
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: DCId0927@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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Received: from smtp2.mellon.com (smtp2.mellon.com [206.150.228.55]) by rly-yh04.mx.aol.com (v75.18) with ESMTP; Mon, 03 Jul 2000 14:45:59 -0400

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From: Clarke Christopher A <cclarke@buckconsultants.com>

To: "Cindy Davis" <DCId0927@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

MIME-Version: 1.0

Content-Type: multipart/mixed;

boundary="----=_NextPart_000_01BFE51E.ECBC5C10"

Burlington - Class B
 Offset Improvements with Future Actuarial Asset

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	CONTR.	CONTR.	CONTR.	CONTR.	CONTR.	CONTR.
<u>Current Provisions</u>						
Prior Svc Cost						
Normal	(4,334,811)	(4,335,834)	(4,242,619)	(4,083,874)	(3,992,244)	(3,984,944)
Total	<u>1,705,069</u>	<u>1,790,323</u>	<u>1,879,839</u>	<u>1,973,831</u>	<u>2,072,523</u>	<u>2,176,149</u>
	(2,629,742)	(2,545,511)	(2,362,779)	(2,110,043)	(1,919,721)	(1,808,796)
<u>Increased Past Service Liability \$10,600,000 and Normal Cost \$760,000</u>						
Prior Svc Cost	21,919	0	0	0	0	0
Normal	<u>2,884,079</u>	<u>3,028,283</u>	<u>3,179,697</u>	<u>3,338,682</u>	<u>3,505,616</u>	<u>3,680,897</u>
Total	2,905,998	3,028,283	3,179,697	3,338,682	3,505,616	3,680,897

Burlington - Class B
 Offset Improvements with Future Actuarial Asset Gains

	FY 2001 CONTR.	FY 2002 CONTR.	FY 2003 CONTR.	FY 2004 CONTR.	FY 2005 CONTR.	FY 2006 CONTR.	FY 2007 CONTR.	FY 2008 CONTR.	FY 2009 CONTR.
<u>Current Provisions</u>									
Prior Svc Cost									
Normal	(2,092,360)	(2,608,833)	(3,177,284)	(3,649,207)	(3,364,858)	(3,746,961)	(4,165,128)	(4,391,058)	(4,447,737)
Total	<u>1,099,103</u> (993,257)	<u>1,154,058</u> (1,454,775)	<u>1,211,761</u> (1,965,523)	<u>1,272,349</u> (2,376,858)	<u>1,335,967</u> (2,028,891)	<u>1,402,765</u> (2,344,196)	<u>1,472,903</u> (2,692,225)	<u>1,546,548</u> (2,844,509)	<u>1,623,876</u> (2,823,861)
<u>Increased Past Service Liability \$10,600,000 and Normal Cost \$760,000</u>									
Prior Svc Cost									
Normal	(1,616,956)	(1,616,955)	(1,616,955)	(1,616,954)	(985,689)	(985,234)	(1,076,845)	(925,475)	(548,834)
Total	<u>1,859,103</u> 242,147	<u>1,952,058</u> 335,103	<u>2,049,661</u> 432,706	<u>2,152,144</u> 535,190	<u>2,259,751</u> 1,274,062	<u>2,372,739</u> 1,387,505	<u>2,491,376</u> 1,414,531	<u>2,615,945</u> 1,690,470	<u>2,746,742</u> 2,197,908

Subj: **Burlington Projected Contribution for Class A Employee**
Date: 06/12/2000 2:44:22 PM Eastern Daylight Time
From: cclarke@buckconsultants.com (Clarke Christopher A)
To: DCId0927@aol.com ('Cindy Davis')
CC: rbeck@buckconsultants.com (Beck Richard K), bryk.jl@buckconsultants.com (Bryk Joel L)

File: Burlingt.zip (12026 bytes)
DL Time (31200 bps): < 1 minute

Cindy,

Attached is an excel file containing the contribution projection for Class A employees based on two of the most recent proposed plan changes. Also included is a revised cost estimate worksheet reflecting the estimated 2001 payroll of \$6,133,600.

Please call Rick or me to discuss.

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

Christopher A. Clarke
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Received: from smtp2.mellon.com (smtp2.mellon.com [206.150.228.55]) by rly-yh01.mx.aol.com (v74.16) with ESMTTP; Mon, 12 Jun 2000 14:43:16 2000
Received: (qmail 2580 invoked by alias); 12 Jun 2000 18:47:25 -0000
Message-ID: <20000612184725.2575.qmail@mellon.com>
From: Clarke Christopher A <.cclarke@buckconsultants.com>
To: "Cindy Davis" <.DCId0927@aol.com>
Cc: Beck Richard K <.rbeck@buckconsultants.com>, Bryk Joel L <.bryk.jl@buckconsultants.com>
Subject: Burlington Projected Contribution for Class A Employees - Revised
Date: Mon, 12 Jun 2000 14:43:03 -0400
MIME-Version: 1.0
Content-Type: multipart/mixed;
boundary="=_NextPart_000_01BFD49E.10A29548"

CITY OF BURLINGTON CLASS A EMPLOYEES
COST OF PROPOSED CHANGES TO THE PLAN
06/12/2000

<u>Description of Proposed Benefit Changes</u>	<u>Additional Past Service Liability</u>	<u>Amortization of Additional Past Service Liability</u>	<u>Normal Rate</u>	<u>Normal Cost*</u>	<u>Total Annual Expense</u>	<u>Annual Expense as a % of Pay*</u>
<u>Class A Employees</u>						
Increase accrual rate from 2.35% to 2.75% for the first 25 years of service	2,676,245	398,839	3.11%	190,755	589,594	9.61%
Change early retirement eligibility from 45/7 to 42/7	142,595	21,251	0.20%	12,267	33,518	0.55%
** Change early retirement eligibility from 45/7 to 42/7 and change early retirement reduction factors from actuarial equivalent to 1.8% per year for employees with 20 - 25 years of service (eg. An employee with 20 years of service would be eligible for a 91% benefit)	3,049,060	454,400	4.47%	274,172	728,572	11.88%
** Increase accrual rate from 2.35% to 2.75% for the first 25 years of service, change early retirement eligibility from 45/7 to 42/7, and change early retirement reduction factors from actuarial equivalent to 1.8% per year for employees with 20 - 25 years of service (eg. An employee with 20 years of service would be eligible for a 91% benefit)	6,284,108	936,517	8.38%	513,996	1,450,513	23.65%

Notes:

* The normal cost and annual expense as a % of pay are based on an estimated 2001 Payroll of 6,133,600.

** An increase in the rates of retirement from age 42 was reflected.

Burlington - Class A
 Projected Future Contributions

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
	CONTR.									
<u>Current Provisions</u>										
Prior Svc Cost	(629,501)	(1,151,166)	(1,563,857)	(1,863,474)	(2,288,656)	(2,569,340)	(2,768,558)	(2,914,020)	(2,868,981)	(3,176,936)
Normal	<u>744,583</u>	<u>781,813</u>	<u>820,904</u>	<u>861,949</u>	<u>905,046</u>	<u>950,298</u>	<u>997,813</u>	<u>1,047,704</u>	<u>1,100,089</u>	<u>1,155,093</u>
Total	115,082	(369,353)	(742,953)	(1,001,525)	(1,383,610)	(1,619,042)	(1,770,745)	(1,866,316)	(1,768,892)	(2,021,843)
<u>Increased Past Service Liability \$2,675,000</u> and <u>Normal Cost \$190,000</u>										
Prior Svc Cost	(230,847)	(752,512)	(1,165,203)	(1,405,372)	(1,732,674)	(1,904,225)	(1,976,785)	(1,976,168)	(1,762,708)	(1,876,683)
Normal	<u>934,583</u>	<u>981,313</u>	<u>1,030,379</u>	<u>1,081,898</u>	<u>1,135,993</u>	<u>1,192,793</u>	<u>1,252,433</u>	<u>1,315,055</u>	<u>1,380,808</u>	<u>1,449,848</u>
Total	703,736	228,801	(134,824)	(323,474)	(596,681)	(711,432)	(724,352)	(661,113)	(381,900)	(426,835)
<u>Increased Past Service Liability \$3,050,000</u> and <u>Normal Cost \$275,000</u>										
Prior Svc Cost	(174,961)	(696,626)	(1,109,317)	(1,349,486)	(1,655,088)	(1,801,806)	(1,845,250)	(1,810,686)	(1,557,723)	(1,625,814)
Normal	<u>1,019,583</u>	<u>1,070,563</u>	<u>1,124,091</u>	<u>1,180,296</u>	<u>1,239,311</u>	<u>1,301,277</u>	<u>1,366,341</u>	<u>1,434,658</u>	<u>1,506,391</u>	<u>1,581,711</u>
Total	844,622	373,937	14,774	(169,190)	(415,777)	(500,529)	(478,909)	(376,028)	(51,332)	(44,103)
<u>Increased Past Service Liability \$6,285,000</u> and <u>Normal Cost \$515,000</u>										
Prior Svc Cost	307,149	(214,516)	(627,207)	(867,375)	(1,172,978)	(1,292,464)	(1,268,988)	(1,153,863)	(823,819)	(831,386)
Normal	<u>1,258,579</u>	<u>1,321,508</u>	<u>1,387,583</u>	<u>1,456,962</u>	<u>1,529,810</u>	<u>1,606,301</u>	<u>1,686,616</u>	<u>1,770,947</u>	<u>1,859,494</u>	<u>1,952,469</u>
Total	1,565,728	1,106,992	760,376	589,587	356,832	313,837	417,628	617,084	1,035,675	1,121,083

Burlington - Class A
 Projected Future Contributions

	FY 2011 CONTR.	FY 2012 CONTR.	FY 2013 CONTR.	FY 2014 CONTR.	FY 2015 CONTR.
<u>Current Provisions</u>					
Prior Svc Cost	(2,898,993)	(2,702,749)	(2,561,447)	(2,491,874)	(2,538,478)
Normal	<u>1,212,848</u>	<u>1,273,490</u>	<u>1,337,165</u>	<u>1,404,023</u>	<u>1,474,224</u>
Total	(1,686,145)	(1,429,259)	(1,224,282)	(1,087,851)	(1,064,254)
<u>Increased Past Service Liability \$2,675,000 and Normal Cost \$190,000</u>					
Prior Svc Cost	(1,774,156)	(1,321,191)	(949,032)	(708,864)	(656,298)
Normal	<u>1,522,340</u>	<u>1,598,457</u>	<u>1,678,380</u>	<u>1,762,299</u>	<u>1,850,414</u>
Total	(251,816)	277,266	729,348	1,053,435	1,194,116
<u>Increased Past Service Liability \$3,050,000 and Normal Cost \$275,000</u>					
Prior Svc Cost	(1,525,966)	(1,011,400)	(598,709)	(358,544)	(327,677)
Normal	<u>1,660,797</u>	<u>1,743,837</u>	<u>1,831,029</u>	<u>1,922,580</u>	<u>2,018,709</u>
Total	134,831	732,437	1,232,320	1,564,036	1,691,032
<u>Increased Past Service Liability \$6,285,000 and Normal Cost \$515,000</u>					
Prior Svc Cost	(1,205,387)	(683,724)	(271,033)	(30,867)	0
Normal	<u>2,050,092</u>	<u>2,152,597</u>	<u>2,260,227</u>	<u>2,373,238</u>	<u>2,491,900</u>
Total	844,705	1,468,873	1,989,194	2,342,371	2,491,900

Subj: **Offset Improvements with Future Actuarial Asset Gains**
Date: 06/12/2000 3:17:37 PM Eastern Daylight Time
From: bryk.jl@buckconsultants.com (Bryk Joel L)
To: DCId0927@aol.com ('Cindy Davis')
CC: rbeck@buckconsultants.com (Beck Richard K), cclarke@buckconsultants.com (Clarke Christopher A)

File: immediate recognition.xls (16384 bytes)
DL Time (28800 bps): < 1 minute

Cindy,

Attached is an excel file containing the contribution projection for Class "A" employees if future asset gains are used to offset the improvements.

<<immediate recognition.xls>>

Joel Bryk
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Message-ID: <20000612192109.11202.qmail@mellon.com>
From: Bryk Joel L <.bryk.jl@buckconsultants.com>
To: "Cindy Davis" <.DCId0927@aol.com>
Cc: Beck Richard K <.rbeck@buckconsultants.com>, Clarke Christopher A <.cclarke@buckconsultants.com>
Subject: Offset Improvements with Future Actuarial Asset Gains
Date: Mon, 12 Jun 2000 15:16:56 -0400
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Burlington - Class A
 Offset Improvements with Future Actuarial Asset Gains

	FY 2001 CONTR.	FY 2002 CONTR.	FY 2003 CONTR.	FY 2004 CONTR.	FY 2005 CONTR.	FY 2006 CONTR.	FY 2007 CONTR.	FY 2008 CONTR.	FY 2009 CONTR.
<u>Current Provisions</u>									
Prior Svc Cost									
Normal	(629,501)	(1,151,166)	(1,563,857)	(1,863,474)	(2,288,656)	(2,569,340)	(2,768,558)	(2,914,020)	(2,868,981)
Total	<u>744,583</u> 115,082	<u>781,813</u> (369,353)	<u>820,904</u> (742,953)	<u>861,949</u> (1,001,525)	<u>905,046</u> (1,383,610)	<u>950,298</u> (1,619,042)	<u>997,813</u> (1,770,745)	<u>1,047,704</u> (1,866,316)	<u>1,100,089</u> (1,768,892)
<u>Increased Past Service Liability \$6,285,000 and Normal Cost \$515,000</u>									
Prior Svc Cost									
Normal	(629,501)	(629,501)	(629,502)	(792,442)	(1,098,047)	(1,217,531)	(1,194,057)	(1,078,930)	(748,889)
Total	<u>1,258,579</u> 629,078	<u>1,321,508</u> 692,007	<u>1,387,583</u> 758,081	<u>1,456,962</u> 664,520	<u>1,529,810</u> 431,763	<u>1,606,301</u> 388,770	<u>1,686,616</u> 492,559	<u>1,770,947</u> 692,017	<u>1,859,494</u> 1,110,605

Burlington - Class A
 Offset Improvements with Future Actuarial Ass

	FY 2010 CONTR.	FY 2011 CONTR.	FY 2012 CONTR.	FY 2013 CONTR.	FY 2014 CONTR.	FY 2015 CONTR.
<u>Current Provisions</u>						
Prior Svc Cost	(3,176,936)	(2,898,993)	(2,702,749)	(2,561,447)	(2,491,874)	(2,538,478)
Normal	1,155,093	1,212,848	1,273,490	1,337,165	1,404,023	1,474,224
Total	(2,021,843)	(1,686,145)	(1,429,259)	(1,224,282)	(1,087,851)	(1,064,254)
<u>Increased Past Service Liability \$6,285,000 and Normal Cost \$515,000</u>						
Prior Svc Cost	(756,454)	(193,806)	(193,806)	(193,806)	(30,867)	0
Normal	1,952,469	2,050,092	2,152,597	2,260,227	2,373,238	2,491,900
Total	1,196,015	1,856,286	1,958,791	2,066,421	2,342,371	2,491,900

CITY OF BURLINGTON CLASS B EMPLOYEES
 COST OF PROPOSED CHANGES TO THE PLAN
 06/22/2000

Description of Proposed Benefit Changes	Additional Past Service Liability	Amortization of Additional Past Service Liability	Normal Rate*	Normal Cost	Total Annual Expense	Annual Expense as a % of Pay**
<u>Class B Employees</u>						
Change accrual rate to 1.6% for the first 25 years of service	4,218,484	628,679	1.33%	253,335	882,014	4.63%
Change early reduction factors to 2% from age 65 to age 55** for service retirements only and the accrual rate to 1.6% for the first 25 years of service	7,436,101	1,108,198	2.50%	476,193	1,584,391	8.32%
Change early reduction factors to 2% from age 65 to age 55** for service retirements and deferred vested retirements and the accrual rate to 1.6% for the first 25 years of service	10,587,220	1,577,808	3.98%	758,099	2,335,907	12.26%

Notes:

* The normal cost and annual expense as a % of pay are based on an estimated 2000 Payroll of \$19,047,717.

