

**SOUTH BURLINGTON SCHOOL DISTRICT**

Business Office  
550 Dorset Street  
South Burlington, Vermont 05403

TO: David R. Young, Superintendent of Schools  
The South Burlington Board of School Directors

FROM: John K. Stewart, Business Manager

DATE: December 7, 2015

SUBJECT: Actuarial Valuation for SBSB Retirement

We just received the actuarial report from Future Planning Associates, Inc. for the Staff Retirement Income Plan for the period of October 1, 2014 through September 30, 2015. This is the transmittal letter to accompany the report as it is distributed to the Superintendent and School Board. This actuarial report, as well as other aspects of the retirement system, will be presented in Policy Monitoring Report 2.4 (Staff Retirement) later this winter. The key aspects follow:

1. The minimum required contribution by the District to the plan is \$606,963, up about \$14,000 (or 2.3%) from the prior year. This payment will be included in the FY 2017 budget.
2. The percentage of vested benefits decreased 76.4% from 80.0% in the prior year as investments/contributions increased at a slower rate than vested liabilities.
3. The plan's net assets have increased to \$8,765,398 over \$8,559,376 in the prior year. This represents a growth of 2.4%.
4. The vested benefit liability increased by 7.2% to \$11,474,312. The growth rate in the prior two fiscal years had been 8.6% and 8.5%.

Valuation Period	<i>current report</i>			Change 15 vs. '14
	Year Ending 9/30/2013	Year Ending 9/30/2014	Year Ending 9/30/2015	
Actuarially computed value of accrued vested benefit liabilities	\$ 9,862,342	\$ 10,704,036	\$ 11,474,312	\$ 770,276
Assets	\$ 7,474,435	\$ 8,559,376	\$ 8,765,398	\$ 206,022
Unfunded liability	\$ 2,387,907	\$ 2,144,660	\$ 2,708,914	\$ 564,254
<b>% Funded</b>	<b>75.8%</b>	<b>80.0%</b>	<b>76.4%</b>	

Due to the cost containment aspect of Act 46, I recommend to the Superintendent that the district only fund the minimum contribution of \$606,963 this year. It would not make financial sense to have this be subject to the double tax penalty provision of the law. More will come in the budget presentation about this recommendation.

**Actuarial Valuation for the  
South Burlington School District  
Retirement Income Plan**

For Plan Year October 1, 2014  
Through September 30, 2015

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**FUTURE PLANNING ASSOCIATES, INC.**

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EMPLOYEE AND EXECUTIVE BENEFIT CONSULTANTS

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# FUTURE PLANNING ASSOCIATES, INC.

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EMPLOYEE AND EXECUTIVE BENEFIT CONSULTANTS

December 2, 2015

**Personal & Confidential**

Mr. John K. Stewart, Business Manager  
South Burlington School District  
550 Dorset Street  
South Burlington, VT 05403

**Re: South Burlington School District Retirement Income Plan  
Valuation Period October 1, 2014 through September 30, 2015**

Dear John:

Enclosed is the Actuarial Valuation for the above plan covering the period October 1, 2014 through September 30, 2015. The report contains information regarding the funding status of the Plan, as well as the benefits of individual participants under the program. The minimum required contribution is **\$609,693**, using the last day of the plan year as the deposit date. Our cash flow and balance sheet reflect the advance contributions totaling \$173,886.51 that were made prior to the September 30, 2015 plan year end.

If the individual estimated accrued benefits illustrated in this report are communicated to the employees, they should be accompanied by a statement that they are **estimates** only. Actual accrued benefit calculations performed upon termination, retirement or other separation from service will involve averaging of salaries earned over a number of years, together with confirmation of employment history. This process will generally result in lower benefits than those illustrated.

Following is a summary of the pertinent contents and applicable instructions for the enclosed report:

1. **Summary of Actuarial Valuation** identifies the major cost components required to fund the Plan as of October 1, 2014.
2. **Fund Cash Flow and Reconciliation** statements summarize changes to your Plan's financial position transpiring during the **period** starting at October 1, 2014, identifying major sources of changes, and concluding with a summary of Plan assets at September 30, 2015.
3. **Plan Member Schedules** detail relevant employee data, accrued and projected benefits and vesting status of all participating plan members.

