2010	10,138,651	2,037,869	20.1%	1,402,904	3,440,773	33.9%

Notes:

No future liability gains or losses are assumed; assets are assumed to earn 8% per annum.
Projected payroll assumed to increase 5% per annum.
Unfunded accrued liability as of June 30, 2004 amortized over 30 years; initial recognition in FY 2006 contribution.
All future changes in unfunded accrued liability amortized over 30 years.

SCHEDULE E

Burlington Employees' Retirement System
Contribution Projections

Class B Employees

Fiscal Year Ending	Projected Payroll	Normal Contribution		Past Service Contribution	Total City Contribution	
June 30, 2005	$ 23,205,202	$ 2,329,802	10.0%	$ 387,121	$ 2,716,923	11.7%
June 30, 2006	24,849,152	2,537,098	10.2%	873,347	3,410,445	13.7%
June 30, 2007	26,091,610	2,663,953	10.2%	1,289,082	3,953,035	15.2%
June 30, 2008	27,396,190	2,797,151	10.2%	1,483,812	4,280,962	15.6%
June 30, 2009	28,766,000	2,937,008	10.2%	1,496,960	4,433,968	15.4%
June 30, 2010	30,204,300	3,083,858	10.2%	1,466,538	4,550,397	15.1%

Notes:

No future liability gains or losses are assumed; assets are assumed to earn 8% per annum.
Projected payroll assumed to increase 5% per annum.
Unfunded accrued liability as of June 30, 2004 amortized over 30 years: initial recognition in FY 2006 contribution.
All future changes in unfunded accrued liability amortized over 30 years.

Burlington Employees' Retirement System
Contribution Projections

Class A & B Employees

Fiscal Year Ending	Projected Payroll	Normal Contribution		Past Service Contribution	Total City Contribution	
June 30, 2005	$ 31,374,680	$ 3,934,287	12.5%	$ 628,823	$ 4,563,110	14.5%
June 30, 2006	33,190,245	4,213,658	12.7%	1,657,474	5,871,132	17.7%
June 30, 2007	34,849,757	4,424,341	12.7%	2,506,966	6,931,307	19.9%
June 30, 2008	36,592,245	4,645,558	12.7%	2,903,999	7,549,556	20.6%
June 30, 2009	38,421,857	4,877,836	12.7%	2,930,836	7,808,672	20.3%
June 30, 2010	40,342,950	5,121,728	12.7%	2,869,442	7,991,170	19.8%
June 30, 2011	42,360,098	5,377,814	12.7%	2,869,442	8,247,256	19.5%
June 30, 2012	44,478,103	5,646,705	12.7%	2,869,442	8,516,147	19.1%
June 30, 2013	46,702,008	5,929,040	12.7%	2,869,442	8,798,482	18.8%
June 30, 2014	49,037,108	6,225,492	12.7%	2,869,442	9,094,934	18.5%
June 30, 2015	51,488,964	6,536,767	12.7%	2,869,442	9,406,209	18.3%

Notes:
No future liability gains or losses are assumed; assets are assumed to earn 8% per annum.
Projected payroll assumed to increase 5% per annum.
Unfunded accrued liability as of June 30, 2004 amortized over 30 years; initial recognition in FY 2006 contribution.
All future changes in unfunded accrued liability amortized over 30 years.

Burlington Employees' Retirement System
Contribution Projections

Class A Employees

Fiscal Year Ending	Projected Payroll	Normal Contribution		Past Service Contribution	Total City Contribution	
June 30, 2005	$ 8,169,478	$ 1,604,485	19.6%	$ 241,702	$ 1,846,187	22.6%
June 30, 2006	8,341,093	1,676,560	20.1%	784,127	2,460,687	29.5%
June 30, 2007	8,758,148	1,760,388	20.1%	1,217,884	2,978,272	34.0%
June 30, 2008	9,196,055	1,848,407	20.1%	1,420,187	3,268,594	35.5%
June 30, 2009	9,655,858	1,940,828	20.1%	1,433,876	3,374,704	34.9%
June 30, 2010	10,138,651	2,037,869	20.1%	1,402,904	3,440,773	33.9%
June 30, 2011	10,645,583	2,139,763	20.1%	1,402,904	3,542,666	33.3%
June 30, 2012	11,177,862	2,246,751	20.1%	1,402,904	3,649,654	32.7%
June 30, 2013	11,736,755	2,359,088	20.1%	1,402,904	3,761,992	32.1%
June 30, 2014	12,323,593	2,477,043	20.1%	1,402,904	3,879,946	31.5%
June 30, 2015	12,939,773	2,600,895	20.1%	1,402,904	4,003,798	30.9%

Notes:
No future liability gains or losses are assumed; assets are assumed to earn 8% per annum.
Projected payroll assumed to increase 5% per annum.
Unfunded accrued liability as of June 30, 2004 amortized over 30 years; initial recognition in FY 2006 contribution.
All future changes in unfunded accrued liability amortized over 30 years.

Burlington Employees' Retirement System
Contribution Projections

Class B Employees

Fiscal Year Ending	Projected Payroll	Normal Contribution		Past Service Contribution	Total City Contribution	
June 30, 2005	$ 23,205,202	$ 2,329,802	10.0%	$ 387,121	$ 2,716,923	11.7%
June 30, 2006	24,849,152	2,537,098	10.2%	873,347	3,410,445	13.7%
June 30, 2007	26,091,610	2,663,953	10.2%	1,289,082	3,953,035	15.2%
June 30, 2008	27,396,190	2,797,151	10.2%	1,483,812	4,280,962	15.6%
June 30, 2009	28,766,000	2,937,008	10.2%	1,496,960	4,433,968	15.4%
June 30, 2010	30,204,300	3,083,858	10.2%	1,466,538	4,550,397	15.1%
June 30, 2011	31,714,515	3,238,051	10.2%	1,466,538	4,704,590	14.8%
June 30, 2012	33,300,240	3,399,954	10.2%	1,466,538	4,866,492	14.6%
June 30, 2013	34,965,252	3,569,952	10.2%	1,466,539	5,036,490	14.4%
June 30, 2014	36,713,515	3,748,449	10.2%	1,466,538	5,214,988	14.2%
June 30, 2015	38,549,191	3,935,872	10.2%	1,466,538	5,402,410	14.0%

Notes:
No future liability gains or losses are assumed; assets are assumed to earn 8% per annum.
Projected payroll assumed to increase 5% per annum.
Unfunded accrued liability as of June 30, 2004 amortized over 30 years; initial recognition in FY 2006 contribution.
All future changes in unfunded accrued liability amortized over 30 years.

Section 7

Assumption Changes Approved by the Retirement Board as Reflected in June 30, 2004 Actuarial Report (See Above Section).

Assumption Changes Approved by the Board

(Money amounts given that were in the assumption changes recommendations.)

- Withdrawal and vesting - more A and B leave without being vested, or with a small amount of accrued benefit.
  $53,000 savings for A
  $34,000 savings for B
- Mortality – assumed rates of death are not changed, assumed rates of death while on disability are lowered.
  $ 59, 000 cost for A
  $141,000 cost for B
- Service and early retirement – increase number of early and service retirements for A, and lower the assumed rates for B.
  $171,000 cost for A
  $143,000 savings for B
- Disability retirements – no change, no cost change
- Assumed interest rate - 8% is left with no change
- Change the amortization period from 10 to 30 years

changes made
in 2004 by the
Retirement Board
Reflected in the
June 30 2004
actuarial report
by Mellon/Buck

Section 8

May 24, 2004

Resolution ANNUAL APPROPIATION AND BUDGET FOR FISCAL YEAR BEGINNING JULY 1, 2004

Comments on the above Resolution: The City Council on May 24, 2004 as part of the Resolution on the FY05 Annual Budget Appropriations requested a report back form the Retirement Board on the status of the Buck Consulting actuarial assumptions. The Resolution also stated that the City Council "strongly urges the Retirement Board to adopt those amendments to the assumptions, or show cause to the City Council, on of before July 12, 2004, why these amendments have not been adopted".

The Retirement Board subsequently adopted, in part, the Buck Consulting recommendations; however, these came only in time for the June 30, 2004 valuation which was then used to as the basis for the change in the FY06 Budget.

For Reference:

The Actuarial Valuation for the period ending:	*Is used to the Budget for the Fiscal Years below:*
6/30/02	*FY 2004*
3/30/03	*FY 2005*
6/30/04	*FY 2006*
6/30/05	*FY 2007*

Resolution Relating to

RESOLUTION Section 8

Sponsor(s): Councilors Montroll, Bushor, Curley: Finance Bd.

Introduced: 05/10/04

Referred to:

ANNUAL APPROPRIATION AND BUDGET FOR FISCAL YEAR BEGINNING JULY 1, 2004

Action: adopted

Date: 05/24/04

Signed by Mayor: 05/28/04

CITY OF BURLINGTON

In the year Two Thousand Four..

Resolved by the City Council of the City of Burlington, as follows:

That WHEREAS, Section 157 of the City Charter requires that the Mayor on or before June 15 of each year, provide to the City Council an estimate of the necessary appropriations to cover the expenses of each department and branch of the City government for the next fiscal year; and

WHEREAS, the Mayor on May 10, 2004 provided to the City Council a Recommended Budget for the Fiscal Year beginning July 1, 2004 which is an estimate of the necessary appropriations to cover the expenditures of each fund, department and branch of City government, also an estimate of the revenues from sources other than property taxation, including certain carryover revenues, and the amount to be raised by taxation upon real and personal property within the City of Burlington; and

WHEREAS, pursuant to Section 157 of the City Charter it is necessary to adopt a budget and make annual appropriations for the Fiscal Year beginning July 1, 2004;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Burlington, that said estimates of the revenues and expenditures shown, the schedules and accompanying narrative and tables of the Mayor's Recommended Budget, as amended herein, are hereby adopted as the annual appropriation and budget of the City of Burlington for the

Resolution Relating to ANNUAL APPROPRIATION AND BUDGET FOR FISCAL YEAR BEGINNING JULY 1, 2004

Fiscal Year beginning July 1, 2004 (Fiscal Year 2005) amounting to One Hundred Fifty-three Million Five hundred Ninety-five Thousand One Hundred and Eighty Dollars ($153,595,180); and

BE IT FURTHER RESOLVED that the appropriations for the General Fund specified within the budget notwithstanding, programs designated as follows: library book fund, City Kids, Parks & Recreation Special Projects, Burlington City Arts, Memorial Auditorium, 242 Main, ambulance billing, recycling, DEA Equitable Sharing drug forfeiture, Comprehensive Code Enforcement, all grants, all Special Revenue Funds, all Enterprise Funds, and all Capital Project Funds, shall not be considered appropriations which are available for expenditure unless and to the extent there is received for the benefit of such accounts the level of estimated revenue for the credit of such accounts equivalent to the amount set forth in the budget; and

BE IT FURTHER RESOLVED that the appropriations contained in the budget notwithstanding, funds for capital improvements and capital projects shall be considered as appropriated to contingency accounts with expenditures therefrom being authorized only upon the transfer of all or a portion of such funds to comparable expenditure accounts by the Board of Finance or by this City Council; and

BE IT FURTHER RESOLVED that the unexpended balances from the appropriations previously made for the continuing and existing grants and programs, general capital improvements, debt service reserves, central city computer, insurance reserves, and capital projects funds shall be carried over to the Fiscal Year 2005 Budget upon completion of the outside Audit; and

BE IT FURTHER RESOLVED that the full expenditure of "Designated Funds," including remaining small working capital bond funds, and in the Fund Balance of the General Fund shall not exceed an amount that the remaining balance is inadequate to provide a sufficient reserve for uncollected delinquent taxes; and

BE IT FURTHER RESOLVED that the employee positions now authorized for Fiscal Year 2005 shall be as set forth in Volume II, Chapter 3, Department Personnel Schedules, of the budget, filling of any vacant position shall be made within the budget level for that position including any accrued and paid benefits, not including retirement benefits, to the employee leaving the position; and

BE IT FURTHER RESOLVED that the Police Department is authorized to temporarily increase the level of sworn personnel to 109 within available budget authorization in order to adjust to staff leaving and hiring, and to more closely maintain the regular authorized staffing level of 104 (including officers assigned to the Airport) sworn personnel; and

BE IT FURTHER RESOLVED that the Board of Finance will review the vacancy filling and reclassification procedures for City employees and modify those procedures as necessary, until such time as modifications are made no vacancy or reclassification in any position shall be posted, advertised, or filled without advanced approval of the Board of Finance; and

BE IT FURTHER RESOLVED that the Community and Economic Development Department is authorized to charge up to 15% construction management fee to offset construction management costs of Neighborhood Planning Association construction projects; and

BE IT FURTHER RESOLVED that the Mayor's Recommended Budget includes revenues from State PILOT of $495,000 based upon the early action of the Vermont Legislature, and that in the event that all or some of that increase is not realized, the Mayor may submit a supplemental budget resolution with a recommended decrease in municipal service; and

BE IT FURTHER RESOLVED that the General Fund appropriations specified within the budget for training and travel and computer notwithstanding, shall not be considered appropriations which are available for expenditure unless and to the extent that sufficient funds are available for health benefits and other employee benefits; and

BE IT FURTHER RESOLVED that for the purposes of improving the budget process the street excavation fees for the water and electric funds shall be set based upon projected excavation activity and historical excavation cost of these departments and for the budget year beginning July 1, 2004 the payments shall be $75,000 from the electric fund and $70,000 from the water fund; and

BE IT FURTHER RESOLVED that the Chief Administrative Officer may, from time to time, make expenditures, from the General Fund of the City, for the purpose of acquisition, construction and installation of certain capital improvements or other obligations. The City may intend that such expenditures, including but not limited to parking and terminal improvements at the Burlington International Airport, downtown parking, Telecommunications Project, and street capital improvements, be reimbursed through the issuance of tax-exempt bonds or other obligations and pursuant to Treasury Regulations Section 1.150-2, the City must declare an intent to reimburse such expenditure with the proceeds of bonds or other obligations. The Chief Administrative Officer is hereby authorized and designated as a representative of the City to adopt an official intent, on behalf of the City, to determine, in each case, whether an expenditure for capital improvements will be reimbursed with the proceeds of bonds or other form of obligation; and

BE IT FURTHER RESOLVED that the following fees are to be set at the levels indicated in this section:

Amend fees for Planning and Zoning Services as follows:

- Basic Zoning Permit Level 1 increased to $60 from $45
- Basic Zoning Permit Level II increased to $90 from $80
- Certificate of Appropriateness Level II increased to $4.50/$1,000 or $.25/sf from $4.00/$1,000 or $.20/sf.
- Public Hearing Fees - Major Impact Projects increased to $200 & $1.10/$1,000 or $.10/sf from $200 & $1.00/$1,000 or $.054/sf.
- Subdivision Level III Fees:
  A. Preliminary Plat Application Fee increased to $300/lot from $125/lot.
  B. Preliminary/Final Combination Application Fee increased to $300/lot from $125.
  C. Final Plat Application Fee increased to $300 from $125/lot.

Establish and Amend fees for Operation of the Cemetery as follows:

- Establish a fee for space in Columbarium at $1,000 for City residents and $2,000 for non-residents
- Establish a consistent price of $800 for all full openings to replace a pricing system based upon season of the year and/or day of the week.
- Establish a consistent price of $400 for all cremations to replace a pricing system based upon season of the year and/or day of the week.

Resolution Relating to ANNUAL APPROPRIATION AND BUDGET FOR FISCAL YEAR BEGINNING JULY 1, 2004

Amend certain fees and charge for the Parks & Recreation Department as follows:

Ice Arena- Olympic Surface Rental

Non-Commercial	Increased to $125 from $120
Commercial	Increased to $135 from $130

Picnic Shelter Rental

Oakledge Park

Half Day	Increased to $100 from $85
Full Day	Increased to $150 from $120

Waterfront Park

Half Day	Increased to $85 from $75
Full Day	Increased to $125 from $110

North Beach (new facility) – establish fees

Half Day	$135
Full Day	$200

Waterfront Parking Fee

First hour increases to $3 from $2
$1 each additional hour (no change)
Maximum per day increased to $7 from $6

Seasonal Moorings

Resident charge increased to $38/ft. from $35/ft.
Non-Resident charge increased to $45/ft from $42/ft.

Seasonal Boat Slips

Perkins Pier:
Resident fees increased to $1,100 from $1,050
Non-Resident fees increased to $1,300 from $1,250

Boathouse

Resident increases	Non-Resident increases
22' slip to $1,500 from $1,400	to $1,700 from $1,600
25' slip to $1,650 from $1,550	to $1,900 from $1,800
30' slip to $2,100 from $2,000	to $2,400 from $2,310
35' slip to $2,360 from $2,260	to $2,720 from $2,620
40' slip to $2,750 from $2,600	to $3,150 from $3,000

Resolution Relating to

ANNUAL APPROPRIATION AND BUDGET FOR
FISCAL YEAR BEGINNING JULY 1, 2004

Amend certain fees and charge for the Police Department as follows:

Regulation of Security Alarm Systems

Annual fee increased to $36 from $10 per year

For civil offenses, penalties range up to $500 with a waiver penalty of $100 - waiver penalty formerly was $50

Response Charges shall be assessed as follows (formerly called false alarms):

First Response – a first warning issued with no fine

Second Response – a second warning with no fine - formerly fine was $50

Third Response – charge a $75 fine – formerly fine was $70

Fourth Response – charge a $100 fine – formerly fine was $75

Five or More Responses – charge a $150 – formerly fine was $100; and

BE IT FURTHER RESOLVED that the City Council hereby refers to the Ordinance Committee any fee increase requiring such Ordinance Committee approval; and

BE IT FURTHER RESOLVED that the City of Burlington has adopted the goal of comparable worth, or comparable pay for comparable work, as a guiding principle of the employee compensation, and

The City Council, while mindful of recruitment and retention pressures in the instance of some positions in the City workforce based upon changing market conditions, recognizes that under the eyes of the law and the general public it, the City Council, is considered the employer of those working in all city departments, has concerns that the continued utilization of separate classification and compensation plans in the electric and other city departments may undermine the goal of comparable pay for comparable work, and

That the City Council does and hereby declares that it is the official position of the City, subject to collective bargaining, that the Electric Department employees be employed under a unified classification and compensation plan with those employees currently under the Willis plan, and directs the Electric Department under the direction of the Chief Administrative Officer to engage an outside consultant to review the Willis and Electric Department classification plans and to recommend a prudent course of action to merge as soon as practicable the current Electric plan and employees into the Willis Plan or a comparable unified plan and that such recommendation be provided to the City Council no later than June 1, 2005; and

BE IT FURTHER RESOLVED that the City Council acknowledges the receipt by the Retirement Board of a report by Buck Consultants dated March 19, 2003 which contained recommendations on amendments to assumptions used in the actuarial analysis of the retirement plan and strongly urges the Retirement Board to adopt those amendments to the assumptions changes, or show cause to the City Council, on or before July 12, 2004, why these amendments have not been adopted. The assumptions amendments include withdrawal and vesting, mortality, service and early retirement, inflation, salary increase, and Half-COLA and No-COLA options; and

BE IT FURTHER RESOLVED that the City Council requests the Mayor to cause the following reports to be provided to the City Council regarding the Comprehensive Code Enforcement Office, 1) no later than July 12, 2004, a report on the consultant's information technology review of Code Enforcement needs, and 2) no later than the first City Council meeting 60 days following the hiring of a new Comprehensive Code Enforcement Officer a report on the staffing deployment, allotment of staff time among minimum housing, quality of life and problem property assignments, re-inspection strategies, staff training, customer response systems, and information technology systems.

* * * * * * * * * * * * *

DISTRIBUTION:

I hereby certify that this resolution has been sent to the following department(s) on

ALL DEPTS

Attest:

Lori Olberg
Administrative Assistant

* * * * * * * * * * * * *

ORIGINAL

RESOLUTION RELATING TO

Annual Appropriation and Budget for Fiscal Year Beginning July 1, 2004

Adopted by the City Council

May 24, 2004

Asst. Clerk

Approved May 24, 2004

Mayor

Vol. .... Page ....

Section 9

February 2, 2004

Report from Mellon Financial Company (Actuaries) to the Members of the (Retirement) Board re "REPORT ON THE FIFTIETH ACTUARIAL VALUATION OF THE BURLINGTON EMPLOYEES' RETIREMENT SYSTEM, PREPARED AS OF JUNE 30, 2003".

REPORT ON THE FIFTIETH

ACTUARIAL VALUATION OF THE

BURLINGTON EMPLOYEES' RETIREMENT SYSTEM

PREPARED AS OF JUNE 30, 2003

Mellon

Human Resources & Investor Solutions

February 2, 2004

Retirement Board
Burlington Employees' Retirement System
Burlington, Vermont 05401

Members of The Board:

Article II, Division 2, Section 24-60 of the ordinance in relation to the Burlington Employees' Retirement System provides for actuarial valuations of the assets and liabilities of the System at least once every three years and more often if the Retirement Board so directs.

The fiftieth actuarial valuation of the System, prepared as of June 30, 2003, has now been completed and the results are presented in this report, together with our recommendations in regard to the contributions payable by the City and the disclosure information for accounting purposes required by the Governmental Accounting Standards Board.

The valuation results are based on the same assumptions as the previous valuation, including an interest rate of 8% per annum and assumed cost-of-living increases in benefits of 4% per annum. The actuarial assumptions and methods used in this valuation are described in Schedule B.

The results of the valuation are based on the Plan provisions in effect on June 30, 2003. A summary of the System provisions is shown in Schedule C.

The Table of Contents, which immediately follows, outlines the material contained in the report.

Respectfully submitted,

(Signed) RICHARD K. BECK

Richard K. Beck
Principal and Consulting Actuary

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REPORT ON THE FIFTIETH ACTUARIAL VALUATION OF THE
BURLINGTON EMPLOYEES' RETIREMENT SYSTEM
PREPARED AS OF JUNE 30, 2003

SECTION I - SUMMARY OF PRINCIPAL RESULTS

For convenience of reference, the principal results of the valuation and a comparison with the preceding year's results are summarized below.

Valuation Date	6/30/2003	6/30/2002
Class A:		
Number of active members	173	165
Earnable compensation	$ 6,699,679	$ 6,146,714
Number of retirees and beneficiaries	115	112
Annual retirement benefits	$ 2,914,602	$ 2,833,302
Number with vested rights	9	9
Class B:		
Number of active members	565	554
Earnable compensation	$ 21,076,650	$ 19,903,599
Number of retirees and beneficiaries	235	222
Annual retirement benefits	$ 2,071,333	$ 1,893,167
Number with vested rights	323	314
Actuarial Value of Assets		
Class A	$ 55,507,075	$ 57,595,530
Class B	54,018,878	55,384,746
Unfunded Past Service Cost (Surplus)		
Class A	$ 3,434,583	$ (2,037,533)
Class B	4,087,182	(1,826,302)
Contributions for Fiscal Year	**2005**	**2004**
Class A:		
Normal Rate	19.64%	19.83%
Past Service Contribution	$ 241,703	$ (240,193)
Class B:		
Normal Rate	10.04%	9.93%
Past Service Contribution	$ 387,121	$ (986,606)

Mellon

Comments on the valuation results as of June 30, 2003 are set forth in Section IV and further discussion of the contribution levels is set out in Section V. Section VI presents the referenced disclosure information for accounting purposes.