** An increase in the rates of retirement from age 55 to 61 was reflected.

Subj: **Cost Estimate**

Date: 06/08/2000 12:22:53 PM Eastern Daylight Time

From: cclarke@buckconsultants.com (Clarke Christopher A)

To: DCId0927@aol.com ("Cindy Davis")

CC: rbeck@buckconsultants.com (Beck Richard K), bryk.jl@buckconsultants.com (Bryk Joel L)

File: Est 6-00.xls (38400 bytes)

DL Time (31200 bps): < 1 minute

Cindy,

As discussed, attached is an excel file with the cost estimates.

If you have any questions please give Rick or me a call.

-Chris

<<Est 6-00.xls>>

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Received: from rly-yh02.mx.aol.com (rly-yh02.mail.aol.com [172.18.147.34]) by air-yh03.mail.aol.com (v74.10) with ESMTTP; Thu, 08 Jun 2000 12:22:53 -0400

Received: from smtp2.mellon.com (smtp2.mellon.com [206.150.228.55]) by rly-yh02.mx.aol.com (v74.16) with ESMTTP; Thu, 08 Jun 2000 12:22:01 -0400

Received: (qmail 5232 invoked by alias); 8 Jun 2000 16:26:10 -0000

Message-ID: <20000608162610.5230.qmail@mellon.com>

From: Clarke Christopher A <cclarke@buckconsultants.com>

To: "Cindy Davis" <DCId0927@aol.com>

Cc: Beck Richard K <rbeck@buckconsultants.com>, Bryk Joel L <bryk.jl@buckconsultants.com>

Subject: Cost Estimate

Date: Thu, 8 Jun 2000 12:22:00 -0400

MIME-Version: 1.0

Content-Type: multipart/mixed;

boundary="=_NextPart_000_01BFD165.ABF6FE7A"

Burlington - Class A
Projected Future Contributions

	FY 2001 CONTR.	FY 2002 CONTR.	FY 2003 CONTR.	FY 2004 CONTR.	FY 2005 CONTR.	FY 2006 CONTR.	FY 2007 CONTR.	FY 2008 CONTR.	FY 2009 CONTR.
<u>Current Provisions</u>									
Prior Svc Cost	(629,501)	(1,151,166)	(1,563,857)	(1,872,183)	(2,306,509)	(2,598,197)	(2,810,370)	(2,735,414)	(2,432,401)
Normal	693,051	727,704	764,089	802,293	842,408	884,528	928,754	975,192	1,023,952
Total	63,550	(423,462)	(799,768)	(1,069,890)	(1,464,101)	(1,713,669)	(1,881,616)	(1,760,222)	(1,408,449)
<u>Increased Past Service Liability \$3,000,000</u>									
Prior Svc Cost	(629,501)	(668,310)	(1,081,002)	(1,321,170)	(1,677,781)	(1,880,781)	(1,991,760)	(1,902,529)	(1,583,228)
Normal	693,051	727,704	764,089	802,293	842,408	884,528	928,754	975,192	1,023,952
Total	63,550	59,394	(316,913)	(518,877)	(835,373)	(996,253)	(1,063,006)	(927,337)	(559,276)
<u>Increased Past Service Liability \$2,000,000</u> <u>and Normal Cost \$150,000</u>									
Prior Svc Cost	(629,501)	(829,262)	(1,241,953)	(1,482,122)	(1,839,287)	(2,041,577)	(2,150,601)	(2,059,858)	(1,738,776)
Normal	693,051	877,704	921,589	967,668	1,016,051	1,066,854	1,120,197	1,176,207	1,235,017
Total	63,550	48,442	(320,364)	(514,454)	(823,236)	(974,723)	(1,030,404)	(883,651)	(503,759)

Burlington - Class A
 Projected Future Contributions

	FY 2010 CONTR.	FY 2011 CONTR.	FY 2012 CONTR.	FY 2013 CONTR.	FY 2014 CONTR.	FY 2015 CONTR.
<u>Current Provisions</u>						
Prior Svc Cost						
Normal	(2,420,430)	(1,801,160)	(1,269,332)	(748,314)	(345,310)	(172,200)
Total	<u>1,075,150</u>	<u>1,128,908</u>	<u>1,185,353</u>	<u>1,244,621</u>	<u>1,306,852</u>	<u>1,372,195</u>
	(1,345,280)	(672,252)	(83,979)	496,307	961,542	1,199,995
<u>Increased Past Service Liability \$3,000,000</u>						
Prior Svc Cost						
Normal	(1,568,960)	(947,070)	(897,726)	(405,555)	(165,389)	(83,515)
Total	<u>1,075,150</u>	<u>1,128,908</u>	<u>1,185,353</u>	<u>1,244,621</u>	<u>1,306,852</u>	<u>1,372,195</u>
	(493,810)	181,838	287,627	839,066	1,141,463	1,288,680
<u>Increased Past Service Liability \$2,000,000 and Normal Cost \$150,000</u>						
Prior Svc Cost						
Normal	(1,722,724)	(1,098,932)	(886,647)	(405,400)	(165,232)	(82,803)
Total	<u>1,296,768</u>	<u>1,361,606</u>	<u>1,429,686</u>	<u>1,501,170</u>	<u>1,576,229</u>	<u>1,655,040</u>
	(425,956)	262,674	543,039	1,095,770	1,410,997	1,572,237

12/1/1999

proj summary.xls

CITY OF BURLINGTON CLASS A EMPLOYEES
 COST OF PROPOSED CHANGES TO THE PLAN

06/08/2000

Description of Proposed Benefit Changes	Additional Past Service Liability	Amortization of Additional Past Service Liability	Normal Rate	Normal Cost*	Total Annual Expense	Annual Expense as a % of Pay*
<u>Class A Employees</u>						
Increase accrual rate from 2.35% to 2.75% for the first 25 years of service	2,676,245	398,839	3.11%	195,971	594,810	9.44%
Change early retirement eligibility from 45/7 to 42/7	142,595	21,251	0.20%	12,603	33,854	0.54%
** Change early retirement eligibility from 45/7 to 42/7 and change early retirement reduction factors from actuarial equivalent to 1.8% per year for employees with 20 - 25 years of service (eg. An employee with 20 years of service would be eligible for a 91% benefit)	3,049,060	454,400	4.47%	281,668	736,068	11.68%

Notes:

* The normal cost and annual expense as a % of pay are based on an estimated 2001 Payroll of 6,301,306.

** An increase in the rates of retirement from age 42 was reflected.

CITY OF BURLINGTON CLASS A EMPLOYEES
 COST OF PROPOSED CHANGES TO THE PLAN
 06/08/2000

2,000,000
 2,150,000

Description of Proposed Benefit Changes	Additional Past Service Liability	Amortization of Additional Past Service Liability	Normal Rate	Normal Cost*	Total Annual Expense	Annual Expense as a % of Pay*
Class A Employees						
Increase accrual rate from 2.35% to 2.75% for the first 25 years of service	2,676,245	398,839	3.11%	195,971	58,791	2.83%
Change early retirement eligibility from 45/7 to 42/7	142,595	21,251	0.20%	12,603	178,473	9.44%
** Change early retirement eligibility from 45/7 to 42/7 and change early retirement reduction factors from actuarial equivalent to 1.8% per year for employees with 20 - 25 years of service (eg. An employee with 20 years of service would be eligible for a 91% benefit)	3,049,060	454,400	4.47%	281,668	594,810	11.68%
		853,239		477,639	1,330,878	21.12%

Notes:

* The normal cost and annual expense as a % of pay are based on an estimated 2001 Payroll of 6,301,306.

** An increase in the rates of retirement from age 42 was reflected.

1.003 Spend

CITY OF BURLINGTON CLASS A EMPLOYEES
COST OF PROPOSED CHANGES TO THE PLAN

11/3/1999

52 + 22
same 5 w/ 0
0 11/1/1998
60
Annual

Description of Proposed Benefit Changes	Additional Past Service Liability	Amortization of Additional Past Service Liability	Normal Rate	Normal Cost*	Total Annual Expense	Annual Expense as a % of Pay**
Class A Employees						
Change uncredited early retirement eligibility from 25 years of service to 20 years of service **	3,037,113	452,619	4.80%	294,413	747,032	12.18%
Reduce normal retirement age from 55 to 50 ***	817,976	121,903	1.67%	102,431	224,334	3.66%
Reduce normal retirement age from 55 to 50 and change uncredited early retirement eligibility from 25 to 20 years **	3,435,619	512,009	5.71%	350,228	862,238	14.06%
Change accrual rates to: 2.70% for the first 20 years, 2.35% for the next five years and .5% for the next 10 with full COLA 3.10% for the first 20 years, 2.70% for the next five years and .5% for the next 10 with half COLA 3.56% for the first 20 years, 3.10% for the next five years and .5% for the next 10 with no COLA	2,013,543 X	300,077	2.22%	136,166	435,243	7.11%
Change accrual rates to: 2.70% for the first 20 years, 2.35% for the next five years and .5% for the next 10 with full COLA 3.10% for the first 20 years, 2.70% for the next five years and .5% for the next 10 with half COLA 3.56% for the first 20 years, 3.10% for the next five years and .5% for the next 10 with no COLA change normal retirement age to 50 and uncredited early retirement eligibility from 25 to 20 years**	3,874,455 X	577,408	6.32%	387,644	965,052	15.73%
Include overtime compensation in plan compensation (assumed 8% and 12.2% of compensation for firemen and police, respectively)	1,577,750	235,131	2.11%	129,419	364,550	5.94%
Increase average final salary at early or normal retirement by 1% for every 500 hours of unused sick time (Based on a maximum of 2500 hours for firemen and 1800 for police.)	598,820	89,242	0.72%	44,162	133,404	2.17%

5,867,998

Notes:

* The normal cost and annual expense as a % of pay are based on an estimated 2000 Payroll of 6,133,600.

** An Increase in the rates of retirement from age 45 to 49 was reflected.

*** Employees with less than 7 years of service would be entitled to a benefit reduced for vesting commencing at age 50

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. Bourgeois, 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.

THE FINAL REPORT
OF THE CLASS "A" STUDY COMMITTEE

MEMBERS:

DAYTON CONTOIS
MAURY KOST
JOHN SONNICK
JAMES MARRIER
BRENDAN KELEHER
PETER WALSH
CINDY DAVIS (STAFF)

The Committee used the following information to discuss plan changes. Using this information, the Committee developed a list of changes for further discussion and consideration by the Police and Fire Unions.

The Committee was established and the study was done based on the terms of Appendix H of the Police Union contract.

This report is being sent to:

Mayor Clavelle

Jane Knodell

Matt Gardy

Barbara Perry

Sharon Bushor

James Strouse

Maury Kost

Brendan Keleher

Gordon Gilbert

Cpl. Timothy Green

SF Thomas Middleton

Robert Alberry

Paul Paquette

S F Stephen Bargeois

Cpl. John Lewis

Cindy Davis

Retirement Administrator

12/3/99

Contents – Class “A” Study Committee

Proposed changes

Memo of 11/19/99 regarding assumptions

Bi-weekly payroll savings summary

Cost estimates from actuary dated 11/4/99

Cost estimates from actuary dated 9/20/99

List of proposed changes

Memo of 8/31/99 regarding 20 and out

Questions and answers regarding bi-weekly pay

Information collected by the committee as of 9/1/99

Class "A" Committee proposed changes 10/8/99

1. 2.7% per years of service up to 20 years, 2.35% a year for each year between 21 to 25 years. To include future and past service. **One-half of 1% after 25.**
2. \$40,000 life insurance policy at retirement with an option to buy more at city rate.
3. Raise survivor benefit from 25% to 30%.
4. Use holidays, shift differential, longevity pay, and overtime for average final compensation calculation.
5. Draw from system at age 45 or upon retirement. **Normal retirement is 50 and early is still 45. 20 and out**
6. Increase final compensation by 1% for every 500 hours of unused sick time turned in.
7. Compensation for half Cola upon retirement from 2.7% to 3.1%. For no Cola upon retirement from 3.1% to 3.5%. **Changed to actuarial equivalent.**



BURLINGTON EMPLOYEES' RETIREMENT SYSTEM

James T. Strouse
Chairman of the Board
Maury K. Kost
Vice-Chairman

Cynthia L. Davis
Retirement Administrator
802 865-7097
802 865-7142 (TTY)

TO: Brendan Keleher
John Sonnick
Jim Marrier
Dayton Contois
Maury Kost

FROM: Cindy Davis

DATE: November 19, 1999

As a follow-up to the Class "A" meeting on Wednesday, I asked the actuaries what assumption they used regarding the percentage of people leaving at 20 years vs. people staying longer.

