

ELIZABETH A. PEARCE
STATE TREASURER



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STATE OF VERMONT
OFFICE OF THE STATE TREASURER

TO: Senator Jeannette White, Chair, Senate Committee on Government Operations
FROM: Beth Pearce, Vermont State Treasurer
RE: Comments – S.124
DATE: March 27, 2019

Thank you for the opportunity to submit comments on S.124, specifically section 6, which requires the Retirement Division of the State Treasurer's Office submit a proposed plan to place municipal law enforcement officers covered under the Municipal Employees' Retirement System of Vermont (VMERS) on a new retirement plan substantially equivalent to the retirement plan that covers law enforcement officers under the Vermont State Employees Retirement System (VSERS).

The study required in S.124 is similar to the one set forth in S.273 from last year's Legislative Session. As you may recall, the VMERS Board of Trustees reviewed that proposal and voted unanimously to object to that study and request that it be removed from the bill. Accordingly, I have forwarded S.124 to the VMERS Chair for review and possible inclusion on the next agenda. I believe it is important for the General Assembly to consider the opinion of the full Board as it evaluates S.124.

For reference, I am including a few documents with this memorandum, which I hope you will consider as you evaluate S.124:

- My comments on S.273, which sets forth my substantive concerns with the proposed study.
- The minutes from the VMERS Board meeting referenced above.
- An update to actuarial and demographic data, which has been updated to year-ending June 30, 2018.
- An updated comparison of the various retirement plans for law enforcement personnel in both VSERS and VMERS.
- An update to the employer and employee contribution rates approved by the VMERS Board, and General Assembly.

Thank you for your consideration of these comments. Please give me a call if you have any questions.

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STATE OF VERMONT
OFFICE OF THE STATE TREASURER

TO: Senator Jeanette K. White, Chair, Senate Committee on Government Operations
FROM: Beth Pearce, Vermont State Treasurer
RE: Comments on S. 273
DATE: February 15, 2018

I am writing to address section 6 of S. 273 as introduced. These comments are in my capacity as State Treasurer. The VMERS (municipal) Board of Trustees has just recently become aware of this proposal and has not yet had the opportunity to opine.

I believe you are investigating the creation of a new plan to put all municipal law enforcement officers into one plan within VMERS that is substantially equivalent to the retirement plan for law enforcement in VSERS (Group C).

I would like to address a few issues. First, group D¹ in the VMERS plan is substantially the same as group C in VSERS. I have consolidated the relevant table information that you received in previous testimony relative to these plans and have identified the few differences. Please see attachment A.²

The benefits are very similar. The greatest differences are in the health care benefit which S.273 acknowledges and the COLA benefit. Other benefit differences include differences in disability retirement that are noted in attachment A.

One difference that is important to note is that age 55 mandatory retirement exists for group C VSERS but there is no mandatory retirement age 55 for VMERS group D, although participant can retire at age 55 with no penalty/reduction in benefits.

There is a substantial difference in contribution rates. These are set by the actuarial process. In VMERS the employer contributions are set for each group while in VSERS the rate is set across all groups. Please be advised that the VMERS Board has made some recommended changes to the contribution rates for employers in all groups (A, B, C and D) and the miscellaneous retirement bill (currently in the House Committee on Government Operations) will include some recommended increases for employees as well.

Funding rates between VMERS and VSERS are unlikely to be equalized. Each group has distinct differences in eligibility and demographics. Funding decision-making is different in VMERS since the

¹ Group D was established in 1999, effective FY 2000. Per board minutes, informational sessions were held across the State. First entrants occurred in 2002 with five members. Current membership is 161 active members.

² Attachment B is a general description of group D as it currently is structured. Rate changes for employer contributions are expected to be made, subject to legislative approval of the employee rates in the "miscellaneous retirement bill" which has been presented to the House Committee on Government Operations (staff Luke Martland).

