

VSTRS (Teachers) – Active Member Contributions for FY 2025 and beyond

Background:

The Pension Task Force and Act 114 originally envisioned a marginal contribution structure to phase in over a three-year period from FY 2023 to FY 2025. Concerns over the administrative feasibility of implementing such a system in lieu of the current flat contribution rate structure led to changes for FY 2023 and FY 2024. For those two years, Act 114 implemented an alternative 8-tiered flat contribution structure that was expected to yield an equivalent amount of revenue as the originally modeled marginal structure. Act 114 kept the originally envisioned marginal structure in place for FY 2025 and beyond.

Act 114 (Sec. 20) also directed the Agency of Digital Services and State Treasurer to study and make recommendations on the implementation of the marginal structure at the school level. Issued on January 5, 2023, the report recommended that the Legislature remove the marginal structure for FY 2025 and beyond and maintain the tiered structure just established (with any necessary rate adjustments).

The Treasurer’s Office costed out an alternative tiered structure for FY 2025 and beyond that uses the same tiers currently in place for FY 2023 and FY 2024 but with incrementally higher rates. Actuarial estimates expect that the proposed tiered rate structure for FY 2025 would yield similar revenue as the originally envisioned marginal structure (\$10.1 million in FY 2025 above FY 2022 levels).

Proposed Member Contribution Rate Modification for VSTRS

Base Salary Level	FY 2023 (Current Law)	FY 2024 (Current Law)	FY 2025 and Later (Proposed)
< \$40,000	6.00%	6.10%	6.15%
\$40,000 - \$50,000	6.05%	6.15%	6.20%
\$50,000 - \$60,000	6.10%	6.25%	6.30%
\$60,000 - \$70,000	6.20%	6.35%	6.40%
\$70,000 - \$80,000	6.25%	6.50%	6.55%
\$80,000 - \$90,000	6.35%	6.75%	6.80%
\$90,000 - \$100,000	6.50%	7.00%	7.10%
\$100,000 +	6.65%	7.25%	7.35%

Rates are applied on total earnable compensation based on the tier the member's base annual salary falls within. Not a marginal rate structure.

Sec. XX. 16 V.S.A. § 1944 is amended to read:

§ 1944. VERMONT TEACHERS' RETIREMENT FUND

(a) Pension Fund. All of the assets of the System shall be credited to the Vermont Teachers' Retirement Fund.

(b) Member contributions.

(1) Contributions deducted from the compensation of members shall be accumulated in the Pension Fund and separately recorded for each member.

(2) The proper authority or officer responsible for making up each employer payroll shall cause to be deducted from the compensation:

(A) Of each Group A member, five and one-half percent of the member's total earnable compensation, including compensation paid for absence as provided by subsection 1933(d) of this title.

(B) Of each Group C member, the following shall apply:

* * *

(ii) Beginning on July 1, 2023, a Group C member shall have the rate set forth in this subdivision (b)(2)(B)(ii) applied to the member's total earnable compensation for the fiscal year, which shall include compensation paid for absence as provided by subsection 1933(d) of this title, and any additional stipends identified as of July 1. A member's rate shall not be adjusted during the fiscal year unless the member's full-time equivalency status changes, which shall require that the member's rate be recalculated and the new rate applied for the remainder of that fiscal year. For a member who works a part-time equivalency status, the rate shall apply to the member's total earnable compensation and not to an amount equal to an annualized base salary. If a

member is employed on a part-time equivalency status with two or more employers, the highest rate shall be applied to the amounts deducted from each employer. A member's rate shall be calculated according to the following rates and income brackets:

* * *

(iii) ~~Beginning on July 1, 2024 and annually thereafter, a Group C member shall have an effective rate, rounded to the nearest hundredth of a percent, that is calculated based on the member's base salary as of July 1 each year, which equals the member's total earnable compensation, including compensation paid for absence as provided by subsection 1933(d) of this title, and any additional stipends identified as of July 1 for the next fiscal year. A member's effective rate shall not be adjusted during any fiscal year unless the member's full-time equivalency status changes, which shall require that the member's effective rate be recalculated and the new rate applied for the remainder of that fiscal year. For a member who works a part-time equivalency status, the effective rate shall apply to the member's total earnable compensation and not to an amount equal to an annualized base salary. If a member is employed on a part-time equivalency status with two or more employers, the highest effective rate shall be applied to the amounts deducted from each employer.~~ Beginning on July 1, 2024, a Group C member shall have the rate set forth in this subdivision (b)(2)(B)(iii) applied to the member's total earnable compensation for the fiscal year, which shall include compensation paid for absence as provided by subsection 1933(d) of this title, and any additional stipends identified as of July 1. A member's rate shall not be adjusted during the fiscal year unless the member's full-time equivalency status changes, which shall require that the member's rate be recalculated and the new rate applied for the remainder

of that fiscal year. For a member who works a part-time equivalency status, the rate shall apply to the member's total earnable compensation and not to an amount equal to an annualized base salary. If a member is employed on a part-time equivalency status with two or more employers, the highest rate shall be applied to the amounts deducted from each employer. A member's ~~effective~~ rate shall be calculated according to the following ~~marginal~~ rates and income brackets:

(I) if a member's base salary is at or below \$40,000.00, the rate is ~~6.25~~ 6.15 percent;

(II) if a member's base salary is \$40,000.01 or more but not more than ~~\$60,000.00~~, the rate is the equivalent of ~~\$2,900.00 on \$40,000.00 and 6.75 percent of the member's salary that is \$40,000.01 or more~~ \$50,000.00, the rate is 6.20 percent;

(III) if a member's base salary is ~~\$60,000.01~~ \$50,000.01 or more but not more than ~~\$80,000.00~~ \$60,000.00, the rate is the equivalent of ~~\$3,850.00 on \$60,000.00 and 7.5 percent of the member's salary that is \$60,000.01 or more~~ 6.30 percent;

(IV) if a member's base salary is ~~\$80,000.01~~ \$60,000.01 or more but not more than ~~\$100,000.00~~ \$70,000.00, the rate is the equivalent of ~~\$5,350.00 on \$80,000.00 and 8.25 percent of the member's salary that is \$80,000.01 or more~~ 6.40 percent; and

(V) if a member's base salary is ~~\$100,000.01~~ \$70,000.01 or more but not more than \$80,000.00, the rate is the equivalent of ~~\$7,000.00 on \$100,000.00 and 9.0 percent of the member's salary that is \$100,000.01 or more~~ 6.55 percent.

(VI) If a member's base salary is \$80,000.01 or more but not more than \$90,000.00, the rate is 6.80 percent.

(VII) If a member's base salary is \$90,000.01 or more but not more than \$100,000.00, the rate is 7.10 percent.

(VIII) If a member's base salary is \$100,000.01 or more, the rate is 7.35 percent.