The assumptions used are that the following percent of eligible people will leave at the following ages:

40	-	25%
41	-	25%
42	-	25%
43	-	25%
44	-	25%
45	-	25%
46	-	24%
47	-	23%
48	-	23%
49	-	23%
50	-	20%

However, the rate is doubled when the person first reaches the eligibility of 20 years.

These assumptions are in line with our experience with 25 and out.

Please let me know if I can answer any questions on this.

BI-WEEKLY PAYROLL SAVINGS SUMMARY

Below are estimates of savings and increased efficiency based upon changing from weekly to bi-weekly payroll for the City:

Out of Pocket savings estimate		Estimated Annual Savings
1	Automated Data Payroll costs (payroll for Fire, Police, DPW & Parks)	\$ 14,000
2	Clerk/Treasurer's costs (checks, paper, printer supplies, etc.)	400
3	Interest Earnings resulting from cash flow change (interest rate estimate @ 4%)	9,560
Total out of pocket savings estimate		<u>\$ 23,960</u>

Savings from Reallocation of labor:

When changing to a bi-weekly payroll process, about 2.5 ^{people}fte's of labor would be available for other necessary activities as follows:

- a The Central Payroll Coordinator would have more time for reconciliation of payroll accounts, more time for reporting, would spend less time entering journal entries, more time for special projects and analysis of payroll issues, and more time for review of compliance with payroll tax issues.
- b Also, the saving in effort from weekly payroll, could enable the Central Payroll Clerk to have time to assist with the planned transfer from ADP payroll to a central Payroll system (Pentamation), a further improvement.
- c Personnel involved in other departments could be involved in on-line entry of payroll and accounts payable on the Central City System which would avoid duplication of effort.
- d Less time would be necessary for Commanders in the Fire & Police Department reviewing payroll hours and time sheets.
- e Overtime costs in the Police and Fire Departments would be reduced and provide more time for other clerical tasks.

**CITY OF BURLINGTON CLASS A EMPLOYEES
COST OF PROPOSED CHANGES TO THE PLAN**

11/3/1999

*52,422
Same 5M
0.11% reduced
60 unreduced*

Description of Proposed Benefit Changes	Additional	Amortization of	Normal	Normal	Total Annual	Annual
	Past Service Liability	Additional Past Service Liability	Rate	Cost*	Expense	Expense as a % of Pay*
Class A Employees						
Change unreduced early retirement eligibility from 25 years of service to 20 years of service **	3,037,113	452,619	4.80%	294,413	747,032	12.18%
Reduce normal retirement age from 55 to 50 ***	817,976	121,903	1.67%	102,431	224,334	3.66%
Reduce normal retirement age from 55 to 60 and change unreduced early retirement eligibility from 25 to 20 years **	3,435,619	512,009	5.71%	350,229	862,238	14.06%
Change accrual rates to: 2.70% for the first 20 years, 2.35% for the next five years and .5% for the next 10 with full COLA 3.10% for the first 20 years, 2.70% for the next five years and .5% for the next 10 with half COLA 3.56% for the first 20 years, 3.10% for the next five years and .5% for the next 10 with no COLA	2,013,543	300,077	2.22%	136,166	436,243	7.11%
Change accrual rates to: 2.70% for the first 20 years, 2.35% for the next five years and .5% for the next 10 with full COLA 3.10% for the first 20 years, 2.70% for the next five years and .5% for the next 10 with half COLA 3.56% for the first 20 years, 3.10% for the next five years and .5% for the next 10 with no COLA	3,874,455	577,408	6.32%	387,644	965,052	15.73%
Include overtime compensation in plan compensation (assumed 8% and 12.2% of compensation for firemen and police, respectively)	1,577,750	235,131	2.11%	129,419	364,550	5.94%
Increase average final salary at early or normal retirement by 1% for every 500 hours of unused sick time (Based on a maximum of 2500 hours for firemen and 1800 for police.)	598,820	89,242	0.72%	44,162	133,404	2.17%

Notes:
* The normal cost and annual expense as a % of pay are based on an estimated 2000 Payroll of 6,133,600.
** An increase in the rates of retirement from age 45 to 49 was reflected.
*** Employees with less than 7 years of service would be entitled to a benefit reduced for vesting commencing at age 50

11-99

1/4/1999

CITY OF BURLINGTON CLASS A EMPLOYEES
 COST OF PROPOSED CHANGES TO THE PLAN
 9/17/1999

<u>Description of Proposed Benefit Changes</u>	Additional		Amortization of		Normal	Normal	Total Annual	Annual
	Past Service	Liability	Additional Past	Service Liability				
<u>Class A Employees</u>								
Change death in active service benefit from 25% to 30% of compensation during the July preceding death		38,935	5,802		0.10%	6,134	11,936	0.19%
Included holiday, shift differential and longevity compensation in plan compensation also includes EMS pay	1,275,671		190,113		1.68%	103,044	293,157	4.78%

Notes:
 * The normal cost and annual expense as a % of pay are based on an estimated 2000 Payroll of 6,133,600.

Summary of Class "A" Study Committee Meeting of October 8, 1999

The members discussed the following proposed changes. Additions are shown in bold.

1. 2.7% per years of service up to 20 years, 2.35% a year for each year between 21 to 25 years. To include future and past service. **One-half of 1% after 25.**
2. \$40,000 life insurance policy at retirement with an option to buy more at city rate.
3. Raise survivor benefit from 25% to 30%.
4. Use holidays, shift differential, longevity pay, and overtime for average final compensation calculation.
5. Draw from system at age 45 or upon retirement. **Normal retirement is 50 and early is still 45. 20 and out**
6. Increase final compensation by 1% for every 500 hours of unused sick time turned in.
7. Compensation for half Cola upon retirement from 2.7% to 3.1%. For no Cola upon retirement from 3.1% to 3.5%. **Changed to actuarial equivalent.**

The committee agreed to have these items costed (some have already been costed), but Mr. Keleher noted that does not mean he agrees to support the proposals.



OFFICE OF THE CLERK/TREASURER

City of Burlington

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

Voice (802) 865-7000

Fax (802) 865-7014

TTY (802) 865-7142

MEMORANDUM

TO: Class A Retirement Study Committee

FROM: Brendan S. Keleher, Clerk Treasurer *BSK*

DATE: 8/31/1999

SUBJECT: Cost Estimate of 20 Years and Out Retirement

As requested I have developed an estimate of the cost of a change in the Class A retirement to a full retirement at 20 years of service. In particular, in this analysis I have estimated the reduction in salary and wage costs that would result from higher paid employees retiring and replaced by entry level employees. This analysis only looks at the impact on the Police Department

Description of the Analysis

I assumed that a 20-year full retirement at 50% of final wage was available in FY 2001. I developed a five-year projection of increased retirement activity and subsequent staff replacement in the Police Department. In the analysis, I followed the 12 Police employees (sworn officers) who in FY 2000 have completed between 15 and 20 years of service. I assumed each employee retired at the end of the fiscal year in which he/she reached 20 years.

Methodology

Study Group: I selected all the Class A Police staff who, in FY 2000, had between 15 and 20 years of service. The group has 12 employees. This is the group that would be most immediately impacted by the change in retirement plan to 20 years and out. I did not include employees with more than 20 years, since at this time the number is small and most already are, or in the time period of this analysis will become, eligible to retire under the 25 year plan. Thus the impact on this group, if any, is small. Also I did not include the salaries and wages of the bulk of the department which has less than 15 years of service. The impact on department staffing of a change in the retirement plan is further into the future.

Time Frame: The analysis projects cost for FY 2001 through FY 2005.

Results

Introduction of a 50% retirement benefit at 20 years of service would result in the following costs and savings over the fiscal years 2001 through 2005:

Five Year Cost Avoidance in Wages	\$(237,800)
Five Year Cost Increase in Retirement Benefit	<u>504,900</u>
Increase in Total City Cost	\$ 267,100

Annual Cost Avoidance in Wages

FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
\$(14,500)	(14,940)	(15,400)	(83,960)	(109,000)

Annual Increase in Retirement Benefit Payments

FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
\$22,740	23,430	24,130	188,480	246,120

Assumptions

1. The employees retire at the end of the fiscal year in which they achieve 20 years of service. Of the 12 employees in the group 10 are assumed to retire in the five-year period.
2. Retirement benefit is calculated at 2.5% for each year of service. This results in a first year benefit that is 50% of AFC. For simplicity I have entered 50% of the final year of full employment. This will only slightly overstate the retirement benefit.
3. Each of the retiring employee is replaced in the work force of the department at the entry level; either first step on the police officer scale or the first step on the lieutenant scale.
4. All wage, salary and retirement levels are trended forward by 3% per year to allow for step movement and across the board adjustments.
5. Time did allow for the analysis to include the Fire Department. Experience shows that in comparison with Police the turnover savings resulting from retirement is less in the Fire Department. This is due to the pattern of replacing the out going employee, not with an entry level but through promotion.
6. The retirement analysis does not include the change in the funding requirements to the retirement fund. Rather it uses the estimated annual pay out in retirement benefit to the employees assumed to have retired in the analysis.
7. Cost avoidance in wages is the difference between the employees' salary or wages if they continued in employment versus the salary or wages of the replacement employee.



9/1/1999

INFORMATION COLLECTED FOR CLASS A RETIREMENT STUDY COMMITTEE

1. Appendix H of Police Union Contract, "Study Committee"
2. Examples Class A Plan as it is now
3. 20 and out – benefits under different scenarios
4. 1996 Police Wage and Benefit Survey, Labor Relations Information System
5. Table 3// Municipal Yearbook 1998 Municipal Contributions to Social Security and State/City Administered Employee Retirement Systems
6. BPD 10 Yr Turnover Statistics
7. Memo 7/14/1999 Retirement Survey Data Analysis (Keleher)
8. Cost Estimate (1996) Full early eligibility requirement change from 25 to 20 yrs.
9. Total Pensions Paid FY 88 – FY 98
10. City Contribution to Class A Retirement FY 90 – FY 99
11. Class A Benefit Comparison
12. Memo 8/31/1999 Cost Estimate of 20 Years and Out Retirement
13. Questions and Answers about changing to Biweekly pay
14. Class A employees who left service before retirement FY 93 – FY 99
15. History of Class A retirement, salaries versus benefits FY 90 – FY 99

APPENDIX H
STUDY COMMITTEE

During the term of the 1998-1999 Agreement, the parties agree to participate in a joint study regarding modification of the Class A pension plan. The issue under review shall be a change to the multiplier in the benefit formula up to 2.7% with an increase in the amount of the employee contribution which would allow an employee to retire after twenty (20) years of service at full benefits as determined by the plan formula. The study committee shall consist of three (3) members, one appointed by the Union, one appointed by the Department, and one who shall be appointed by the Retirement Board. The committee shall meet no later than April 1, 1999 and thereafter as determined by the committee. The committee shall issue a report and recommendations which shall be submitted to the Mayor, the City Council and the Union no later than January 30, 2000.

The committee shall also study the adoption of a biweekly pay system by the Department for potential inclusion in the FY 2000 Agreement.

6-28-99

Examples: Class "A" Plan as it is now.

		Percent of final pay
AFC:	\$40,000	
Service:	25 years	
Age:	50	
Benefit:	\$23,500	57.3%
½ Cola:	\$27,000	65.9%
No Cola:	\$31,000	75.6%
100% Survivor:	\$20,393	49.7%
50% Survivor:	\$21,947	53.5%
Expected Benefit:	\$777,850	

AFC:	\$25,000	
Service:	25 years	
Age:	53	
Benefit:	\$16,421	63.16%
½ Cola:	\$18,866	72.6%
No Cola:	\$21,661	83.3%
100% Survivor:	\$14,022	53.9%
50% Survivor:	\$15,222	58.5%
Expected Benefit:	\$499,198	

(Example A)

24,999 and a high of \$120.98 for cities with a population from 250,000 to 499,999. (The three responding jurisdictions with a population over 1,000,000 did not report salary and wage expenditures.) Firefighter per capita average expenditures range from a low of \$58.13 for cities with populations from 10,000 to 24,999, to a high of \$73.33 for cities with populations from 500,000 to 1,000,000.

Social Security and Retirement Benefits

The average expenditures for municipal contributions to federal social security and other employee retirement programs are reported in Table 3/11. These expenditures are for both uniformed and civilian personnel.

The overall mean police department expenditure for social security and other retirement programs is \$359,982. This represents an increase from the 1996 amount of \$321,340. The per capita average for 1997 is \$16.08, compared with \$14.88 in 1996. There is a consistent increase in police per capita expenditures for employee social security and retirement benefits as population increases. The average per capita expenditure spread is \$27.28 for cities with over 1,000,000 people to \$15.22 for cities with populations from 10,000 to 24,999. The highest average per capita expenditure for social security and retirement benefits is found in the Pacific Coast division (\$20.50) followed closely by expenditures in the South Atlantic division (\$19.30). The lowest average per capita expenditure for social security and other retirement programs is found in the West North Central division (\$11.70 per capita).

Central cities have a slightly higher average per capita municipal contribution (\$17.29) than suburban (\$16.60) and independent cities (\$13.70).

The mean expenditures for social security and retirement for fire departments is \$644,536. The average per capita is \$10.84. Cities with a population from 500,000 to 1,000,000 show the highest average per capita for social security and other retirement programs (\$15.62). As with police, the figures tend to decline with population. The smallest communities show a per capita expenditure of \$9.63.

The geographic division patterns for fire show the highest per capita average expenditure for social security and retirement is found in the Mid-Atlantic and East North Central cities (both at \$12.39), and the West South Central division has the lowest per capita average of \$7.88. Central cities have the highest average expenditures (\$12.66), followed by suburban (\$10.53) and independent cities (\$9.64).