Schedule B of this report outlines the full set of actuarial assumptions and methods employed. The valuation was based on the same assumptions and methods as the previous valuation.

Schedule C presents a summary of the principal System provisions as interpreted for the valuation. The valuation was based on the same Plan provisions as the previous valuation.

SECTION II - EMPLOYEE DATA

Employee data were furnished by the Retirement Administrator.

Tables 1 through 4 of Schedule D show the number and annual earnable compensation of active members who were included in the valuation, while Tables 5 through 10 of Schedule D show the number and annual retirement benefits of retirees and beneficiaries included in the valuation. In addition, there are 9 Class A former members and 323 Class B former members entitled to deferred vested benefits.

SECTION III - ASSETS

The amount of assets taken into account in this valuation is based on information reported by the Retirement Administrator.

Assets are valued on the basis of a five-year expected average market value method. The operation of this method is described in Schedule B. Based on this method, the actuarial value of assets amount to \$109,525,953. This may be compared to current book and market values of \$78,074,670 and \$88,088,612, respectively. All asset figures reflect receivable contributions of \$7,924, accounts payable of \$110,758, and accrued interest of \$1,011,552.

As part of the valuation procedure, investment earnings for the year ending June 30, 2003 have been analyzed. Based on the procedures used and certain approximations, the yield for the year is determined as being 3.51% based on market value of assets and 0.28% based on actuarial value of assets.

SECTION IV - COMMENTS ON VALUATION

The projected unit credit actuarial cost method was used for this valuation. Under this cost method, benefits for active participants are determined on the basis of projected compensation at the time of anticipated termination and service credited to the valuation date. The normal cost under this method is the value of the difference between the benefits accrued for service to the valuation date and the benefits based on service to one year after the valuation date.

Schedule A of this report contains the valuation balance sheet, which shows the present and prospective assets and liabilities of the Plan as of June 30, 2003. Since the Plan is valued on a unit credit cost method basis, the balance sheet does not take into account accruals after the valuation date.

The valuation balance sheet shows that as of June 30, 2003 the Plan has accrued liabilities of $117,047,718. Of this amount $58,772,123 represents the present value of benefits payable on account of retired members, beneficiaries and former members entitled to deferred vested benefits and $58,275,595 represents the present value of prospective benefits payable on account of active members. Against these liabilities the Plan has actuarial assets of $109,525,953. The difference between the total liabilities of $117,047,718 and the assets of $109,525,953 is $7,521,765 which represents the unfunded past service cost as of June 30, 2003. Schedule A contains a breakdown of the assets and liabilities described above by membership class.

SECTION V - APPROPRIATION TO BE MADE BY THE CITY

Article II, Division 1, Section 24-32 of the ordinance governing the operation of the System provides that the Retirement Board shall certify to the Board of Finance the amounts payable by the City to the System, including an estimated amount required for operating expenses.

The contribution by the City, excluding operating expenses, consists of

(i) a normal contribution to cover the cost of benefits expected to accrue under the Plan during the fiscal year following the valuation date reduced by required Class A member contributions equal to 8.8% of compensation, plus

(ii) a past service contribution to liquidate the unfunded past service cost over a 10 year period from the date of establishment in accordance with the policy adopted by the Retirement Board.

Based on the latest valuation results and the adopted funding policy, the following table sets forth the basis for determining the City's contributions, excluding an amount for operating expenses, for the fiscal year beginning July 1, 2004.

CONTRIBUTIONS PAYABLE BY THE CITY TO THE SYSTEM

CONTRIBUTION	AMOUNT	PERCENT OF COMPENSATION
Class A		
Normal	$ 1,604,485*	19.64%
Past Service	241,703	2.96%*
Total	$ 1,846,188	
Class B		
Normal	$ 2,329,802*	10.04%
Past Service	387,121	1.67%*
Total	$ 2,716,923	

* Estimated based on fiscal year end 2005 budget payrolls of $8,169,478 and $23,205,203 for Class A and Class B, respectively.

The recommended normal contribution rates in the table above should be applied to the respective earnable compensation of Class A and Class B members of the System for the fiscal year ending in year 2005 in order to determine the required appropriations for currently accruing benefits. In addition, the amount estimated to be required for operating expenses of the System is to be included in the certification of the Retirement Board.

SECTION VI - ACCOUNTING INFORMATION

Statement Nos. 25 and 27 of the Governmental Accounting Standards Board, issued November 1994, established standards of disclosure of pension information by public retirement systems. The annual pension cost is determined as the annual required contribution under the Plan's regular funding method with adjustments made to reflect the employer's net pension obligation (NPO). The NPO is the cumulative difference between the annual pension cost and the actual contributions made since January 1, 1987. The annual pension cost is adjusted for interest charged on the NPO at the valuation interest rate and amortization of the NPO. The annual pension cost (income) under this policy for the fiscal year ending June 30, 2003 is $1,079,911. The statements also require the following supplementary information be furnished by the actuary. The Schedule of Funding Progress details the progress made over the last six years in accumulating sufficient assets to provide for benefits when they are due. The Schedule of Employer Contributions shows the required and actual contributions over the last six years. The Schedule of Annual Pension Cost shows the Annual Pension Cost for the last 3 years.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets over AAL (a – b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess as a percentage of Covered Payroll ((a-b)/c)
6/30/98	81,368,557	71,053,792	10,314,765	114.52%	21,325,110	48.37%
6/30/99	92,782,371	76,225,530	16,556,841	121.72%	22,938,963	72.18%
6/30/00	111,224,657	96,610,677	14,613,980	115.13%	23,914,477	61.11%
6/30/01	114,203,990	101,700,266	12,503,724	112.29%	24,730,357	50.56%
6/30/02	112,980,276	109,116,441	3,863,835	103.54%	26,050,313	14.83%
6/30/03	109,525,953	117,047,718	(7,521,765)	93.57%	27,776,329	-27.08%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/98	1,013,907	1,013,907	100.00%
6/30/99	752,481	752,481	100.00%
6/30/00	43,834	43,834	100.00%
6/30/01	274,878	274,878	100.00%
6/30/02	767,446	767,446	100.00%
6/30/03	1,079,911	1,079,911	100.00%

SCHEDULE OF ANNUAL PENSION COST

Year Ended	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
6/30/01	274,878	100.00%	0
6/30/02	767,446	100.00%	0
6/30/03	1,079,911	100.00%	0

SECTION VII - EXPERIENCE

Records are being maintained whereby the actual experience of active and retired members is being compared with that expected on the basis of the tables adopted by the Retirement Board. In this way, deviations in the experience from that anticipated will be noted and any adjustments believed necessary will be brought to the attention of the Retirement Board.

SCHEDULE A

VALUATION BALANCE SHEET
SHOWING THE ASSETS AND LIABILITIES ACCRUED UNDER THE BURLINGTON EMPLOYEES' RETIREMENT SYSTEM
AS OF JUNE 30, 2003

ASSETS

	Class A Members	Class B Members	Total System
Valuation Assets	$ 55,507,075	$ 54,018,878	$ 109,525,953
Unfunded past service cost/(surplus)	3,434,583	4,087,182	7,521,765
Total Assets	$ 58,941,658	$ 58,106,060	$ 117,047,718

LIABILITIES

	Class A Members	Class B Members	Total System
Present value of benefits payable on account of retired members, beneficiaries and members entitled to deferred vested benefits	$ 34,588,169	$ 24,183,954	$ 58,772,123
Present value of prospective benefits accrued to date on account of present active members	24,353,489	33,922,106	58,275,595
Total Liabilities	$ 58,941,658	$ 58,106,060	$ 117,047,718

Vested Retirement

Eligibility	All Members. 3 years of creditable service.
Amount of Benefit	
Class A	A percentage grading from 20% after 3 years to 100% after 7 years, of the benefit calculated using AFC and creditable service at termination. The benefit is payable commencing at age 55. Member may elect early receipt with reduction as for service retirement prior to age 55.
Class B	Same form as Class A except benefit is payable at age 65. Member may elect early receipt with reduction as for service retirement prior to age 65.

Survivor Spouse's Pension

Eligibility	All Members. Death of a terminated member entitled to a vested retirement benefit prior to commencement of such benefit.
Amount of Benefit	50% of reduced accrued benefit reflecting the 50% Joint and Survivor form of payment (ages as of date payments commence) payable at member's early retirement date. Spouse may elect to receive payments later than member's early retirement date with no reduction for receipt at member's 65th birthday.

Offsets on Benefits

Disability and accidental death benefits are offset by workmen's compensation paid for the same disability or death.

Contributions

By Members	
Class A	8.8% of earnable compensation for the first 35 years of creditable service, none thereafter.
Class B	None.
By City	Remainder necessary to fund for the benefits of the System on an actuarial basis.

SCHEDULE D

TABLE 1

THE NUMBER AND ANNUAL EARNABLE COMPENSATION OF ACTIVE MEMBERS DISTRIBUTED BY AGE AS OF JUNE 30, 2003

CLASS A MEMBERS

	MEN		WOMEN	
AGE	NUMBER	AMOUNT	NUMBER	AMOUNT
19	1	$ 25,874		
22	4	116,946		
23	4	106,705	1	$ 29,083
24	2	68,038	1	29,083
25	6	188,095	1	35,046
26	5	170,170		
27	7	232,711		
28	7	233,317		
29	7	230,504		
30	5	172,590		
31	6	206,406	1	39,918
32	8	270,554		
33	9	323,918		
34	7	251,531	1	49,074
35	9	335,770		
36	8	322,232	1	35,658
37	8	334,096		
38	6	238,188	1	52,478
39	8	343,959		
40	6	254,039		
41	4	165,421	1	38,526
42	7	313,064		
43	3	143,028	1	44,219
44	3	119,649		
45	1	51,423		
46	3	125,390		
47	4	198,219	1	37,327
48	5	252,320		

of .5% for creditable service between 25 and 35 years and no cost-of-living adjustment.

Prior to age 55, the above benefit based on AFC and creditable service at retirement reduced actuarially for the period of time by which retirement precedes the earlier of 25 years creditable service and age 55. For employees who terminate with 20 to 25 years of creditable service the above benefit based on AFC and creditable service at retirement reduced by 1.82% for each year that creditable service is less than 25 years.

Class B

Age 65 and older, the greater of (i) 1.6% of AFC (at age 65) times creditable service not in excess of 25 years plus .5% of AFC (at age 65) times creditable service in excess of 25 years or (ii) the actuarial equivalent of the benefit determined at age 65. This benefit will be increased by the cost of living adjustment detailed below.

In lieu of this benefit, at the time of retirement, a member may choose an accrual rate of 1.9% for the first 25 years of service plus an accrual of .5% for creditable service in excess of 25 years and a cost of living adjustment equal to one-half of the cost of living adjustment detailed below, or an accrual rate of 2.2% for the first 25 years of service plus an accrual of .5% for creditable service in excess of 25 years and no cost-of-living adjustment.

Prior to age 65, the above benefit based on AFC and creditable service at retirement reduced by 2% for each year that retirement precedes age 65.

Cost of Living Adjustment

Benefits increase annually by changes in the Consumer Price Index of more than 1%. The maximum annual increase is 5%. Increase is not applicable to deferred vested benefit prior to commencement, survivor income benefit, disability benefit prior to normal retirement age or members who choose to have no cost of living adjustment.

Service Adjustment

Class A service for calculation of benefits shall be adjusted such that any Class A employee shall be granted 1.07 years of credit for each year in which the employee worked prior to July 1, 1996, and 1.17 years thereafter, in a position regularly assigned a workweek consisting on average of fifty-three or more hours of work per week.

Disability Retirement

Eligibility

All Members. Permanently disabled.

Amount of Benefit

A benefit payable until normal service retirement eligibility (Class A = age 55 and 7 years of creditable service, Class B

= 65 and 7 years of creditable service), equal to 75% of the member's earnable compensation less workmen's compensation and, in the case of Class B, less Social Security.

After normal service retirement eligibility, a service retirement benefit based on AFC at retirement and creditable service at normal service retirement eligibility, including the period while permanently disabled and receiving a disability benefit from the System.

Accidental Death

Eligibility

Class A only. Death due to accident while in the performance of duty.

Amount of Benefit

A benefit to the spouse until death or remarriage of 50% of AFC. Upon death or remarriage of the spouse, the benefit will be payable to children until age 21.

Survivor Income

Eligibility

All Members. Death in active service.

Amount of Benefit

Class A

30% of compensation during the July preceding death payable to spouse until earlier of death or 2nd anniversary of remarriage. An additional 5% per unmarried child under 21 (maximum additional 10%) is payable until benefits cease or children no longer eligible. If there is no spouse or spouse dies, the benefit is payable to unmarried children under age 21 until earlier of death, marriage or age 21.

Class B

30% of compensation during the July preceding death payable to spouse until earlier of death, 2nd anniversary of remarriage or age 62. Upon the spouse's attainment of age 62 (if not remarried) a benefit based on the 50% Joint and Survivor form of payment will be paid to the spouse for life. If there is no spouse or spouse dies, the benefit is payable to unmarried children under age 21 until earlier of death, marriage or age 21.

Return of Contributions

Accumulated contributions returned upon separation with less than 3 years of service or upon death with no accidental death benefit payable.

Upon death of a retired Class B member, the excess of his contribution at retirement over the benefits paid will be paid to his beneficiary or estate.

Vested Retirement

Eligibility	All Members. 3 years of creditable service.
Amount of Benefit	
Class A	A percentage grading from 20% after 3 years to 100% after 7 years, of the benefit calculated using AFC and creditable service at termination. The benefit is payable commencing at age 55. Member may elect early receipt with reduction as for service retirement prior to age 55.
Class B	Same form as Class A except benefit is payable at age 65. Member may elect early receipt with reduction as for service retirement prior to age 65.

Survivor Spouse's Pension

Eligibility	All Members. Death of a terminated member entitled to a vested retirement benefit prior to commencement of such benefit.
Amount of Benefit	50% of reduced accrued benefit reflecting the 50% Joint and Survivor form of payment (ages as of date payments commence) payable at member's early retirement date. Spouse may elect to receive payments later than member's early retirement date with no reduction for receipt at member's 65th birthday.

Offsets on Benefits	Disability and accidental death benefits are offset by workmen's compensation paid for the same disability or death.

Contributions

By Members	
Class A	8.8% of earnable compensation for the first 35 years of creditable service, none thereafter.
Class B	None.
By City	Remainder necessary to fund for the benefits of the System on an actuarial basis.

SCHEDULE D

TABLE 1

THE NUMBER AND ANNUAL EARNABLE COMPENSATION OF ACTIVE MEMBERS DISTRIBUTED BY AGE AS OF JUNE 30, 2003

CLASS A MEMBERS

	MEN		WOMEN	
AGE	NUMBER	AMOUNT	NUMBER	AMOUNT
19	1	$ 25,874		
22	4	116,946		
23	4	106,705	1	$ 29,083
24	2	68,038	1	29,083
25	6	188,095	1	35,046
26	5	170,170		
27	7	232,711		
28	7	233,317		
29	7	230,504		
30	5	172,590		
31	6	206,406	1	39,918
32	8	270,554		
33	9	323,918		
34	7	251,531	1	49,074
35	9	335,770		
36	8	322,232	1	35,658
37	8	334,096		
38	6	238,188	1	52,478
39	8	343,959		
40	6	254,039		
41	4	165,421	1	38,526
42	7	313,064		
43	3	143,028	1	44,219
44	3	119,649		
45	1	51,423		
46	3	125,390		
47	4	198,219	1	37,327
48	5	252,320		

TABLE 1

THE NUMBER AND ANNUAL EARNABLE COMPENSATION OF ACTIVE MEMBERS DISTRIBUTED BY AGE AS OF JUNE 30, 2003

CLASS A MEMBERS (CONTINUED)

	MEN		WOMEN	
AGE	NUMBER	AMOUNT	NUMBER	AMOUNT
50	1	51,297		
51	1	39,185		
52	1	53,033		
53	2	86,594	1	88,775
54	1	57,093		
56	2	89,005		
65	1	50,128		
TOTAL	162	$ 6,220,492	11	$ 479,187

TABLE 2

THE NUMBER AND ANNUAL EARNABLE COMPENSATION OF ACTIVE MEMBERS DISTRIBUTED BY AGE AS OF JUNE 30, 2003

CLASS B MEMBERS

	MEN		WOMEN	
AGE	NUMBER	AMOUNT	NUMBER	AMOUNT
20	1	$ 31,600		
22	4	90,573	1	$ 18,422
23	2	62,698	4	117,758
24	2	54,382	4	111,085
25	1	28,028	5	141,450
26	4	124,085	3	84,105
27	2	49,826		
28	1	30,275	3	118,512
29	7	234,242	1	17,119
30	5	186,601	3	109,882
31	3	92,577	3	95,671
32	10	327,718	4	127,669
33	7	229,005	3	88,867
34	8	250,972	3	110,766
35	5	170,355	1	29,679
36	8	309,262	5	159,927
37	5	181,981	3	115,194
38	9	323,320	6	241,980
39	13	535,826	5	182,468
40	10	358,610	5	188,680
41	17	661,943	3	65,195
42	11	398,758	11	409,724
43	11	421,845	17	595,202
44	14	633,213	10	316,947
45	16	604,177	8	280,934
46	11	448,653	3	104,991
47	13	576,924	8	294,900
48	9	369,211	5	174,233
49	12	521,574	4	143,787
50	16	744,408	6	206,049

TABLE 2

THE NUMBER AND ANNUAL EARNABLE COMPENSATION OF ACTIVE MEMBERS DISTRIBUTED BY AGE AS OF JUNE 30, 2003

CLASS B MEMBERS
(CONTINUED)

	MEN		WOMEN	
AGE	NUMBER	AMOUNT	NUMBER	AMOUNT
51	24	$ 1,019,887	7	$ 217,818
52	10	411,870	10	333,538
53	18	804,533	8	317,184
54	17	771,917	10	362,159
55	10	399,160	2	68,726
56	10	335,782	5	169,779
57	6	180,505	4	182,586
58	4	205,138	1	25,912
59	4	175,700	1	33,455
60	5	180,633	3	84,096
61	4	156,113	7	216,064
62	4	191,845	3	100,749
63			4	101,678
64	1	49,289		
65			3	93,076
66	1	34,520	1	36,570
67	2	72,821	1	14,003
75			1	25,706
TOTAL	357	$ 14,042,355	208	$ 7,034,295

TABLE 3

THE NUMBER AND ANNUAL EARNABLE COMPENSATION OF ACTIVE MEMBERS DISTRIBUTED BY YEARS OF SERVICE* AS OF JUNE 30, 2003

CLASS A MEMBERS

YEARS OF SERVICE	MEN NUMBER	MEN AMOUNT	WOMEN NUMBER	WOMEN AMOUNT
0	16	$ 432,940	2	$ 58,166
1	12	375,226	1	35,658
2	13	428,533	1	35,046
3	12	401,259		
4	12	430,373	2	126,102
5	9	286,433		
6	7	245,893		
7	3	120,669		
8	8	300,494		
9	1	39,810	1	39,918
10	5	219,904		
11	1	44,979		
12	3	127,344	1	49,074
13	4	170,126	1	52,478
14	9	389,783		
15	8	356,324	1	38,526
16	10	452,006		
17	8	357,699		
18	4	195,189		
19	5	242,429		
20	2	104,118	1	44,219
21	1	44,325		
22	1	57,093		
23	2	103,132		
24	1	51,423		
27	1	52,558		
29	1	51,297		
30	1	45,791		
32	1	43,214		
40	1	50,128		
TOTAL	162	$ 6,220,492	11	$ 479,187

*Excludes service adjustment for employees with a regularly assigned workweek of 53 or more hours.

