



BURLINGTON EMPLOYEES' RETIREMENT SYSTEM

James T. Strouse
Chairman of the Board
Robert Hooper
Vice-Chairman

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Retirement Board Meeting Agenda Conference Room 12 Thursday December 21, 2017 – 9:30 AM

1. Agenda
2. Public Forum
3. Approve Minutes of 11/15/2017
4. Approval of Bills
5. Approval of Retirement Applications
6. Approve / Ratify Refunds and Rollovers
7. Retirement Ordinance Amendments for Non-Union Employees
8. Other Business
9. Adjourn

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Proposed Changes to Retirement Ordinance December 2017

24-14 Definitions.

Unless a different meaning is plainly required by the context, the following words and phrases as used in this article shall have the following meanings:

Accumulated contributions shall mean the sum of all the amounts deducted from the compensation of a member and credited to his individual account in the system, plus interest accruing thereon at a rate of ~~five and one-half (5 1/2)~~two per cent per annum, or such higher rate as may be set by the Retirement Board for any period; provided, however, that such interest will accrue only on those contributions made after June 30, 1980.

Actuarial equivalent shall mean a benefit of equal value computed upon the basis of an eight (8) percent interest assumption and such mortality and service tables as the retirement board shall adopt.

Average final compensation shall mean the average annual earned compensation of a member during the ~~three (3)~~five (5) nonoverlapping twelve-month periods prior to the member's actual retirement which will afford him or her the highest such average, or, if he or she has less than ~~thirty-six (36)~~sixty (60) months of creditable service, his or her average final compensation shall be his or her average annual earned compensation during his or her total creditable service.

Notwithstanding the above definition, for any member hired prior to December 31, 2017,

"average final compensation" shall mean the average annual earned compensation during the ~~five (5)~~three (3) nonoverlapping twelve-month periods prior to the member's actual retirement which will afford him or her the highest such average, ~~except, or, if he or she has less than sixty (60) months of creditable service, his or her average final compensation shall be his or her average annual earned compensation during his or her total creditable service~~ for the following Class A employees: sergeants, lieutenants, deputy chiefs, and chief of the Burlington Police Department (to whom the five-year period already applies). ~~For fiscal years 2008 and 2009, the change from a three-year to a five-year basis for the named Class A employees shall be phased-in in monthly increments as described and detailed in the city council resolution and attached schedule and implementation notes of May 14, 2007. During this phase-in period, an affected~~

~~employee may, through written notification to the retirement board, opt to have their retirement based on the pre-existing three-year average, using what their base compensation—including COLA's—would have been on the Willis scale.~~

Beneficiary shall mean any person in receipt of a retirement benefit, death benefit or other benefit provided by this article.

Creditable service shall mean the years and months of membership service plus prior service.

Earned compensation shall mean the full rate of normal compensation paid to an employee for working the full normal time for his position. Normal compensation shall not include extra payments for working on holidays, overtime work, shift differentials, longevity pay, payments for unused disability leave or bonuses. In cases where normal compensation includes shelter and/or board, the retirement board shall determine the value of that part of the normal compensation not paid in money. In no case shall there be a benefit accrual on earned compensation amounts in any year that exceed the compensation limit in effect under section [401\(a\)\(17\)](#) of the Internal Revenue Code of 1986, as amended.

Employee shall mean any regular and permanent officer or employee of the city, including appointive officers, but excluding elective officers other than the mayor, who is regularly employed on a basis of not less than one thousand two hundred (1,200) hours in a twelve-month period, including teachers in the school department who were in city employment as teachers in said department as of July 1, 1947, and who become members of the State Teachers' Retirement System of Vermont, but excluding all other teachers. In all cases of doubt, the retirement board shall determine whether any person is an employee as herein defined.

Mandatory retirement age shall mean age sixty (60) for Class A members.

Member shall mean any employee included in the membership of the retirement system, as provided in Sections [24-19](#) and [24-20](#). For the purposes of the death, survivor income and disability retirement benefits provided to members of the retirement system, member shall include otherwise eligible employees who have not acquired permanent employee status.

Membership service shall mean service rendered while a member of the retirement system for which credit is allowable under Section [24-21](#) as well as that period during which a disability beneficiary is totally and permanently disabled under Section [24-23](#). A period of total and

permanent disability prior to July 1, 1983, shall be considered membership service if the retiree again becomes a member.