Mr. John K. Stewart  
December 2, 2015  
Page 2

4. **Participant Statements** provide each participating plan member with an individualized accounting of his or her status under the plan. The enclosed statements should be distributed to participants. First time participants should be given copies of the Summary Plan Description and Beneficiary Designation forms.

Thank you very much for your continued confidence in our services. We hope our Actuarial Valuation reinforces that confidence and supports a continuing relationship many years into the future.

Sincerely,



Lesley C. Alexander, ERPA, QPA  
Senior Pension Administrator

Enclosure

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EMPLOYEE AND EXECUTIVE BENEFIT CONSULTANTS

***South Burlington School District  
Retirement Income Plan***

***Part I***  
**Summary of Actuarial Valuation**

For the Period October 1, 2014 through September 30, 2015

We have performed an Actuarial Valuation of this Plan as of October 1, 2014. In fulfilling this task we have relied upon employee data provided by the Plan sponsor and financial information presented by SEI. On the basis of this data and information, of our interpretation of the Plan as further elucidated in this report, and of the valuation method and assumptions set forth herein, we hereby present the following summary of our findings.

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# ***South Burlington School District Retirement Income Plan***

## ***Part 1 Summary of Actuarial Valuation***

For the Period October 1, 2014 through September 30, 2015

	Last Year	This Year
<b>CONTRIBUTION SUMMARY</b>		
Minimum Contribution Required for the Funding Standard Account (or Full Funding Limitation, if Less)	595,456	609,693
<b>FULL FUNDING LIMITATION</b>	2,715,881	2,538,939
<b>SUPPORTING INFORMATION</b>		
Present Value of Future Plan Benefits	11,747,247	12,536,847
Normal Cost for Plan Year	556,501	569,807
<b>LIVES COVERED BY THE PROGRAM</b>	343	352
<b>FUNDING STATUS SUMMARY</b>		
Actuarially Computed Value of Accrued Vested Benefits as of Plan Yr. End	10,704,036	11,474,312
Assets as of Plan Yr. End *	8,559,376	8,765,398
Assets Below Vested Liabilities as of Plan Year End	(2,144,660)	(2,708,914)

\* Assets include current year receivable

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EMPLOYEE AND EXECUTIVE BENEFIT CONSULTANTS

***South Burlington School District  
Retirement Income Plan***

***Part II  
Supporting Schedules***

For the Period October 1, 2014 through September 30, 2015

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EMPLOYEE AND EXECUTIVE BENEFIT CONSULTANTS

**South Burlington School District  
Retirement Income Plan**

**Determination of Company Normal Cost  
(Funding Assumptions)**

As of October 1, 2014

	Last Year	This Year
<b>1. Present Value of Future Benefits</b>		
Active Plan Members	7,831,387	8,618,325
Deferred Benefits (Terminees)	926,566	1,021,799
Retirees /Postponed Retirement	2,989,294	2,896,723
<b>TOTAL PRESENT VALUE</b>	<b>11,747,247</b>	<b>12,536,847</b>
<b>2. Actuarial Value of Plan Assets</b>	<b>7,558,777</b>	<b>8,644,164</b>
<b>3. Credit Balance/(Funding Deficiency)</b>	<b>266,223</b>	<b>416,294</b>
<b>4. Offset to Present Value (2 - 3)</b>	<b>7,292,554</b>	<b>8,227,870</b>
<b>5. Present Value of Future Normal Cost (1 - 4)</b>	<b>4,454,693</b>	<b>4,308,977</b>
<b>6. Current Compensation</b>	<b>5,099,744</b>	<b>5,488,640</b>
<b>7. Present Value of Future Compensation</b>	<b>40,822,566</b>	<b>41,505,998</b>
<b>9. Normal Cost for Plan Year (6/7)*(5)</b>	<b>556,501</b>	<b>569,807</b>

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***South Burlington School District  
Retirement Income Plan***