TABLE 4

THE NUMBER AND ANNUAL COMPENSATION OF ACTIVE MEMBERS DISTRIBUTED BY YEARS OF CREDITABLE SERVICE AS OF JUNE 30, 2003

CLASS B MEMBERS

YEARS OF SERVICE	MEN NUMBER	MEN AMOUNT	WOMEN NUMBER	WOMEN AMOUNT
0	29	$ 867,233	25	$ 753,886
1	26	820,810	10	279,489
2	29	870,153	21	689,747
3	16	414,340	17	468,262
4	24	885,025	20	622,435
5	9	374,499	12	343,737
6	12	428,096	2	62,491
7	14	611,365	9	262,898
8	18	675,429	13	423,322
9	5	177,142	2	84,180
10	4	199,649	2	52,788
11	2	96,669	2	67,107
12	11	446,190	3	84,887
13	5	216,096	4	138,858
14	9	408,774	5	236,770
15	12	532,497	8	313,886
16	9	391,435	6	259,895
17	3	185,525	3	112,427
18	8	400,092	5	183,365
19	19	845,056	4	162,688
20	14	655,771	2	83,329
21	6	284,858	4	155,868
22	10	417,606	3	112,360
23	8	373,413	3	121,725
24	11	467,489	2	87,722
25	6	300,611	6	232,128
26	2	63,197	1	37,678
27	2	90,591	2	81,420
28	1	40,003	1	38,237
29	3	144,416	1	29,234
30	2	93,221	3	140,502

TABLE 4

THE NUMBER AND ANNUAL COMPENSATION OF ACTIVE MEMBERS DISTRIBUTED BY YEARS OF CREDITABLE SERVICE AS OF JUNE 30, 2003

CLASS B MEMBERS
(CONTINUED)

YEARS OF SERVICE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
31	4	$ 189,011	1	36,570
32	6	263,815		
33	5	197,094		
34	5	243,678	2	78,922
35	2	94,195	2	100,900
36	3	148,556		
37			1	43,610
38	1	40,154		
39	1	44,309		
41			1	50,972
42	1	44,292		
TOTAL	357	$ 14,042,355	208	$ 7,034,295

TABLE 5

THE NUMBER AND ANNUAL RETIREMENT
BENEFITS OF RETIREES DISTRIBUTED
BY AGE AS OF JUNE 30, 2003

CLASS A MEMBERS

SERVICE RETIREMENTS

	MEN		WOMEN	
AGE	NUMBER	AMOUNT	NUMBER	AMOUNT
43	1	$ 37,738		
44	3	120,260		
45	3	96,417		
46	2	42,363		
47	3	88,767		
48	1	34,703		
49	1	28,572		
50	3	114,291		
51	1	35,546		
52	3	79,656		
53	5	181,157		
54	5	162,746		
55	6	172,173		
56	5	160,212		
57	6	159,084		
58	2	71,743		
59	6	221,890		
60	5	141,605		
61	3	61,302		
62	6	136,036		
64	2	16,535		
67	1	43,668		
68	2	57,689		
69	1	26,897		
70	1	21,352		
71	1	20,918		
72	1	19,746		
73	4	67,658		
74	1	21,077		
77	1	23,025		
78	2	40,717		
80	1	14,336		
82	1	18,329		
88	1	17,666		
TOTAL	90	2,555,874		

TABLE 6

THE NUMBER AND ANNUAL RETIREMENT BENEFITS OF RETIREES DISTRIBUTED BY AGE AS OF JUNE 30, 2003

CLASS B MEMBERS

SERVICE RETIREMENTS

	MEN		WOMEN	
AGE	NUMBER	AMOUNT	NUMBER	AMOUNT
56			1	$ 5,914
57	2	$ 1,355		
59	2	19,456		
60			1	219
61	2	55,532	1	3,980
62	3	36,964	3	33,221
63	2	34,812	1	11,990
64	4	32,180	1	1,357
65	9	97,195	1	15,050
66	5	77,385	3	20,333
67	3	19,018	5	41,327
68	10	84,402	5	24,680
69	5	47,238	4	22,355
70	3	41,726	1	10,487
71	6	65,495	3	40,284
72	6	55,129	1	1,125
73	3	41,823	7	54,309
74	2	8,273	3	37,400
75	5	67,299	1	345
76			2	13,984
77	8	53,692	2	18,518
78	1	17,574	1	1,576
79	1	2,462		
80	3	24,848	2	17,662
81	1	3,284	1	6,647
82	6	47,146	2	4,771
83	2	6,762	4	34,915
84			1	6,637
85	1	6,051	1	5,961
86	1	15,538		
87	1	10,226	1	3,576
88	3	24,023		
89	2	19,740	1	3,209
92	1	11,670	1	7,410
93			1	17,233
97			1	10,136
TOTAL	103	$ 1,028,298	63	$ 476,611

TABLE 7

THE NUMBER AND ANNUAL RETIREMENT BENEFITS OF RETIREES DISTRIBUTED BY AGE AS OF JUNE 30, 2003

CLASS A MEMBERS

DISABILITY RETIREMENTS

	MEN		WOMEN	
AGE	NUMBER	AMOUNT	NUMBER	AMOUNT
30			1	$ 10,746
38	1	$ 17,370		
41	1	27,013		
42	1	33,188		
45	1	31,467		
48	1	25,191		
52	1	35,708		
57	1	12,832		
71	1	13,597		
72	2	29,591		
81	2	23,740		
TOTAL	12	$ 249,697	1	$ 10,746

TABLE 8

THE NUMBER AND ANNUAL RETIREMENT
BENEFITS OF RETIREES DISTRIBUTED
BY AGE AS OF JUNE 30, 2003

CLASS B MEMBERS

DISABILITY RETIREMENTS

	MEN		WOMEN	
AGE	NUMBER	AMOUNT	NUMBER	AMOUNT
41	1	$ 6,037		
43	1	16,806		
44			1	$ 23,916
47	1	9,282	1	16,121
48	2	15,452		
50	1	10,935	1	13,434
51	1	7,771		
52	1	6,810	2	7,850
53	1	19,762	1	7,602
55	1	13,081		
57	2	33,711		
58	2	20,232		
59	1	19,333		
61	2	39,353		
62	1	10,623		
63	1	12,144		
73	1	4,556		
76	1	4,493		
78	1	11,248		
82	1	6,807		
87	1	8,363		
TOTAL	24	$ 276,799	6	$ 68,923

TABLE 9

THE NUMBER AND ANNUAL RETIREMENT BENEFITS OF BENEFICIARIES OF RETIREES DISTRIBUTED BY AGE AS OF JUNE 30, 2003

CLASS A MEMBERS

BENEFICIARIES OF DECEASED MEMBERS

	MEN		WOMEN	
AGE	NUMBER	AMOUNT	NUMBER	AMOUNT
10			1	$ 5,951
45			1	6,782
47			1	8,499
50			1	6,916
59			2	9,132
62			1	9,342
68			1	14,729
71			1	5,425
76			1	12,721
87			1	9,614
90			1	9,176
			1	
TOTAL			12	$ 98,287

TABLE 10

THE NUMBER AND ANNUAL RETIREMENT
BENEFITS OF BENEFICIARIES OF DECEASED MEMBERS
DISTRIBUTED BY AGE AS OF JUNE 30, 2003

CLASS B MEMBERS

BENEFICIARIES OF DECEASED MEMBERS

	MEN		WOMEN	
AGE	NUMBER	AMOUNT	NUMBER	AMOUNT
38			1	$ 6,398
40	1	$ 9,480		
44	1	9,819		
50			2	14,990
54			2	14,590
56			1	7,580
58			2	9,124
61	1	1,243	1	6,808
63			3	14,091
64			3	17,746
65			2	8,071
67			2	19,503
68			1	1,599
69			2	11,341
70			1	7,893
71			1	4,667
72	1	1,176	1	4,923
73			2	6,008
76			2	10,791
78			1	8,533
79			2	8,228
80			1	5,886
81			1	9,139
86			1	1,065
TOTAL	4	$ 21,718	35	$ 198,974

Section 10

December 18, 2003

Memorandum from Brendan Keleher to City of Burlington Department Heads Re: Retirement Plan.

From: Brendan Keleher
To: Dept_Heads
Date: 12/18/2003 2:17:52 PM
Subject: Retirement Plan

Here is a brief overview of discussions on the retirement plan

Backgound

In 2000 we made significant increase in the retirement benefit. With hindsight we made the changes at the peak of the investment market. Bad timing.

Back in those days (not so long ago) the Retirement Board's professional actuaries reported that the plan had a significant surplus. Here, very roughly is what the actuaries did (and still do). They take the current market value of the plan's assets (stocks, bonds, cash, etc.), assume a future growth rate (in this case 8%) and project what the plan's asset value will be in the future, 25 to 30 years in the future. This is an estimate of the plan's resources that will be available to pay for future retirement benefits.

Against the assets the actuaries project future obligations or liabilities, how much will we need to pay out in future benefits? They project future inflation, expected growth in salaries & wages, number & age of employees, etc. They compare these future liabilities with expected future assets. If you have enough in assets you are 100% funded. If you have more than enough projected assets you have a surplus.

Back in 2000 because of very good investment returns in the 1990's the actuaries said that the plan had a significant surplus. The market value of the plan peaked in March 2000 at $120 million. They estimated then that (with the former benefit levels) we only needed about $100 million (roughly). The employees argued for and we agreed to "obligate" that surplus by increasing the benefit. The benefit levels were increased with the effect of increasing the liabilities to at least the $120 million level (in 2000).

In 2000 the benefit increases looked reasonable; we had that in the then current market value of the plan. The employees argued that the higher benefit could be afforded without the need to increase employer contributions beyond the historic levels. That is, by "obligating" the surplus we could pay for the benefit increase with the then existing plan assets, the city did not need to annual budget additional monies. Sweet.

Historic levels	Contribution as % of Pay	
	Employer	Employee
Class A	12-14%	8.8%
Class B	5-6%	none

A (Not so) Funny Thing Happened on the Way the Oughts

All believed that a lot had been accomplished, better benefits and affordable to boot. Soon after we penned the contracts on the benefit increase the stock market fell into the worst downward spiral in decades. The market value of the plan went from a high of $120 million to below $75 million in just three years. (Remember that we assumed it would be growing by 8% per year.) The surplus that was counted on to support the increased benefits is no longer there. The actuaries are now telling us that due to the market decline the employer will have to very significantly increase annual contributions to maintain the plan at full (100%) funding. They have said that the employer contributions would have to increase to the range of 50% of pay for Class A and 22% of pay for Class B. Much higher than historic levels, and well beyond typical levels in other jurisdictions. This would require significant tax and rate increases if it were to be paid by the residents. Trouble clearly has arrived.

What are we Doing Now?

In the 2002 contract negotiations (Police, Fire, AFSCME) agreement was made to relook at the retirement plan. Over the past few months at the request of the Mayor a joint study committee (including IBEW) has been meeting. The City Council similarly has asked for a review. The Retirement Board has had the actuaries do new projections. These were presented at an open meeting in March 2003. Through discussions with the union study group and the Retirement Board, additional actuarial sensitivity analysis is being conducted. Over the coming months more meetings will be held.

Our objective is maintain a sustainable and affordable retirement plan with competitive benefits. Simplistically there are four sources of relief.

1. Better Market Return
Obviously the major contributor to the problem is the decline in the market. As you may know the market over the past 6 months has begun to bounce back. The plan assets are now back over $95 million, but this is still well below the 2000 level and, of course, even further below where, as we increased the benefit, we projected the fund would be at the end of 2003. Further, one estimate is that we would need to realize 20% per year investment return for five years to get back to the funding position/status of 2000. The Retirement Board is regularly reviewing investment performance and is aware of the challenge, but it will be very tough for us to solve the problem entirely with better returns.

2. Review the Actuarial Assumptions
The projections by the actuaries of future assets and liabilities are done by complex calculations incorporating assumptions approved by the Retirement Board. Changing those assumptions (the input) can obviously vary the projections (the output) coming from the calculations. The Retirement Board uses industry accepted assumptions, but there is some allowance for variation in the actuarial profession. The unions have requested and the Retirement Board has supported, a relook, or sensitivity analysis, of the actuarial liabilities and assets with varying assumptions.

3. Employee Contributions
Employee contributions could be increased.

4. Benefit Reductions
Finally, and least desirable, benefits can be changed to bring the plan back to an affordable level. We are still looking for responsible yet creative ways to regain sustainability with minimal (dare we say, no?) change in the benefit.

This is a difficult challenge. It is unsettling for employees to know that the fund is not as healthy as we thought a few years ago. This is an important and from the employee perspective hard won benefit.There are questions, and frankly some finger pointing, coming from many directions. Rumors and misunderstandings fly. The problem in my view, is straight forward, as I have tried to outline above. Based upon credible actuarial advice, we shot high with a benefit increase and the investment markets failed us. Denial is not appropriate. It is the solution that is difficult.

Resources

Buck Consultants, Burlington Employees Retirement System, Study of Projected Contributions, March 20, 2003 (Video copy of the presentation available).

Gabriel Roeder Smith & Company, Strategic Financial Review of the Burlington Employees' Retirement System, September 26, 2003

Morgan Stanley, Burlington Employees Retirement System Investment Performance Report (Quarterly)

Cindy Davis has copies of these reports.

CC: Mitchell, Bill

Section11

December 1, 2003

Resolution "THE BURLINGTON CITY EMPLOYEES RETIREMENT SYSTEM"

Resolution Relating to

RESOLUTION 9 Section 11

Sponsor(s): Councilors Blais, Knodell, O'Sullivan

Introduced: 12/01/03

Referred to:

Action: amended; adopted

Date: 12/01/03

Signed by Mayor: 12/03/03

THE BURLINGTON CITY EMPLOYEES RETIREMENT SYSTEM

CITY OF BURLINGTON

In the year Two Thousand Three...

Resolved by the City Council of the City of Burlington, as follows:

That WHEREAS, the Burlington Employees Retirement System Board has provided the Mayor and City Council with a report by professional actuaries dated March, 2003 which reports on an analysis of the changes in the actuarial value of plan assets and liabilities over the past four years, reflecting the impact of changes in the level of benefits and in the market value of plan investments during this period; and

WHEREAS, the actuarial report indicates that the retirement plan is facing unsustainable increases in current and future costs; and

WHEREAS, the City Council's Ad Hoc Committee on the Sustainability of the Burlington Employees Retirement System, established by the Council through its Priority Setting process, has declared that making the necessary alterations to the Retirement System to ensure its long term sustainability is a top priority;

NOW, THEREFORE, BE IT RESOLVED that the Mayor and City Council have concluded that in the interest of a long-term equitable and affordable employee retirement system action must be taken to bring the plan into a sustainable financial position; and

BE IT FURTHER RESOLVED that the City Council urges the employee collective bargaining units and the Administration to continue to work together cooperatively to develop a proposal that will bring the retirement plan into a financially sustainable position.

amended 12/01/03

* BE IT FURTHER RESOLVED that the Ad Hoc Committee will notice the bargaining units on future meeting dates.

amended 12/01/03

lb/jem/c: Resolutions 2003/Burlington City Employees Retirement System
11/25/03

* * * * * * * * * * * * *

DISTRIBUTION:

I hereby certify that this resolution has been sent to the following department(s) on

ALL DEPTS

Attest:
L Olberg
Lori Olberg
Administrative Assistant

* * * * * * * * * * * * *

ORIGINAL

RESOLUTION RELATING TO

The Burlington City Employees
Retirement System

Adopted as amended **by the City Council**

December 1, 2003

Lisa Ballarche, Asst. Clerk

Approved December 3, 2003

Peter Clavelle, Mayor

Vol. .... Page ....

Section12

August 11, 2003

Report by Brendan Keleher: Retirement Plan Discussion before City Council Executive Session.

Members Present at this meeting were: Bushor, Carlton, McDonough, Fiermonte, Driscoll, Curley, Ellis, Keogh, Shannon, Montrol, Perry, O'Sullivan (at 7:19 p.m.) and Blais.

Retirement Plan Discussion
Before
City Council
Executive Session
August 11, 2003

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Retirement Plan Meeting with City Council 8/11/03

Problem: The current retirement benefits are no longer sustainable we must work cooperatively to bring about an affordable retirement plan.

Acting in good faith both labor and management agreed to significant benefit improvements in 2000. The belief was that, with the very healthy market in the retirement investments, these benefits could be afforded without increase cost to either employer or employees. We now know that the surplus in the retirement fund that was identified in 2000 is no longer there. The professional actuarial advice says that due to the losses in market value of the fund, extraordinarily high current and future contributions by tax and rate payers will be necessary. These cannot be sustained.

Action Required: Working together, labor and management need to identify retirement modifications that will return the plan to sustainability.

Current status: AFSCME, Police and Fire unions have agreed to study groups. IBEW will be opening negotiations in the coming months for the contract to begin on 7/1/04

March 20, 2003 the Retirement Board held a public meeting to present the results of a study of projected contributions. All employee groups were represented at that meeting. Summary of the meeting transmitted to City Council March 25, 2003.

At its June 2003 meeting the Retirement Board recommended: "…that action be taken to improve the viability of the retirement plan through a study of benefits and funding methods."

Mayor met with union representatives on July 14 and 29, 2003 to initiate discussions toward plan modifications.

Chief Administrative Officer has engaged a nationally known retirement consulting firm, Gabriel, Roeder, Smith & Company, to assist in identifying plan alternatives.

Objective: Identify by January 1, 2004 a plan of action for implementation no later than 7/1/04.

Basics of the Benefit

The city has its own defined benefit retirement plan. The basic formula is:

(Years of service) X (Average Final Compensation) X (Accrual Rate) = Benefit

Class A (police and fire)

- Accrual rate of 2.75% (was 2.35% before 2000)
- Early retirement reduction of 1.82% per year for years 20 through 24
- Minimum age of retirement is 42
- Not subject to Social Security retirement
- Employees contribute 8.8% of base pay

Class B

- Accrual rate of 1.6% (was 1.2% before 2000)
- Early retirement reduction of 2% per year for ages 55 through 64
- Subject to Social Security
- No employee contribution

Retirement Cost Summary

TAX RATE IMPACT

	FY03	FY04	Preliminary Estimate FY05
Class A retirement cost	848,830	1,439,487	
Class B retirement cost	513,250	1,308,495	
Social Security cost	1,953,610	2,072,120	
Revenue Department Share	1,515,220	1,864,915	
Tax Rate Share	1,804,470	2,960,187	
Tax Rate	9.78	16.03	23 to 26 cents

The tax rate in FY 1994 was 9.33 cents yielding $1,619,200. The rate in FY 2001 dropped as low as 6.89 cents yielding $1,250,000. Prior to the stock market decline it was anticipated that we could keep – even with the enhanced benefits – within 16-17 cents.

Based upon Buck Actuarial projections of March 2003, in the absence of changes to the plan the tax rate could exceed 30 cents within the next decade.

PERCENT OF PAY IMPACT

Historically, annual employer cost for the retirement plan was 11-15% of pay for Class A and 5-6% of pay for Class B. As a result of good investment results, the annual contribution dropped temporarily to 5-8% of pay for Class A and 2-3% for Class B (one year there was no contribution required for Class B).

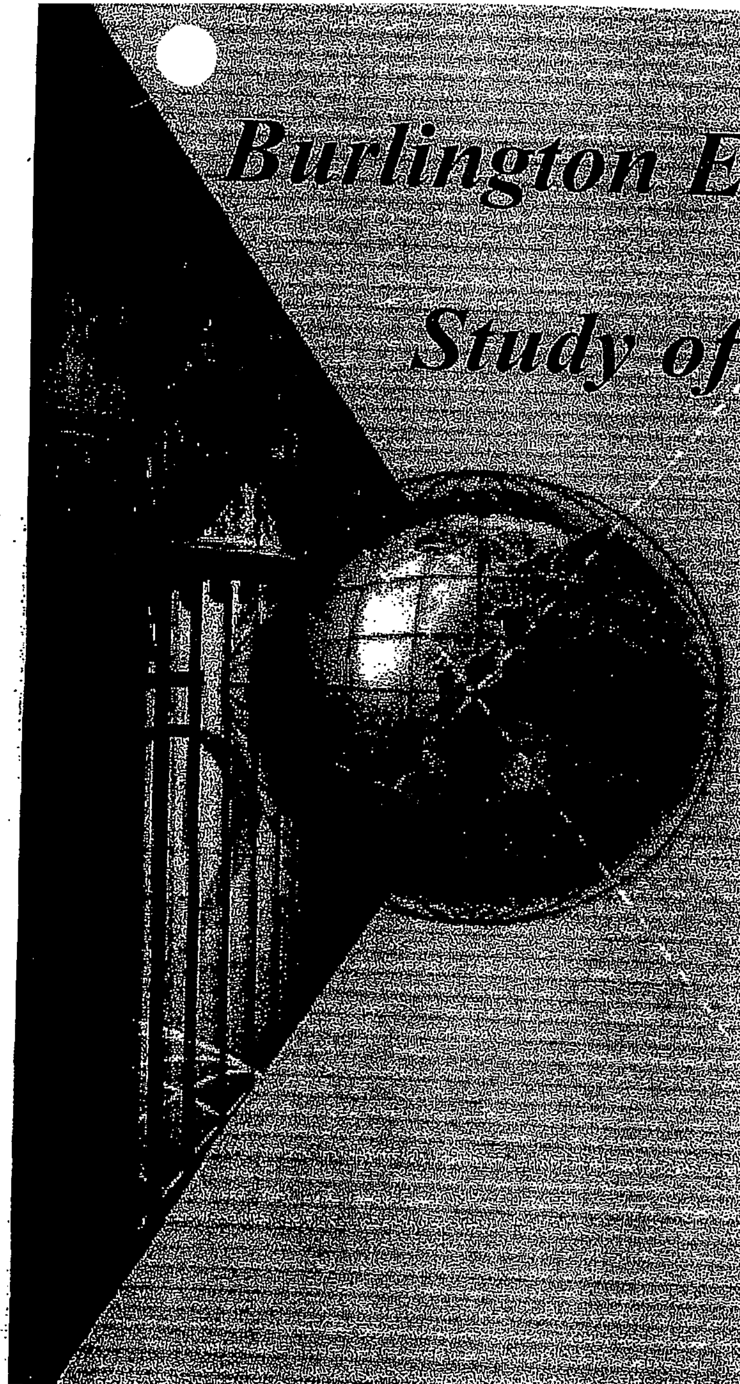
FY 04 contribution is 17.6% of Class A pay and 6.5% of Class B pay.

FY 05 contribution is projected to be 25% of Class A pay and 12% of Class B pay

Buck Actuaries project that in the absence of changes to the plan Class A contributions will in the future exceed 54% of pay and 21% of pay for Class B

Burlington Employees' Retirement System

Study of Projected Contributions



Presented March 20, 2003

By: Richard Beck
Christopher Clarke

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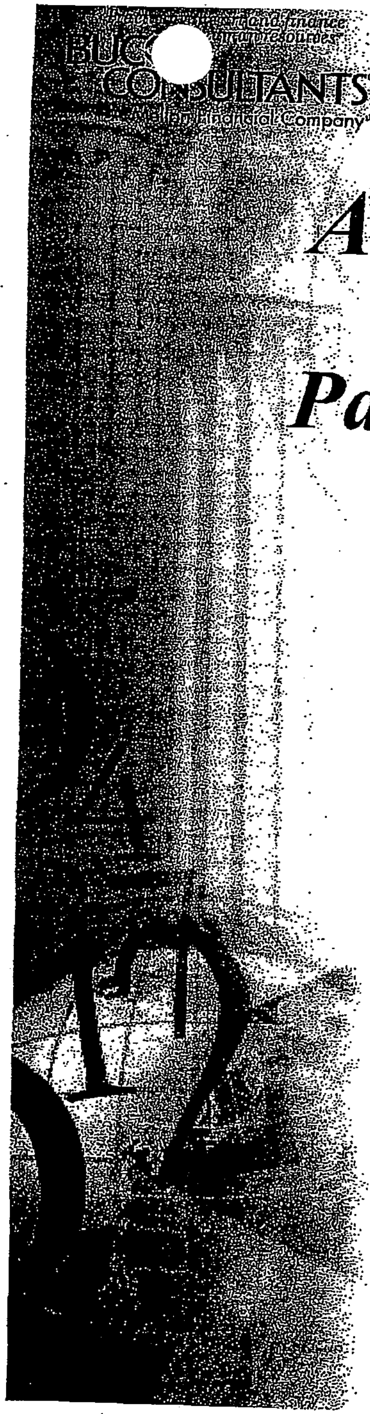
Actuarial Terminology Review

Pension Plans

- Pension Plans Provide Promised Benefits to Employees Upon Retirement / Termination
- Benefits Include Retirement, Termination, Death, and Disability
- Burlington's Benefits are Based upon Pay and Service
- Benefits are Payable over Employee's Lifetime



Actuarial Terminology Review

Paying for Promised Benefits

- Ultimate Cost of Plan = Benefits Paid
- Pre-funding - Set Aside Funds During Employee's Career to Provide Benefits at Retirement
  - Annual contributions
  - Assets are invested
- Contributions + Investment earnings = Benefits Paid
- Today's Tax Payers Pay For Benefits Accruing Today