Month shall mean not less than fifteen (15) days and shall be considered one-twelfth (1/12th) of a year.

Normal retirement age shall mean age fifty-five (55) for Class A members and age sixty-five (65) for Class B members.

Prior service shall mean service rendered prior to July 1, 1954, for which credit is allowable under Section [24-21](#).

Regular interest shall mean compound interest at such rate as may be set from time to time by the retirement board in accordance with Section [24-60](#).

Retirement board shall mean the board provided for in section [24-27](#) et seq. to administer the retirement system.

Service shall mean service as an employee for which compensation is paid by the city, including the period covered by paid disability leave as well as the period covered by a payment for accumulated vacation leave but not including a period covered by a payment for unused disability leave. Commencing July 1, 1996, Class A service shall be adjusted such that any Class A employee who retires on or after July 1, 1996, shall be granted 1.07 years of credit for each year in which the employee worked prior to July 1, 1996, in a position regularly assigned a workweek consisting on average of fifty-three (53) or more hours of work per week. A Class A employee shall be granted 1.17 years of credit for each year in which the employee worked after July 1, 1996, in a position regularly assigned a workweek consisting on average of fifty-three (53) or more hours of work per week. This adjusted service shall be used for benefit calculation only and shall not affect the actual creditable service for purposes of establishing eligibility for retirement or for any other purpose.

Year shall mean a twelve-month period.

(Rev. Ords. 1962, § 321; 1969 Cum. Supp., § 321; Ord. of 8-14-79; Ord. of 12-15-80; Ord. of 10-29-84; Ord. of 2-13-89; Ord. of 5-24-93; Ord. of 6-10-96; Ord. of 3-23-98; Ord. of 8-14-00; Ord. of 6-4-07; Ord. of 1-24-11)

24-21 Statement of service, military service; treatment of break in service.

(a) - (g) as written

(h) (1) *Return to service.* Except as provided in (h) (3) below, All former Class A and Class B members who did not withdraw their accumulated contributions to the retirement system and who have returned to Class A or Class B service respectively after the effective date of this amendment to the ordinance and again become members of the retirement system shall be entitled upon subsequent retirement from service, if eligible therefor, to separate retirement benefits attributable to each period of creditable service, as per plan provisions and rules in effect at the time of leaving service. Notwithstanding the above provision, all years of service shall be combined for purposes of vesting and the average final compensation.

(2) *Transitional provision.* All members of Class A and Class B who did not withdraw their accumulated contributions to the retirement system and who returned to Class A or Class B service respectively between January 1, 2006 and the effective date of this amendment to the ordinance and again became members of the retirement system shall be entitled upon subsequent retirement from service, if eligible therefor, to either the benefit option set forth in subsection (h)(1) or a single benefit calculated by multiplying the combined years of creditable service by the average final compensation by the accrual rate and other plan provisions and rules in effect at the time of leaving service, such option to be chosen by the member.

(3) *Return to service within one year.* Any vested member who leaves and then returns to the same class of employment with the City within one year from the date of leaving shall be entitled to continue the employee's prior retirement benefit, in lieu of two separate retirement benefits, under the following conditions:

(A) The employee was fully vested before leaving employment and has not withdrawn any accumulated contributions;

(B) The employee was in good standing with the City at the time of separation;

(C) The pension plan in which the individual was originally vested still exists;

(D) The period of separation is not counted as creditable service, and neither the employee nor the City shall be required to make any contribution to the system for the period of separation;

(E) In no instance may an employee leave, return, and receive a higher pension than the employee would have had if there had been no break in service.

(i) - (I) as written.

(Rev. Ords. 1962, § 326; Ord. of 10-29-84; Ord. of 3-18-85; Ord. of 2-13-89; Ord. of 3-23-98; Ord. of 1-24-11; Ord. of 7-11-11(1))

24-22 Retirement; benefits.

(a) Any member may retire on a service retirement benefit upon written application to the retirement board setting forth at what time, not less than thirty (30) days subsequent to the filing thereof nor more than ninety (90) days or longer for cause shown, after the date he may have separated from service, he desires to be retired; provided, that such member at the time so specified for his retirement shall then have creditable service of at least ~~seven (7)~~five (5) years and shall have attained age forty-two (42) in the case of Class A members, or age fifty-five (55) in the case of Class B members. Notwithstanding, any member so retiring who has accumulated vacation time shall have the retirement benefit payment commence upon the end of such accumulated vacation time but, in no event, later than the date set forth in subsection (b) hereof.