State has no funding role in the municipal contributions. The participating municipalities and entities pay the employer contribution, not the State.

These minor differences aside, municipal law enforcement and emergency personnel already have a substantially comparable plan if the municipality so chooses to provide this plan to its members. See eligibility section in Attachment B.

Attachment C is a census report from our latest actuarial report. As you can see, group D is a small group as is C. We do not collect data of employee position titles from participating municipalities but believe that current law enforcement is included in groups B, C, and D. We are aware that several municipalities have used group D as their option for law enforcement. Nonetheless groups C and D are small groups with demographics that result in considerable volatility in the rates for employers from year to year. The addition of another group would create even greater volatility and budget pressures on our participating municipalities.

While not in the proposed bill, I would also note that any proposal to combine group D (VMERS) with group C (VSERS) is not feasible. It would change the definition of group C (VSERS) from a single employer to a multiple employer cost-sharing plan adding structural issues as well as increased auditing and actuarial costs.

This brings me to the issue of municipal choice and the flexibility of determining a plan for its members. Section 5068 of Title 24 addresses the issue of election of the group plan. In VMERS all employees are members of group A unless an election to become a member of groups B, C, or D is made pursuant to section 5068. On or before September 30th of any year, the legislative body of the municipalities may designate groups of employees eligible to become members of groups B, C, and D based on the prescribed eligibility for the plans.

If an employer elects to offer group D, employees may move into that group by making their own elections by December 31st following the employer designation, for an effective date of July 1st immediately following. If the intent of S.273 would be to ultimately require membership in a new law enforcement group, it would undermine the decision-making of both the employer municipalities and their employees. Since the State has no dollar contribution into VMERS, it could be characterized as an unfunded mandate.

In summary, I believe that the expense (staff time, actuarial costs, and legal costs) of a study as proposed is not warranted given the existence of a significantly comparable plan. Financial decisions about admission to group D should be left to the municipality that pays for it in conjunction with its legislative process and citizen input. Since the proposed legislation is asking for a study, I would expect, if passed, that there would be an appropriation associated with this bill to cover the above-mentioned costs.

I also want to state for the record that this is my assessment. Due to the short notice on this issue, we have not had the opportunity to bring this before the VMERS Board. They are meeting tomorrow, unfortunately at the same time as your testimony. I will discuss this issue with the VMERS Board and provide you with feedback or action taken by its members.

Thank you for your time. My office is here to follow up with any questions or additional information.

Attachment A: VSERS Group C & VMERS Group D Comparison Chart

| GROUP COMPARISON | VSERS (State) GROUP C | VMERS (Municipal) GROUP D* | DIFFERENCES |
|---|--|--|--|
| Employee Contributions | 8.53% of gross salary | 11.35% of gross salary | Higher employee contribution rate for VMERS Group D over VSERS Group C |
| Employer Contributions | 17.47% of gross salary – will vary based on annual actuarial valuation (includes pension & post-employment benefits) | 9.85% of gross salary | Lower employer contribution rate for VMERS Group D over VSERS Group C |
| Average Final Compensation (AFC) | Highest 2 consecutive years, including unused annual leave payoff | Highest 2 consecutive years | Same except for unused annual leave payout included in AFC for VSERS Group C |
| Benefit Formula | 2.5% x creditable service | 2.5% x creditable service x AFC + previous service: 1.4% x Group A x AFC, 1.7% x Group B x AFC, 2.5% x Group C x AFC | Same except for prior Group service for VMERS |
| Maximum Benefit Payable | 50% of AFC | 50% of AFC | Same |
| Normal Retirement (no reduction) | Age 55 (mandatory) | Age 55 with 5 years of service | VMERS Group D not mandatory at age 55 |
| Post-Retirement COLA | Full CPI, from a minimum of 1% up to a maximum of 5%, after 12 months of retirement | 50% of CPI, up to 3% per year | Lower COLA for VMERS Group D over VSERS Group C |
| Early Retirement Eligibility | Age 50 with 20 years of service | Age 50 with 20 years of service | Same |
| Early Retirement Reduction | No Reduction | No Reduction | Same |
| Post-Retirement Survivorship Options | 70% spousal survivorship with no reduction in retiree's benefit | 70% spousal survivorship with no reduction in retiree's benefit | Same |
| Benefit Eligibility - Other (Vested Rights, Disability, Death-in-Service) | 5 years of service (vested and disability) 10 years of service (death-in-service) | 5 years of service | Same disability eligibility, 5 years for death in service benefit for VMERS Group D compared to 10 years for VSERS Group C |