Health, Hospitalization, Disability, and Life Insurance

Table 3/12 shows average total municipal contributions for health, hospitalization, disability, and life insurance programs. The average expenditures are \$553,533 for police and \$391,564 for fire. The mean per capita amounts are \$11.32 for police and \$7.32 for fire. These figures represent modest increases from the 1996 survey

Table 3/10 EXPENDITURES FOR SALARIES AND WAGES (CIVILIAN AND UNIFORMED)

Classifier	No. of cities reporting	Police		No. of cities reporting	Fire	
		Mean (\$)	Per capita (\$)		Mean (\$)	Per capita (\$)
Total	1,204	4,533,056	98.13	964	3,474,720	63.94
Population group						
Over 1,000,000	0	2	65,808,870	62.94
500,000 - 1,000,000	4	83,503,095	113.31	6	48,419,259	73.33
250,000 - 499,999	23	44,404,418	120.98	23	26,264,549	71.97
100,000 - 249,999	58	16,449,166	111.29	53	10,751,389	71.30
50,000 - 99,999	159	6,993,707	102.03	139	4,818,476	71.29
25,000 - 49,999	296	3,445,994	97.96	241	2,484,951	69.16
10,000 - 24,999	664	1,530,753	95.25	500	969,894	58.13
Geographic division						
New England	90	2,676,570	92.20	77	2,401,075	76.13
Mid-Atlantic	149	3,380,596	111.99	58	3,142,347	66.93
East North Central	249	3,734,181	98.93	217	2,913,500	64.91
West North Central	118	4,192,680	78.65	87	3,146,748	47.21
South Atlantic	169	4,572,130	112.03	146	2,963,644	69.57
East South Central	53	3,161,913	81.19	52	2,514,783	61.68
West South Central	141	5,497,769	77.80	133	4,557,647	54.47
Mountain	69	5,501,340	93.00	57	3,174,637	55.75
Pacific Coast	166	7,190,376	112.25	137	5,298,630	72.39
Metro status -						
Central	245	12,175,418	102.12	238	8,779,789	70.21
Suburban	681	2,943,961	103.40	470	1,997,117	64.63
Independent	278	1,690,591	81.73	256	1,255,450	56.86

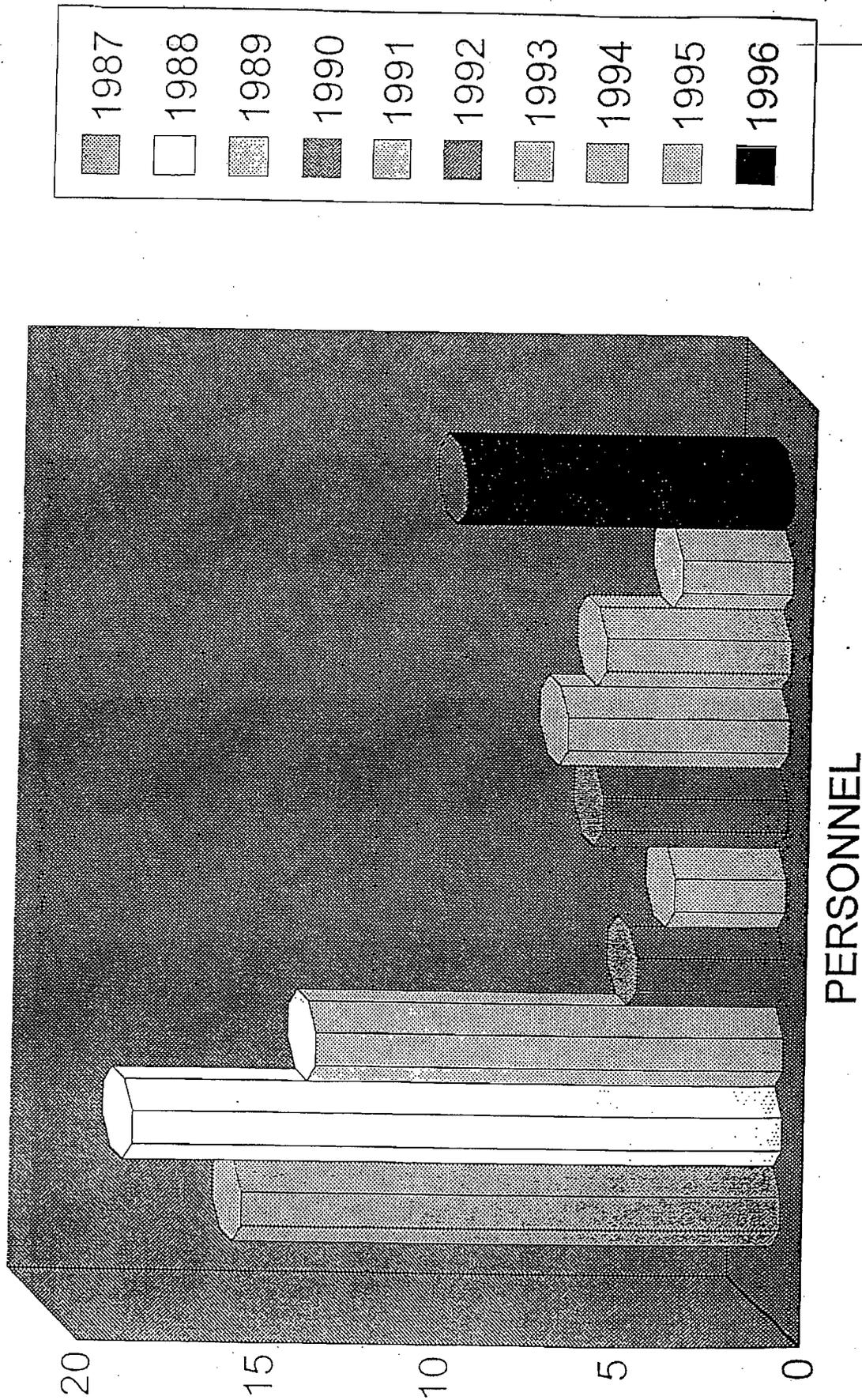
Table 3/11 TOTAL MUNICIPAL CONTRIBUTIONS¹ TO SOCIAL SECURITY AND STATE/CITY ADMINISTERED EMPLOYEE RETIREMENT SYSTEMS²

Classifier	No. of cities reporting	Police		No. of cities reporting	Fire	
		Mean (\$)	Per capita (\$)		Mean (\$)	Per capita (\$)
Total	1,104	859,982	15.08	880	644,536	10.84
Population group						
Over 1,000,000	2	29,501,698	27.28	2	14,933,654	14.40
500,000 - 1,000,000	5	18,667,745	26.40	5	10,386,284	15.62
250,000 - 499,999	23	7,596,226	20.16	23	5,336,520	13.98
100,000 - 249,999	54	2,767,090	19.11	48	1,762,166	11.76
50,000 - 99,999	147	1,206,333	17.59	132	886,980	13.05
25,000 - 49,999	272	559,177	15.96	219	404,047	11.32
10,000 - 24,999	601	242,122	15.22	451	160,757	9.63
Geographic division						
New England	56	406,707	13.25	45	360,490	10.37
Mid-Atlantic	130	556,167	16.17	50	712,839	12.39
East North Central	230	764,821	16.70	199	622,301	12.39
West North Central	110	580,011	11.70	79	658,397	8.51
South Atlantic	164	824,697	19.30	143	550,530	12.25
East South Central	53	468,053	12.00	51	345,786	9.03
West South Central	137	1,122,506	12.20	127	857,050	7.88
Mountain	67	904,333	16.31	55	530,010	10.27
Pacific Coast	157	1,529,952	20.50	131	802,438	11.72
Metro status						
Central	234	2,479,326	17.29	223	1,710,761	12.56
Suburban	617	485,160	16.60	427	319,041	10.53
Independent	253	277,266	13.70	230	215,050	9.54

¹The expenditures are the municipal contributions
²For civilian and uniformed employees.

BURLINGTON POLICE DEPARTMENT

10 YR. TURNOVER STATISTICS





OFFICE OF THE CLERK/TREASURER

City of Burlington

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

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MEMORANDUM

TO: Class "A" Retirement Study Group

FROM: Brendan S. Keleher, Clerk Treasurer

DATE: 7/14/1999

SUBJECT: Retirement Survey Data Analysis

At the last meeting I distributed excerpts from the 1997 GFOA Survey of retirement systems. I have pulled some data from that survey and summarized in the attached spreadsheet.

I selected all retirement plans in the survey that met the following criteria:

1. Employees not covered by social security pension
2. Municipal or county employee plans
3. State plans that covered local police and/or fire employees

From the total survey, I found that 91 plans met the above criteria. Selected data from these plans is listed in the spreadsheet. I have listed the plans by ID code and included information on the unit benefit and the percent of final average salary earned in retirement benefit at 30 years and 20 years.

Plan	Percent of FAS At 30 years	Percent of FAS At 20 years
Burlington	61.3%	47 %
Average of 91 Plans	69.68%	48.35%

I will next summarize the employee contribution levels for these plans.

1997 GFOA Survey of State and Local Retirement Systems

Selection Factors:

Employees not covered by Social Security and
Municipal or County plan or
State plan covering fire or police

	Plan ID	Pol	Fire	Muni	State	% FAS	Years	Percent of FAS		
								30 yrs	20 yrs	25 yrs
	448a	1		0	1	50	20	75	50	
						2	21-25			
						2.5	26+			
	034a	1	1		1	2		60	40	
	0341a	1	1	1	0	2.5		75	50	
	0428b	1	0	1	0	50	25	50	na	
BERS	0023a	1	1	1	0	2.35		61.3	47	23.5
	0090a	0	1	1	0	2.6	age/25	78	52	
	0163a			1		2.5		75	50	
	0381b	1	1	1	0	50		50	40	
	0223b	0	1	1	0	2.25		67.5	45	
	0223c	1	0	1	0	2.4		72	48	
	0411b	1	1	1	0	2.5	1-25	72.5	50	
						2	26+			
	0414a			1	0	2.85		85.5	56	
	0314b	1	0	1	0	2		60	40	
	0360a			1			age			
	0413a	1	1	1	0	2		60	40	
	0258b	1	1	1	0	2.75	1-10	47.5	37.5	
						1	11+			
	0136a	1	1	1	0	2.1		63	42	
	0387c/b	1	1	1	0	2.5	1-20	65	50	
						1	21+			
	0295a	0	0	1	0	2	1-25	55	40	
						1	26+			
	0296a	1	1	1	0	50	at20	60	40	
						2	21+			
	0300a	0	1	1	0	2.95	1-25	87.75	59	
						2.8	26+			
	0464a/b	1	1	1	0	50	of sal	50	50	
	0329b	1	1	1	0	2.5		75	50	
	0164a	0	1	1	0	50	after 20	62.5	50	
old	0365c	1	1	1	0	2	1-25	58.33	40	
						1.67	26-30			
new	0365a	1	1	1	0	2	1-20	70	40	
						3	21+			
	0129a			1	0	2.5	1-25	67.5	50	

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						3	26+ max72.5		
	0124a	1	1	1	0	2.5	1-25	72.5	50
						2	26+		
supp	0124b	1	1	1	0	3		80	60
	0293b			1	0	2.25	1-20	65	45
						2	21+		
	0141a/b	1		1	0	60	avg 5	60	60
	0320b			1	0	2.5	1-20	60	50
						1	21+max 60		
	0222c	0	1	1	0	3		90	60
	0222a	0	0	1	0	2.15		64.5	43
	0222b	1	0	1	0	2.8		84	56
	0357a			1	0	2		60	40
	0357b	1	0	1	0	2		60	40
	0396a	1	0	1	0	50		50	50
	0382a/b	1	1	1	0	2.5	max 75	75	50
	0237b/a	1	1	1	0	2.5	1-25	70	50
						1.5	25+		
	0426a	1	1	0	1	60	25 yrs	65	na 60
	0194b	1	1	1	0	varied		78.5	52.4
	0149a			1	0	2.75		82.5	55
	0432a/b	1	1	1	0	2.75		77	55
	0027a			1	0	3		90	60
	0229a			1	0	50	at 20 yrs	60	50
						1.5	20+		
	0128a	1	0	1	0	2.5		75 ?	
	0326a	1	1	0	1	2		60	40
	0092a	1	1	1	0	2	1-20	77.5	40
						4	21-25		
						3.5	26-30		
						1	31-35		
	0159a	0	0	1	0	2.7		81	54
	0323/4a	1	1	0	1	50	20 yrs	70	50
						2	21-30		
						1	31+		
	0458a	1	1	0	1	2			
	0458a	0	0	1	1	1.25			
	0269a	0	1	1	0	2		60	40
	0048e	1	1	0	1	2.5		75	50
	0048b	0	0	0	1	2.2		66	44
	0463a	1	0	0	1	2.5	1-20	60	50
						1	21-32		
	0315a	0	0	1	0	2.16		64	43.2
	0146f	1	1	0	1	2.62		78.59	52.4
	0146a	0	0	0	1	2.61		78.34	52.23
	0042e	0	0	1	0	2.1		63	42.2
	0336a	1	1	1	0	3		90	60
	0336a	0	0	1	0	2.25		67.5	45
	0226a	0	0	1	0	2.5		75	50

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0206a	0	0	0	1	1.492		44.25	29.5
0017a	1	0	1	0	2.75	1-15	90	60
					3	16+		
0017a	0	1	1	0	3			
0036a	0	0	0	1	2		60	40
0133b	1	1	0	1	2.65		79.5	53
0362a	0	0	1	0	2.2	max 75	66	44
0452a	1	1	0	1	2.7	1-22	64.8	54.54
					0.75	23-30		
0176a	1	0	0	1	3.33		100	67
0087d/c	1	1	0	1	2.5		75	50
0466a	1	0	1	0	50	age 50/25	50	40
0380a	1	1	1	0	2		60	40
0016a	0	0	0	1	2.5		75	50
0301a	1	1	0	1	2.5	1-20	67.5	50
					2	21-25		
					1.5	26-33		
0068a	1	1	0	1	2		70	40
					65	26+		
0418a	1	0	1	0	2		60	40
0417a	1	0	1	0	2	1-25	70	40
0062a	1	1	1	0	2.2-2.8		84	56
0454a	0	0	0	1	3.13		94	62.67
0331a	0	0	1	0	1.67		50	33.3
0331a	1	0	0	1	2		60	40
0321a	1	0	0	1	2.62	age 55	78.6	52.4
					2	age 50		
0456a	0	0	0	1	2		78.6	52.4
					2.62	age 55		
0024a	1	1	1	0	2.8	1-25	75	56
					1	Pol only 5 yr @ 25+		
0026c	0	1	1	0	2.7		81	54
0026a	0	0	1	0	2.25		67.5	45
0026b	1	0	1	0	3		90	60
0009a	1	0	1	0	50	20y	70	50
					2	21+ max 75		
0442b	1	0	1	0	2.5	max 70	70	50
0273a	0	0	1	0	2.5	max 70	70	50
0367a	1	1	1	0	3	1-25	85	60
					2	26+		
0455a	0	0	1	0	2.5		75	50
0307a	0	0	1	0	2.5		75	50
0157a	1	1	1	0	2.5		75	50
0317a	1	0	1	0	1.72		51	34
					Count			91
					Mean		69.68	48.35
					Median		70	50

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6/12/96

A Employees

Full early eligibility requirement change from 25 to 20 yrs.