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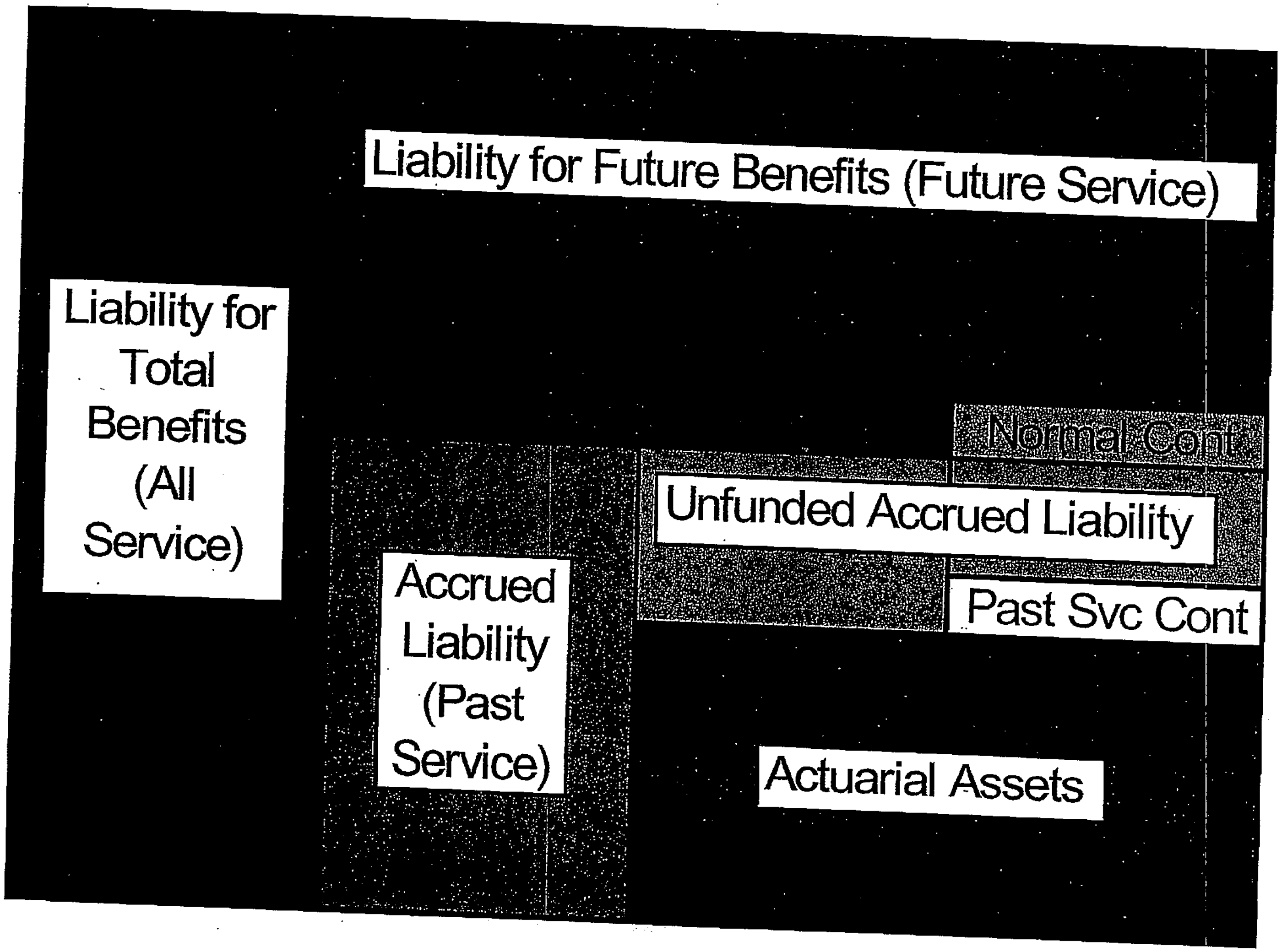
Actuarial Terminology Review



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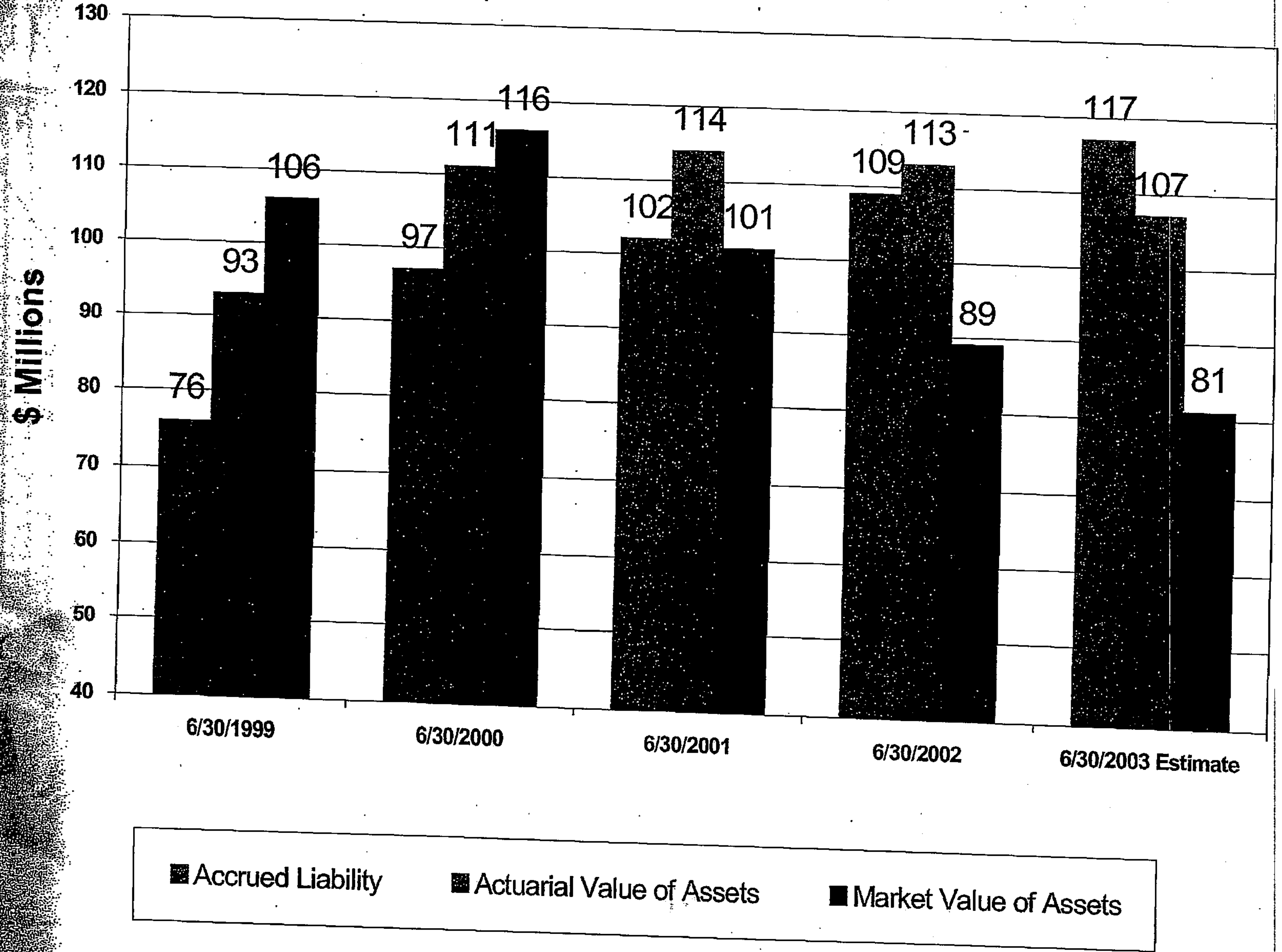
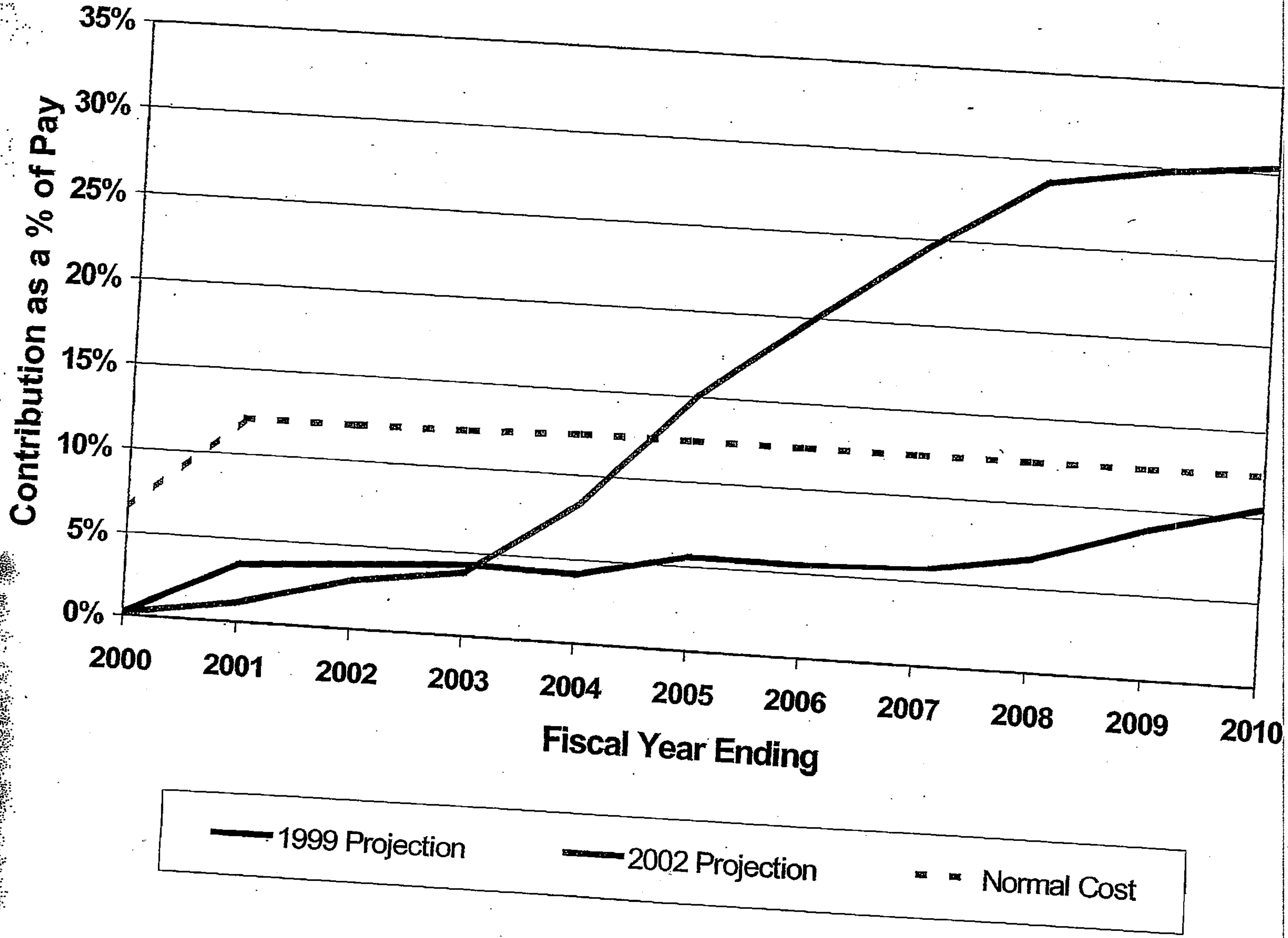
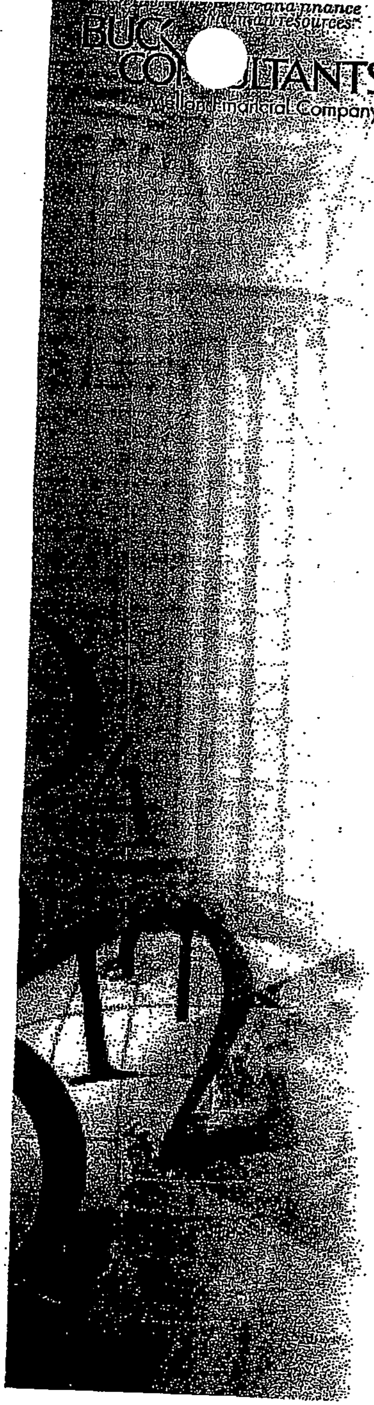
Funded Status



Contributions - Class A & B
Projection - June 30, 2002





Contributions - Class A & B

Projection - June 30, 2002

($ in thousands)

Year Ending	Normal Cost	Total Contribution	
2004	$ 3,689	$ 2,473	8.3%
2005	3,873	4,686	15.0%
2006	4,067	6,526	19.9%
2007	4,270	8,468	24.6%
2008	4,484	10,364	28.7%
2009	4,708	11,295	29.8%
2010	4,943	12,094	30.4%

CONTRIBUTION PROJECTIONS
AS OF JUNE 30, 1999 REFLECTING PLAN AMENDMENTS
COST OFFSET BY PRIOR ASSET GAINS

CLASS A & B

Fiscal Year Ending	Projected Payroll	Normal Contribution		Past Service Contribution	Total Contribution	
June 30, 2000	26,973,371	1,745,672	6.5%	(1,705,726)	39,946	0.1%
June 30, 2001	25,181,317	3,117,682	12.4%	(2,246,457)	871,225	3.5%
June 30, 2002	26,440,383	3,273,566	12.4%	(2,246,456)	1,027,110	3.9%
June 30, 2003	27,762,402	3,437,244	12.4%	(2,246,457)	1,190,787	4.3%
June 30, 2004	29,150,522	3,609,106	12.4%	(2,409,397)	1,199,709	4.1%
June 30, 2005	30,608,048	3,789,561	12.4%	(2,083,736)	1,705,825	5.6%
June 30, 2006	32,138,450	3,979,040	12.4%	(2,202,765)	1,776,275	5.5%
June 30, 2007	33,745,373	4,177,992	12.4%	(2,270,902)	1,907,090	5.7%
June 30, 2008	35,432,642	4,386,892	12.4%	(2,004,405)	2,382,487	6.7%
June 30, 2009	37,204,275	4,606,236	12.4%	(1,297,723)	3,308,513	8.9%
June 30, 2010	39,064,489	4,836,548	12.4%	(734,535)	4,102,013	10.5%

Notes:
Projection schedule based on June 30, 1999 valuation including all amendments.
Cost of amendments is offset by recognizing asset gains not yet recognized in the actuarial value of assets as of the valuation date.
Future assets and liabilities are assumed to increase based on the current economic and demographic assumptions.

CONTRIBUTION PROJECTIONS
CURRENT (NO CHANGES)

CLASS A & B

Fiscal Year Ending	Projected Payroll	Normal Contribution		Past Service Contribution	Total Contribution	
June 30, 2000	26,973,371	1,745,672	6.5%	(1,705,726)	39,946	0.1%
June 30, 2001	24,754,701	2,996,739	12.1%	(2,721,861)	274,878	1.1%
June 30, 2002	26,738,897	3,237,952	12.1%	(2,470,506)	767,446	2.9%
June 30, 2003	28,335,739	3,460,682	12.2%	(2,380,771)	1,079,911	3.8%
June 30, 2004	29,719,840	3,688,639	12.4%	(1,216,055)	2,472,584	8.3%
June 30, 2005	31,205,832	3,873,071	12.4%	813,047	4,686,118	15.0%
June 30, 2006	32,766,124	4,066,725	12.4%	2,459,763	6,526,488	19.9%
June 30, 2007	34,404,430	4,270,061	12.4%	4,198,094	8,468,155	24.6%
June 30, 2008	36,124,651	4,483,565	12.4%	5,880,930	10,364,495	28.7%
June 30, 2009	37,930,883	4,707,744	12.4%	6,587,613	11,295,357	29.8%
June 30, 2010	39,827,427	4,943,131	12.4%	7,150,801	12,093,932	30.4%

Notes:

Projection schedule based on June 30, 2002 valuation results based on actual assets as of January 31, 2003 projected with an 8% return on investments thereafter.

Future assets and liabilities are assumed to increase based on the current assumptions.

DRAFT
FOR DISCUSSION ONLY

Background

The City of Burlington is faced with dramatic increases in the level of contributions that will be required to keep the Retirement System well-funded. The System's actuary projects that City contributions will exceed 52 percent of covered payroll for Class A members (Police and Fire) and 22 percent for Class B members (all others), well above historic levels. Contributions at this level will have a significant impact on property tax rates, as well as municipal utility rates.

The increase in contribution requirements is the result of the System's investment performance in the last several years, which has followed general market trends over that period.

In FY 2000, a number of benefit enhancements were made to the System with the expectation that costs would remain at or below their historic level. This expectation resulted from an analysis that assumed the System would maintain the well-funded position it had attained at that point in time. With the downturn in investment performance, cost projections have soared.

The projected level of City contributions is not sustainable over the long term. More immediately, the City contribution currently projected for fiscal year 2005 would require a substantial increase in property tax rates. It is necessary to examine both the funding strategy and the System's benefits to structure a System that will provide solid benefits at a sustainable cost.

The purpose of this Statement of Financial Objectives is to set forth guidelines for developing and assessing alternative strategies for benefits design and for the funding of the System. In order to provide relief for fiscal year 2005, the review should be completed by December 2003.

City Contributions

City contributions should generally not exceed their historic level of 12 to 14 percent of payroll for Class A and six percent of payroll for Class B. Contributions should exceed these levels only if there is compelling evidence that the norm for similar municipal pension systems is at a higher level.

7/03

Employee Contributions

Employee contributions should not exceed the norm for similar municipal pension systems that provide similar benefits.

As practical, opportunities may be provided for employees to purchase additional benefits with additional employee contributions.

Funding Target

The funding target should be to keep the System fully funded with respect to the actuarial accrued liability under the funding method used for the System, using best-estimate actuarial assumptions. Periods of lower funding due to actuarial experience losses may be tolerable, but in no event should the System's funding level be less than the norm for similar municipal systems.

If necessary, benefit accrual rates or benefit features should be adjusted so that in the long term full funding is sustainable with the City contributions described above. The implementation of any benefit adjustments should minimize the impact on long service employees at or near retirement age. Where practical, employees should have the opportunity to maintain higher accruals through employee contributions.

Benefits

Retirement benefits should be at a reasonable level - at or near the norm for similar municipal systems. Benefits should be equitable in value for employees retiring at various ages, and should not unduly encourage retirement at the younger ages.

Benefit options should be equitable, so that all of the options are of equivalent value measured by realistic economic and demographic assumptions.

Other benefits, including disability, death, and deferred vested benefits should be reviewed to ensure they are providing reasonable benefit levels and not producing undesirable results such as encouraging early termination or delayed return to work in event of disability.

Investments

The investment management of the System should periodically be reviewed.

The investment policy should also be reviewed periodically, to ensure the asset allocation has an appropriate risk/return profile, and to ensure there are adequate provisions for the evaluation, hiring and termination of managers and that these provisions are followed.

SUMMARY OF POTENTIAL STRATEGIES

- Increase funding period from 10 to 30 years
- Increase Class A contributions; require Class B contributions
- Reduce future benefits:
    - Benefit accrual rates
    - Alternate accrual rates for no-COLA options
    - Early retirements
    - Disability retirements
- Change actuarial assumptions
- Increase funding period from 10 to 25 years; use level-percent-of-pay amortization
- Change COLA assumption; modify COLA rates
- Cap the annual increase in the tax rate

The Retirement Board has received presentations on September 19, 2002 and March 20, 2003 by Buck Consultants on the funding review and contribution projections for the Retirement Fund. In the March presentation, Buck estimates that as of June 30, 2003 the Retirement Fund's accrued liabilities will for the first time exceed the actuarial value of the fund assets.

In 2000, the Retirement Board recognized that, based upon the professional advice of Buck, the market and actuarial values of the fund assets were significantly higher than the then projected liabilities. In short, the fund had a significant surplus. The Retirement Board concurred with the action of the City Council to increase the plan benefits. At that time, it was believed that, because of the existence of the surplus, the additional liabilities resulting from the improved benefit could be absorbed without a significant increase in the annual budgetary contribution to the plan by either the employees, or the City tax and rate payers. The Retirement Board concurred with the agreements reached between the City Council and the respective unions to enhance retirement benefits.

Circumstances have changed. Over the past three years, the investment markets generally have experienced the most serious downturn in decades. The Fund has lost about one third of its market value since its peak in 2000. While we have confidence that positive growth in Fund assets will return, it is highly unlikely that the surplus identified in 2000 will return in the foreseeable future.

Based upon the projections of Buck, we believe that the current benefit levels are not sustainable under current conditions and recommend to the Mayor, City Council, and union and non-union employees, that action be taken to improve the viability of the retirement plan through a study of benefits and funding methods.

adopted by Burlington Employees Retirement Board June 19, 2003

POLICE

7/03

3. **Retirement Study Committee and Reopener**

Section 14.21 [Pension] shall be amended to provide for the creation of a study committee and future bargaining discussion as follows:

> The parties agree to convene a management-labor study committee during the FY03 contract period to review the projected increased costs of the current retirement benefits and methodology to alleviate increased costs. The parties further agree that, at the request of either party, the parties will conduct mid-term negotiations regarding the retirement benefit provided to BPOA members and its funding formula, to include implementation during the FY05 term of any amendments agreed to in bargaining or resolved through the statutory impasse procedure.

AFSCME

20. Article XXI, Miscellaneous, Study Committees – There shall be three study Committees established during the course of the Agreement.

> 1) Retirement System Study Committee to investigate the retirement system. It shall consist of an equal number of labor and management representatives and will conclude its review of the retirement system prior to June 30, 2004.

FIRE

4. Retirement Study: BFA agrees to participate in any study commissioned by the City during the duration of this Agreement concerning the Burlington Employees' Retirement System and any necessary or appropriate changes thereto. The City agrees not to advance formal proposals for any change to such Retirement System until the commencement of negotiations for the contract year beginning July 1, 2004.

IBEW

CITY AGREED NOT TO MAKE RETIREMENT PLAN CHANGES UNTIL NEGOTIATIONS FOR FY05

Office of the Mayor

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Peter Clavelle
Mayor

MEMORANDUM

TO: City Councilors

FROM: Peter Clavelle

DATE: August 4, 2003

RE: Disability Retirement Ordinance – Proposed Amendments

In the coming months, we will be having an extensive discussion on the level and sustainability of the employee retirement benefits. This discussion is prompted both by the impact of external investment market changes on the affordability of the plan, and the impact of the internal administration of the benefit plan on human resource management. This memorandum addresses recommendations regarding the disability benefit provided in the retirement ordinance. These recommendations are being made in order to begin the dialogue. To the extent that these provisions are subject to collective bargaining, the discussion will be also advanced in that forum.

Disability Retirement Benefit

As you know, the City provides a Disability Retirement benefit to its employees as provided at BCO Sec. 24-23. My administration is recommending amendments to the ordinance that will better balance the City's interests and the interests of our employees who become disabled during their service with the City.

Current benefit

In summary, this benefit provides coverage to employees who have become disabled from their employment at 75% of their regular pay. The benefit may cover the employee for a minimum two-year period and provides retraining for a period of up to five years to assist the employee in finding a new job. Alternatively, if an employee is disabled from all employment, the benefit continues until the employee reaches the regular retirement age.

