



STATE OF VERMONT
OFFICE OF THE STATE TREASURER

Proposed Changes to VMERS Contribution Rates Effective FY 2016

The VMERS Board of Trustees, and the Treasurer's Office, is requesting that the following language be included in a miscellaneous retirement bill for FY 2016.

Notwithstanding the provisions of 24 V.S.A. § 5064(b), for the period July 1, 2015 through June 30, 2016, contributions shall be made by group A members at the rate of 2.5 percent of earnable compensation, by group B members at the rate of 4.875 percent of earnable compensation, by group D members at the rate of 11.350 percent of earnable compensation. For the period July 1, 2015 through December 31, 2015 contributions shall be made by group C members at the rate of 9.875 percent of earnable compensation, and for the period January 1, 2016 through June 30, 2016 at the rate of 10.0 percent.

EFFECTIVE DATE

This act shall take effect on July 1, 2015.

Similar language was included in last year's legislative actions. The reasons for this proposal are cited below.

The VMERS Board of Trustees annually reviews the employer and employee contribution rates to determine if they are adequate to cover the future financial costs of the system. The employer rate is determined annually by the board while the employee rate is set by statute. Currently 24 V.S.A. § 5064(b) includes the following language setting the rate for employee contributions participating in the VMERS retirement system:

“ (b) Member savings. Contributions deducted from the compensation of members together with any member contributions transferred from a predecessor system shall be accumulated in the fund and separately recorded for each member. Contributions shall be made by group A members at the rate of three percent of earnable compensation. Contributions shall be made by group B members at the rate of five percent of earnable compensation. Contributions shall be made by group C and group D members at a rate of 11 percent of earnable compensation.”

Due to better than expected actuarial performance, the VMERS pension fund was able to temporarily reduce these rates for employees for the last several years. In 2000 the Board asked the State Legislature to lower the employee contribution rates from 3 to 2.5 percent for group A; from 5 to 4.5 percent for group B; and from 11 to 9 percent for group C. The legislature subsequently approved the change for a five-year period. The Board again approached the legislature in 2005 about extending the lower rates until 2010 and the extension was passed.

These changes were based on an actuarial review of the funding of the system and a recommended rate changes by the VMERS board.

In 2010 an employee contribution rate change was enacted for group C, from 9 percent to 9.25 percent (Board recommendation was originally 9.5percent), effective 7/1/10. The employer contribution rate for that year was increased by .5 percent.

These rates continue to be reviewed annually by the consulting actuary and the VMERS Board, although no additional recommended changes were made for the years beginning 7/1/11 and 7/1/12. However, the Board did see a need to make a series of incremental increases to groups B, C and D beginning in the fiscal year effective 7/1/13 as reflected in the attached chart. No changes were made to group A. These recommendations were adopted by the Legislature. As noted in the chart, the Board of Trustees did adopt similar increases in the employer rates during the same period.

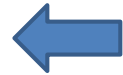
After careful consideration of the actuarial data and discussions with representatives of employee groups the Board of Trustees and the Treasurer's Office are proposing a slight increase in both employer and employee contribution rates for the next fiscal year for groups B,C and D (again no increase for group A). It should be noted that the rates are still below the rates set by statute as authorized in 1999 for groups A, B and C.

The Board worked with various employee groups in making these changes, recognizing that it was time to increase both the employer and employee contribution rates for the financial health of the system and to help stabilize the fund to continue to ensure the retirement security for municipal employees. The Board and the Treasurer very much appreciate employee groups stepping up to the plate, recognizing a shared interest in the long-term health of the system.

Failure to act on this proposed language would cause the lower rates to sunset for A, B and C and the higher contribution rates set by statute would again take effect, causing hardship for municipal employees. We believe the rates, as currently applied, provide a balanced approach to maintain the financial stability of the VMERS pension system.

Thank you for your consideration. The Board and the Treasurer's Office are available to respond to any questions.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	VMERS EMPLOYER CONTRIBUTION RATES*					VMERS EMPLOYEE CONTRIBUTION RATES									
2		GROUP A	GROUP B	GROUP C	GROUP D		GROUP A	GROUP B	GROUP C	GROUP D					
3															
4	7/1/1999	4.200%	5.600%	6.500%		7/1/1999	3.000%	5.000%	11.000%						
5	7/1/2000	4.000%	5.000%	6.000%		7/1/2000	2.500%	4.500%	9.000%						
6	7/1/2010	4.000%	5.000%	6.500%	9.500%	7/1/2010	2.500%	4.500%	9.250%	11.000%					
7	7/1/2013	4.000%	5.125%	6.625%	9.625%	7/1/2013	2.500%	4.625%	9.375%	11.125%					
8	1/1/2014	4.000%	5.125%	6.750%	9.625%	1/1/2014	2.500%	4.625%	9.500%	11.125%					
9	7/1/2014	4.000%	5.375%	6.875%	9.750%	7/1/2014	2.500%	4.750%	9.625%	11.250%					
10	1/1/2015	4.000%	5.375%	7.000%	9.750%	1/1/2015	2.500%	4.750%	9.750%	11.250%					
11	7/1/2015	4.000%	5.500%	7.125%	9.850%	7/1/2015	2.500%	4.875%	9.875%	11.350%					
12	1/1/2016	4.000%	5.500%	7.250%	9.850%	1/1/2016	2.500%	4.875%	10.000%	11.350%					
13															
14															
15	* Employer rates are set by the VMERS Board of Trustees														
16	** Employee rates are set by the Legislature by statute														



Proposed Changes