buckconsultants A Xerox Company

March 20, 2013

<u>VIA E-MAIL</u> to: beth.pearce@state.vt.us
Ms. Elizabeth A. Pearce
Treasurer
State of Vermont
109 State Street
Montpelier, VT 05609

Re: Impact on the Vermont State Employees' Retirement System (VSERS) of S.132

Dear Beth:

I write to provide information on the above-referenced proposed legislation, which would amend the statutes defining the Vermont State Employees' Retirement System (VSERS) (Sec. 1. 3 V.S.A. § 459) to provide that a sheriff who has completed 20 years of creditable service, of which 15 years has been as a state's attorney or sheriff, shall receive an early retirement allowance equal to the normal retirement allowance, at age 55.

We have estimated the impact of this legislation by recomputing the results of the most recent valuation of the VSERS (i.e., the valuation of June 30, 2012) under the assumption that the proposed legislation was then in effect. Based on information provided by your office, the number of participants in the System as of June 30, 2012, who would have been affected by this legislation was very small. There were only eight sheriffs participating in the System with defined-benefit coverage, and of these only three would have their entitlement to unreduced retirement benefits accelerated by the legislation. The cost impact of the acceleration of these participants' entitlement to unreduced retirement was slight; the unfunded liability of the System as of June 30, 2012, would have been increased by only a few thousand dollars, and the recommended state contribution to the System for the fiscal year ending June 30, 2014, would have been raised by less than $1,000.

For the sake of completeness, I should note that the results just quoted are based on the continued application of the actuarial assumptions applied in the June 30, 2012, actuarial valuation, which did not include an assumption that the three affected participants will retire earlier due to their earlier entitlement to unreduced retirement benefits. If the June 30, 2012, valuation results are recalculated under the assumption that they will take advantage of the earlier entitlement to unreduced benefits and retire as soon as they attain eligibility for them under the proposed legislation, the results are more significant, but still small: the unfunded liability would have risen by approximately $43,000, and the recommended state contribution to the System for the fiscal year ending June 30, 2014, would have been increased by approximately $8,500.

101 Federal Street, 9th Floor • Boston, MA 02110
617.275.8050 • 617.275.8307 (fax)

Except as noted otherwise, the results presented here were computed using the data, assumptions and methods employed in the June 30, 2012, actuarial valuation of the VSERS.

I would be pleased to address any questions or comments concerning this analysis

Sincerely,

David L. Driscoll

David L. Driscoll, FSA
Principal, Consulting Actuary