Attachment A: VSERS Group C & VMERS Group D Comparison Chart

| GROUP COMPARISON | VSERS (State) GROUP C | VMERS (Municipal) GROUP D* | DIFFERENCES |
|---------------------------------|---|--|--|
| Disability Benefit | Unreduced, accrued benefit with minimum of 25% of AFC, with children's benefit of 10% of AFC to maximum of 3 concurrently, if injured on the job 50% of AFC | Unreduced, accrued benefit, plus children's benefit representing 10% of AFC to maximum of 3 concurrently | No minimum AFC for VMERS Group D |
| Death-in-Service Benefit | 70% of accrued benefit with no actuarial reduction applied, plus children's benefit | 70% of accrued benefit with no actuarial reduction applied | Same except no children's benefits for VMERS Group D |
| Medical Benefits | 80% of total premium | N/A | No Medical benefits for VMERS Group D |

* VMERS Group D includes law enforcement, firefighters, and emergency medical personnel, however some members may be in VMERS Groups A, B, or C

Attachment B.

Vermont Municipal Employees' Retirement System

GROUP D PLAN

Who is eligible?

- 1) Sworn police officers appointed under Chapter 55 of 24 V.S.A. or a comparable provision of a municipal charter;
- 2) Firefighters and officers of fire departments appointed under Chapter 57 of 24 V.S.A. or a comparable provision of a municipal charter;
- 3) Emergency medical personnel as defined in 18 V.S.A., § 902(6).

How does a municipality offer the group D plan to eligible employees?

On or before September 30 of any year, a municipality may designate groups of employees eligible to become members of group D, or a bargaining unit agreement may be submitted for review. Such designation may apply to one or more of the eligible employment groups listed above.

Is participation mandatory for all eligible employees once the group D plan is offered?

Not for existing employees. On or before any December 31 following a designation by the voting municipality, individuals that have been offered the group D plan may elect to become members effective the July 1 immediately following. If an existing employee does not elect to become a member during the initial offering, he/she may elect by December 31 of any subsequent year to enroll effective the following July 1. However, statutory provisions state that if a participant elects to join a higher benefit plan after the initial offering, they must be covered under the plan for at least 3 years before retiring with the higher plan benefits. All new employees hired after the original vote is taken to offer the group D plan shall become members of the group D plan.

What are the benefits of the group D plan?

- ▶ Normal Retirement at age 55
- ▶ Early Retirement at 50 with 20 years of service with no reduction in group D service
- ▶ 2 year Average Final Compensation (AFC)
- ▶ Maximum benefit of 50% of AFC with 20 years of service in the group D plan (2.5% for each year accrued)
- ▶ Automatic 70% survivorship benefit payable to surviving spouse upon death of retiree (with no reduction in retirees monthly allowance)
- ▶ Children's benefits payable under a disability retirement benefit
- ▶ Accidental and occupationally-related death benefit payable to dependent beneficiary

What is the contribution rate for the group D plan?

The contribution rate for employees is 11.35% of gross compensation (set by statute)
The contribution rate for employers is currently 9.85% of gross compensation

Special Note: The employer rate can vary from year to year based on the actuarial liability of the anticipated benefits of the participants.

Is there a mandatory retirement age in the group D plan?

