

CITY OF RUTLAND
EMPLOYEES RETIREMENT SYSTEM

ACTUARIAL VALUATION FOR
JANUARY 1, 2009

SUMMARY FOR PENSION BOARD
JANUARY 27, 2010

Retirement Services
People's United Bank
P.O. Box 386
Burlington, VT 05402

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People's United Bank
P.O. Box 386
Burlington, VT 05402

INTRODUCTION

This report reflects the actuarial valuation for the City of Rutland Employees Retirement System Plan ("Plan") for the 2009 plan year. The valuation is performed as of the beginning of the plan year, January 1, 2009. The valuation measures the Plan liabilities as of January 1, 2009 and compares those liabilities with the Plan assets as of that date, to determine the contribution required to properly fund the Plan on an ongoing basis.

In preparing this valuation we have relied on the asset information and distribution information provided by Prudential and the employee data provided by the City of Rutland.

Valuation Results

The following is a summary of the valuation results, compared to the prior valuation report:

| | <u>January 1, 2007</u> | <u>January 1, 2009</u> |
|---|------------------------|-----------------------------|
| Participants: | 947 | 1018 |
| Active: | 622 | 650 |
| Retiree/Beneficiaries: | 244 | 265 |
| Term Vested: | 81 | 103 |
| Total Covered Payroll: | \$ 24,161,425 | \$ 26,389,650 |
| Market Value of Plan Assets: | \$ 50,506,171 | \$ 41,238,838 |
| Actuarial Value of Plan Assets: | \$ 50,695,986 | \$ 49,414,401 |
| Actuarial Accrued Liability: | \$ 59,831,977 | \$ 71,277,825 |
| Unfunded Actuarial Accrued Liability: | \$ 9,135,991 | \$ 21,863,424 |
| Funded Status of the Plan: | 85% | 69% |
| Recommended Employer Plan Contribution: | | |
| (end of year) | | |
| Normal Cost: | \$ 2,542,540 | \$ 2,834,683 |
| Amortization Payment: (Unfunded Accrued Liability) | \$ 1,067,354 | \$ 2,554,207 |
| Total: | \$ 3,609,894 | \$ 5,388,980 |
| Percent of Payroll: | 14.94% | 20.42% |
| Employer Contribution Paid: | \$1,877,860 | (not yet determined) |

Value of Plan Assets

The assets are valued based on the market value as of the valuation date, January 1, 2009. As a result of the current economic conditions, the assets suffered a loss of approximately (24%) in 2008, versus the expected return of 8%. If the assets had performed as expected, the market value on 1/1/2009 would have been \$57,941,158 vs. the actual value of \$41,238,838.

For purposes of determining the recommended contribution for the 2009, a smoothing method is applied to the market value of the assets to generate an actuarial value of the assets. This methodology mitigates the effect of significant swings in the investment market. In applying this methodology the resulting actuarial value of assets is limited to no less than 80% and no more than 120% of the actual market value. This year the actuarial value of assets was limited to 120% of the market value, resulting in an actuarial value of \$49,414,401.

Funded Status

The actuarial accrued liability under the Plan for 1/1/2009 is \$71,277,835, based on the current funding assumptions. Compared to the actuarial asset value of \$49,414,401, the plan is 69% funded, compared to 80% in 2008 and 85% in 2007. The decline in the funded status is primarily due to the asset decline, and the fact that actual contributions to the plan that have been less than the recommended contribution level in prior years.

Change in Funding Method/Actuarial Assumptions

There were no changes in the funding method. There were no changes in the actuarial assumptions in the 2009 valuation, except for the Plan expense assumption. The actual expenses paid by the Plan were \$28,035 in 2007 and \$118,835 in 2008. The prior assumption was that the expenses paid from the Plan would equal \$10,000 per year. In 2008 actuarial and administration fees were paid from the Plan in addition to the Prudential administration fees. Therefore this assumption has been increased from \$10,000 to \$60,000 to more accurately reflect the anticipated expenses to be paid by the Plan.