(b) - (k) as written

(Rev. Ords. 1962, § 327; 1969 Cum. Supp. § 327; Ord. of 8-28-73; Ord. of 8-14-79; Ord. of 10-29-84; Ord. of 2-13-89; Ord. of 7-20-92; Ord. of 5-24-93; Ord. of 5-20-96; Ord. of 3-9-98; Ord. of 8-14-00, Ord. of 9-11-00; Ord. of 1-8-01; Ord. of 10-15-01; Ord. of 12-3-01; Ord. of 1-24-11)

24-26 Vested retirement benefits; payment of benefits at death.

(a) Effective retroactively to July 1, 2017, Ss should a ~~Class A~~ member cease to be a member, except by reason of death or retirement, prior to ~~his~~ completion of ~~three (3)~~five (5) years of creditable service, ~~he~~the member shall be paid the amount of ~~his~~the member's accumulated contributions to the system. If, however, at the time of ceasing to be a member, ~~he~~the member has completed ~~three (3)~~five (5) years of creditable service, ~~he~~the member may elect to have ~~his~~the member's accumulated contributions remain on deposit with the

system and, upon ~~his~~ attainment of ~~his~~ normal retirement age, ~~he~~the member shall receive during ~~his~~the member's lifetime an annual vested retirement benefit computed as a service retirement benefit pursuant to section 24-22(c) multiplied by a percentage based on the member's years and months of creditable service at termination. Further, if a member ceased to be a member, except by reason of death or retirement, prior to July 1, 2017, and at the time was partially vested in the retirement system because the member had completed at least three years but not quite seven years of creditable service, and the member elected at the time of termination to have the member's accumulated contributions remain on deposit with the system, upon attainment of normal retirement age, the member shall receive during the member's lifetime an annual vested retirement benefit computed as a service retirement benefit pursuant to section 24-22(c) multiplied by a percentage based on the member's years and months of creditable service at termination -in accordance with the following schedule:

Years of Creditable Service Completed	Percentage
3	20
4	40
5	60
6	80
7 or more	100
One (1) month shall equal 0.833333 <u>1.666</u> percent.	

~~A Class B member who ceases to be a member after having earned at least three (3) years of creditable service, upon his attainment of his normal retirement age shall receive a service retirement benefit as calculated pursuant to section 24-22(c) multiplied by a percentage based on the member's years and months of creditable service at termination in accordance with the above schedule.~~

(b) ~~-(e)~~ as written

(Rev. Ords. 1962, § 331; 1969 Cum. Supp., § 331; Ord. of 8-28-73; Ord. of 8-14-79; Ord. of 10-29-84; Ord. of 2-13-89; Ord. of 5-24-93; Ord. of 8-14-00, Ord. of 9-11-00; Ord. of 1-8-01)

24-40 Post-retirement adjustments to retirement benefits.

(a) As of June 30th in each year, a determination will be made to the nearest one-tenth (1/10) per cent of the ratio of the average of the Consumer Price Index for such month ending June 30 to the average of the Consumer Price Index for the month ending on June 30 of the most recent year as of which an increase in retirement benefits was made. If the ratio so determined exceeds one hundred (100) per cent by at least one (1) per cent, the retirement benefit of each beneficiary in receipt of a benefit for at least six (6) months on the next following December 31st shall be increased in the same ratio. Such increase shall commence on the January 1st immediately following such December 31st. The same percentage increase shall also be made in the retirement benefit payable to a beneficiary in receipt of a benefit under an optional election, provided the member on whose account the benefit is payable and such other person shall have received a total of at least six (6) monthly payments by such December 31st. For any person who retires after July 1, 2017, the maximum adjustment shall be 2.75 per cent. For all prior retirees, the maximum adjustment in any year of any retirement benefit resulting from any such determination shall be five (5) per cent. No reduction shall be made in any retirement benefit on account of any decrease in the Consumer Price Index.

(b) – (e) as written

(Ord. of 8-28-73; Ord. of 8-14-79; Ord. of 10-29-84; Ord. of 11-18-02)

24-42 Effective date.

The amendments to sections 24-14, 24-22 and 24-26 changing the full vesting period from seven years of creditable service to five and eliminating partial vesting are effective July 1, 2017.