<u>Additional Past Service Liability</u>	<u>Amortization of Additional Past Service Liability</u>	<u>Normal Rate</u>	<u>Normal Cost</u>	<u>Total Annual Expense</u>
- 1,273,744	189,825	2.18%	120,148	309,973

City Contribution To Class "A"
Retirement System

	<i>Percent of Total Pcty</i>		<i>Per Capita 39400 pop est</i>
FY '99	12.08%	\$596,850	15.15
FY '98	14.64%	\$752,950	19.11
FY '97	13.25%	\$730,500	18.54
FY '96	15.97%	\$809,430	20.54
FY '95	13.61%	\$654,000	
FY '94	12.54%	\$603,300	
FY '93	12.39%	\$589,220	
FY '92	11.89%	\$544,845	
FY '91	14.11%	\$553,294	
FY '90	12.93%	\$468,575	11.89

City Contrib to Class A

Class "A" and
"B"

Pensions Paid	
FY '88	1,279,931
FY '89	1,468,017
FY '90	1,564,226
FY '91	1,606,118
FY '92	1,652,396
FY '93	1,755,810
FY '94	1,892,918
FY '95	2,151,951
FY '96	2,233,730
FY '97	2,311,498
FY '98	2,467,439

CLASS "A" RETIREMENT BENEFIT COMPARISON

updated 9/98

1. BANGOR, MAINE
 - 2% x AFC x Service
 - 25 and out with 50%
 - employees contribute 6.5%
 - disability benefit of 66.66% of AFC
 - retiree can stay in group health, pays premium
2. BURLINGTON, VERMONT
 - 2.35% x AFC x Service or larger accrual vs. COLA
 - 25 and out
 - employees contribute 8.8%
 - disability benefit of 75% of current pay
 - retiree can stay in group health, pays premium
3. CONCORD, NEW HAMPSHIRE - belongs to N.H. State Ret. System
 - 2.5% x AFC x Service
 - 45 and 20 and out
 - employees contribute 9.3%
 - disability benefit of 25% AFC or service retirement
 - retiree stays in group, state pays \$187.88/single, \$375.76
 - for 2 person and family for under 65, and \$118/single,
 - \$236 for 2 person and family after retiree reaches 65
4. EAST HARTFORD, CONNECTICUT
 - 2.5% x AFC x Service
 - 25 and out
 - employees contribute 6%
 - disability benefit equals service benefit if over 20 years
 - and 50% AFC if under 20 years
 - retiree can stay in group and own health is paid
5. KEENE, NEW HAMPSHIRE - belongs to N.H. State Ret. System
 - same as Concord, New Hampshire
6. MANCHESTER, NEW HAMPSHIRE - belongs to N.H. State Ret. System
 - same as Concord, New Hampshire

7. MIDDLETOWN, CONNECTICUT

2.5% x AFC x Service

20 and out

employees contribute 6%

disability benefit of 66.66% of current pay

retiree can stay in group and own health is paid

8. NASHUA, NEW HAMPSHIRE - belongs to N.H. State Ret. System

same as Concord, New Hampshire

9. PORTLAND, MAINE

2% x AFC x Service

25 and out with 50%

employees contribute 6.5%

disability benefit of 66.66% of AFC

retiree can stay in group, pays premium

10. PORTSMOUTH, NEW HAMPSHIRE - belongs to N.H. State Ret. System

same as Concord, New Hampshire

Class "A" Employees' Who Have Left Service Before Retirement

FY 1993	Fire 1	Police 3
FY 1994	Fire 1	Police 5
FY 1995	Fire 1	Police 2
FY 1996	Fire 0	Police 6
FY 1997	Fire 0	Police 5
FY 1998	Fire 2	Police 5
FY 1999	Fire 4	Police 8

History of Class "A" Retirees

Fiscal Year	Department	Salary	Benefit
'90	Police	29,606	14,420
'91	Police	42,836	19,185
'92	-----	-----	-----
'93	Fire	41,218	17,975
'93	Fire	42,344	27,592
'93	Police	37,257	17,078
'94	Fire	34,736	22,788
X '95	Fire	35,730	21,246
X '95	Fire	42,960	25,184
X '95	Fire	36,586	21,303
X '95	Fire	34,301	17,283
X '95	Police	42,148	24,864
X '95	Fire	45,233	24,967
X '95	Fire	48,977	26,422
X '95	Fire	37,917	18,687
'96	-----	-----	-----
'97	Fire	33,592	20,474
'97	Fire	37,633	23,870
'97	Police	38,668	22,230
'97	Police	49,282	25,284
X '98	Police	47,797	43,668
X '98	Police	40,920	26,417
X '98	Police	43,244	36,507
X '98	Fire	38,313	34,684
X '98	Fire	35,515	33,451
X '98	Fire	35,467	31,508
X '98	Police	43,480	33,327
X '98	Police	43,382	33,351

X	'98	Police	41,091	28,268
X	'98	Police	41,299	31,637
X	'98	Police	42,832	35,545
X	'98	Fire	40,573	36,757
X	'98	Fire	40,825	38,532
X	'98	Police	43,556	34,252
X	'98	Fire	41,261	34,702
X	'98	Fire	48,393	42,092
X	'98	Fire	36,219	32,479
X	'98	Police	41,299	29,743
X	'98	Fire	43,054	38,815
X	'98	Fire	46,412	39,805
X	'98	Fire	35,577	28,571
X	'99	Police	41,466	31,962
X	'99	Police	59,856	46,405

X = window

History of Class A Ret.



OFFICE OF THE CLERK/TREASURER

City of Burlington

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

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MEMORANDUM

TO: Class A Retirement Study Committee

FROM: Brendan S. Keleher, Clerk Treasurer *BPK*

DATE: 8/31/1999

SUBJECT: Cost Estimate of 20 Years and Out Retirement

As requested I have developed an estimate of the cost of a change in the Class A retirement to a full retirement at 20 years of service. In particular, in this analysis I have estimated the reduction in salary and wage costs that would result from higher paid employees retiring and replaced by entry level employees. This analysis only looks at the impact on the Police Department

Description of the Analysis

I assumed that a 20-year full retirement at 50% of final wage was available in FY 2001. I developed a five-year projection of increased retirement activity and subsequent staff replacement in the Police Department. In the analysis, I followed the 12 Police employees (sworn officers) who in FY 2000 have completed between 15 and 20 years of service. I assumed each employee retired at the end of the fiscal year in which he/she reached 20 years.

Methodology

Study Group: I selected all the Class A Police staff who, in FY 2000, had between 15 and 20 years of service. The group has 12 employees. This is the group that would be most immediately impacted by the change in retirement plan to 20 years and out. I did not include employees with more than 20 years, since at this time the number is small and most already are, or in the time period of this analysis will become, eligible to retire under the 25 year plan. Thus the impact on this group, if any, is small. Also I did not include the salaries and wages of the bulk of the department which has less than 15 years of service. The impact on department staffing of a change in the retirement plan is further into the future.

Time Frame: The analysis projects cost for FY 2001 through FY 2005.

Results

Introduction of a 50% retirement benefit at 20 years of service would result in the following costs and savings over the fiscal years 2001 through 2005:

Five Year Cost Avoidance in Wages	\$(237,800)
Five Year Cost Increase in Retirement Benefit	<u>504,900</u>
Increase in Total City Cost	\$ 267,100

Annual Cost Avoidance in Wages

FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
\$(14,500)	(14,940)	(15,400)	(83,960)	(109,000)

Annual Increase in Retirement Benefit Payments

FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
\$22,740	23,430	24,130	188,480	246,120

Assumptions

1. The employees retire at the end of the fiscal year in which they achieve 20 years of service. Of the 12 employees in the group 10 are assumed to retire in the five-year period.
2. Retirement benefit is calculated at 2.5% for each year of service. This results in a first year benefit that is 50% of AFC. For simplicity I have entered 50% of the final year of full employment. This will only slightly overstate the retirement benefit.
3. Each of the retiring employee is replaced in the work force of the department at the entry level; either first step on the police officer scale or the first step on the lieutenant scale.
4. All wage, salary and retirement levels are trended forward by 3% per year to allow for step movement and across the board adjustments.
5. Time did allow for the analysis to include the Fire Department. Experience shows that in comparison with Police the turnover savings resulting from retirement is less in the Fire Department. This is due to the pattern of replacing the out going employee, not with an entry level but through promotion.
6. The retirement analysis does not include the change in the funding requirements to the retirement fund. Rather it uses the estimated annual pay out in retirement benefit to the employees assumed to have retired in the analysis.
7. Cost avoidance in wages is the difference between the employees' salary or wages if they continued in employment versus the salary or wages of the replacement employee.



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.

THE FINAL REPORT
OF THE CLASS "B" STUDY COMMITTEE

MEMBERS:

JAMES STROUSE
ROBERT ALBERRY
PAUL PAQUETTE
MARINA USHAKOVA
WILLIAM RASCH
BRENDAN KELEHER
KARL LABOUNTY
CINDY DAVIS (STAFF)

The Committee used the following information to discuss plan changes. Using this information, the Committee developed a list of five changes for further discussion and consideration by the AFSME membership.

The Committee was established and the study was done based on the terms of ARTICLE XX of the AFSME Contract of July 1, 1998 – June 30, 2000

This report is being sent to:

Mayor Clavelle

Jane Knodell

Matt Gardy

Barbara Perry

Sharon Bushor

James Strouse

Maury Kost

Brendan Keleher

Gordon Gilbert

Cpl. Timothy Green

SF Thomas Middleton

Robert Alberry

Paul Paquette

Barbara Grimes

Lindol Atkins

Tim Watkins

Cindy Davis
Retirement Administrator
11/22/99

CONTENTS – CLASS "B" STUDY COMMITTEE

- Proposed changes
- Actuarial cost estimates – normal retirement at 62 and early reductions
- Actuarial cost estimates – early retirement reductions
- Actuarial cost estimates – normal retirement at 60 and early reductions
- Actuarial cost estimates – various changes
- List of proposed changes
- Examples of the plan as it is now
- List of pensions paid
- List of City contributions to the plan
- Actuarial cost estimates from 1996-1997
- Retirement survey data
- Retirement Board proposed changes

Proposed Changes for the Class "B" Retirement Plan 11/16/99

1. Change the accrual rate for the first 25 years from 1.2% to 1.6%
2. Change the early retirement reduction from the actuarial equivalent chart to 2% per year from 55 to 65
3. Provide an \$800 annual pension payment to help pay for health insurance
4. Change the survivor benefit from 25% of pay to 30%
5. Include holiday, shift differential, and longevity in the average final compensation

Proposed Changes for the Class "B" Retirement Plan 11/16/99

1. Change the accrual rate for the first 25 years from 1.2% to 1.6%
2. Change the early retirement reduction from the actuarial equivalent chart to 2% per year from 55 to 65
3. Provide an \$800 annual pension payment to help pay for health insurance
4. Change the survivor benefit from 25% of pay to 30%
5. Include holiday, shift differential, and longevity in the average final compensation

Costs:

1.	\$851,418	4.47%	of "B" base payroll
2.	\$512,673	2.69%	"
3.	\$ 97,603	.51%	"
4.	\$ 21,216	.11%	"
5.	\$ 24,443	.13%	"

CITY OF BURLINGTON CLASS B EMPLOYEES
 COST OF PROPOSED CHANGES TO THE PLAN
 10/20/1999

<u>Description of Proposed Benefit Changes</u>	<u>Additional Past Service Liability</u>	<u>Amortization of Additional Past Service Liability</u>	<u>Normal Rate*</u>	<u>Normal Cost</u>	<u>Total Annual Expense</u>	<u>Annual Expense as a % of Pay*</u>
<u>Class B Employees</u>						
Change early reduction factors to 3.5% from age 65 to age 55**	1,556,432	231,954	0.60%	114,286	346,240	1.82%
Change early reduction factors to 3% from age 65 to age 55**	1,797,488	267,879	0.69%	131,429	399,308	2.10%
Change early reduction factors to 2.5% from age 65 to age 55**	2,062,803	307,418	0.78%	148,572	455,990	2.39%
Change early reduction factors to 2% from age 65 to age 55**	2,328,119	346,958	0.87%	165,715	512,673	2.69%

Notes:

* The normal cost and annual expense as a % of pay are based on an estimated 2000 Payroll of \$19,047,717.