Change in Plan Provisions

There were no changes in Plan provisions reflected in this valuation.

Funded Status

The Unfunded Accrued Liability has increased from 2007 to 2009

| <u>2007</u> | <u>2008</u> | <u>2009</u> |
|-------------|--------------|--------------|
| \$9,135,991 | \$12,897,039 | \$21,863,424 |

The increase from 2008 to 2009 is primarily due to the asset loss:

| | |
|---|--------------|
| Unfunded Accrued Liability on 1/1/2008: | \$12,897,039 |
| (Gain)/Loss on Assets: | \$ 9,264,033 |
| (Gain)/Loss on other Plan Experience; | \$ (297,648) |
| Unfunded Accrued Liability on 1/1/2009: | \$21,863,424 |

Employee Data

The covered employee group increased from 947 to 1018. An audit of all active employee data was performed by the City which resulted in changes in the historic employee data base. These changes have been reflected in the current valuation.

Employee Listings

Individual employee listings have been provided to the City and the School, reflecting employee census data and current accrued benefits.

CITY OF RUTLAND
EMPLOYEES RETIREMENT SYSTEM

ACTUARIAL VALUATION AS OF
JANUARY 1, 2009

SUMMARY OF ACTUARIAL VALUATION

| Summary of Contribution for the Plan Year | 2007 | 2009 |
|--|------------|------------|
| Recommended Contribution: | 3,609,894 | 5,492,635 |
| Actual Contribution: | 1,877,860 | ---- |
| | | |
| Participant Data | | |
| Participants currently employed: | 622 | 650 |
| Terminated Participants entitled to vested benefits: | 81 | 103 |
| Retired Participants receiving benefits: | 244 | 265 |
| Total participants included in current year valuation: | 947 | 1,018 |
| | | |
| Aggregate compensation of active participants, as limited under 401(a)(17): | 24,161,425 | 26,389,650 |
| Average annual compensation: | 38,845 | 40,599 |
| | | |
| Asset Data | | |
| Fair market value of Plan assets: | 50,506,171 | 41,238,838 |
| Actuarial asset value: | 50,695,986 | 49,414,401 |
| | | |
| IRS determined rate of return on market value during year prior to valuation date: | 5.50% | -23.90% |
| | | |
| Summary of Funding and Recommended Contribution | | |
| Actuarial Accrued Liability | 59,831,977 | 71,277,825 |
| Actuarial Value of Assets | 50,695,986 | 49,414,401 |
| Unfunded Actuarial Accrued Liability | 9,135,991 | 21,863,424 |
| | | |
| Normal Cost as of the end of the Plan Year | 2,542,540 | 2,834,683 |
| Amortization of Unfunded Liability as of the end of the Plan Year | 1,067,354 | 2,554,297 |
| Total Recommended Contribution: | 3,609,894 | 5,388,980 |
| | | |
| Funded ratio: | 85% | 69% |
| | | |
| Valuation Date: | 01/01/2007 | 01/01/2009 |