No, although participants can retire with no reduction in the group D benefits at age 55, they are not required to do so. Participants that have accrued the maximum 50% of AFC will still continue to increase their retirement benefit through anticipated salary increases.

If a member of either group A, B or C transfers to the group D plan, what happens to their previous service?

As with transfers between groups A, B and C, all service earned under a previous group retains the value accrued within that group. For example, if a group B member with previous group A service elects to transfer to the group D plan, all service will count towards the 20 years required to retire under an early retirement at age 50. Although there would be no reduction in the group D service, the group A service would have a 70% reduction applied if drawn at age 50, and the group B portion would have a 64% reduction applied. Obviously, the more service accrued in the group D plan, the more attractive the benefit becomes, as the significant reductions applied to the previous group accruals would be offset by the unreduced higher benefit accrual of the group D plan.

Can a municipality elect to transfer the full liability of an existing retirement plan into the VMERS group D plan?

Yes. There are statutory provisions to allow existing private plans to be transferred into the VMERS system. This can be accomplished in a variety of ways, i.e., accrued liability for active participants only, or for both active participants and retirees receiving benefits from the existing plan. A municipality can also opt to participate in the group D plan prospectively only, without consideration for previously accrued benefits in an existing plan.

Additional Questions?

Call or write the following: Vermont Municipal Employees' Retirement System
109 State Street
Montpelier, Vermont 05609-6901

Tel: (800) 642-3191 or (802) 828-2305

03/02/17

Summary of Key July 1, 2017, Valuation Results by Group

| | Group A | Group B | Group C | Group D | Total |
|---|---------------|---------------|---------------|--------------|---------------|
| Contributions: | | | | | |
| • Current funding policy rate | 4.000% | 5.500% | 7.250% | 9.850% | 5.562% |
| • Actuarially determined rate | 3.271% | 5.381% | 7.290% | 7.731% | 5.221% |
| • Excess/(shortfall) | 0.729% | 0.119% | -0.040% | 2.119% | 0.341% |
| Actuarial cost | 36,262,325 | 91,942,536 | 39,479,367 | 10,672,381 | 178,356,608 |
| method measures: | | | | | |
| – Normal contribution rates | 2.500% | 4.875% | 10.000% | 11.350% | 5.380% |
| – Employer rate | 0.512% | 1.436% | 2.576% | 1.911% | 1.399% |
| – Total rate | 3.012% | 6.311% | 12.576% | 13.261% | 6.779% |
| Actuarial accrued liability (EAN): | | | | | |
| • Total actuarial accrued liability | \$166,925,811 | \$380,445,303 | \$168,102,363 | \$39,403,031 | \$754,876,508 |
| • Employer normal cost dollars | 3,293,174 | 7,424,810 | 2,731,571 | 514,685 | 13,964,241 |
| • Employer normal cost rate | 4.051% | 5.151% | 5.274% | 4.539% | 4.839% |
| • Market value of assets (MVA) | \$145,682,393 | \$314,476,075 | \$130,287,274 | \$29,064,601 | \$619,510,342 |
| • Actuarial value of assets (AVA) | 149,252,116 | 322,182,829 | 133,479,763 | 29,776,785 | 634,690,493 |
| Funded status (EAN): | | | | | |
| • Unfunded liability on MVA basis | 21,243,418 | 65,969,228 | 37,815,089 | 10,338,430 | 135,366,166 |
| • Funded percentage on MVA basis | 87.27% | 82.66% | 77.50% | 73.76% | 82.07% |
| • Unfunded liability on AVA basis | 17,673,695 | 58,263,474 | 34,622,600 | 9,626,246 | 120,186,015 |
| • Funded percentage on AVA basis | 89.41% | 84.69% | 79.40% | 75.57% | 84.08% |
| Demographic data: | | | | | |
| • Retired members and beneficiaries | 1,158 | 1,410 | 338 | 36 | 2,942 |
| • Vested former members | 449 | 315 | 27 | 6 | 797 |
| • Inactive members entitled to a refund of employee contributions | 1,158 | 962 | 88 | 13 | 2,221 |
| • Active members | 2,701 | 3,583 | 857 | 161 | 7,302 |
| • Total payroll | \$77,415,109 | \$137,274,426 | \$49,324,084 | \$10,800,088 | \$274,813,707 |
| • Average payroll | 28,662 | 38,313 | 57,554 | 67,081 | 37,635 |

