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STATE OF VERMONT
OFFICE OF THE STATE TREASURER

TO: Representative Catherine Toll, Chair, House Committee on Appropriations
Senator Jane Kitchel, Chair, Senate Committee on Appropriations
Steve Klein, Joint Fiscal Office

FROM: Beth Pearce, Vermont State Treasurer 

CC: Maria Belliveau, Joint Fiscal Office
Brad Ferland, Deputy Secretary of Administration

RE: Retired Teachers' Health and Medical Benefits Fund

DATE: April 9, 2019

The Retired Teachers' Health and Medical Benefits Fund (RTHMB) was created in 2014, effective fiscal year 2015, to help pay for teacher health care payments and incorporated a number of funding sources. As you are aware, the current budget adjustment includes a provision to pay down the interfund loan this year earlier than expected, saving the taxpayers even more money and putting the RTHMB on a path to prefunding. I want to thank the Governor and the General Assembly for taking this important step. While those revenue sources were building, a temporary general fund loan, a much cheaper way of funding, was created to provide time for the fund to build up. At the time of implementation, this was expected to save over \$480 million in interest payments for the taxpayer through 2038.

Below is an annual "true up" that is done to balance federal grant appropriations between the pension fund and the RTHMB. It has been done each of the last three years in April to account for as many local LEA payments as possible. It will not affect the RTHMB calculated for our loan repayment. We are on target with the estimates provided in January.

When we set the amount of federal grants, we do so based on the prior year projections and we expect to do a "true up" near year end. Most of the dollars are collected at year end and therefore some form of "true up" is required annually. Two years ago we recommended that the appropriations bill include language for FY18 to increase the appropriations for teachers pensions and decrease the appropriation for the Retired Teachers' Health and Medical Benefits Fund (RTHMBF) by \$300,000. This year we are requesting a change in the amount of \$500,000 in the same direction for FY19. We are not making any adjustments for the FY20 request. The specific language is as follows and **we would request that it be effective upon passage.**

Sec. C.1xx¹ 2018 Special Session Acts and Resolves No. 11, Sec. B.514 is amended to read:

Sec. B.514 State teachers' retirement system

<i>Grants</i>	<u>99,940,777</u>	<u>100,440,777</u>
<i>Total</i>	<u>99,940,777</u>	<u>100,440,777</u>

Source of funds

<i>General fund</i>	<u>92,241,519</u>	<u>92,741,519</u>
<i>Education fund</i>	<u>7,699,258</u>	<u>7,699,258</u>
<i>Total</i>	<u>99,940,777</u>	<u>100,440,777</u>

Sec. C.1xx 2018 Special Session Acts and Resolves No. 11, Sec. B.515 is amended to read:

Sec. B.515 Retired teachers' health care and medical benefits

<i>Grants</i>	<u>31,639,205</u>	<u>31,139,205</u>
<i>Total</i>	<u>31,639,205</u>	<u>31,139,205</u>

Source of funds

<i>General fund</i>	<u>31,639,205</u>	<u>31,139,205</u>
<i>Total</i>	<u>31,639,205</u>	<u>31,139,205</u>

Sec. C.1xx 2018 Special Session Acts and Resolves No. 11, Sec. E.514 is amended to read:

Sec. E.514 State teachers' retirement system

(a) In accordance with 16 V.S.A. § 1944(g)(2), the annual contribution to the State Teachers' Retirement System (STRS) shall be \$105,640,777, of which ~~\$99,940,777~~ \$100,440,777 shall be the State's contribution and ~~\$5,700,000~~ \$5,200,000 shall be contributed from local school systems or educational entities pursuant to 16 V.S.A. § 1944c.

(b) In accordance with 16 V.S.A. § 1944(c)(2), of the annual contribution, \$8,081,768 is the "normal contribution," and \$97,559,009 is the "accrued liability contribution."

Sec. C.1xx 2018 Special Session Acts and Resolves No. 11, Sec. E.515 is amended to read:

Sec. E.515 Retired teachers' health care and medical benefits

¹ Legislature will provide appropriate references for Section C, which provides adjustments to the prior year.

(a) In accordance with 16 V.S.A. § 1944b(b)(2), ~~\$31,639,205~~ \$31,139,205 will be contributed to the Retired Teachers' Health and Medical Benefits plan.

These need to be effective on passage.

Sec. G.100 EFFECTIVE DATES

(a)... C.1xx-C.1xx (fiscal year 2019 teachers' retirement system and retired teachers health care and medical benefits adjustments), ... shall take effect on passage.

I will also note that this change has a net zero impact on the general fund.

I want to thank all members of Appropriations Committee for consideration of including the language suggested above. Please give me a call if you have any questions. Thank you for your assistance.