CITY OF RUTLAND
EMPLOYEES RETIREMENT SYSTEM

ACTUARIAL VALUATION AS OF
JANUARY 1, 2009

SUMMARY OF ACTUARIAL VALUATION

| | Police | Fire | DPW | General | Board of Education | Total |
|---|-------------|-------------|-------------|-------------|--------------------|--------------|
| Total Normal Cost: | \$381,761 | \$183,432 | \$330,221 | \$231,872 | \$2,460,056 | \$3,587,342 |
| Expected Employee Contributions: | \$149,458 | \$55,011 | \$45,249 | \$35,322 | \$737,595 | \$1,022,635 |
| Administrative Expenses: | \$6,214 | \$6,675 | \$6,356 | \$4,880 | \$35,875 | \$60,000 |
| Employer Normal Cost as of January 1, 2009: | \$238,516 | \$135,095 | \$291,328 | \$201,430 | \$1,758,336 | \$2,624,706 |
| Actuarial Accrued Liability: | \$7,381,586 | \$7,929,477 | \$7,550,808 | \$5,797,318 | \$42,618,637 | \$71,277,825 |
| Actuarial Value of Assets: | \$4,905,136 | \$5,269,215 | \$5,017,585 | \$3,852,374 | \$30,370,091 | \$49,414,401 |
| Unfunded Actuarial Accrued Liability (UAAL): | \$2,476,450 | \$2,660,262 | \$2,533,223 | \$1,944,944 | \$12,248,546 | \$21,863,424 |
| Amortization of UAAL over 15 Years Payable December 31, 2009: | \$289,323 | \$310,798 | \$295,956 | \$227,227 | \$1,430,993 | \$2,554,297 |
| Employer Normal Cost as of December 31, 2009: | \$257,598 | \$145,903 | \$314,635 | \$217,544 | \$1,899,003 | \$2,834,683 |
| Recommended Contribution Payable as of December 31, 2009: | \$546,921 | \$456,701 | \$610,591 | \$444,771 | \$3,329,996 | \$5,388,980 |
| Covered Payroll: | \$2,364,841 | \$1,100,223 | \$2,262,450 | \$1,766,118 | \$18,896,018 | \$26,389,650 |
| Recommended Contribution as a % of Covered Payroll: | 23.13% | 41.51% | 26.99% | 25.18% | 17.62% | 20.42% |

Note 1 - The Actuarial Value of Assets has been allocated to the Board of Education and the City based on historical transactions and earnings since 01/01/2001.

Note 2 - Administrative Expenses have been allocated based on Accrued Liability.

CITY OF RUTLAND
EMPLOYEES RETIREMENT SYSTEM

ACTUARIAL VALUATION AS OF
JANUARY 1, 2009

SUMMARY OF PLAN ASSET EXPERIENCE DURING THE PLAN YEAR

| Summary of Income, Expenses and Rate of Return | 2007 | 2008 |
|---|-------------|--------------|
| 1. Asset Fair Market Value at January 1: | 50,506,170 | 53,172,934 |
| 2. Employer Contribution to the Plan: | 1,717,817 | 2,682,486 |
| 3. Employee Contributions to the Plan: | 795,470 | 918,085 |
| 4. Benefit Payments made from the Plan: | (2,605,285) | (2,928,526) |
| 5. Fees Paid: | (28,065) | (118,835) |
| 6. Net Investment Earnings (including realized and unrealized amounts): | 2,786,827 | (12,788,325) |
| 7. Asset Fair Market Value at December 31 (1+2+3+4+5+6): | 53,172,934 | 40,937,819 |
| 8. Receivable Contribution for prior Plan Year: | 0 | 301,019 |
| 9. Total Plan Assets: | 53,172,934 | 41,238,838 |
| 10. IRS determined annual rate of return for year: | 5.50% | -23.90% |

Allocation of Assets

For the January 1, 2009 Valuation the plan assets were allocated separately to the City of Rutland and the Board of Education. This allocation was based on the historical transactions from 01/01/2001 through 01/01/2009. On 01/01/2001 the Plan Assets were 107% of the Plan Liabilities. Since 01/01/2001 changes were made in benefit levels and contribution levels by the City and the Board of Education, therefore, the assets have been allocated based on actual plan liability for each group and actual contributions. As a result the allocation of assets as of 01/01/2009 are as follows:

| | |
|----------------------|-------------------|
| City of Rutland: | 15,893,967 |
| Board of Education: | 25,344,871 |
| Total Assets: | 41,238,838 |