The benefit is provided regardless of length of service and regardless of whether the illness or injury occurred on or off the job. It is an important and generous benefit that is not commonly available in the public or private sector, except at the employee's cost.

Proposed Amendment

(1) Eligibility – Limit Eligibility if Pending Disciplinary Proceedings

Various Department Heads have brought to my attention that, in the past several years, there have been multiple occasions when employees who have been the subjects of pending disciplinary proceedings have applied for and been granted the disability retirement benefit before the conclusion of the disciplinary process. As a result of the way the ordinance is currently drafted, the City has been required to grant a disability retirement benefit to employees despite the fact that the Department has notified the employee that he or she is being suspended or terminated from City employment due to serious misconduct. I do not believe this was the result intended in the original drafting.

Current City policies provide ample safeguards for City employees who are the subject of disciplinary proceedings; all City employees are entitled to a grievance process review of disciplinary actions. While this Administration fully supports this employee right, the City's interest in the use of the disciplinary process should also be protected. I have asked the City Attorney's Office to prepare a draft amendment to the Disability Retirement Ordinance that would require that an employee be "in good standing" in order to receive this benefit.

(2) Eligibility- Seven Years of Service

All employees are covered by the workers' compensation system for work-related injuries from the first day of employment. The current version of the disability retirement ordinance provides also that an employee is covered for non-work related accidents or injury from the first day of employment. This amendment proposes that an employee would not become eligible for coverage under this benefit until completion of seven (7) years of service. This amendment is consistent with am employee's vesting in the retirement system. Again, all employees would remain covered from day one of employment for work-related injuries.

(3) Eligibility – Standard for Eligibility

The current ordinance provides that, at the time of initial disability application, the standard the Retirement Board must use in order to evaluate whether an employee should be found to be eligible for this benefit is whether the employee is unable to perform the functions of the job that he or she currently holds. If the employee cannot perform the current job, he or she may receive this benefit for a two-year period. At the end of the two-year period, the employee is re-evaluated under a different, higher standard. The standard becomes whether at that point the employee is able to perform, or would be able to acquire the skills to perform, any job that "would be reasonable in respect to his earnings history." Under this amendment, this later standard would be used in making the initial determination of benefits. In other words, if the employee is simply unable to perform his or her current job, but is fully able to perform other work, then the employee would not be eligible for disability retirement.

231090/29

CITY OF BURLINGTON

ORDINANCE ______
Sponsor: ______
______
Public Hearing Dates ______
______
First reading: ______
Referred to: ______
Rules suspended and placed in all stages of passage: ______
Second reading: ______
Action: ______
Date: ______
Signed by Mayor: ______
Published: ______
Effective: ______

In the Year Two Thousand ______

An Ordinance in Relation to

It is hereby Ordained by the City Council of the City of Burlington, as follows:

That Chapter 24-23, Disability retirement; benefits, of the Code of Ordinances of the ~~C~~City of Burlington be and hereby is amended by amending Sec. 24-23 (a), (b), (c), and (e) thereof to read as follows:

Sec. 24-23. Disability retirement; benefits.

(a) Except as limited by subsection (b), a member who has not yet attained the normal retirement age for his class, has achieved seven (7) years of creditable service, has been examined by the board of medical examiners, and has been determined to be suffering from a total and permanent disability may be retired by the retirement board on a disability benefit. Such disability retirement benefit may commence no sooner than ninety (90) days from the date of the total and permanent disability. The disability retirement benefit shall equal seventy-five (75) percent of the member's earned compensation at the time of the disability retirement. Such amount shall be reduced by any periodic workers' compensation benefit payments, any other city disability leave payments and, in the case of a Class B member, any primary social security benefit payments to the member. However, subsequent social security benefit increases shall not further reduce the disability retirement benefit. Lump sum, or otherwise paid, workers' compensation settlements designed to compensate the member for loss of use of a bodily part or function shall not affect the disability retirement benefit. As long as the disability beneficiary has a total and permanent disability as defined in subsections (b) and (c) hereof, the disability retirement benefit shall continue without adjustments pursuant to section 24-40 until he has attained his normal retirement age. Upon attainment of the normal retirement age, the disability beneficiary's retirement benefit shall change to a normal retirement benefit for his class as determined by his years of creditable service at the time of his disability retirement as well as that period he was on disability retirement ~~with a total and permanent disability prior to attainment of his normal retirement age,~~ applied to his average final compensation as of the time of the commencement of his disability retirement.

(b) The existence of a total and permanent disability shall, except as hereafter qualified, not be dependent on whether the disability is work-related or nonwork-related. ~~At the time of initial determination of whether a total and permanent disability exists upon such finding during the first two (2) years of such total and permanent disability, the standard to be applied to determine the existence and/or continued existence of a total and permanent disability shall be whether the individual is able for the foreseeable future to perform the employment duties he was assigned at the time he became so disabled.~~ A Class B member seeking a disability retirement who has not been medically approved for present employment by the medical board shall not be eligible for disability retirement for a nonwork-related condition caused by or relating to physical and/or mental conditions preexisting his most recent employment by the city. <u>Eligibility for the disability retirement benefit is subject to the requirement that the applicant is an employee in good standing in his or her employment. The term "good standing" shall mean that the employee is not the subject of a disciplinary investigation or any disciplinary proceeding both at the time that the application is received by the City and at the time that the application is reviewed by the Retirement Board.</u>

(c) ~~After the first two (2) years of disability retirement, t~~The retirement board's determination as to whether a disability beneficiary is totally and permanently disabled will be made based upon the following:

(1) If the disability beneficiary is in receipt of a social security disability benefit, he will be considered to continue to be totally and permanently disabled;

~~(2) For a disability beneficiary not in receipt of a social security disability benefit, in addition to the retirement board's rights under subsection (d) hereof, the retirement board may require the disability beneficiary to provide a written statement from his attending physician concerning the then current condition of the disability beneficiary as well as a prognosis of the individual's disability and ability to work. If the retirement board is not satisfied with the disability beneficiary's physician's report, the beneficiary maybe required to submit a second report from a different physician;~~

<u>(2)</u> Based upon the evidence submitted by the disability beneficiary, his physician(s) as well as any report requested by the retirement board and submitted by the board of medical examiners and/or other professional personnel, the retirement board shall determine whether the disability beneficiary ~~remains~~ <u>is</u> totally and permanently disabled. The standard to be applied to determine whether the total and permanent disability ~~continues to~~ exist<u>s</u> shall be whether the member by reason of education, training and background has, would have or would be able to acquire, a reasonable and marketable skill which is or could be consistent with his health and which skill could or potentially could provide in his general residential area income which would be reasonable in respect to his earnings history at the time of his disability retirement. ~~If the retirement board finds the disability beneficiary continues to be totally and permanently disabled, such beneficiary shall continue to receive his disability retirement benefits as determined by the provisions of subsections (a) and (c) hereof.~~

An Ordinance in Relation to DISABILITY RETIREMENT; Benefits

(d) Once each year during the first seven (7) years following the retirement of a member on a disability retirement benefit, and once in each three-year period thereafter, the retirement board may and upon his application shall require any disability beneficiary who has not attained the normal retirement age for members of his class to undergo medical examination by the board of medical examiners at the place of residence of such beneficiary or some other place mutually agreed upon. Should any disability beneficiary who has not attained such retirement age refuse to submit to such medical examination or otherwise refuse to provide requested information necessary for the retirement board to make its decisions under this section, his benefit may be discontinued until his withdrawal of such refusal, and should his refusal continue for one (1) year, all his rights in and to his disability retirement benefit may be revoked by the retirement board.

(e) Should the retirement board find that any disability beneficiary ~~after two (2) years of total and permanent disability~~ is engaged in, or is able to engage in, a gainful occupation paying more than the difference between his seventy-five (75) percent disability retirement benefit and his earned compensation at the time of his disability retirement, his benefit as calculated pursuant to subsection (a) shall then be reduced to an amount which, together with the amount earnable by him, shall equal his earned compensation at disability retirement. Should his earning capacity be later changed, his retirement benefit may be further modified; provided, that the new benefit shall not exceed the amount of the benefit originally granted nor an amount which, added to the amount earnable by him, equals his earned compensation disability retirement. Anything to the contrary notwithstanding, however, any such beneficiary may elect to receive the balance of his accumulated contributions, if any, at disability retirement less any disability retirement benefits theretofore received in lieu of such reduced benefit and such election and payment of the balance shall be a complete discharge of the liability for any further payments hereunder. ~~During the first two (2) years of a total and permanent disability, the provisions of this subsection shall be fully applicable except any reduction benefit shall be calculated by amounts actually earned rather than earnable by the beneficiary.~~

(f) In the event that the retirement board finds that a disability beneficiary is able to perform the occupational duties assigned to him at the date of his disability retirement, and the same position or a job paying a relatively equal salary is reasonably available to the beneficiary, then such beneficiary's retirement benefit shall be discontinued.

(g) If the retirement board finds that a disability beneficiary is unable to perform the occupational duties assigned to him at the date of his disability retirement, but that such individual is not totally and permanently disabled, the following procedure shall apply:

(1) The individual shall provide the city personnel director or other individual or organization as required by the retirement board with all requested information to assist a determination as to the vocational area in which the individual would have the greatest potential to obtain a marketable skill which would provide a reasonable monetary return in comparison to his relative earnings capacity prior to his disability retirement.

(2) The retirement system will provide a benefit for a retraining/rehabilitation period of five (5) years, inclusive of any workers' compensation periodic payments, of seventy-five (75) per cent of his earned compensation at the time of his disability retirement. To the extent that the total

earned or earnable income of the individual, when added to his total seventy-five (75) per cent disability retirement benefit, exceeds the earned compensation of the individual at the time of his disability retirement, then the benefit provided by the retirement system shall be reduced to an amount which together with the amount earned or earn able by him shall be equal to his earned compensation at the time of his disability retirement;

(3) No portion of the five-year retraining/rehabilitation period shall be treated as creditable service except for any of such period during which a member has been in service with the city.

(h) At the conclusion of the five-year retraining/rehabilitation period, a disability beneficiary's disability retirement benefits shall cease. However, the retirement board may extend the beneficiary's retraining/rehabilitation period if, at the end of the initial five-year period, the beneficiary is not able to earn compensation comparable to his earned compensation at the date of his disability retirement.

(i) Notwithstanding Section 24-20, during the period that a disability beneficiary is totally and permanently disabled, he shall be considered a member for the purposes of entitlement to the benefits of Section 24-41.

(j) The retirement board shall have the final say as to all decisions required to be made pursuant to the provisions of this section.

(k) A Class B disability retirement beneficiary, retiring after July 1, 1983, shall be required to submit proof that he has applied for Social Security disability benefits within the first six (6) months following the effective date of retirement, or the date of passage of this subsection, whichever is later. Should any disability beneficiary refuse to submit proof that he has applied for Social Security disability benefits, his disability benefit under this section may be discontinued until his withdrawal of such refusal, and should his refusal continue for one (1) year after the effective date of his retirement, or the date of passage of this subsection, whichever is later, all his rights in and to his disability retirement benefit may be revoked by the retirement board. A denial by Social Security of disability benefits shall not constitute a reason in and of itself for adjustments to the disability retirement benefits provided for by this section. (Rev.Ords. 1962, § 328; 1969 /cum. Supp., § 328; Ord. of 8-14-79; Ord. of 10-29-84; Ord. of 2-13-89)

* Material stricken out deleted.

** **Material underlined added.**

Office of the Mayor

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TDD/Telecommunication for Deaf 865-7142

Peter Clavelle
Mayor

MEMORANDUM

TO: City Councilors

FROM: Peter Clavelle

DATE: August 4, 2003

RE: Retirement Ordinance – Proposed Amendment

This memorandum addresses a recommendation for a change to the language of the retirement ordinance regarding the accrual rate adjustments that an employee may elect to take when applying for his or her retirement benefit.

This amendment is not intended to alter the array of choices that is available to an employee. Rather the amendment is intended to clarify the original intent of the Retirement Board and the City Council at the time that the "½ COLA" and "no COLA" options were approved. The intention was that these options would expand the number of choices available to the individual at time of retirement, but each of the options would remain cost neutral to the plan. Unfortunately, this original intent has been lost over time and needs to be restated more directly in the ordinance

At the time of retirement, an employee selects from a list of options. Under each option, the employee must then select one of the COLA adjustments. This amendment simply proposes to remove the specific accrual rates currently listed in the ordinance for the "½ COLA" and "no COLA" options. This change is proposed because the City's actuary has indicated that the City should be prepared, over time, to vary the accrual rates that are used to calculate the "½ COLA" and "no COLA" adjustments in order to ensure that the amounts received under the different adjustments (i.e., regular cost of living adjustment, ½ COLA, and no COLA) remain cost neutral.

To the extent that this amendment is subject to collective bargaining, the discussion on this point will be also held with the various unions.

231090/30

CITY OF BURLINGTON

ORDINANCE Retirement
Sponsor: Human Resources

Public Hearing Dates

First reading:
Referred to:
Rules suspended and placed in all stages of passage:
Second reading:
Action:
Date:
Signed by Mayor:
Published:
Effective:

In the Year Two Thousand Three

An Ordinance in Relation to

SEC. 24-22. Retirement benefits

It is hereby Ordained by the City Council of the City of Burlington, as follows:

Sec. 24-22. Retirement; benefits.

(a) Any member may retire on a service retirement benefit upon written application to the retirement board setting forth at what time, not less than thirty (30) days subsequent to the filing thereof nor more than ninety (90) days or longer for cause shown, after the date he may have separated from service, he desires to be retired; provided, that such member at the time so specified for his retirement shall then have creditable service of at least seven (7) years and shall have attained age forty-two (42) in the case of Class A members, or age fifty-five (55) in the case of Class B members. Notwithstanding, any member so retiring who has accumulated vacation time shall have the retirement benefit payment commence upon the end of such accumulated vacation time but, in no event, later than the date set forth in subsection (b) hereof.

(b) Any Class A employee in service who attains age sixty (60) shall be retired forthwith on a service retirement benefit; provided, that any official appointed for a definite term may remain in service until the end of the term.

(c) Upon service retirement after July 1, 1996, a member shall receive during his lifetime an annual service retirement benefit which shall be:

(1) For a Class A member, equal to two and seventy-five hundredths (2.75) percent of his average final compensation multiplied by his years of creditable service not in excess of twenty-five (25) years. Upon service retirement between January 1, 1992, and July 1, 1996, a member shall receive an annual service retirement benefit of two (2) percent of his average final compensation for years of service prior to January 1, 1992, and two and thirty-five hundredths (2.35) percent of his average final compensation for years between January 1, 1992, and July 1, 1996, multiplied by his years of creditable service not in excess of twenty-five (25) years. There will be an additional five-tenths (0.5) percent of average final compensation for each additional year beyond twenty-five (25) years for up to an additional ten (10) years of creditable service.

An Ordinance in Relation to Sec. 24-22 Retirement benefits

(2) For a Class B member retiring at age sixty-five (65) or thereafter, one and six-tenths (1.6) percent of his average final compensation multiplied by his years of creditable service at age sixty-five (65) not in excess of twenty-five (25) years, plus five-tenths (0.5) percent of such average final compensation multiplied by the number of years of his creditable service at age sixty-five (65) in excess of twenty-five (25) years. The annual service retirement benefit payable to a Class B member in service as of July 1, 1983, retiring prior to age sixty-five (65), with such benefit commencing after having attained age sixty-two (62), shall be computed on the basis of his average final compensation at retirement and his years of creditable service reduced by five-eighteenths of one percent (5/18 of 1%) for each month between his age at retirement and the age sixty-five (65). The annual service retirement benefit payable to a Class B member not in service on July 1, 1983, retiring prior to the attainment of age sixty-five (65), as well as the annual service retirement benefit payable to a Class B member in service on July 1, 1983, who retires prior to attaining the age of sixty-two (62), shall be

computed on the basis of his average final compensation at retirement reduced actuarially according to actuarial tables adopted by the retirement board, as set forth in section 24-14, the benefit determined by the length of time between the date of retirement and the attained age of sixty-five (65). A Class A member who retires prior to the attained age of fifty-five (55) shall have his annual service retirement benefit computed on the basis of his average final compensation at retirement reduced actuarially according to actuarial tables adopted by the retirement board, as set forth in section 24-14, the benefit determined by the period of time which his retirement precedes the earlier of his completion of twenty-five (25) years of creditable service or his attainment of age fifty-five (55). However, for Class A members, the early retirement reduction where service is twenty (20) to twenty-five (25) years shall be as follows:

24 years	1.82%
23 years	3.64%
22 years	5.46%
21 years	7.28%
20 years	9.09%

Notwithstanding the provisions of section 24-22(c), a Class B nonunion, City AFSCME and Burlington School District Paraeducator (BSDP) member in service since July 1, 2000; a Burlington School District (BSD) AFSCME member in service on August 1, 2001; or an IBEW member in service on July 1, 2001, retiring prior to age sixty-five (65) shall have his benefit computed on the basis of his average final compensation at retirement and his years of creditable service, reduced by two (2) percent for each year between his age at retirement and age sixty-five (65).

(d) Anything in this article to the contrary notwithstanding, a Class A member with at least twenty-five (25) years of Class A creditable service shall be entitled to take a normal retirement without regard to his age at the date of retirement.

(e) Cost of living adjustments and accrual rates:

(1) In lieu of the accrual rate of 2.765% provided in subsection (c), at the time of retirement, a Class A member may choose ~~either an~~ a higher accrual rate ~~of 3.25%~~ for the first twenty-five (25) years of service and apply either a cost of living adjustment equal to one-half that provided for in section 24-40, or ~~an accrual rate of 3.80% for the first twenty-five (25) years of service and~~ no cost of living adjustment. The accrual rate to be applied to either the one half cost of living or no cost of living adjustments will be calculated by the actuary in order that the resulting benefit will be cost neutral as compared to the benefit calculated with the cost of living increase provided under section 24-40.

(2) In lieu of the accrual rate of 1.6% provided in subsection (c), at the time of retirement, a Class B member may choose ~~either an~~ a higher accrual rate ~~of 1.9%~~ for the first twenty five (25) years of service and apply either a cost of living adjustment equal to one-half that provided for in section 24-020, or ~~an accrual rate of 2.20% for the first twenty-five (25) years of service and~~ no cost of living adjustment. The accrual rate to be applied to either the one half cost of living or no cost of living adjustments will be calculated by the actuary in order that the resulting benefit will be cost neutral as compared to the benefit calculated with the cost of living increase provided under section 24-40.

(f) As written.

(g) As written.

(h) As written.

(i) As written.

Section 13

August 2003

Selected Public Retirement Plan Benefits compiled by Cynthia Davis, Retirement Administrator.

Aug 2003

	Service Ret	Early Ret	Disability Ret	Retiree Cola	Time to Vest	Employee Contrib	Changes?
Maine State A&B	60 or 62 2% x AFC (3 yrs)x Service	need 25 yrs of service 2.25% or 6% for each year reduction	66-2/3%	CPI to 4%	10 years	7.65% to 8.65%	
Maine Municipal A&B	60 2% x AFC (3 yrs)x Service	need 25 yrs of service 2.25% for each year reduction	66-2/3%	CPI to 4%	10 years	6.50%	
NH State A	60 2.5% x AFC (3 yrs)x service	45 an 20	need 10 years 100% of service ret	Voted by fiscal committee 1% to 5%	10 years	9.30%	
Vt Municipal A&B	62 1.7%x AFC (3 yrs) x service	55 need 30 yrs 6% for each year reduction	same as normal retirement	CPI to 3%	5 years	4.50%	
VT State A	55 2.5%xAFC (2 yrs) x service max=50% of AFC	50 with 20 years no reduction	same as normal retirement	CPI to 5%	5 years	6.28%	

	Service Ret	Early Ret	Disability Ret	Retiree Cola	Time to Vest	Employee Contribs	Changes?
Burlington A	55 or 20 yrs 2.75%, 3.25% or 3.8% x AFC (3 yrs) x service	42 with 1.8% for each year reduction	75% current pay	CPI to 5% .5% CPI to 5% or no cola	3 years	8.80%	
NH STATE B	60 1.66% AFC (3 yrs) x Service	50 to 59 or age + 20 years equals 70 1.5% to 6.67% for each year reduction	need 10 years same as service retirement	Voted by fiscal committee 1% to 5%	10 years	5%	
Vt State B	65 or 62 with 20 1.67%x AFC (3 yrs) x service	55 or 30 2% reduction for each yr.	need 5 years service same as normal retirement	CPI to 5%	5 years	5%	
Burlington B	65 1.6%,1.9% or 2.2%x AFC (3 yrs) x service	55 with 2% for each yr reduction	75% of current pay	CPI to 5% or .5% CPI or no Cola	3 years	none	

Section 14

March 25, 2003

Memorandum from Brendan S. Keleher to Mayor Peter Clavelle and City Council Re: Burlington Employees Retirement System, and March 20, 2003: Report by Richard Beck and Christopher Clarke, Buck Consultants, Re: "Burlington Employees' Retirement System".

City of Burlington Vermont

CHIEF ADMINISTRATIVE OFFICER

City of Burlington

City Hall, Room 20, 149 Church Street, Burlington, VT 05401

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TTY (802) 865-7142

MEMORANDUM

TO: Mayor Peter Clavelle
City Council

FROM: Brendan S. Keleher

DATE: 3/25/03

SUBJECT: Burlington Employees Retirement System

On March 20 the Retirement Board held a meeting to discuss the status of the retirement plan. The meeting centered on a presentation by the Board's outside actuarial consultants, Buck Consultant. The consultants presented an overview of the plan's assets and liabilities, the impact of the downturn in the investment markets, the assumptions behind future costs to the plan, and some options or choices that face the plan.