** An increase in the rates of retirement from age 55 to 61 was reflected.

CITY OF BURLINGTON CLASS B EMPLOYEES
 COST OF PROPOSED CHANGES TO THE PLAN
 10/20/1999

<u>Description of Proposed Benefit Changes</u>	<u>Additional Past Service Liability</u>	<u>Amortization of Additional Past Service Liability</u>	<u>Normal Rate*</u>	<u>Normal Cost</u>	<u>Total Annual Expense</u>	<u>Annual Expense as a % of Pay*</u>
<u>Class B Employees</u>						
Change normal retirement age from 65 to 62	1,480,374	220,619	0.65%	123,810	344,429	1.81%
Change normal retirement age from 65 to 62 and change early reduction factors to 3.5% from age 62 to age 55**	3,392,922	505,645	1.29%	245,716	751,361	3.94%
Change normal retirement age from 65 to 62 and change early reduction factors to 3% from age 62 to age 55**	3,502,909	522,037	1.33%	253,335	775,372	4.07%
Change normal retirement age from 65 to 62 and change early reduction factors to 2.5% from age 62 to age 55**	3,612,895	538,428	1.37%	260,954	799,382	4.20%
Change normal retirement age from 65 to 62 and change early reduction factors to 2% from age 62 to age 55**	3,722,881	554,819	1.41%	268,573	823,392	4.32%

Notes:

* The normal cost and annual expense as a % of pay are based on an estimated 2000 Payroll of \$19,047,717.

** An increase in the rates of retirement from age 55 to 61 was reflected. Employees with less than 7 years of service would be entitled to a benefit reduced for vesting commencing at age 62

**CITY OF BURLINGTON CLASS B EMPLOYEES
COST OF PROPOSED CHANGES TO THE PLAN
10/20/1999**

<u>Description of Proposed Benefit Changes</u>	<u>Additional Past Service Liability</u>	<u>Amortization of Additional Past Service Liability</u>	<u>Normal Rate*</u>	<u>Normal Cost</u>	<u>Total Annual Expense</u>	<u>Annual Expense as a % of Pay*</u>
<u>Class B Employees</u>						
Change normal retirement age from 65 to 60 **	3,202,344	477,244	1.26%	240,001	717,245	3.77%
Change normal retirement age from 65 to 60 and change early reduction factors to 3.5% from age 60 to age 55**	4,457,524	664,303	1.70%	323,811	988,114	5.19%
Change normal retirement age from 65 to 60 and change early reduction factors to 3% from age 60 to age 55**	4,516,141	673,038	1.72%	327,621	1,000,659	5.25%
Change normal retirement age from 65 to 60 and change early reduction factors to 2.5% from age 60 to age 55**	4,574,757	681,774	1.74%	331,430	1,013,204	5.32%
Change normal retirement age from 65 to 60 and change early reduction factors to 2% from age 60 to age 55**	4,633,374	690,509	1.77%	337,145	1,027,654	5.40%

Notes:

* The normal cost and annual expense as a % of pay are based on an estimated 2000 Payroll of \$19,047,717.

** An increase in the rates of retirement from age 55 to 61 was reflected. Employees with less than 7 years of service would be entitled to a benefit reduced for vesting commencing at age 60

CITY OF BURLINGTON CLASS B EMPLOYEES
 COST OF PROPOSED CHANGES TO THE PLAN
 9/17/1999

<u>Description of Proposed Benefit Changes</u>	<u>Additional Past Service Liability</u>	<u>Amortization of Additional Past Service Liability</u>	<u>Normal Rate*</u>	<u>Normal Cost</u>	<u>Total Annual Expense</u>	<u>Annual Expense as a % of Pay**</u>
<u>Class B Employees</u>						
Increase accrual rate from 1.2% to 1.6% for service less than 25 years	4,051,535	603,798	1.30%	247,620	851,418	4.47%
Change normal retirement age from 65 to 55 **	7,867,008	1,172,416	3.04%	579,051	1,751,467	8.20%
Change normal retirement age from 65 to 55 and increase accrual rate from 1.2% to 1.6% for service less than 25 years	14,836,806	2,211,122	5.47%	1,041,910	3,253,032	17.08%
Change death in active service benefit from 25% to 30% of compensation during the July preceding death	78,455	11,692	0.05%	9,524	21,216	0.11%
Provide \$800 annual benefit payable for termination after age 55 (no minimum service requirement)	424,859	63,317	0.18%	34,286	97,603	0.51%
Included holiday, shift differential and longevity compensation in plan compensation	112,890	16,824	0.04%	7,619	24,443	0.13%

Notes:

* The normal cost and annual expense as a % of pay are based on an estimated 2000 Payroll of \$19,047,717.

** An increase in the rates of retirement from age 55 to 61 was reflected. Employees with less than 7 years of service would be entitled to a benefit reduced for vesting commencing at age 55

CLASS B PROPOSED CHANGES TO THE RETIREMENT SYSTEM

- 1.6% per year of Service up to 25 years. Then a 1/2 of 1% thereafter for each year of service with retirement age of 55 to include future and past service. *retirees*
if add additional cost 45 comm. - the discuss
- \$ 40,000. life insurance policy at retirement with an option for retiree to buy more at City rate.
- Raise Survivor benefit from 25% to 30%
- holidays worked
- Using Holidays and shift differential for average final compensation calculations. *+ Longevity*
- Provide \$800.00 per year towards health insurance cost.

Examples: Class "B" Plan as it is now.

if accrual rate is 1.6% Percent of final pay

AFC:	\$40,000			
Service:	25 years			
Age:	65			
Benefit:	\$12,000	16,000	29.3%	39%
½ Cola:	\$13,670		33.3%	
No Cola:	\$15,340		37.4%	
100% Survivor:	\$10,369	13,825	25.3%	33.7%
50% Survivor:	\$11,588	15,451	28.3%	37.7%
Expected Benefit:	\$240,000	320,000		
Social Security (est.):	\$13,164		32.1%	

AFC:	\$25,000			
Service:	25 years			
Age:	65			
Benefit:	\$7,500	10,000	28.8%	38.5%
½ Cola:	\$8,544		32.9%	
No Cola:	\$9,588		36.9%	
100% Survivor:	\$6,481	8,641	24.9%	33.2%
50% Survivor:	\$7,243	9,657	27.9%	37.1%
Expected Benefit:	\$150,000	200,000		
Social Security (est.):	\$10,692		41.1%	

(example B.doc)

Pensions Paid

FY '88	1,279,931
FY '89	1,468,017
FY '90	1,564,226
FY '91	1,606,118
FY '92	1,652,396
FY '93	1,755,810
FY '94	1,892,918
FY '95	2,151,951
FY '96	2,233,730
FY '97	2,311,498
FY '98	2,467,439

City Contributions to "B" Plan

Year	Retirement	Social Security
FY '88	617,326	994,902
FY '89	597,616	1,117,305
FY '90	589,937	1,242,925
FY '91	562,806	1,342,529
FY '92	682,424	1,376,479
FY '93	725,943	1,377,264
FY '94	773,869	1,361,254
FY '95	335,924	1,372,498
FY '96	184,049	1,427,051
FY '97	361,887	1,477,038
FY '98	250,266	1,540,000

Class "B" cost estimates 1996-1997

Change	Past Service Liability	Amortization of Past Service Liability	Normal Cost	Total Annual Cost
50% AFC age & service= 80	5,275,856	786,258	519,184	1,305,442
55 & 20	1,783,522	265,797	114,010	379,807
60 & 20	670,912	99,986	47,358	147,344
62 & 25	376,672	56,135	26,310	82,445
\$25,000 Life	380,640	56,727	28,064	84,791
50% AFC Rule of 80 Plus 2% AFC after 80	9,762,897	1,454,960	798,070	2,253,030
Provide \$800 supplement for health ins. one person	416,087	62,009	31,572	93,581

(cost class.b 1996)



OFFICE OF THE CLERK/TREASURER

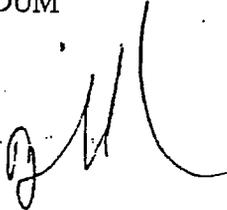
City of Burlington

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

Voice (802) 865-7000
Fax (802) 865-7014
TTY (802) 865-7142

MEMORANDUM

TO: Retirement Study Group Class "B"

FROM: Brendan S. Keleher, Clerk Treasurer 

DATE: 7/7/1999

SUBJECT: Retirement Survey Data

The Government Finance Officers Association in conjunction with other state and local public employee associations (Public Pension Coordinating Council) periodically conducts a survey of retirement plans. I have obtained a copy of the 1997 report and database. I have made for your review a copy of the executive summary, the benefits and contributions sections.

The survey report contains information on a large number of local and state retirement plans for local government employees, teachers, state employees, judges and legislators. The report gives a broad view of the benefits on these systems. Much of the report, incidentally, addresses the structure of the plans such as board membership, legislative authority, and investment patterns.

1997 SURVEY OF
STATE AND LOCAL GOVERNMENT
EMPLOYEE RETIREMENT
SYSTEMS

SURVEY REPORT

by Paul Zorn

FOR THE MEMBERS OF
THE PUBLIC PENSION COORDINATING COUNCIL

Government Finance Officers Association
National Association of State Retirement Administrators
National Conference on Public Employee Retirement Systems
National Council on Teacher Retirement

I. EXECUTIVE SUMMARY

This report presents summary analyses of state and local government retirement systems surveyed by the Public Pension Coordinating Council (PPCC) in 1997. The purpose of the survey was to obtain in-depth information about the current practices of public retirement systems regarding their administration, membership, benefits, contributions, funding, investments and reporting. This executive summary presents the major findings from the 1997 survey and compares them with results from the 1995 survey.¹

Summary statistics for the PPCC's 1993, 1995 and 1997 surveys are presented in tables at the back of this report. Table I-1 presents descriptive data regarding the distribution of the respondent systems by number of members, amount of assets, geographic location, type of employees, and administrative jurisdiction. Table I-2 presents administrative data related to the size of retirement boards, number of system staff, size of administrative expenses, and annual pay of the chief administrative officer. Table I-3 presents benefit data related to plan benefits, postemployment cost-of-living increases, and membership coverage under Social Security. Table I-4 presents results related to actuarial analyses and assumptions. Table I-5 presents results related to plan funding, including plan liabilities, assets, and funding ratios. Table I-6 presents data on employer and employee contributions, both in dollar amounts and as a percent of payroll. Finally, Table I-7 presents results related to system investments by major investment categories and rates of investment return.

A Note on Reading the Tables

In addition to providing summary statistics for each of the past three PPCC surveys, the tables accompanying this executive summary attempt to highlight changes in key variables that occurred between the 1995 and 1997 surveys. To do this properly requires that the respondents who provided information for both years be selected (or "matched") and that the comparisons be carried out only on the matched responses. This ensures that the results reflect actual trends rather than differences in the survey respondents between the two years.

In the accompanying tables, these matched responses are reported in the two columns under the heading "MATCHED CASES." The column headed "% Change" to the right of the matched cases columns shows the percent change in the average (i.e., mean) or total

¹ No single report can present all facets of entities as complex as retirement systems. To assist pension professionals conduct their own analyses, the Public Pension Coordinating Council makes the 1997 survey data available as the PENDAT97 database. PENDAT97 can be ordered from the Government Finance Officers Association, 180 N. Michigan Avenue, Suite 800, Chicago, Illinois, 60601. (312/977-9700)

1,000 active members) have very small staffs averaging about one full-time equivalent employee, while large systems (i.e., those with 100,000 or more active members) have staffs averaging over 200 employees. The table also shows that staff sizes declined between 1994 and 1996 for all the membership size categories, ranging from a 2.6 percent decline for systems with less than 1,000 active members to a 7.4 percent decline for systems with between 50,000 and 100,000 active members.

Annual administrative expenses in 1996 ranged from an average of \$223,000 for small systems with less than 1,000 active members to \$18.4 million for large systems with more than 100,000 active members. Although the comparison of matched cases in Table I-2 suggests that administrative expenses grew substantially 1994 and 1996, it is unclear how investment expenses were treated by the respondents during the two years. Since investment expenses can be very large, the possibility of inconsistent treatment makes comparisons of administrative expenses between 1994 and 1996 problematic.

Public retirement system administrators are, in general, modestly paid officials. Table I-2 shows that, in 1996, the annual pay for the systems' chief administrative officer was less than \$70,000 for approximately one-third of the matched cases and less than \$90,000 for two-thirds of the cases. Comparable data were not available for 1994 because of changes in the way the question was phrased between the two years.

Retirement Benefits

Retirement benefits are generally calculated for members of public employee retirement plans using formulas that include the employees' years of service, age at retirement, and final average salary (FAS). Often the formula is expressed as an annual unit benefit percentage (e.g., 2.0 percent) multiplied by years of service and final average salary. The FAS is often computed as the average annual salary of the highest (or last) three or five years of service.

State and local government employees are not universally covered under the Federal Old Age, Survivors, Disability and Health Insurance (OASDI) programs, commonly referred to as Social Security. Estimates made by the U.S. Department of Labor indicate that approximately 76 percent of current state and local government full-time employees in defined benefit plans are covered by Social Security, although the coverage varies by different employee groups.³ Although state and local plans typically do not specifically integrate Social Security income into their benefit formulas, they often offer a higher annual benefit percentage to plan members who are not covered by Social Security than to those who are covered. This partially offsets the lower overall retirement income these members receive as a result of not being covered by Social Security.

The average annual benefit percentage earned for each year of service changed very little among the matched respondents between 1994 and 1996. Table I-3 shows that, for active

³ U.S. Department of Labor, Bureau of Labor Statistics, *Employee Benefits in State and Local Governments, 1994* (Washington, DC: U.S. Government Printing Office, 1996), p. 80.

Assumptions about total salary increases also fell slightly during the period. Table I-4 shows that the average assumed rate of total salary increase (including inflation and step/merit increases) fell from 6.02 percent in 1994 to 5.92 percent in 1996. Assumptions about inflation also fell during the period, from 4.78 percent in 1994 to 4.57 percent.

Obligations, Liabilities and Plan Funding

Over time retirement plans accumulate substantial pension obligations that accrue as a result of employee service. This is a normal part of the reserve funding process. To fund these obligations, the plans accumulate contributions from employers (and often employees) and income earned on investments. These moneys are added to the plan's pool of assets and are used to pay benefits that are currently due or will become due in the future.