CITY OF RUTLAND
EMPLOYEES RETIREMENT SYSTEM

ACTUARIAL VALUATION AS OF
JANUARY 1, 2009

DETERMINATION OF ACTUARIAL VALUE OF ASSETS

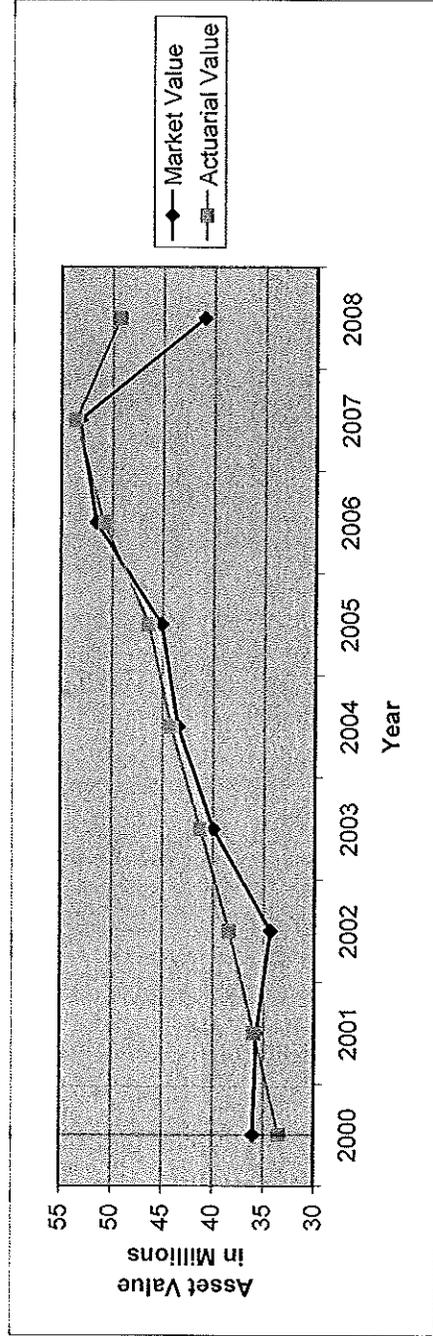
| | Year End | |
|--|------------|-------------|
| | 12/31/2007 | 12/31/2008 |
| 1. Actuarial value of assets at beginning of year: | 49,676,391 | 53,455,121 |
| 2. Contribution less benefit payments and operating expenses: | (120,033) | 553,210 |
| 3. Average actuarial value of the fund, 1 + 50%(2): | 49,616,375 | 53,731,726 |
| 4. Assumed net investment income, 8%(3): | 3,969,310 | 4,298,538 |
| 5. Preliminary value of assets at the end of the year, 1+2+4: | 53,525,668 | 58,306,869 |
| 6. Market Value of assets at the end of the year (excludes receivables): | 53,172,934 | 40,927,819 |
| 7. Smoothing adjustment, 20%(6-5): | (70,547) | (3,475,810) |
| 8. Actuarial value of assets, 5+7 but not <80% or >120% of 6: | 53,455,121 | 49,113,383 |
| 9. Contribution receivables: | 0 | 301,019 |
| 10. Final actuarial value of assets, 8+9: | 53,455,121 | 49,414,401 |
| 11. Actuarial value of assets as a percent of market value of assets, 8/(6): | 100.53% | 120.00% |
| 12. Allocation of Actuarial Value of Assets | | |
| City of Rutland: | 21,307,152 | 19,044,310 |
| Board of Education: | 32,147,969 | 30,370,091 |
| Total: | 53,455,121 | 49,414,401 |