Section 1: Actuarial Valuation Summary as of June 30, 2017 for the Vermont Municipal Employees' Retirement System

★ Segal Consulting

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Conference Call Meeting of the Board of Trustees

February 16, 2018 – 1:00 p.m.

VMERS Members present:

PETER AMONS, Chairperson, Employee Representative (term expiring July 1, 2020)
KIMBERLY GLEASON, Employer Representative (term expiring July 1, 2020)
DAVID ROWLEE, Employee Representative (term expiring July 1, 2018) – via telephone
MEL HAWLEY, Employer Representative (term expiring July 1, 2018) – via telephone
BETH PEARCE, Vermont State Treasurer

Also attending:

Tim Duggan, Assistant Attorney General
John Booth, Director of Treasury Operations
Laurie Lanphear, Director of Retirement Operations
Erika Wolffing, Retirement Office

Mr. Amons called the Friday, February 16, 2018 Conference Call meeting to order at 1:07 p.m. which was held in the Treasurer's Conference Room, Pavilion Building, 4th Floor, 109 State Street, Montpelier, VT. Mr. Amons inquired of the Board members if anyone had additional items for discussion or action. Ms. Pearce stated she would like to provide an additional update on S.273 under the legislative update action item.

ITEM 1: **Approve the minutes of:**

- January 12, 2018

On a motion by Ms. Pearce, seconded by Mr. Hawley, the Board voted unanimously to approve the minutes of January 12, 2018 as submitted.

ITEM 2: **Risk Assessment of the Pension Funds**

Ms. Pearce presented the memorandum sent to the Board chairs regarding risk assessments of the pension funds. Ms. Pearce explained that Pew is currently working on pension fund risk assessments around the country but typically uses a deterministic approach. As part of a new actuarial standard of practice (ASOP 51), actuaries will be required to identify and assess risks that may impact a plan's financial condition. Ms. Pearce recommended that the Board contract with an independent actuary to early implement ASOP 51 and conduct a risk assessment of the pension funds using a stochastic approach.

Mr. Hawley inquired as to how this assessment would be funded and whether the cost is included in the FY19 draft budget. Ms. Pearce explained that it would be funded by the pension system, and that work on the assessment would likely start this summer. The cost would be included as part of the regular valuation process and likely would not increase the budget by a significant amount.

Mr. Rowlee joined the meeting at 1:18 p.m.

Ms. Pearce explained that risk assessments will become a regular part of the valuation process and that the Board would be voting only to early implement the requirement. Mr. Hawley expressed concern that the assessment cost not challenge the FY18 actuarial line item on the budget. Ms. Pearce stated she would negotiate with the actuary and report back to the Board on costs and the impact to the budget.

On a motion by Ms. Pearce, seconded by Ms. Gleason, the Board voted unanimously to contract with an actuary to early implement a risk assessment of the pension fund as required by ASOP 51.

ITEM 3: Legislative Update

Ms. Pearce gave an update on the status of the miscellaneous retirement bill. The bill passed out of the House Committee on Government Operations by a vote of 9-0-2. Ms. Pearce explained that the majority of the bill contained clean up language in the Teachers' statutes and included the recommended VMERS employee contribution rates.