Pension obligations, measured using the actuarial accrued liability (AAL) increased substantially during the period.⁴ Table I-5 shows that, for the matched respondents, the AAL grew at a rapid pace of 16.4 percent, from \$1.06 trillion in 1994 to \$1.24 trillion in 1996. Fortunately, plan assets grew at an even faster pace. The actuarial value of assets for the matched respondents grew 21.3 percent, from \$891.9 billion in 1992 to \$1.08 trillion in 1996. As a result, the unfunded actuarial accrued liability (excluding overfunded amounts) fell from \$169.6 billion in 1994 to \$167.1 billion in 1996.

As a consequence of the increase in plan assets, the AAL funding ratio (i.e., ratio of assets to AAL) also grew from 83.9 percent in 1994 to 87.4 percent in 1996. This reflects a long-term trend in the improved funding of state and local retirement plans that began in the 1970s.

As the above statistics suggest, many of the respondent plans have improved their funding status. Table I-5 shows that the percent of matched respondents with AAL funding ratios below 50 percent fell from 7.3 percent in 1994 to 5.5 percent in 1996. Moreover, the percent of matched respondents with funding ratios over 90 percent grew from 49.2 percent in 1994 to 56.6 percent in 1996.

Employer and Employee Contributions

Public employee retirement plans hire actuaries to calculate the employer contributions necessary to systematically fund the pension liabilities. In most instances, this contribution includes an amount representing the benefits which will accrue to members during the next plan year (referred to as the "normal cost") and an amount that amortizes the unfunded

⁴ The actuarial accrued liability (AAL) is calculated as the present value of total projected benefits for past and present employees based on the actuarial cost method used to fund the plan. For about two-thirds of the respondents, the AAL is based on the entry age actuarial method, which includes projections of members' future salary and future service, and results in a contribution rate that remains level as a percentage of payroll over time.

Conclusion

Generally, the results of the PPCC's 1997 survey strongly suggest that state and local government employee retirement systems are well funded and in sound financial health. While pension liabilities grew during the period, pension assets did as well, resulting in a decline in the unfunded actuarial accrued liabilities. In addition, benefit formulas have remained stable, and there have been slight declines in assumed total salary increases due to declines in inflation. Finally, the systems experienced strong investment returns over the past two years, keeping their average five-year rates of investment return above the assumed rates used in the actuarial valuations.

contribution plan, the retiring employee typically receives an annuity based on the total amount that has accumulated in his or her account at retirement. This amount is the sum of employer contributions, employee contributions (if any), and investment earnings.

Under a defined benefit plan, the benefit is usually calculated using a formula that includes the employee's years of service, age at retirement and final average salary. Essentially there are two types of defined benefit formulas: flat-benefit formulas and unit-benefit formulas. Flat-benefit formulas provide a retirement benefit based on some flat percentage of salary. Such a formula might promise to pay a member 50 percent of his or her salary upon retirement after 25 years of service.

Unit-benefit formulas promise to pay retirement benefits equal to the "unit benefits" that accumulate over an employee's years of service, multiplied by the employee's "final average salary." Unit benefits are typically expressed as a percentage (e.g., 2.0 percent) of final average salary, and are multiplied by the number of years of the employee's service to determine the annual retirement benefit. For example, an employee who works for 30 years at a unit-benefit rate of 2.0 percent per year would earn annual benefits equal to 60 percent of final average salary upon retirement.¹²

Among the survey respondents, the unit benefit ranged from less than 1.0 percent to 5.0 percent and averaged 2.00 percent for state and local employees who were covered by Social Security. Exhibit IV-2 shows the average annual benefit percentage earned by type of employee. On average, general employees who were covered by Social Security earned benefits at a rate of 1.84 percent per year, teacher/school employees at a rate of 1.77 percent, police and fire fighters at a rate of 2.37 percent and other employees (mostly legislators and judges) at a rate of 2.47 percent. As will be discussed later in this chapter, somewhat higher unit benefits were typically provided to employees not covered by Social Security.

Final Average Salary

Most public employee retirement systems calculate benefits as a percent of final average salary multiplied by the annual benefit percentage discussed above. Consequently, the method for determining final average salary has an important effect on the calculated benefit. Since salary tends to increase over the service life of an employee, retirement benefits will generally be higher when final average salary is defined as closely as possible to the final years of employment.

For most of the respondents, final average salary was defined as the employees' average salary earned during the highest or last three or five years of service. Exhibit IV-3 shows the distribution of respondents by the period used for determining final average salary and

¹² Unit-benefit formulas have two basic variations: "single-rate" formulas and "step-rate" formulas. Under a single-rate formula, the benefit rate does not change over the service life of the employee. Such was the case in the example presented above. Under a step-rate formula, the rate applied to the first several years of an employee's service may be different (either greater or smaller) than the rate applied to later years.

covered by Social Security. The average annual unit benefit of plans having none of their members covered under Social Security was 2.36 percent compared with 2.00 percent for plans having all of their members covered. Furthermore, the magnitude of this difference was statistically significant, suggesting that the surveyed plans implicitly consider Social Security benefits when establishing their benefit formulas.

Postemployment Cost-of-Living Adjustments

In order to mitigate the effect that inflation has on retirement income, many public employee retirement systems provide retirees with postemployment cost-of-living adjustments (COLAs). Table IV-8 presents the distribution of respondent plans by the method for establishing the postemployment COLA. Seventy-one percent of the respondents indicated that they provided some form of postemployment COLA in 1996, with 16 percent providing it as a fixed rate specified by the plan, 29 percent providing it as a variable rate based on the Consumer Price Index (often with the maximum rate set at 3.0 percent), and 13 percent providing it through ad hoc legislative action. In addition, 15 percent indicated they provided the COLA through other mechanisms, including a variable rate based on investment performance. Table IV-9 shows that the COLAs averaged 2.62 percent for the respondent plans in 1996.

Legislative Changes

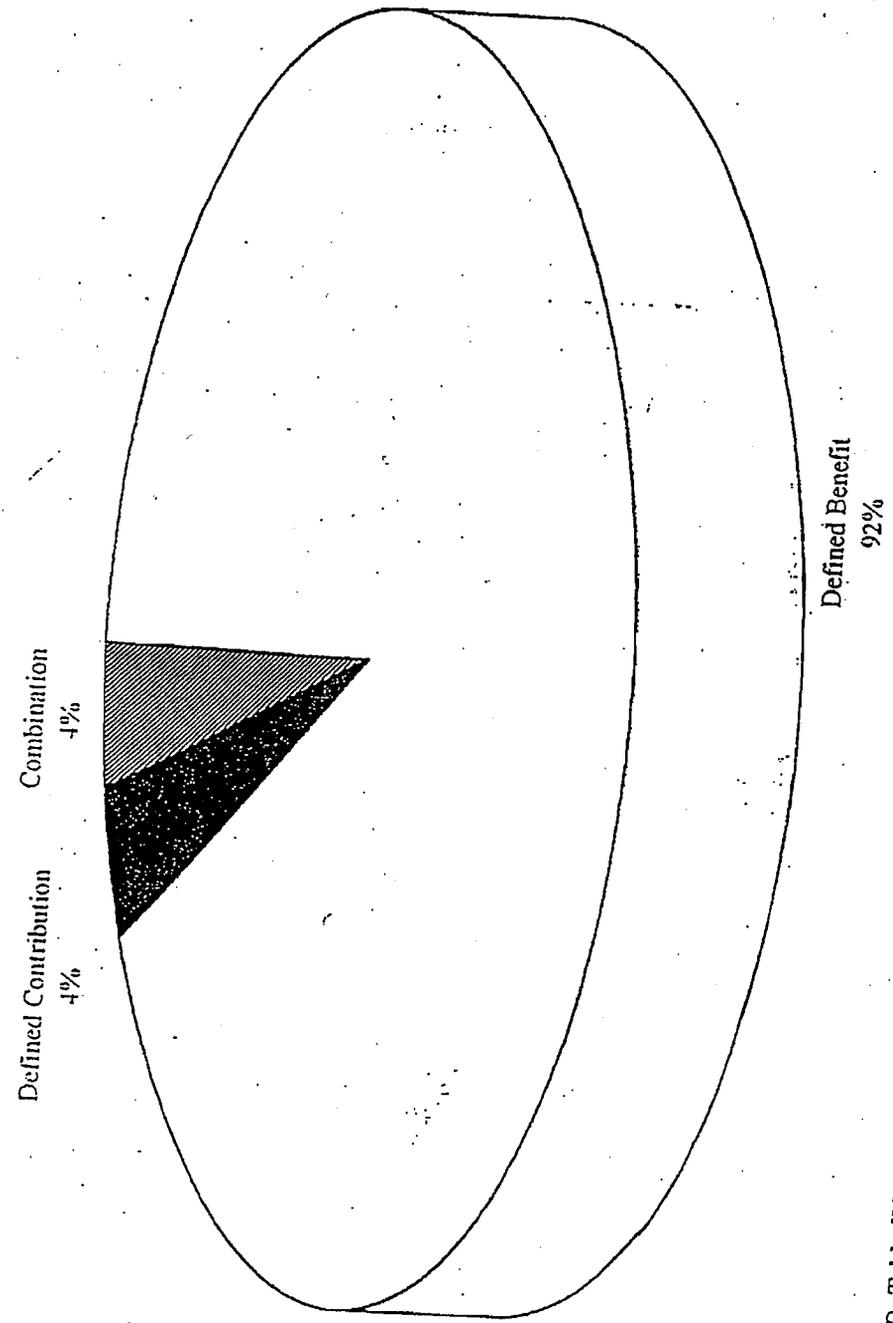
State and local governments will occasionally make legislative changes to the plans. In order to get a sense of the frequency of these changes, survey respondents were asked to indicate the types of legislative changes that were enacted during the past legislative session. Table IV-10 shows that, overall, 17 percent of the respondent systems indicated that changes had been made in the benefit formulas, 13 percent indicated changes in survivor benefits, 10 percent indicated changes in investment policy, 9 percent indicated changes in actuarial assumptions and 13 percent indicated changes in contribution rates.

Conclusions

Retirement benefits were generally provided to members through defined benefit plans using single-rate benefit formulas that were not directly integrated with Social Security. The unit benefit earned for each year of service ranged from less than 1.0 percent to 5.0 percent and averaged 2.00 percent for members who were covered by Social Security and 2.36 percent for members who were not covered by Social Security. The majority of plans calculated final average salary based on the last three or five years of employee service.

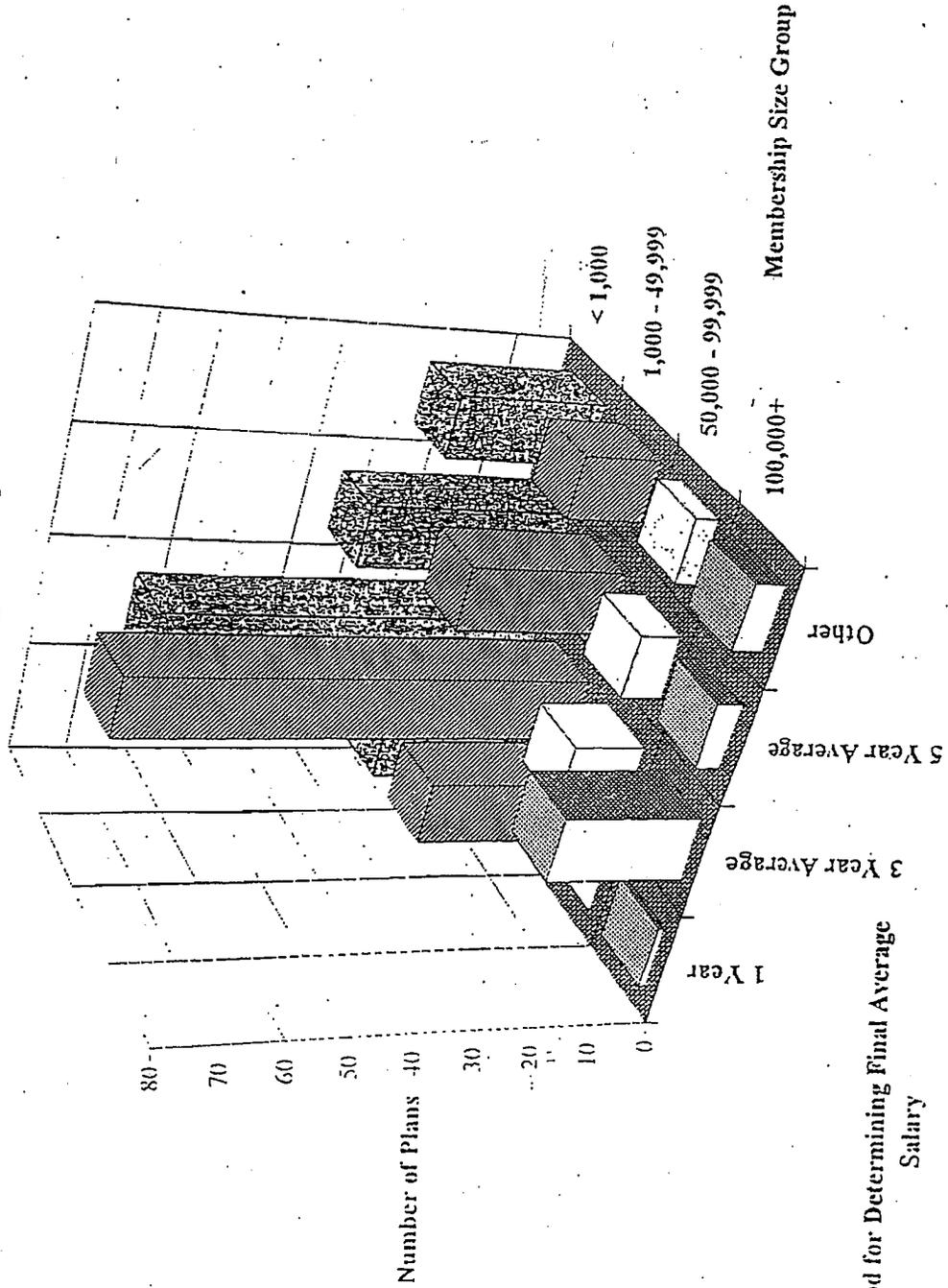
Significant differences were found among the systems with regard to the unit benefits earned when analyzed by type of employees. Police and fire fighters' plans tended to provide higher average unit benefits than did the general and teachers/school employees' plans. It should be noted, however, that a lower percentage of police and fire fighters were covered by Social Security.