The amendments to subsection 24-41(c) which changed the survivor income benefit from twenty-five (25) percent to thirty (30) percent for nonunion, Class A, City AFSCME and BSDP members shall be regarded as effective July 1, 2000. Said amendment for BSD AFSCME members shall be regarded as effective August 1, 2001. Said amendment for IBEW members shall be regarded as effective July 1, 2001.

The amendments to subsections 24-22(c)(2) and 24-22(e)(2) which changed the Class B nonunion, City AFSCME and BSDP members accrual rate to one and six-tenths (1.6) percent and the early retirement reduction to two (2) percent per year shall be regarded as effective July 1, 2000. Said amendment for BSD AFSCME members shall be regarded as effective August 1, 2001. Said amendment for IBEW members shall be regarded as effective July 1, 2001.

The amendments to subsections [24-14](#), [24-22](#)(a), (c)(1), (c)(2), (e)(1), and [24-26](#)(b) which changed the Class A early retirement age, changed the early retirement reduction for service from twenty to twenty-five (20—25) years and changed the accrual rate to two and seventy-five hundredths (2.75) percent shall be regarded as effective July 1, 2000.

The relevant amendments to sections [24-22](#), [24-23](#), [24-26](#), [24-29](#) and [24-40](#) are regarded as effective retroactive to July 1, 1973. The relevant amendment to section [24-41](#) is regarded as effective October 1, 1973. The relevant amendments to sections [24-1](#), [24-14](#), [24-19](#), [24-22](#), [24-23](#), [24-26](#), [24-29](#) and [24-40](#) which were enacted in July, 1979, are regarded as effective retroactive to July 1, 1978. The amendments to sections [24-14](#), [24-19](#), [24-20](#), [24-21](#), [24-22](#), [24-23](#), [24-24](#), [24-25](#), [24-26](#), [24-27](#), [24-28](#), [24-29](#), [24-33](#), [24-37](#), [24-39](#), [24-40](#), [24-41](#), [24-42](#) and [24-60](#) which were enacted in August, 1984, will be regarded as effective retroactive to July 1, 1983, except the amendment to section [24-40](#) which will be regarded as effective retroactive to July 1, 1984. The amendments to sections [24-14](#), [24-19](#), [24-21](#), [24-22](#), [24-23](#), [24-26](#), [24-41](#) and [24-42](#) which were enacted February 13, 1989, will be regarded as effective retroactive to July 1, 1988; however, the amendment to section [24-19](#) shall be applicable to any employee in service as of January 1, 1988, or hired thereafter. The relevant amendment to section [21-41](#)(c)(3) will be regarded as retroactive to December 20, 1990.

The amendments to sections [24-22](#)(c) and [24-29](#)(c), which provided for increased Class A contributions and an increased Class A benefit accrual rate which were enacted July 20, 1992, will be regarded as effective January 1, 1992.

The amendments to section [24-47](#) establishing options 5 and 6 shall be considered effective for all members as of March 9, 1998. [The relevant amendment to] section [24-22](#)(e) shall be regarded as effective July 1, 1997.

The relevant amendment to section [24-14](#), definition of "employee," and section [24-21](#)(c), which changed eligibility from forty (40) weeks and thirty (30) hours to one thousand two hundred (1,200) hours, is regarded as effective January 21, 1998, and applies to employees with such a schedule on that date retroactive to the beginning of such a schedule and to employees who achieve such a schedule thereafter.

The amendments to section [24-14](#) which change the definition of average final compensation for police sergeants, lieutenants, deputy chiefs, and chief shall be effective for these named Class A positions as of July 1, 2007.

(Ord. of 8-28-73; Ord. of 8-14-79; Ord. of 10-29-84; Ord. of 2-13-89; Two Ords. of 7-20-92; Ord. of 8-12-96; Ord. of 3-9-98; Ord. of 3-23-98; Ord. of 5-18-98; Ord. of 8-14-00, Ord. of 9-11-00; Ord. of 1-8-01; Ord. of 10-15-01; Ord. of 12-3-01; Ord. of 6-4-07, eff. 7-4-0

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CITY OF BURLINGTON, VERMONT
OFFICE OF
THE CITY ATTORNEY
AND
CORPORATION COUNSEL

MEMORANDUM

To: City Council
From: City Attorney Eileen Blackwood
Re: Changes to Retirement Ordinance
Date: December 14, 2017

In January 2016, the Mayor sent all non-union employees a memorandum indicating that the Administration intended to implement changes to the Burlington Employees Retirement System that had been developed over a two-year period to assist in stabilizing the system. Some of those changes were able to be implemented immediately, while others required changes to the retirement ordinance.