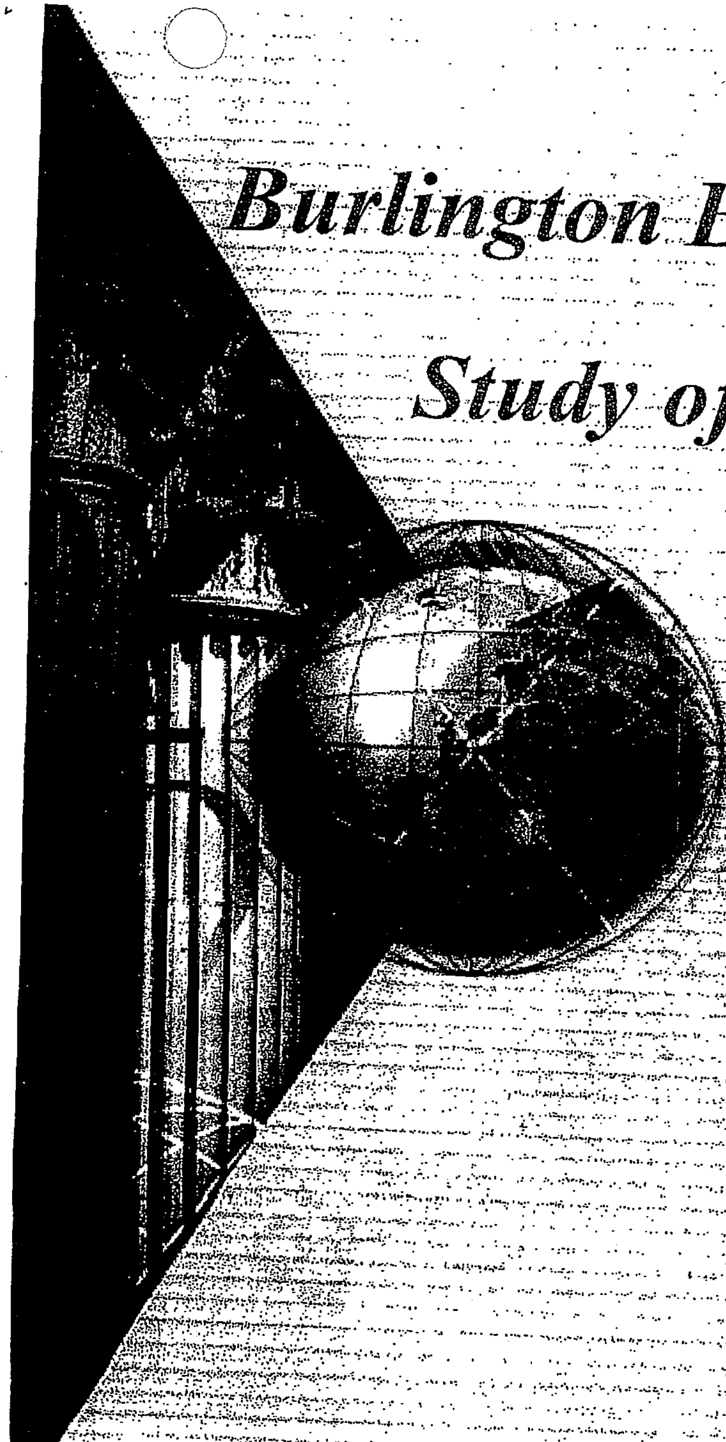
In 2000 working with the advice of the consulting actuary, the city approved significant improvement in the retirement benefit. The plan and the investment market more generally have since experienced three very bad years. With the benefit of hindsight we now know that the improvements of 2000 were made at the peak of the market. The Retirement Board is working to better understand the impact of the recent investment market on the affordability of the benefit in the future. Based upon the current information it is clear that changes need to be made.

The meeting was attended by more than 50 employees. It was also taped by Ch 17 and a copy will be available for viewing in the future. I have copied and enclosed some excerpts from the report that served as the basis for the actuarial presentation.

Cc: James Strouse, Chair Retirement Board.

Burlington Employees' Retirement System

Study of Projected Contributions



Presented March 20, 2003

By: Richard Beck
Christopher Clarke

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A Mellon Financial Company

Actuarial Terminology Review

Pension Plans

- Pension Plans Provide Promised Benefits to Employees Upon Retirement / Termination
- Benefits Include Retirement, Termination, Death, and Disability
- Burlington's Benefits are Based upon Pay and Service
- Benefits are Payable over Employee's Lifetime

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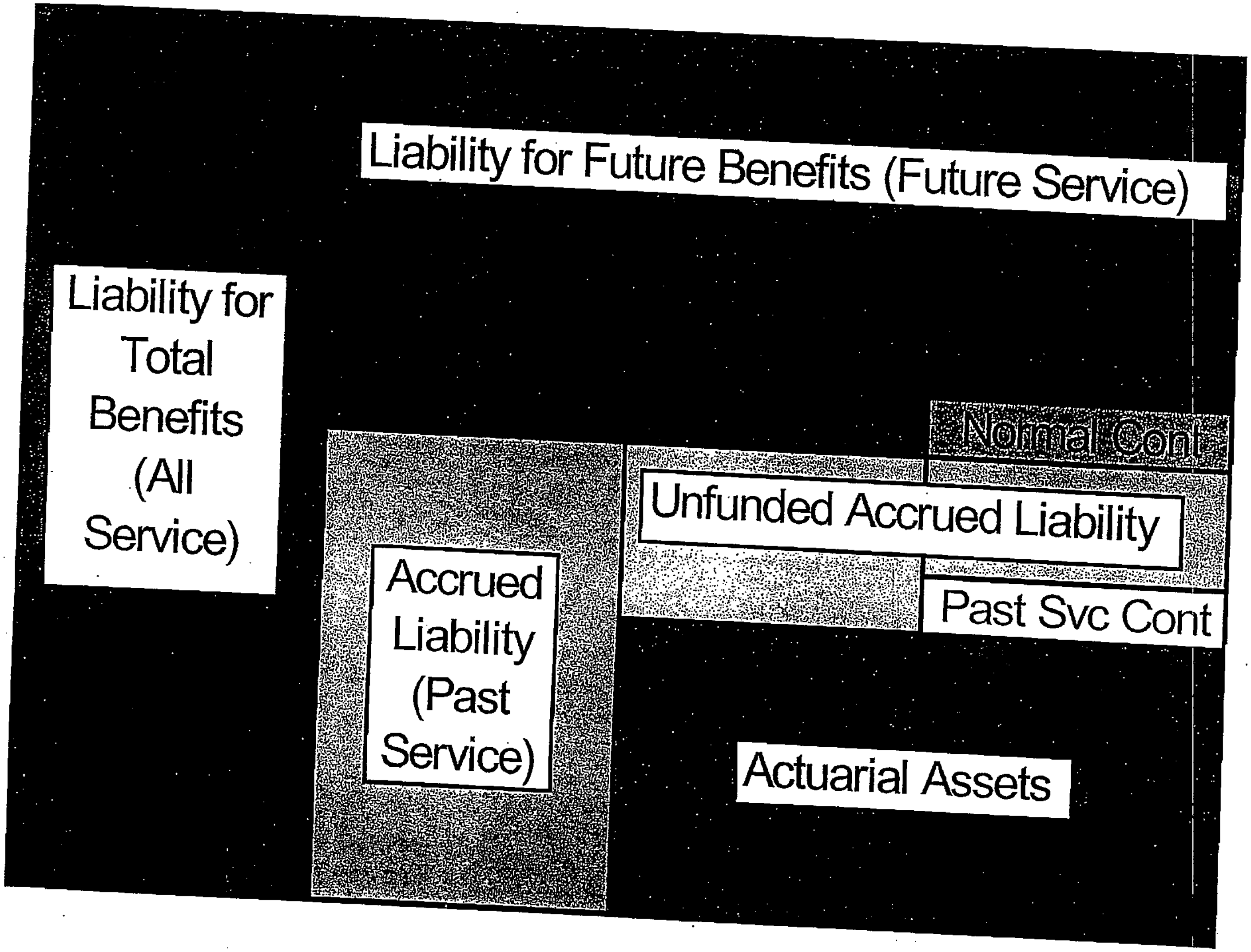
A Mellon Financial Company

Actuarial Terminology Review

Paying for Promised Benefits

- Ultimate Cost of Plan = Benefits Paid
- Pre-funding - Set Aside Funds During Employee's Career to Provide Benefits at Retirement
  - Annual contributions
  - Assets are invested
- Contributions + Investment earnings = Benefits Paid
- Today's Tax Payers Pay For Benefits Accruing Today

Actuarial Terminology Review



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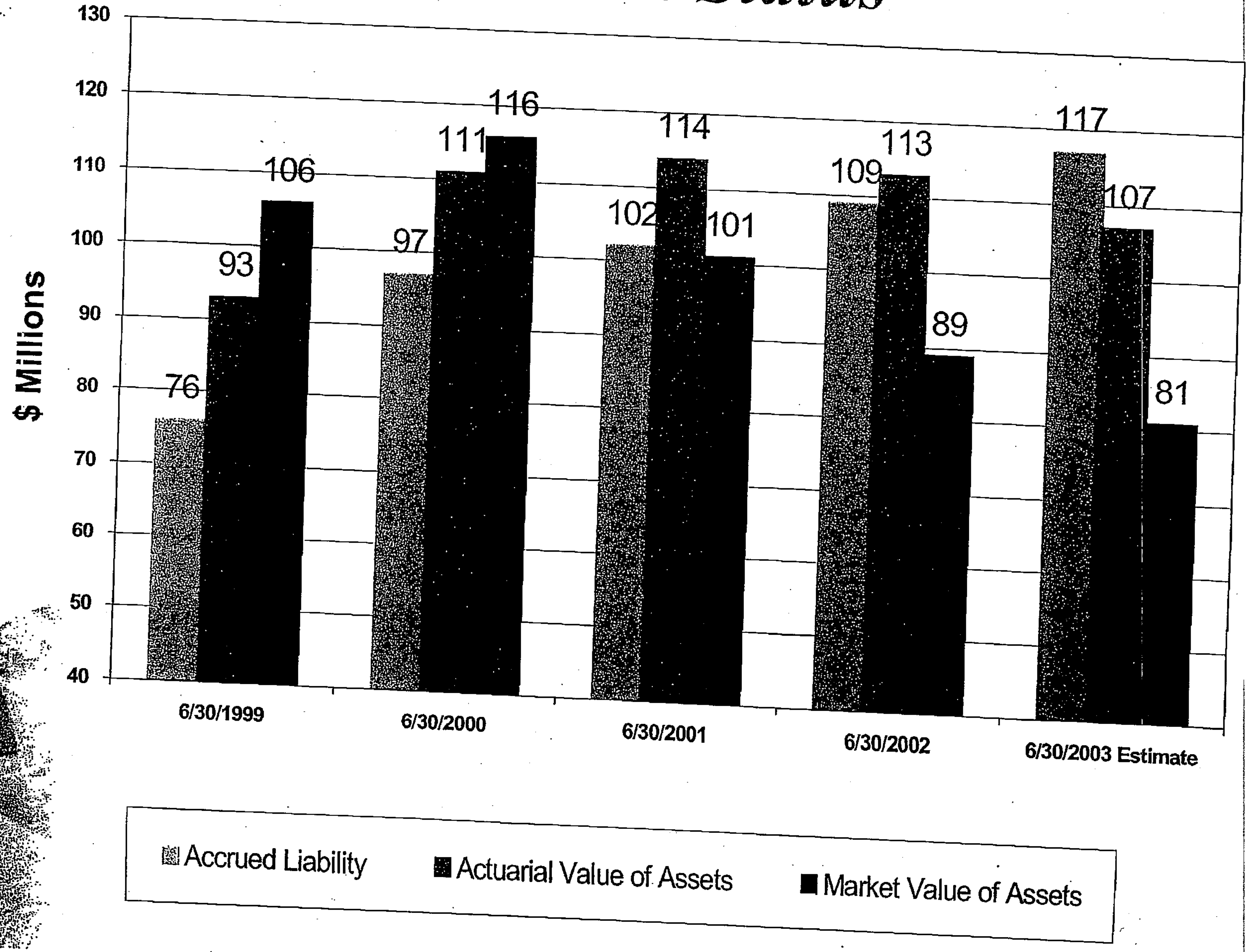

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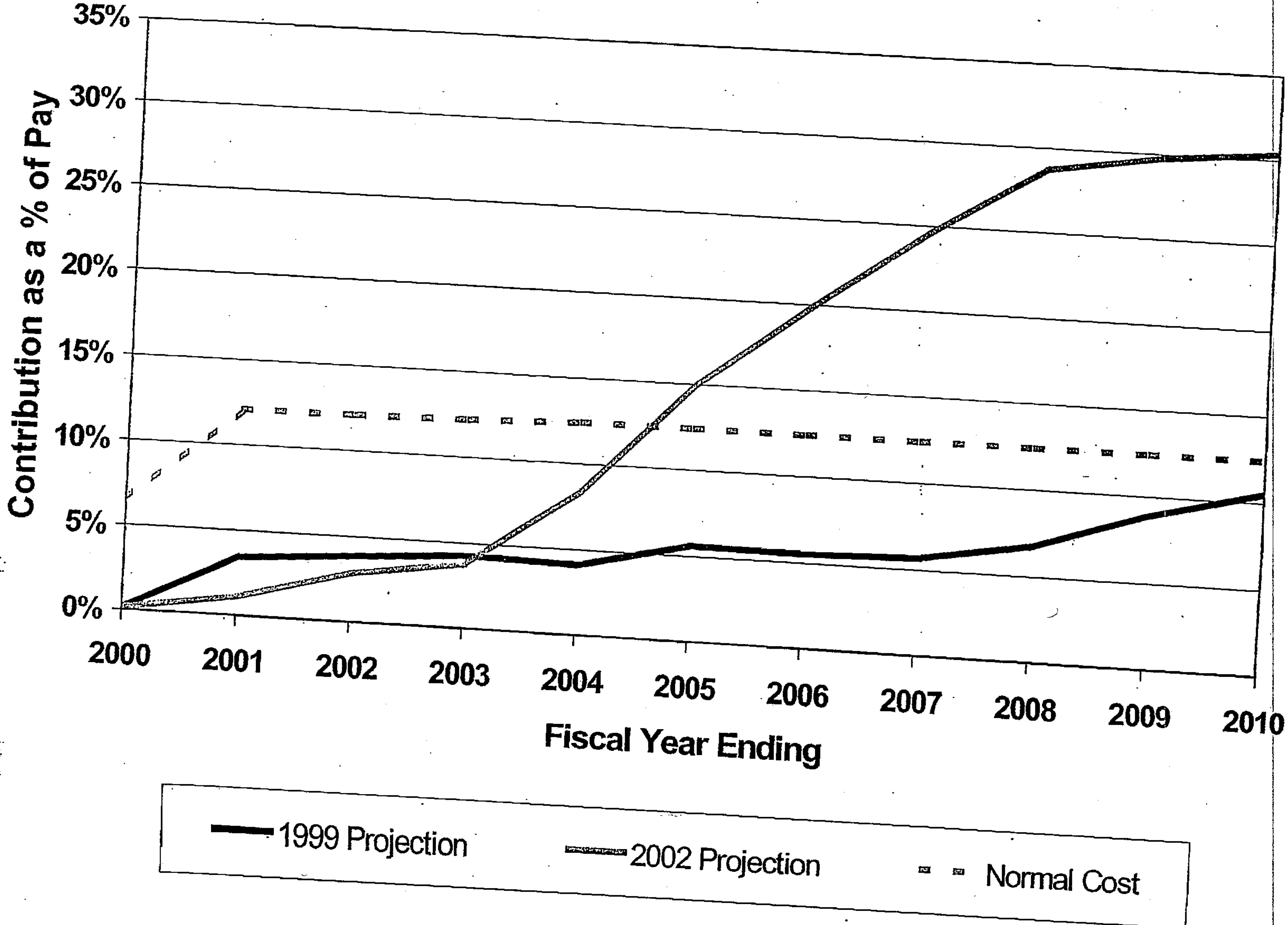
Contributions - Class A & B
Projection - June 30, 2002



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Contributions - Class A & B

Projection - June 30, 2002

($ in thousands)

Year Ending	Normal Cost	Total Contribution	
2004	$ 3,689	$ 2,473	8.3%
2005	3,873	4,686	15.0%
2006	4,067	6,526	19.9%
2007	4,270	8,468	24.6%
2008	4,484	10,364	28.7%
2009	4,708	11,295	29.8%
2010	4,943	12,094	30.4%

CONTRIBUTION PROJECTIONS
AS OF JUNE 30, 1999 REFLECTING PLAN AMENDMENTS
COST OFFSET BY PRIOR ASSET GAINS

CLASS A & B

Fiscal Year Ending	Projected Payroll	Normal Contribution		Past Service Contribution	Total Contribution	
June 30, 2000	26,973,371	1,745,672	6.5%	(1,705,726)	39,946	0.1%
June 30, 2001	25,181,317	3,117,682	12.4%	(2,246,457)	871,225	3.5%
June 30, 2002	26,440,383	3,273,566	12.4%	(2,246,456)	1,027,110	3.9%
June 30, 2003	27,762,402	3,437,244	12.4%	(2,246,457)	1,190,787	4.3%
June 30, 2004	29,150,522	3,609,106	12.4%	(2,409,397)	1,199,709	4.1%
June 30, 2005	30,608,048	3,789,561	12.4%	(2,083,736)	1,705,825	5.6%
June 30, 2006	32,138,450	3,979,040	12.4%	(2,202,765)	1,776,275	5.5%
June 30, 2007	33,745,373	4,177,992	12.4%	(2,270,902)	1,907,090	5.7%
June 30, 2008	35,432,642	4,386,892	12.4%	(2,004,405)	2,382,487	6.7%
June 30, 2009	37,204,275	4,606,236	12.4%	(1,297,723)	3,308,513	8.9%
June 30, 2010	39,064,489	4,836,548	12.4%	(734,535)	4,102,013	10.5%

Notes:

Projection schedule based on June 30, 1999 valuation including all amendments.
Cost of amendments is offset by recognizing asset gains not yet recognized in the actuarial value of assets as of the valuation date.
Future assets and liabilities are assumed to increase based on the current economic and demographic assumptions.

CONTRIBUTION PROJECTIONS
CURRENT (NO CHANGES)

CLASS A & B

Fiscal Year Ending	Projected Payroll	Normal Contribution		Past Service Contribution	Total Contribution	
June 30, 2000	26,973,371	1,745,672	6.5%	(1,705,726)	39,946	0.1%
June 30, 2001	24,754,701	2,996,739	12.1%	(2,721,861)	274,878	1.1%
June 30, 2002	26,738,897	3,237,952	12.1%	(2,470,506)	767,446	2.9%
June 30, 2003	28,335,739	3,460,682	12.2%	(2,380,771)	1,079,911	3.8%
June 30, 2004	29,719,840	3,688,639	12.4%	(1,216,055)	2,472,584	8.3%
June 30, 2005	31,205,832	3,873,071	12.4%	813,047	4,686,118	15.0%
June 30, 2006	32,766,124	4,066,725	12.4%	2,459,763	6,526,488	19.9%
June 30, 2007	34,404,430	4,270,061	12.4%	4,198,094	8,468,155	24.6%
June 30, 2008	36,124,651	4,483,565	12.4%	5,880,930	10,364,495	28.7%
June 30, 2009	37,930,883	4,707,744	12.4%	6,587,613	11,295,357	29.8%
June 30, 2010	39,827,427	4,943,131	12.4%	7,150,801	12,093,932	30.4%

Notes:

Projection schedule based on June 30, 2002 valuation results based on actual assets as of January 31, 2003 projected with an 8% return on investments thereafter.

Future assets and liabilities are assumed to increase based on the current assumptions.

Section 15

March 19, 2003

Memorandum from Buck Consultants to Members of the (Retirement) Board re 2002 Experience Study;

The March 19, 2003 report form Buck Consulting Actuary contained recommendations that, if adopted by the Retirement Board, would have improved the ration of assets to liabilities and in turn, reduced the recommended annual contributions contained in the annual valuation as of June 30, 2003 which served as the basis for the FY2005 city budget. The Retirement Board did not adopt these recommendations in time for the June 30, 2003 valuation of the Fund.

For reference, the timing of the Actuarial report that provides the information needed for the development of the city budget is as follows:

The Actuarial Valuation for the period ending:	*Is used to the Budget for the Fiscal Years below:*
6/30/02	*FY 2004*
3/30/03	*FY 2005*
6/30/04	*FY 2006*
6/30/05	*FY 2007*

BUCK CONSULTANTS®
A Mellon Financial Company℠
One Pennsylvania Plaza
New York, New York 10119-4798

March 19, 2003

Retirement Board
Burlington Employees' Retirement System
Burlington, Vermont 05401

Re: 2002 Experience Study

Members of the Board:

I am writing to provide an overview of the Burlington Employees' Retirement System 2002 Experience Study. The main purpose of this study was to review the current economic assumptions regarding asset return, cost of living, and salary increases, and to review non-economic assumptions regarding employee turnover and mortality. Based on our analysis, we are recommending changes to the Plan's current assumptions as outlined below. We have also included estimates of the annual cost impact for each of these changes.

Non-Economic Assumptions

The non-economic assumptions reviewed in this study were the assumed rates of mortality, withdrawal, service retirement and disability retirement. With the exception of mortality rates, a comparison was made of the actual occurrences to the expected rates of withdrawal and retirement during the last five years and 9 years separately. The purpose of using the 9 year period was to lessen the effect of spikes due to special retirement incentive programs and salary increase anomalies. The following is a brief summary of our findings and recommendations.

<u>Mortality</u>
Actual experience was not collected for retirees; the Retirement System population is not large enough to draw any conclusions over the wide range for which the assumption is used. (For example, there are not enough 57 year-olds in the pension plan population to justify altering the assumed rate of death from 0.2%, i.e. 2 deaths in every 1,000). The current mortality table for both Class A and Class B employees is the 1995 George B. Buck Mortality Table.

Recently, the Internal Revenue Service published the 1994 GAR projected to 2002 Mortality Table. There is little difference between this table and the 1995 George B. Buck Mortality Table. Also, research published by the Society of Actuaries contains a reference to law enforcement mortality, which indicates that there is no significant difference in mortality between law enforcement personnel and civilian employees.

Since the System's current mortality table for healthy lives reflects up to date mortality trends and there is no evidence of a need to differentiate between the mortality for law enforcement and other employees, we do not recommend a change to the mortality table for Class A or B employees.

However, because of the relatively small incidence of disability retirement under the Plan, the mortality table for disabled lives has not been reviewed for quite some time. When the current disability mortality table is compared to recent mortality experience for disabled retirements in general, the new rates of mortality in the newer tables are significantly lower. This is probably the result of significant progress in medical science in recent years. Therefore, we recommend changing to the RP-2000 Disability Mortality Table for both A and B Employees. The additional annual cost of this change is estimated to be:

Class A	$59,000
Class B	$141,000

Withdrawal and Vesting

The actual rate of withdrawal and vesting for Class A employees is high at the younger ages and then quickly declines and becomes more gradual with increasing age. Compared to the current assumption, the actual experience shows higher rates of withdrawal in the first years of employment, lower rates from age 25 to 35, and then higher rates again to age 45. We recommend modifying the rate to reflect actual experience.

As in the previous study, the actual rate of withdrawal and vesting for Class B employees was higher than expected throughout the period. Our recommended rate takes into account the higher rates of withdrawal.

The effect of increasing the rate of withdrawal and vesting is a decrease in the annual contribution. More employees terminate without entitlement to a pension benefit and fewer employees stay in the workforce to retire at later ages with benefits based on higher salaries.

The change (decrease) in the annual contribution is estimated to be:

Class A	($53,000)
Class B	($34,000)

Service and Early Retirement
The actual rates of Class A service and unreduced early retirement were significantly higher than expected. The early retirement windows offered in 1994 and 1998 enticed employees to retire earlier and have impacted subsequent years' experience. The actual rates, accumulated over both the 4 years from 1999 and the 9 years since 1994, show a higher than expected rate of retirement for the entire period. The experience analysis shows that a significant number of employees retire after 25 years of service when they become eligible for unreduced benefits. More employees are being enticed to retire at younger ages with larger benefits paid for longer periods of time, resulting in increased costs.

The recommended rate of retirement, which varies from approximately 38% at age 45 to 20% at age 55, is significantly higher than the current assumption at all ages, reflecting more retirements at younger ages.