Exhibit IV-1
Distribution of Respondent Plans by Type of Retirement Benefit



Source: Appendix B, Table IV-1

Exhibit IV-3
Distribution of Respondent Plans by Membership Size Group and Period for Determining Final Average Salary



Note: 3-Year and 5-Year Averages Based on Highest or Final Salary

Period for Determining Final Average Salary

Source: Appendix B, Table IV-6

VII. EMPLOYER AND EMPLOYEE CONTRIBUTIONS

In order to accumulate the funds needed to pay promised benefits, state and local retirement plans receive contributions from their sponsoring employers and, often, the active employees who are covered by the plan. These amounts, combined with income received from the investment of accumulated plan assets, constitute the major sources of plan income.

One of the actuary's primary tasks is to compute the annual contributions that the employer must make to fund the retirement plan on a systematic basis. As was noted in an earlier chapter, this contribution includes an amount representing the benefits which will accrue to members during the next plan year (the "normal cost") and an amount that amortizes the unfunded actuarial accrued liability over 20 to 30 years. Typically the actuarially determined contribution is expressed as a percentage of the employer's payroll.

Employers' Contributions

Employers' contributions for the respondent plans totaled \$31.2 billion, and averaged \$84.3 million per plan. (Table VII-1) When expressed as a percent of covered payroll, employers' contributions averaged 13.6 percent per plan. (Table VII-3) For 38 percent of the plans, employers' contributions were less than 10 percent of covered payroll, while for about one-quarter of the plans employer contributions were over 15 percent. (Table VII-2). On average, employer contributions were higher for plans covering police and fire fighters and lower for plans covering general employees, teachers, and school employees. (Table VII-3). These differences probably reflect the differences in the way benefits are structured for the different types of employees.

Actual Employers' Contributions Related to Actuarially Determined Contributions

Governmental contributions to public retirement plans are generally subject to the appropriation process within the employing government. Consequently, the plans compete with other governmental programs for funds. During times when economic forces increase the competition for governmental funds, employers may forgo paying the full amount of the actuarially determined contribution. In the long-run, however, this may increase the cost of funding the plan, since fewer dollars are invested to earn interest income.

Most employers are paying the full amount of the actuarially determined contribution. This is dramatically illustrated in Exhibit VII-2 which shows that 78 percent of the respondents are making the full actuarially determined contribution, and only about seven percent are making less than 90 percent of the actuarially determined contribution.

TABLE IV-3

SUMMARY STATISTICS FOR ANNUAL UNIT BENEFIT FOR MEMBERS NOT COVERED BY SOCIAL SECURITY

AVERAGE ANNUAL UNIT BENEFIT (% OF FAS)		Mean	Standard Deviation	Number of Valid Cases	Total Respondents
Region					
Northeast		2.11 *	0.62	17	52
Midwest		2.39 *	0.47	53	101
South		2.51 *	0.47	49	123
West		2.26 *	0.57	47	103
Number of Members					
< 1,000		2.53 *	0.62	72	172
1,000 - 49,999		2.26 *	0.40	70	148
50,000 - 99,999		2.29 *	0.38	11	26
100,000+		2.00 *	0.32	13	33
Total Assets (Market)					
< \$100 million		2.50 *	0.64	56	162
\$100 - \$999 million		2.43 *	0.47	54	106
\$1.0 - \$9.9 billion		2.19 *	0.36	44	82
\$10+ billion		2.02 *	0.35	12	29
Type of Employees					
General					
Teachers/School		2.24 *	0.44	52	165
Police/Fire		2.09 *	0.36	21	40
Other		2.40 *	0.43	83	128
3.20 *			0.98	10	46
Administering Jurisdiction					
Independent					
State Government		2.35	0.37	40	64
Local Government		3.40	0.68	54	118
Special District & Other		2.33	0.48	65	165
2.39			0.36	7	32
Total Responses					
		2.36	0.51	166	379

Note: * indicates statistically significant differences among group means at the 90% confidence level.

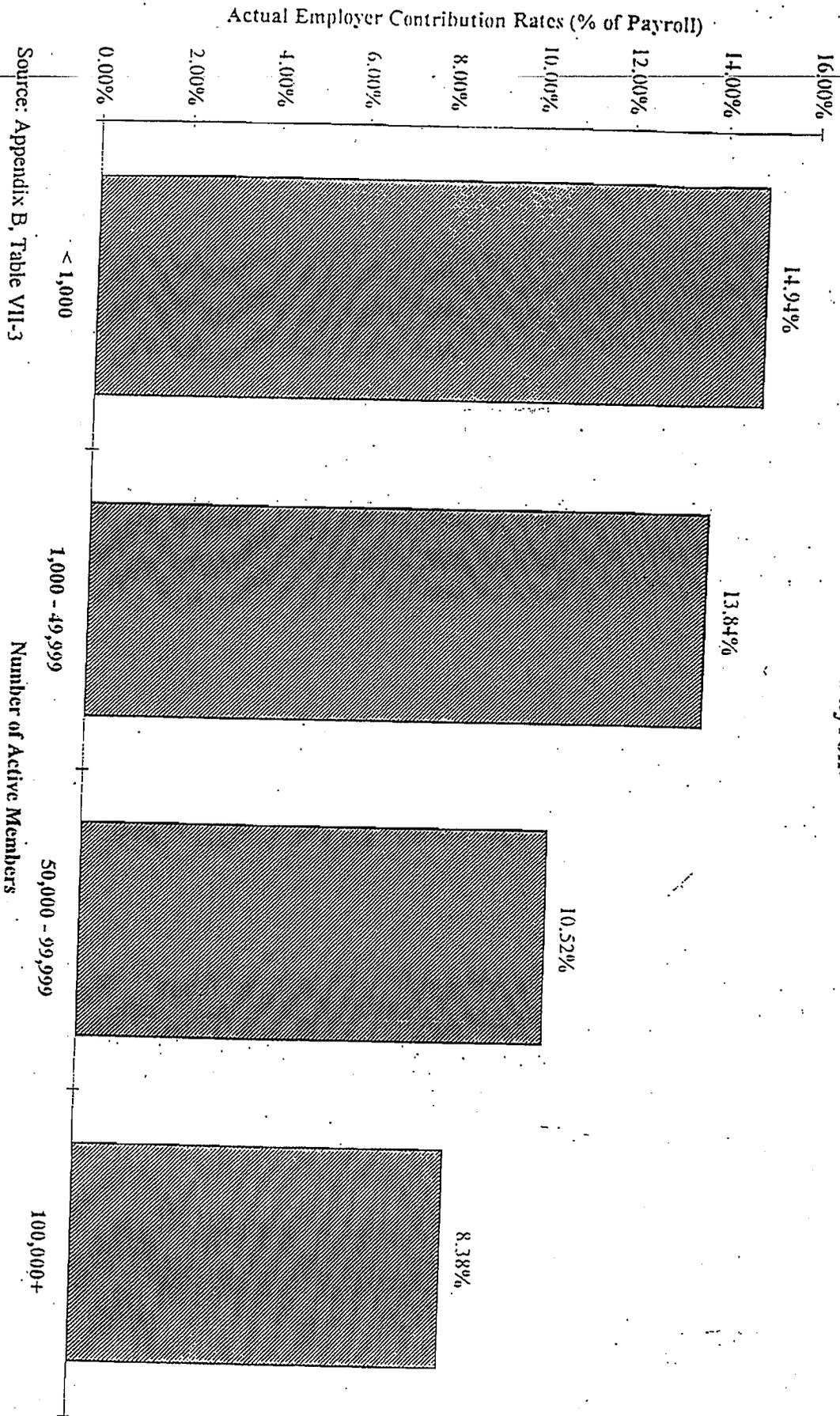
TABLE IV-5

**SUMMARY STATISTICS FOR AVERAGE ACCUMULATED BENEFIT AFTER 30 YEARS OF SERVICE
FOR MEMBERS NOT COVERED BY SOCIAL SECURITY**

AVERAGE ACCUMULATED BENEFIT (% OF FAS)		Mean	Standard Deviation	Number of Valid Cases	Total Respondents
Region					
Northeast		66.17 *	7.99	20	52
Midwest		68.20 *	8.93	54	101
South		73.34 *	12.52	49	123
West		65.25 *	11.44	53	103
Number of Members					
< 1,000		68.89 *	12.03	79	172
1,000 - 49,999		69.36 *	10.33	72	148
50,000 - 99,999		70.16 *	8.87	12	26
100,000+		59.96 *	8.21	13	33
Total Assets (Market)					
< \$100 million		67.95 *	12.57	63	162
\$100 - \$999 million		71.77 *	10.41	53	106
\$1.0 - \$9.9 billion		67.56 *	9.16	47	82
\$10+ billion		61.37 *	9.16	13	29
Type of Employees					
General		68.07	11.89	52	165
Teachers/School		64.77	9.32	22	40
Police/Fire		69.16	11.18	92	128
Other		73.00	8.39	10	46
Administering Jurisdiction					
Independent		70.48	9.86	42	64
State Government		68.17	11.19	55	118
Local Government		67.41	11.97	71	165
Special District & Other		70.29	8.80	8	32
Total Responses		68.51	10.72	176	379

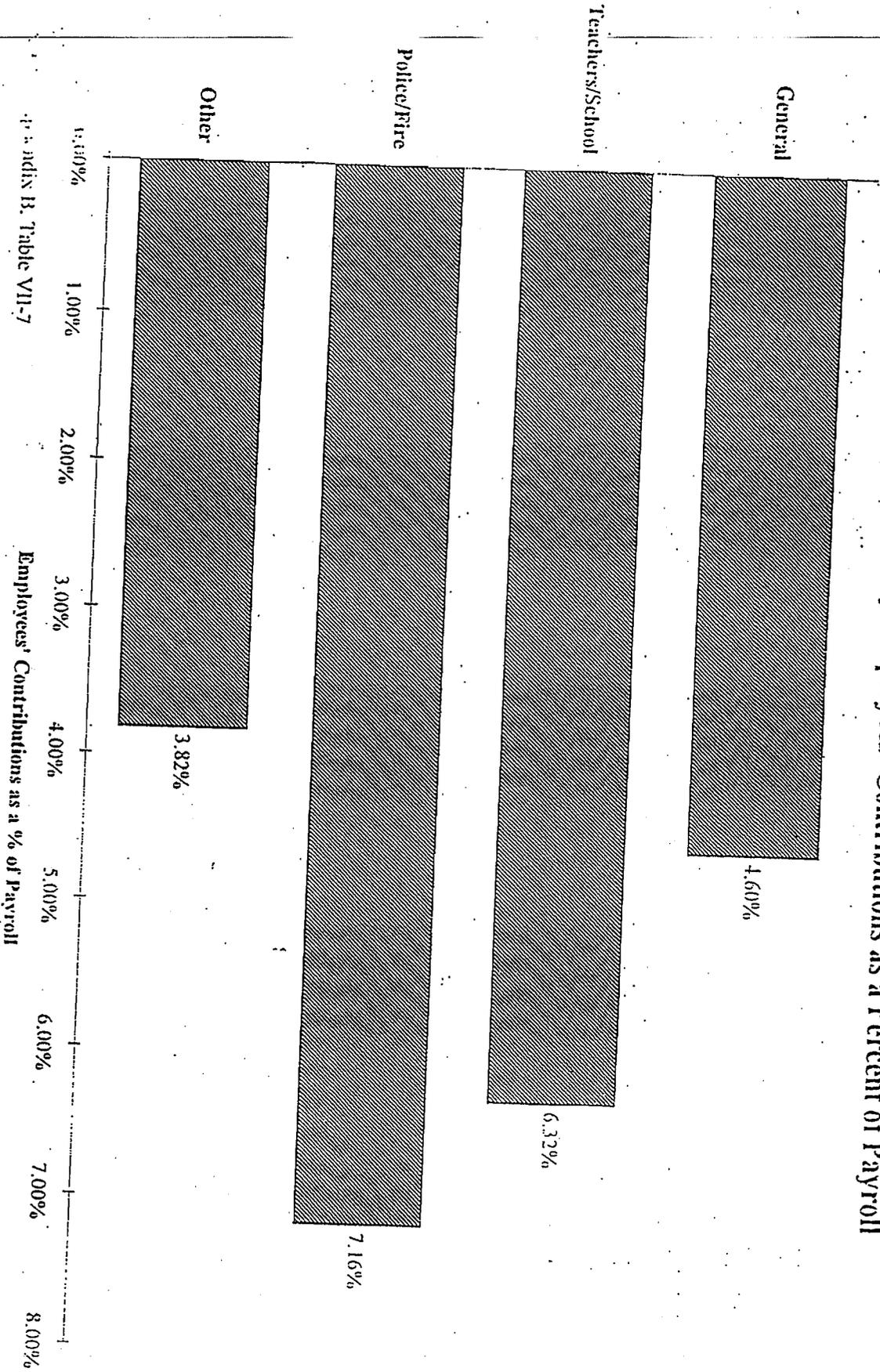
Note: a * indicates statistically significant differences among group means at the 90% confidence level.

Exhibit VII-1
Distribution of Respondent Plans by Actual Employer Contribution Rates as a Percent of Payroll



Type of Covered Employees

Exhibit VII-3
Distribution of Respondent Plans by Employees' Contributions as a Percent of Payroll



Source: Bureau of Census, Table VII-7

Employees' Contributions as a % of Payroll

Burlington Employees' Retirement System
Benefit Change Study - March 1999

The employee representatives on the Retirement Board have proposed the following changes be studied.

Class "B"

1. provide a 50% benefit with age and service equal to 80
2. provide paid health insurance for up to two people for life
3. provide paid health insurance for up to two people for ten years
4. increase the survivor death benefit from 25% to 30%
5. provide life insurance coverage after retirement of \$40,000
6. provide an unreduced benefit at age 55 with 20 years of service
7. provide an unreduced benefit at age 60 with 20 years of service
8. provide an unreduced benefit at age 62 with 25 years of service
9. provide a 40% benefit at age 55 with 25 years of service
10. look at using shift differential etc. for the average final compensation
11. provide a cost of living increase for disability retirees

(propose.bd)