**Reconciliation of Assets and Liabilities  
At September 30, 2015**

**Composition of Ending Assets**

	<b>Beginning of Year</b>	<b>End of Year</b>
<b>ASSETS</b>		
Unallocated Insurance	\$0	\$0
Pooled Funds	8,117,691	8,296,479
Employer Contribution Receivable	411,706	435,806
Adj. for pre-paid Oct. 1, 2015 ben. pymts.	29,979	33,113
<b>TOTAL ASSETS</b>	<b>\$8,559,376</b>	<b>\$8,765,398</b>
<b>LIABILITIES</b>		
Payables	0	0
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>0</b>
<b>TOTAL NET ASSETS</b>	<b>\$8,559,376</b>	<b>\$8,765,398</b>

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**South Burlington School District  
Retirement Income Plan**

**Fund Cash Flow and Change in Financial Position**

For the Period **October 1, 2014** through **September 30, 2015**

<b>INCOME</b>		
Actuarial Side Fund Dep. Paid or Accrued	739,237	
Interest/Dividends Paid or Accrued	178,516	
Realized gain or (loss)	346,868	
<b>TOTAL INCOME</b>		<b>\$ 1,264,621</b>
<b>EXPENSES</b>		
Benefit Payments	(390,450)	
Contract Service Charges/ Inv. Fees	(42,659)	
<b>TOTAL EXPENSES</b>		<b>(433,109)</b>
<b>CHANGES IN ASSETS</b>		
Unrealized Appreciation/(Depreciation)	(625,490)	
<b>TOTAL CHANGES IN ASSETS</b>		<b>(625,490)</b>
Net Increase (Decrease) In Assets		206,022
Assets at Beginning of Year		<u>8,559,376</u>
Assets at End of Year		<b>\$8,765,398</b>

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# ***South Burlington School District Retirement Income Plan***

## **Funding Standard Account**

The Funding Standard Account is defined in Section 412 of the Internal Revenue Code. It is used to measure the adequacy of funding of your pension plan. An Accumulated Credit Balance, which is the result of total credits being greater than total charges, shows that funding has been adequate to meet legal requirements. An Accumulated Funding Deficiency, which is the result of total charges being greater than total credits, should not be allowed to develop as it is subject to a nondeductible tax as defined in Section 4971 of the Internal Revenue Code.

Funding Standard Account Statement for the Plan Year beginning October 1, 2014 and ending September 30, 2015.

<b>Charges to the Funding Standard Account</b>	
Accumulated Funding Deficiency	0
Normal Cost for the '14-'15 Plan Year	569,807
Interest on the Above Items @ 7%	39,886
Interest on non quarterly deposits	0
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<b>TOTAL CHARGES</b>	<b>609,693</b>
<b>Credits to the Funding Standard Account</b>	
Accumulated Credit Balance PYB	416,294
Recommended contributions for the '14 -'15 Plan Year	609,693
Interest on Credit Balance, adv. contribution @ 7%	29,141
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<b>TOTAL CREDITS</b>	<b>1,055,128</b>
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<b>Credit Balance</b>	<b>445,435</b>

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# **South Burlington School District Retirement Income Plan**

## **Full Funding Limitation**

For the Period Beginning 10/01/14

Consistent with the requirements of IRC Section 412(c) (7), the computations to establish the Accrued Liability and Full Funding Limitation for this program have been developed as follows:

1. Actuarial Accrued Liability at 10/01/14	10,231,138	
Entry Age Normal Cost as of 10/01/14	<u>369,572</u>	
Net Obligation		10,600,710
2. Actuarial adj. assets at 10/01/14	8,644,164	
Less: Credit Balance	<u>416,294</u>	
Total Assets		8,227,870
3. Interest to 9/30/15 on (1 - 2)		<u>166,099</u>
4. Accrued Liability Limitation (1 - 2 + 3, but not less than 0)		2,538,939

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**South Burlington School District  
Retirement Income Plan**

**Present Value of Accrued Benefits Plan Assumptions**

As of September 30, 2015

	Number of Employees	Non vested Accrued Benefits	Vested Accrued Benefits	Total Accrued Benefits
Separated Members Due Deferred Benefits	78	3,401	1,560,513	1,563,914
Retired Members	88	0	3,700,704	3,700,704
Subtotal, Inactive Members	166	3,401	5,261,217	5,264,618
Active Participants	168	344,885	5,286,581	5,631,466
Late Retirees	18	0	926,514	926,514
Total Employees	186	344,885	6,213,095	6,557,980
<b>GRAND TOTAL</b>	352	348,286	11,474,312	11,822,598

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