The impact of this change is an increase in annual contribution of:

Class A	$171,000

The actual rates of Class B service and reduced early retirement were selectively lower than expected over the last five years. Also, the nine year analysis validated the lower than expected five year experience. In 2000 we doubled the (relatively small) rates of retirement before age 60 when the early retirement reduction factors were improved. However, the actual experience has not validated this change. The actual experience at age 62 and after 65 was considerably lower than the current rates.

We therefore recommend lowering the rates of early and service retirements for B employees for the periods described above. The impact for this change is a decrease in annual contribution of:

Class B	($143,000)

Disability Retirements
The Class A and B rates of disability retirement appear to be reasonable. The actual number of disability retirements was equivalent to the expected number of retirements over the five year period. We do not recommend adjusting this assumption at this time.

Economic Assumptions

Inflation

The current inflation assumption is 4%. During this period the Consumer Price Index has averaged less than 3%. Based on this history and the current environment of very low inflation, we propose reducing the inflation assumption to 3%. To reduce the inflation assumption by 1% would result in an estimated annual cost reduction of:

Class A	($322,000)
Class B	($260,000)

(See Appendix A for a discussion of the relationship between the inflation assumption and the half COLA and no COLA rates used in the current benefit calculations)

Salary Increase

We have reviewed the last five years' of salary experience for Class A and B employees. Our analysis indicates that the current salary increase assumption for Class A and B employees was appropriate for the period studied. We propose maintaining the same salary scale for both Class A and Class B employees, if the inflation assumption is lowered to 3%. If long-term inflation is projected to be lower than 3%, an equal reduction in the rates of salary increase may be appropriate.

Interest Rates

The current valuation rate is 8.0%. Based on an even mix of equities and fixed income securities an expected real rate of return (net of inflation) of over 5% can be supported. Therefore, an 8.0% valuation rate relates well to an inflation assumption in the range of 3.0% (or lower, if the asset mix weighted toward equities). We have attached our most recent pension funding survey supporting the use of this rate. The average funding interest rate for Buck clients during 2001 was 8.07%. We recommend the continued use of the 8.0% valuation rate.

Summary

Based on the recommended non-economic assumption changes for withdrawal, service retirement and the mortality improvement for disabled lives, and the proposed 1% reduction in the inflation assumption, the annual contribution change is estimated to be as follows:

Increase (Decrease) in Annual Contribution Levels

Class A	($145,000)
Class B	($296,000)

As part of our study this year we have spoken with consultants within Buck to discuss what other governmental clients are doing with regard to assumptions during this economic downturn. The general consensus is that the Retirement Boards are not taking any additional action beyond the scheduled experience studies. Few of our consultants are recommending a decrease in the valuation assumptions interest rate at this time. Those who are recommending a change are not decreasing the interest rate below 8%.

If you have any questions or require any additional information, please let me know.

Sincerely,

Richard K. Beck

Richard K. Beck
Principal and Consulting Actuary

RKB:cc
DOC:L13895RB2.DOC

Enc.

Appendix A

One-Half COLA and No COLA Pension Benefit Rates

The assumption used to change the pension accrual rate with full COLA increases after retirement, to alternative equivalent pension benefit rates with one-half COLA or no COLA was based on a 4% inflation rate. The cost reduction shown below to reduce the COLA assumption to 3% reflects our experience with respect to the alternative accrual rates for retiring employees that are currently in use.

Class A	($322,000)
Class B	($260,000)

When the Board adopted the alternative accrual rates, the half and no COLA rates were determined on the basis that there would be no additional cost to the System or additional benefit to the retiring employee. However, based on expected long-term inflation of 3%, the alternative accrual rates provide a subsidy, in other words, larger benefits than those anticipated based on the full COLA rates. The annual cost of the subsidy currently provided by the no COLA benefit based on 4% versus that based on 3% is approximately:

Class A	$498,000
Class B	$506,000

If the half COLA and no COLA accrual rates were re-determined based on a 3% inflation assumption, the total annual cost reduction of the inflation assumption change to 3% would be:

Class A	($820,000)
Class B	($766,000)

Section 16

April 5, 2002

Letter form Richard K. Beck, Principal and Consulting Actuary Buck Consultants to Mrs. Cynthia L. Davis Retirement Administrator, re discussion of annual cost of living adjustment assumptions used to calculate benefits.

April 5, 2002

Mrs. Cynthia L. Davis
Retirement Administrator
Burlington Employees' Retirement System
Room 12, City Hall
Burlington, Vermont 05401

Dear Mrs. Davis:

We are writing to discuss the annual cost of living adjustment (COLA) assumption used to calculate benefits for the Burlington Employees' Retirement System. As you know, the System provides for an annuity which increases each year with a COLA equal to the increase in the Consumer Price Index for the month ending June 30 of the current year from June 30 of the prior year.

The ordinance was amended to include benefit options which provide alternative benefits increased by either one half COLA or without COLA increases, that are equivalent to the full COLA benefit described above. Initially the percentage accruals used to calculate the alternative benefits were determined from the full COLA option using assumed future annual COLA increases of 4%. Based on COLA increases used to administer the System's benefits, this assumption has overstated the actual increases for a number of years. As a result, the percentages determined to calculate the benefits for the one half COLA option and the no COLA option do not produce benefits equivalent to the System's full COLA benefit over the retiree's lifetime.

We recommend that the half COLA and no COLA conversion be redetermined using a 3% future annual COLA increase assumption.

Should you have any questions or require additional information, please do not hesitate to ask.

Very truly yours,

Richard K. Beck
Principal and Consulting Actuary

RKB:jb
DOC:A13714RB.DOC

Section 17

March 19, 2002

Summary Observations from Brendan Keleher presented to the March 21, 2002 Retirement Board Meeting Re: Actuarial Analysis Provided by Buck Consultants;

Comments on the above letter: This letter is alerting the Board to reduction in the asset value of the system and potential impact on the health of the system, and need to consider changes to the benefit.

OBSERVATIONS ON RETIREMENT COST PROJECTIONS
March 19, 2002

These observations are based upon the actuarial analysis provided by Buck Consultants In February and March of 2002

Summary: The funding position of the Retirement System has significantly weakened as a result of the combination of the increase in benefit levels approved in 2000 and the lack of growth in the market value of the fund during calendar year 2001. The Retirement System should closely watch retirement returns in the next two years to determine if benefit levels require alteration in order to maintain the affordability of the plan.

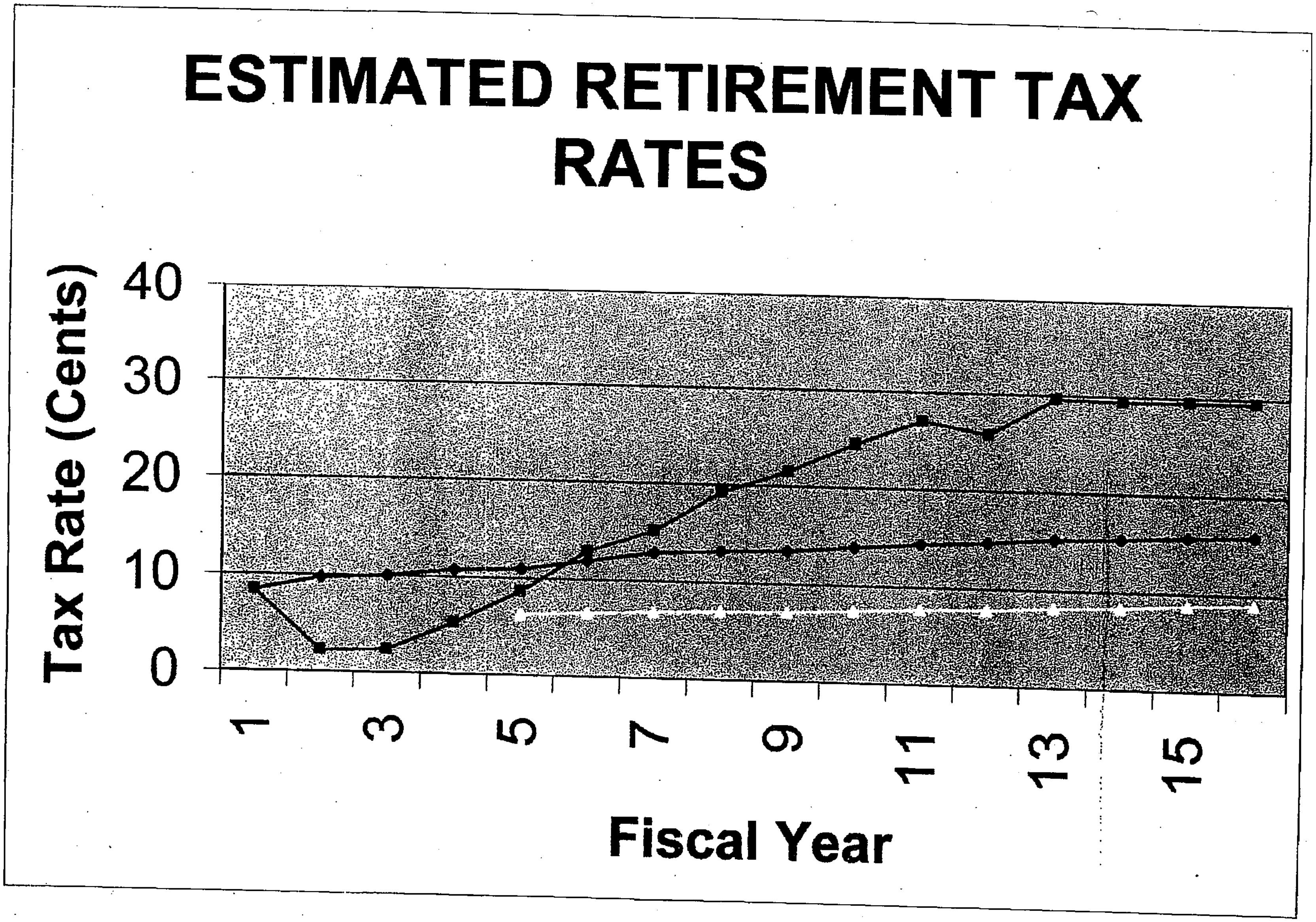
Immediate action: The assumption on cost of living increase for the calculation of the one-half COLA and no COLA options should be reduced from 4% to 3%.

The Context: In 2000 the significant benefit improvements were made to the plan. At the time actuary advised that the plan had a significant surplus in assets allowing the improvements to be made without a significant increase in the annual contribution through the tax rate. It was understood that the surplus in asset value provided both the justification for, and the source of the financial resources for, the benefit increases.

Overview of the Actuarial Advice: In recent months the market value of the fund assets failed to grow at the actuarially assumed rate of 8% per year. Buck Consultants have made the following observations:

1. In 2000 the Retirement Board chose to recognize the full market value of the plan as of 6/30/98.
2. At 6/30/99 and 6/30/00 the plan experienced market value growth of approximately $1.7 and $4.8 million, respectively, beyond the actuarial assumptions.
3. At 6/20/01 the plan had lost $14 million in market value, which measured against the actuarial assumptions results in a loss of $20 million in actuarial value.
4. The result is that the surplus in asset value upon which the benefit increases of 2000 were made is no longer available.
5. Due to the 5-year smoothing methodology used to calculate the actuarial value of the plan assets the impact of this loss will not affect the plan for several years. However, based upon the assumption of an 8% return on plan assets the annual cost of the plan will dramatically increase in later years.
6. The assumption on cost of living increase for the calculation of the one-half COLA and no COLA options is too high and should be reduced from 4% to 3%.

Handed out at March 21 2002
Retirement Bd meeting
this page, graph and asset value
page as of 12/31/01



March 21 2002

Section 18

March 4, 2002

E-Mail from Brendan Keleher to Bill Mitchell and Joe McNeil Re: Retirement Cost Projections.

sent via e-mail 3/4/02
hand copy with 3/14/02
memo attached also sent

From: Brendan Keleher
To: Bill Mitchell; Joe McNeil
Date: 3/4/02 2:10PM
Subject: Retirment Cost projections

Mayor, Joe and Bill
Attached is a summary of a recent telephone call with our actuary regarding the impact of the drop in asset value in the retirement fund on the annual cost.

Below is my quick translation of the tax rate impact (note: no adjustment for reappraisal; also recall that - in the absence of funds surpluses - this tax rate grows in proportion to wages due to FICA obligations). I want to stress that these are very preliminary and Cindy and I are still working with the actuary on this. There may be, I believe, a way to look at the future differently and keeping the tax rate more manageable. They are running some numbers for us.

Note further that their analysis of the fund assets and accrued liabilities for FY 03 says that there is technically still enough to cover current obligations, It is their projection of the futrue that gets troublesome.

Retirement Tax Rate

FY	Actual	Projected in 2000 before market loss	Buck's Current after market loss
1997	.1021		
1998	.1021		
1999	.0808		
2000	.0808		
2001	.0689		
2002	.0856	.1007	
2003		.1079	.0981
2004		.1101	.1060
2005		.1285	.2200
2006		.1329	.2700
2007			.3000
2008			.3600

I will report back as soon as I have more information

2/26/02
Telephone conversation with Mr. Beck of Buck (Actuaries), Cindy Davis and BK.

Note: Plan assumptions include, 8% annual growth in market value, calculate actuarial value with a 5 year smoothing of the market value.

Mr. Beck:

6/30/98 – As a result of the decision in 2000 to increase the benefit we subsequently made a decision to move away temporarily from the full 5 year smoothing assumption on actuarial value of the plan to recognize the full market value in place as of 6/30/98. This had the impact of raising the actuarial value and thus reducing the required tax rate for FY 2002.

6/30/99 – We experienced a $1.7 million market gain beyond the assumption of 8%, good year.

6/30/00 – We experienced a $4.8 million market gain beyond the assumption of 8%, good year.

6/30/01 – We lost $14 million in actual market value, which measured against the expected 8% gain resulted in a loss of $20 million in actuarial value. This $20 million is roughly equivalent to the surplus that was identified in 2000 as the basis for the affordability of the benefit increases. That is, the loss in the market value erased the surplus upon which the benefit increase was predicated.

6/30/02 – At this point we are assuming flat return against the 8% assumption. Market value has dropped even further since 6/30/01 but now is rebounding to some degree.

Beck says that to fund the ongoing assumptions and benefit we need a normal cost of 17% of pay for Class A and 9% of pay for Class B. This translates into an average of 11% of pay or over $2 million per year. That is, if we experience the 8% annual growth in the market value with current plan assumptions we will need to set aside 11% of pay.

Beck reports that using our current plan assumptions we still have an actuarial surplus of about $12 million. This is the result of the 5-year smoothing. Thus we have a year or two before the annul cost, read annual tax rate, rise(s) significantly.

Earlier Buck had provided us with projections that saw the annual combined retirement contribution increasing from $770,000 in FY 2003 to $5 to $7 million in FY 2009.

Cindy and I asked Buck to do some sensitivity analyses to help us better understand the impact of the fund losses and what plan reductions may keep this affordable. We expect those to be done the week of March 4.

Note: we have benefited in two ways from the surpluses in the plan over recent years. First, we used the existence of the surplus to justify the very significant increase in benefit that was approved in 2000. Second, and very important is that we have used the surplus to reduce the annual tax rate. The actuarial assumptions have required an annual contribution, however, the tax rate required to meet this requirement was reduced very significantly by drawing upon the surplus.

Section 19

Summary of Various Union Contracts, Including:

- November, 2001: Agreement between IBEW and City of Burlington;
- December 2000: City-AFSME Tentative Agreements for years July 1, 2000 through June 30, 2002;
- Tentative Agreement between the City of Burlington and the Burlington Police Officers' Association;
- Resolution "AUTHORIZATION FOR ACCEPTANCE OF COLLECTIVE BARGAINING AGREEMENT WITH THE BURLINGTON FIREFIGHERES' ASSOCIATION.

PREAMBLE

This Agreement is made and entered into this ___ day of November, 2001, and effective, unless otherwise specifically provided, retroactive to July 1, 2001, by and between the City of Burlington Electric Light Department (hereinafter referred to as the "Department") and Local Union 300 of the International Brotherhood of Electrical Workers, AFL-CIO CLC, (hereinafter referred to as the "Union").

2. 7.1 **Wage Increases**

Effective retroactive to July 1, 2001~~1998~~, the pay grades for each position covered by this Agreement shall be increased by three point eight ~~two point zero~~ percent (3.8~~2.0~~%) for the period July 1, 2001~~1998~~ to June 30, 2002~~1999~~. ~~Effective retroactive to January 1, 1999, the pay grades for each position covered by this Agreement shall be increased three quarters of one percent (0.75%) for the period January 1, 1999 through June 30, 1999.~~ Effective July 1, 2002~~1999~~ the pay grades for each position covered by this Agreement shall be increased by the increase in the consumer price index for all items, all urban consumers (CPI-U) from May 2001 to May 2002 but subject to a minimum adjustment of -two and one half percent (2.5%) and a maximum adjustment of five percent (5%). Effective July 1, 2003~~0~~, the pay grades for each position covered by this Agreement shall be increased by the increase in the consumer price index for all items, all urban consumers (CPI-U) from May 2002 to May 2003 but subject to a minimum adjusment of two and one half percent (2.5%) and a maximum adjustment of five percent (5%).. The pay grades for each covered employee as adjusted by such above described increases shall be attached hereto and incorporated herein as Appendix A. Additionally, the positions of Lineworker First Class and Working Crew Leader-Distribution shall receive a Market Factor Adjustment (MFA) of two percent (2%), one point five percent (1.5%) and one point five percent (1.5%) for fiscal years 2002, 2003 and 2004 respectively. Such MFA shall not be considered a part of the pay grades of such positions.

The compensation for individuals who work less than forty (40), but more than thirty-six (36) hours will be appropriately adjusted to proportionately reflect hours worked.

3. 7.12 **Sunday Shift Premium**

An employee assigned to a classification requiring him/her to work any one of the Sunday shifts shall receive in addition to regular rate plus shift differential, a premium of twenty-five cents (25¢) per hour for Sunday time worked. Effective upon execution of this Agreement, such premium shall be increased to fifty cents (50¢) per hour.

7.13 **Shift Differential**

A shift employee shall receive in addition to the regular rate, a premium of ~~fifty cents (50¢)~~ one dollar twenty five cents ($1.25) per hour for time worked on the second (evening) shift and one dollar and fifty cents ($1.5~~0~~0) per hour for time worked on the third (night) shift. Effective July 1, 2003, the premium for both the evening and night shifts shall become one dollar and fifty cents ($1.50) per hour. See Article IX, Twelve Hour Shifts, §9.4 (n), of the Agreement.

4. **8.2 Insurance**

(a) Medical and Hospital.

i. The Department through the City maintains a group medical, major medical, and hospital insurance policy for all employees and their dependents. Dependents are defined as legally married spouses and dependent children; or domestic partners (refer to Section 8.1). Effective as of January 1, 2002, all eligible employees shall be covered by the modified "Freedom Plan." The components of such Plan shall be as set forth in Appendix G. Commencing as of January 1, 2002, eEmployees ~~may be required to~~ covered by such Plan shall contribute to the cost of such coverage, as follows:

1-1-02 to 6-30-02 at $13.50 per week
7-1-02 to 6-30-03 at $15.00 per week
7-1-03 to 6-30-04 at $16.00 per week.

Eligible employees will be covered on the first day of the month following their date of hire. The benefits shall be provided through a self-insured plan or under a group insurance policy, or policies issued by an insurance company, or companies selected by the City. The Department may change the provider of such coverage so long as the provisions thereof remain substantially equivalent. If as a result of a change in providers the City's cost for the plan is reduced below $3.6 million, the employees' weekly contribution shall be reduced proportionately. If these benefits are insured by an independent company, all benefits are subject to the provisions of the policies between the City and the insurance company. An employee's medical coverage will expire on the first day of the next month following an employee's last day of employment. If an employee separates from the Department and remains uninsured, under COBRA guidelines the Department shall allow him/her to purchase the current medical insurance coverage until he/she is otherwise insured, in accord with COBRA guidelines and regulations for a period not to exceed eighteen (18) months.

ii. Except as provided above, ~~in the following sentence,~~ there shall be no change in the ~~current~~ health care plans available to Union employees nor shall there be any change in the employee contribution levels for such coverages.

5. 12.4 **Retirement**

The City maintains its own retirement pension plan. Eligible Class B employees who have reached the age of fifty-five (55), are entitled to receive retirement benefits upon separation from the Department. For additional retirement plan details, contact the Retirement Office. Commencing retroactive to July 1, 2001,the accrual rate for covered employees shall be increased to one point six percent (1.6%) and the early retirement penalty shall be reduced to two percent (2%) per year for ages 55 through 64. The survivor benefit shall be increased to thirty percent (30%).

6. **10.15 Personal Leave**

(a) ~~Assuming that the employee has sufficient accumulated disability leave, a~~ A regular full-time employee shall be entitled to take up to twenty-four (24) hours each fiscal year to conduct personal affairs that cannot reasonably be conducted during non-work hours. Personal leave, in the first year of employment, will be prorated from date of hire. A regular part-time employee shall have his/her personal leave prorated based on his/her regular schedule. Personal leave shall not be taken for the purpose of extending holiday or vacation periods.

(b) Except in cases of emergency, when as much notice as possible shall be given, an employee shall give at least twenty-four (24) hours notice of his/her desire to take personal leave.

(c) Personal leave shall not exceed the twenty-four (24) hour fiscal year limit. If additional personal leave is needed by the employee, the time will be deducted from the employee's vacation time.

(d) Personal leave may not be accumulated from year to year.

~~(e) Time taken as personal leave shall be deducted from an employee's accumulated disability leave~~.

(f) The taking of personal leave shall only be upon the approval of the employee's Sector Manager or his/her designee.

7. 9.12 **Layoff and Recall**

(a) as written.
(b) as written.
(c) as written.
(d) An employee who is given notice that he/she is to be laid off, and who has had at least one consecutive year of satisfactory or better evaluations, will also have the right to attempt to displace a less senior employee in a position for which he/she is as qualified as the incumbent, or can reasonably be expected to be as qualified as the incumbent by the end of the sixty (60) day probationary period with usual and customary on the job training. Provided, however, that an employee may exercise displacement rights only into a job title which has a pay grade which is equal to or lower than his/her own. Any such employee may also elect against exercising displacement rights.

receive sixty days of severance pay at the next payment date and immediately be placed on lay-off status.

8.

ARTICLE II
MANAGEMENT RIGHTS

The Department shall have the sole right to manage its operations. The Department shall have all rights and prerogatives subject only to express restrictions of such rights as provided in this Agreement. By way of illustration but not by way of limitation, the Department retains the right:

To plan, direct and control Department activities, to determine Department policies and to establish standards of service offered to the public;

To schedule and assign work to employees;

To determine the means, methods, processes, materials and equipment utilized by the Department, and to introduce new or improved methods, equipment or facilities;

To determine the qualifications and staffing of jobs;

To create, revise and eliminate jobs, or to transfer, re-assign or lay off employees due to lack of work, funds, operational efficiencies, or for other legitimate reasons;

To hire and terminate employees, including the right to hire part-time and seasonal employees. Provided, no seasonal or other temporary employee shall be authorized more than one hundred (100) work days in a single fiscal year (July 1 to June 30) nor be paid higher than the lowest paid bargaining unit member without the concurrence of the Union;

To maintain order, and to suspend, discipline and discharge employees for just cause;

To make, publish and require observance of reasonable rules and regulations;

To promulgate ordinances or other regulations incidental to the management of the Department, affecting the public health, safety and welfare.