CITY OF RUTLAND
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ACTUARIAL VALUATION AS OF
JANUARY 1, 2009

SUMMARY OF PLAN ASSET EXPERIENCE DURING THE PLAN YEAR

| Year Ended December 31 | Employer Contributions | Employee Contributions | Net Investment Return | Administrative Expenses | Benefit Payments | Market Value of Assets | Actuarial Value of Assets |
|---------------------------|---------------------------|---------------------------|--------------------------|----------------------------|---------------------|------------------------------|---------------------------------|
| 2000 | 728,902 | 370,087 | 2,905,463 | 16,449 | 1,126,251 | 35,983,639 | 33,351,605 |
| 2001 | 832,291 | 343,011 | 2,625,341 | 40,170 | 1,289,470 | 35,676,073 | 35,822,508 |
| 2002 | 1,560,078 | 487,140 | 1,850,005 | 42,111 | 1,395,403 | 34,308,508 | 38,282,217 |
| 2003 | 1,209,778 | 403,259 | 2,742,732 | 41,746 | 1,461,294 | 39,943,385 | 41,134,946 |
| 2004 | 1,256,699 | 418,890 | 3,116,245 | 71,737 | 1,806,900 | 43,411,905 | 44,048,143 |
| 2005 | 756,733 | 308,280 | 3,202,083 | 14,600 | 2,106,977 | 45,075,493 | 46,193,632 |
| 2006 | 2,490,603 | 443,545 | 3,886,775 | 9,200 | 2,309,369 | 51,525,766 | 50,695,986 |
| 2007 | 1,717,816 | 795,470 | 2,786,827 | 28,065 | 2,605,285 | 53,172,934 | 53,455,121 |
| 2008 | 2,682,486 | 918,085 | (12,788,325) | 118,835 | 2,928,526 | 40,927,819 | 49,113,382 |



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JANUARY 1, 2009

SUPPLEMENTARY INFORMATION REQUIRED BY GASB

SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Underfunded/ (Overfunded) AAL (UAAL) (b)-(a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c) |
|--------------------------------|--|--|---|----------------------------|---------------------------|--|
| 1/1/1997 | 21,887,900 | 19,977,000 | (1,910,900) | 109.57% | 12,078,200 | -15.82% |
| 1/1/1998 | N/A | N/A | N/A | N/A | N/A | N/A |
| 1/1/1999 | 27,234,000 | 24,768,100 | (2,465,900) | 109.96% | 14,460,600 | -17.05% |
| 1/1/2000 | N/A | N/A | N/A | N/A | N/A | N/A |
| 1/1/2001 | 33,351,605 | 33,510,388 | 158,783 | 99.53% | 17,495,402 | 0.91% |
| 1/1/2002 | N/A | N/A | N/A | N/A | N/A | N/A |
| 1/1/2003 | 38,282,217 | 40,132,181 | 1,849,964 | 95.39% | 19,456,272 | 9.51% |
| 1/1/2004 | N/A | N/A | N/A | N/A | N/A | N/A |
| 1/1/2005 | 44,048,143 | 48,348,202 | 4,300,059 | 91.11% | 22,137,295 | 19.42% |
| 1/1/2006 | N/A | N/A | N/A | N/A | N/A | N/A |
| 1/1/2007 | 50,695,986 | 59,831,977 | 9,135,991 | 84.73% | 24,161,425 | 37.81% |
| 1/1/2008 | 53,598,552 | 66,495,591 | 12,897,039 | 80.60% | 25,641,832 | 50.30% |
| 1/1/2009 | 49,414,401 | 71,277,825 | 21,863,424 | 69.33% | 26,389,650 | 82.85% |

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JANUARY 1, 2009

SUPPLEMENTARY INFORMATION REQUIRED BY GASB

SCHEDULE OF FUNDING PROGRESS BASED ON FISCAL YEAR

| Plan Year Ended June 30 | Annual Required Contributions | Actual Contribution | Percentage Contributed |
|-------------------------|-------------------------------|---------------------|------------------------|
| 1995 | 541,400 | 582,900 | 107.67% |
| 1996 | 883,300 | 873,800 | 98.92% |
| 1997 | 925,200 | 812,600 | 87.83% |
| 1998 | 776,500 | 683,900 | 88.07% |
| 1999 | 815,800 | 599,900 | 73.54% |
| 2000 | 964,800 | 834,711 | 86.52% |
| 2001 | 1,015,000 | 923,954 | 91.03% |
| 2002 | 1,787,161 | 1,048,297 | 58.66% |
| 2003 | 1,877,432 | 1,227,415 | 65.38% |
| 2004 | 2,246,572 | 1,625,945 | 72.37% |
| 2005 | 2,345,116 | 1,275,244 | 54.38% |
| 2006 | 2,785,751 | 1,501,784 | 53.91% |
| 2007 | 2,899,920 | 1,690,335 | 58.29% |
| 2008 | 3,609,894 | 1,877,860 | 52.02% |
| 2009 | 4,048,303 | 2,039,388 | 50.38% |