In addition, the Administration has been working on comprehensive changes to the retirement ordinance and had hoped to bring these forward in 2017. That revision has taken longer than expected, and the Administration now proposes that some of the changes announced by the Mayor be implemented without waiting for the full revision.

These changes, most of which have already been implemented for union employees, include:

- Reducing the interest paid on accumulated contributions from 5.5% to 2% as of Jan. 1, 2018;
- Establishing the vesting period as five years instead of seven years, and eliminating partial vesting (except for those employees who are already partially vested) retroactive to July 1, 2017;
- Increasing the average final compensation from three years to five years, for employees hired after Jan. 1, 2018;
- Allowing an employee who leaves employment but returns within one year to resume their prior pension;
- Capping the annual cost of living adjustment at 2.75% instead of 5% for employees not yet retired.

The BERS board unanimously approved and recommended approval to the Council at its meeting on December 21, 2017. The Council is now asked to adopt the following motion:

- To consider this a first reading and refer the attached changes to the Burlington Code of Ordinances § 24-14, 24-21, 24-22, 24-26, 24-40, and 24-42 (the retirement ordinance) to the Ordinance Committee.

Draft
December 21, 2017
Burlington Employees' Retirement Board
Conference Room 12

Board Members Present:

- Jim Strouse
- Robert Hooper
- Munir Kasti
- Matthew Dow
- Daniel Gilligan
- Roger Stone
- Beth Anderson
- Benjamin O'Brien

Others Present:

- Stephanie Hanker
- Bob Rusten
- Eileen Blackwood
- Kim Sturtevant
- Jim Bayerle

Called to order at 9:30am

1. **Agenda:**

No changes

2. **Public Forum:**

No Public Present

3. **Approve Minutes of 11/15/2017**

Bob Hooper moved to approve the minutes as presented. Matthew Dow 2nd.
Motion carries 7:0

4. **Approval of Bills:**

Bob Hooper moved to approve the bills as presented. Munir Kasti 2nd.
Motion carries 7:0

5. **Approval of Retirement Applications:**

Benjamin O'Brien moved to approve the retirement applications as presented. Munir Kasti 2nd. Motion carries 8:0

6. Approve/Ratify Refunds and Rollovers:

Bob Hooper moved to approve the refund and rollovers presented. Munir Kasti 2nd. Motion carries 8:0

7. Retirement Ordinance Amendments for Non-Union Employees:

Bob Rusten stated to the Board Eileen Blackwood, Stephanie Harker, Susan Leonard and himself have been reviewing and updating the retirement ordinance in its entirety to update any changes that have been agreed upon by negotiations and also practice. Bob Rusten stated the changes for non-union employees being proposed are to mirror changes made by union negotiations. Eileen Blackwood reviewed the memo she had prepared for the Board. Bob Hooper asked if any of these changes would result in diminished benefits for non-union employees. Eileen Blackwood stated that the City cannot change what has been earned, but in regards to the interest rate reduction on contributions, one would have to say that interest is an actual benefit. Benjamin O'Brien asked if there would be a date of passage for the changes. Eileen Blackwood asked if a date could be set for the changes to take effect so there is a date to move forward from, like 01/01/20018. Bob Hooper stated that caveat would be the only way to garner his approval. Eileen Blackwood stated the proposed change for vesting would eliminate the seven year graded vesting and would be replaced with a five year cliff system to mirror changes that have been made with the unions as well. Bob Hooper moved to adopt the changes proposed as discussed and amended to be given to the City Council with an updated memo. Munir Kasti 2nd. Motion carries 7:1.

Bob Hooper asked if one of the changes addressed will be collecting a pension and salary at the same time. Eileen Blackwood stated that the changes will reflect the IRS statues, and the City has adopted that one cannot retire and return to another job for 18 months.

8. Other Business:

Roger Stone stated he would suggest that when the board meets concerning rebalancing of investments the board consider going to vanguard or similar index funds instead of UBS perspectives. Bob Rusten stated that when Dahab is here in January that the Board discuss, moving from UBS and what the index options could be and if BNY has one that is comparable to vanguard.

9. Adjourn

Matthew Dow moved to adjourn. Munir Kasti 2nd. Motion carries 8:0
Meeting adjourned 10:00am.