It is further agreed that such functions of the Department as are enumerated herein shall not be deemed to exclude other functions of the Department not enumerated herein.
The above reference to "transfers" relates to transfers within the Department.

9. 9.13 Bargaining Work Performed by Non-Bargaining Unit Employees
Except as otherwise authorized herein (e.g. part time, temporary and seasonal work, or a position e.g. Coordinator of General Services which is excluded from the bargaining unit although the position requires some otherwise covered work) non bargaining unit employees shall not perform work which is covered by the scope of the Recognition clause hereof except under the following circumstances:

if a supervisor determines that some or all of a position's work must be performed on a given day, the supervisor has the following options. If there are four (4) hours or less of work, the supervisor must first offer the work to an on duty bargaining unit member holding the same job title. If no bargaining unit member of the same job title volunteers for the work, then the supervisor may perform four or less hours of the vacant position's work.

If more than four hours of the ~~vacant~~ position's work needs to be performed on a particular day, then the supervisor will first offer the work to bargaining unit members of the same job title both on and off duty. If no one of the same job title volunteers for the work then it must be offered to bargaining unit members who posses the minimum skill and qualifications necessary to perform the work but are of the same pay grade as the vacant position. If there are still no volunteers, then the supervisor may elect to perform the work himself/herself.

In any of the above-described circumstances, the supervisor always reserves the right to assign the work to an employee who possesses the minimum skills and qualifications to perform the work, rather than perform the work himself/herself.

A supervisor may not perform a ~~vacant~~ position's work in excess of thirty-two (32) hours in a two-week period unless it is a vacant position, in which case the provisions of Section 12.1 are applicable. ~~the position has been posted but has not yet been filled.~~

10. **9.10 Equipment and Apparel**

(a) The equipment and apparel practices currently in effect are incorporated herein and are part of this Agreement with the exception of the practice regarding prescription safety glasses.

(b) Prescription Safety Glasses. The Department will provide to certain groups of employees as defined below two pairs of generic prescription safety lens glasses, ~~one~~ clear or ~~pair and one pair of~~ sunglasses at the option of the employee. The Department will replace the prescription safety glasses only under the following two circumstances:

i. The employee presents to the Department a doctor's order for a new prescription; or

ii. There is significant damage to the glasses not caused by employee abuse, as judged by the Department. Scratching of the lens of clear glasses caused by the placement of sun shading accessories on such lenses shall be regarded as employee abuse.

The Department will provide prescription safety glasses as described above to employees holding certain positions. Employees holding these positions will be provided safety glasses because the work requires accurate vision to ensure their safety; the work is such that there is likelihood that regular glasses could be shattered endangering the employees' eyesight; or the position is one, which in the Department's opinion, creates a potential threat to the employee's eyesight. These positions are:

All Positions at McNeil Generating Station
All Linemen Positions
All Meter Reader Positions
~~Vehicle Maintenance Positions~~
Substation Technician Positions
All Technical Personnel Positions
Associate Energy Services Specialist
Such other Positions as may be Designated by the General Manager

Prescription or other custom glasses will not be provided to employees other than those in the above-stated positions. All other employees who enter areas where safety glasses are required shall use the plastic safety glasses provided by the Department.

11. In all other respects, the terms and conditions of the merged Agreement and Personnel Policy, August 9, 2001 version, shall remain in full force and effective for the duration of this Agreement, which shall terminate on June 30, 2004, unless extended by agreement of the parties hereto. It is understood and agreed that this document shall be used by the parties for ratification purposes, and that a revised Agreement containing the changed and unchanged provisions shall be executed upon ratification by both parties.

211210-00003 2001-04 ibew changes per 10-24-01 TA

TENTATIVE AGREEMENT BETWEEN THE CITY OF BURLINGTON
AND THE BURLINGTON POLICE OFFICERS' ASSOCIATION

This Tentative Agreement, subject to ratification by the BPOA membership and the Burlington City Council, is made between the parties according to the following terms:

1. Retirement Plan.

The accrual rate shall be 2.75% on the basis of a 25-year retirement plan. The benefit will be reduced on an annual basis for retirement between 20-25 years of service such that, at 20 years of service, the benefit will be 50% of average final compensation. The minimum retirement age shall be 42.

2. Compensation.

The following terms shall be applicable to all covered employees:

A. FY2001: Continuation of step movement; 2% COLA; 1 step adjustment for officers whose placement on the step system does not correspond to years of service at BPD to be made on their anniversary dates.

B. FY2002: Continuation of step movement; 2-4.5% COLA adjustment based on Bureau of National Statistics CPI U (all items-all urban consumers); final step adjustment(s) for officers whose placement on the step system does not correspond to years of service at BPD to be made on their anniversary dates.

3. Health Insurance.

A. FY2001:

1. Elimination of VHP plan effective within 60 days of the ratification of the Agreement by both parties.
2. Plan Modifications to BC/BS Freedom Plan as follows: Single person deductible to $200.00 and out of pocket maximum to $600.00; Family deductible to $400.00 and out of pocket maximum to $1,200.00; Office visits (and out-patient mental health/substance abuse) as a $10.00 co-pay; Prescription drug co-payments of $10.00/generic and $15.00/brand name; City agrees to

make good faith efforts to implement a mail order drug option. All other components of the Freedom Plan to remain as in the current plan and as required by law. The City may alter the sponsorship of the health care plan so long as the benefits contained therein and the employee contribution thereto are substantially equivalent to those outlined above.

3. Employee contribution of 1.5% of base pay to be made on a pre-tax basis. Note: Base pay is defined as an officer's placement on the pay scale and excludes any and any and all supplements including overtime pay, shift differential, etc.

B. FY2002:

1. Employee contribution of 2% of base pay to be made on a pre-tax basis.

4. Other.

All other provisions of the 7/1/98-6/30/00 Agreement shall remain in full force and effect.

The parties agree to present and recommend this Tentative Agreement to the BPOA membership and the Burlington City Council respectively.

No public comment on this Tentative Agreement shall be made by either party until the ratification process for both parties has been completed.

The contract shall expire June 30, 2002.

DATED at Burlington, Vermont this 6th day of June 2000.

BURLINGTON POLICE OFFICER' ASSOCIATION BARGAINING TEAM	CITY OF BURLINGTON BARGAINING TEAM
John C. Levriz Pres BPOA	Joseph E. McNeil
	Barry L. Nickson
	Janet Morrmane

Revised

CITY-AFSCME TENTATIVE AGREEMENTS

The City of Burlington and Local 1343 of AFSCME, after good faith negotiations and mediation, have reached the following tentative agreements to settle their mutual contract for the years July 1, 2000 through June 30, 2002:

1. Compensation – For FY 01, the City will pay AFSCME employees a 2.5% COLA increase plus step, retroactive to July 1, 2000. On July 1, 2001, the City will pay AFSCME employees a 2.5% to 4.5% COLA increase based on the Bureau of National Statistics CPI U (all items – all urban consumers, May, 2001), plus step. Article IX, section 9.2 is amended to increase each longevity level by $130.

2. Health Care – For FY 01, the Vermont Freedom Plan shall be reconfigured as the City proposed (see attached Plan, Exhibit A), the VHP plan shall be eliminated and the City may alter the sponsorship of the healthcare plan so long as the benefits and employer contributions are equivalent. Employees who elect to receive the health care benefit shall pay 1.5% of their base pay as a health care premium contribution. The health care premium contribution shall be retroactive to November1, 2000. Beginning on July 1, 2001, employees who elect to receive the health care benefit shall pay 2% of their base pay as a health care premium contribution.

3. Retirement – Amend the retirement plan to provide an increase in the accrual rate to 1.6%, reduce the early retirement penalty to 2% per year (from ages to 55 to 65) and increase the survivor benefit from 25% to 30%.

4. Sick Leave /Short Term Disability – The sick leave/short term disability leave Plan, which includes, but is not limited to, 10 sick days per year, a maximum accrual of 15 days, and the gain of a short term disability policy shall be applicable to all employees hired after July 1, 2000 as more fully explained in Exhibit B attached hereto. This Plan shall also be applicable to all current employees, effective February 1, 2001, with the following modifications. Employees may make a one time choice by January 3, 2001, of either 0, 5 days or 10 days of available and accrued sick leave be set aside for active sick leave use for FY01. Each individual employee's previously accrued sick leave will be set aside in a vested sick leave bank for that employee who may use it to 1) supplement pay when using short term disability; 2) if he/she exhausts their active sick leave, and; 3) if he/she is an option 2 employee, to convert to vacation consistent with current rules. An employee's right to sick leave pay out upon retirement will be consistent with his/her current rights under option 1 or 2.

whichever is applicable. Only Option 1 employees will be eligible for the sick leave bonus as described in Option 1.

5. FMLA – The parties agree that the 12 month period for FMLA/PFLA purposes shall be set from the date from July 1 to June 30. If an employee suffers an on-the-job injury which also qualifies as a serious health condition under the Family Medical Leave Act and the Vermont's Parental Family Leave Act, the City may run the FMLA/PFLA leave simultaneously with the workers' compensation leave/work related disability leave. The City and AFSCME shall continue to negotiate the remaining terms of FMLA/PFLA leave which are mandatory subject of bargaining.

6. Vacation Leave Accrual -- Incorporate the language from the current Comprehensive Personnel Policy Manual for the City of Burlington including the Burlington Electric Department, § 6.5(b) which states:

> "From an employee's date of hire to the end of that fiscal year, an employee may use or carry over any accrued vacation time. For every fiscal year thereafter, an employee must use at least fifty percent (50%) of his/her yearly earned vacation benefit according to the above schedule. An employee may carry over, at the end of the fiscal year, a maximum of 50% of his/her yearly vacation benefits, up to the maximum of 360 hours. Vacation leave in excess of the authorized carry over shall be forfeited and no financial compensation may be paid at the end of the fiscal year (June 30) or upon separation, unless an extension has been granted in writing by the Department Head with the approval of the City Council, after consideration of the recommendation by the Personnel Committee."

7. Sick Leave Conversion - Employees who are under Option 2 and thereby have the right to convert sick leave to vacation, may convert sick leave to vacation which may result in exceeding the 360 hour vacation accrual limit during the fiscal year. If however, the conversion results in the employee having more than 360 hours on the books on June 30th, the employee will forfeit any hours in excess of 360.

8. Recognition – Amend Article I, Recognition, to include employees who work 20 or more hours a week at the Library, Wastewater, in the Community Economic Development Office and in the Recycling program. A list showing each employee in these groups establishing their date of hire by the City based on when he/she began working 20 or more hours per week shall be developed as part of the Agreement. The recognition clause shall also include Parking Attendants and the current Agreement as to such Parking Attendants working less than 20 hours shall apply.

9. Choice of Health Care Provider for Work-Related Injury -- If an employee suffers a work-related injury, he/she must have the initial doctor's visit with a

City-appointed doctor. If the employee wishes to use his/her own doctor thereafter, they must file a Form 8 with the City in order to be reimbursed and should do so prior to the visit except in an emergency.

10. Uniforms and Tools: The annual amount of the clothing allowance shall be increased to $325.

11. Parking: Amend Section 18.1 from 15 to 20 days.

12. Evaluation: Provide that if the City does not complete an employee's evaluation by 15 days following the employee's anniversary date, the employee shall automatically receive his/her step if he/she is eligible for a step.

13. Side Letter: The Side Letter regarding health care savings attached hereto and marked as Exhibit C will be an Appendix to the Agreement.

Tentative Agreements as previously agreed, see Exhibit D attached.

In all other respects, the terms and conditions of the current collective bargaining agreement between the parties will remain in full force and effect.

Dated at Burlington, Vermont this 7 day of December, 2000.

CITY OF BURLINGTON, VT

By: Joseph E. McNeil, Esq. /SG
Chief Negotiator,
Joseph E. McNeil, Esq.

AFSCME, LOCAL 1343

By: Lindol M. Atkins Jr.
Chief Negotiator,
Lindol Atkins

231012-4

Resolution Relating to

RESOLUTION 2000-~~1218~~ 0911, 3.1
Sponsor(s): Councilor Bushor

AUTHORIZATION FOR ACCEPTANCE OF COLLECTIVE BARGAINING AGREEMENT WITH THE BURLINGTON FIRFIGHTERS' ASSOCIATION

Introduced: 9-11-00
Referred to:
Action: Adopted
Date: 9-11-00
Signed by Mayor: 9-20-00

CITY OF BURLINGTON

In the year Two Thousand
Resolved by the City Council of the City of Burlington, as follows:

That collective bargaining having been successfully completed, the Honorable Mayor Peter Clavelle be and hereby is authorized to execute a two-year agreement between the City and the Burlington Firefighters' Association pursuant to which the employees in such unit will be granted the first year a 2.5% pay increase retroactive to July 1, 2000 and from a 2% to a 4.5% (based on CPI-U) across the board increase for the year beginning July 1, 2001, along with a 1% comparability adjustment made to the pay plan effective 7/1/01, and a further .5% comparability adjustment effective 3/1/02, and an increased retirement benefit, but with the requirement that the health care benefit be amended to provide for agreed upon plan modifications in order to effect cost savings and to require an increased employee contribution to the cost of health care to be made in the amount of 1.5% of regular wages on a pre-tax basis in FY01 and 2% of regular wages on a pre-tax basis in FY02, along with additional amendments, all as per the terms and conditions of such Agreement.

231008-00001
lb/jcm/c: Resolutions 2000Firefighters Collective Bargaining Agree 2000-2001
8/25/00

Section 20

August 14, 2000

Memorandum from Brendan Keleher to File re: Retirement Tax Rate analysis.

OFFICE OF THE CLERK/TREASURER

City of Burlington

Room 20, City Hall, 149 Church Street, Burlington, VT 05401

Voice (802) 865-7000
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DRAFT
FOR DISCUSSION ONL

MEMORANDUM

TO: File

FROM: Brendan S. Keleher, Clerk Treasurer

DATE: 8/14/00

SUBJECT: Retirement Tax Rate Analysis

This is an analysis of the impact on the future tax rate of the retirement benefit changes put into effect in FY 2001. This assumes the following changes in the retirement plan:

Class A

Accrual at 2.75%
Early retirement reduction of 1.82% per year for the years 20 through 24
Age of retirement reduced to 42 years

Class B

Accrual at 1.6%
Early retirement reduction of 2% per year for ages 55 through 64

Summary of Impact

Overall the adoption of these changes to the retirement benefit will increase costs such that the tax rate will return to historical levels and increase over time with the growth in the wage base. This is a reverse of the recent trend where, as a result of extraordinary investment returns, the tax rate has actually declined.

Fiscal Year	Actual Tax Rate	Projected Tax Rate
1998	0.1021	
1999	0.0808	
2000	0.0808	
2001	0.0689	
2002		0.1007
2003		0.1079
2004		0.1101
2005		0.1285

DRAFT

FOR DISCUSSION ONLY

retirement system members funds

Discussion

The retirement tax rate is comprised of two elements: the set aside for future retirement benefits and the annual FICA obligation for g~~eneral fund employees~~. In recent years the share of the tax rate attributed to FICA has been increasing. This is the result of ~~to~~ two offsetting trends. First FICA continues to grow with the increase in salaries and wages. Second, and more significantly, the annual retirement obligations has been reduced due to extraordinary invest returns.

A process that includes an actuarial projection of future retirement costs is used to determine the annual retirement contribution raised from property taxes. The analysis included an estimation of projected costs, an evaluation of projected investment returns and the actual investment returns. When the investment return is higher than that projected, all other things equal, the annual tax requirement is reduced.

The retirement fund experienced extraordinary investment returns in the late 1990's. This allowed us to reduce the annual tax rate by about 3 cents from the peak in FY 1997 and FY 1998. Actually, the current tax rate is over 4 cents lower than it would be if the investment returns had been at projections and the FICA obligation had grown by 2.5% per year. The improvement to the retirement benefit being approved by the City Council will require that the tax rate increase to historical levels. The rate in FY 1998 was 10 cents; the rate in FY 2002 is projected to be 10 cents.

Note: At the time that the Police Union contract was being negotiated, the actuarial information available indicated ~~the due~~ that to the expected costs of the improvements and the health of the fund, the increase benefits could be absorbed without the tax rate returning to historical levels for up to ten years. A revised actuarial analysis says that this will happen in the next three years.

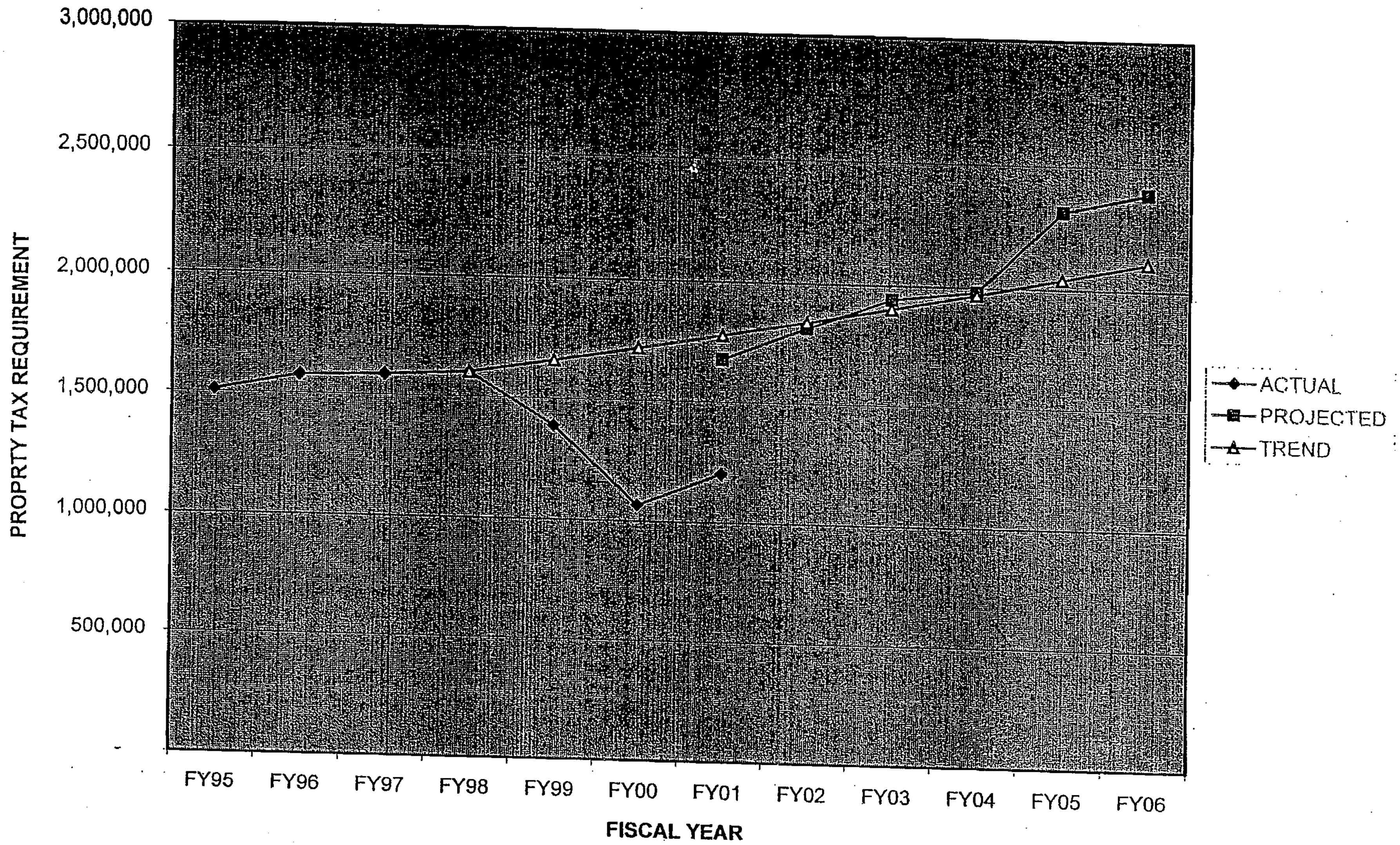
One way of looking at this situation is that the extraordinary investment returns for a period of time brought the fund to a level that no longer required annual contributions from the taxpayers beyond FICA. The retirement fund was fully funded for future obligations. The increase in the benefit levels obligated this full funding position and thus, the ongoing obligations of the fund again require annual tax contribution.

changed?

The Table and Graph attached to this memorandum illustrate for the retirement portion of the tax levy, the actual tax rate and tax revenue, the projected rate and revenue, and the historical trend in the required revenues factoring out the extraordinary investment returns of the 1990's.

This analysis assumes investment results return to the expected results based upon retirement plan assumptions.

RETIREMENT TAX RATE ANALYSIS



Section 21

July 3, 2000

E-Mail from Christopher A. Clarke, Buck Consults to Cynthia Davis, Retirement Administrator re: Class B Contribution Projection;

June 12, 2000: E-Mail from Christopher A. Clarke Buck Consultants to Cindy Davis, Retirement Administrator re Burlington Projected Contribution for Class A Employees, and;

June 12, 2000: E-Mail from Bryk Joel to Cynthia Davis Retirement Administrator Re: Offset Improvements with Future Actuarial

June 8, 2000: E-Mail from Christopher A. Clarke Buck Consultants to Cynthia Davis, Retirement Administrator Re: Cost Estimate.

Subj: **Class B Contribution Projection**
Date: 07/03/2000 2:46:33 PM Eastern Daylight Time
From: cclarke@buckconsultants.com (Clarke Christopher A)
To: DCld0927@aol.com ('Cindy Davis')
CC: rbeck@buckconsultants.com (Beck Richard K), bryk.jl@buckconsultants.com (Bryk Joel L)

File: proj summary class b est 6-00.xls (16896 bytes)
DL Time (31200 bps): < 1 minute

Cindy,

Attached is the projected contribution schedule for Class B employees. The first schedule assumes no improvements in the plan and no future gains or losses. This schedule slightly differs from the one provided on December 1 in the later years. The second schedule shows the impact of increasing the past service liability by $10,600,000 and the normal cost by $760,000. As discussed, this schedule reflects immediate recognition of prior asset gains.

If you have any questions please give call.

<<proj summary class b est 6-00.xls>>

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---------------------- Headers --------------------------------
Return-Path: <.cclarke@buckconsultants.com>
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Received: (qmail 11525 invoked by alias); 3 Jul 2000 18:50:15 -0000
Message-ID: <20000703185015.11522.qmail@mellon.com>
From: Clarke Christopher A <.cclarke@buckconsultants.com>
To: "'Cindy Davis'" <.DCld0927@aol.com>
Cc: Beck Richard K <.rbeck@buckconsultants.com>,
Bryk Joel L <.bryk.jl@buckconsultants.com>
Subject: Class B Contribution Projection
Date: Mon, 3 Jul 2000 14:45:56 -0400
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