Ms. Pearce updated the Board on S. 273 currently in the Senate Committee on Government Operations. Section 6 of the bill would mandate that the Office of the Treasurer provide a plan in one year and move municipal law enforcement employees enrolled in VMERS into a comparable group to VSERS Group C. Ms. Pearce submitted a memorandum to the Senate Committee explaining that a comparable group already exists as Group D in the VMERS system. Ms. Pearce explained the main difference between the Groups is health insurance provided in retirement. Ms. Pearce stated that she submitted the memo in her capacity as Treasurer and not as a VMERS Board member.

Mr. Hawley expressed concern around the premise of S. 273 and expressed frustration that the bill was introduced without Board input.

On a motion by Mr. Hawley, seconded by Ms. Gleason, the Board voted unanimously to object to Section 6 of S. 273 and requests that it be removed and that any further discussion of retirement changes should be vetted with the VMERS Board of Trustees, the Vermont League of Cities and Towns, and employee groups.

ITEM 4: VMERS FY19 Budget Overview

Mr. Booth presented the VMERS FY19 Budget Overview. Mr. Booth identified the investment management fees for assets under management and explained the increase over the prior year is due to the increase in assets under management. Mr. Booth then explained the cost allocation method used to determine how much administrative support is charged to each system. Staff identifies how much time they work in each system and costs are allocated based on the % of staff time spent in each system. Mr. Booth explained the cost allocation is charged approximately 43% to VSTRS, 37% to VSERS, and 20% to VMERS. Mr. Booth explained the reduction in the

VPAS line item and explained the ongoing cost is now software maintenance. Mr. Booth explained the fee for space increase as a result of staffing changes and other internal service fund changes including the DII costs for email support, and the Finance and Management costs for the VISION system

Mr. Rowlee left the meeting at 2:09 p.m.

Mr. Booth explained that excluding the investment management fees, the change in the FY19 VMERS budget over the prior year is an increase of \$19,943 or 1.76%.

Mr. Rowlee rejoined the meeting at 2:16 p.m.

On a motion made by Ms. Pearce, seconded by Ms. Gleason, the Board voted by roll call to approve the VMERS FY19 Budget as presented with Ms. Pearce, Ms. Gleason, and Mr. Hawley voting in the affirmative and with Mr. Rowlee and Mr. Amons abstaining.

ITEM 5: Town of Putney Deadline Waiver Request

Ms. Pearce explained that 24 V.S.A. 5068 (f) outlines the process for municipalities to request a waiver of the enrollement deadlines from the VMERS Board of Trustees. The Board has the discretion to allow the waiver if it is determined that the retirement office can facilitate enrollment of the employees by July 1.

On a motion by Mr. Hawley, seconded by Ms. Pearce, the Board voted unanimously to approve the waiver request from the Town of Putney.

ITEM 6: Disability recommendations from the Medical Review Board:

- Alyce Daggett

On a motion made by Ms. Pearce, seconded by Ms. Gleason, the board voted unanimously to accept the recommendation of the MRB to allow disability retirement for Alyce Daggett without review.

ITEM 7: Any other business to come before the Board

Ms. Pearce notified the Board that it may be necessary to hold a special VMERS Board Meeting to discuss the rate structure for the VMERS Defined Contribution plan. Ms. Pearce further updated the Board on the status of the transition to Prudential. Mr. Hawley expressed concern about the late mailing sent from Prudential and asked that future correspondence be sent more timely.

ITEM 8: Adjournment

On motion by Ms. Pearce, seconded by Ms. Gleason, the Board voted unanimously to adjourn at 2:27 p.m.

Next Meeting Date:

The next scheduled VMERS meeting TBD.

Respectfully submitted,

A handwritten signature in cursive script that reads "Erika Wolffing".

Erika Wolffing
Director Retirement Outreach & Policy

Summary of Key July 1, 2018, Valuation Results by Group

| | Group A | Group B | Group C | Group D | Total |
|---|---------------|---------------|---------------|--------------|---------------|
| Contributions: | | | | | |
| • Current funding policy rate | 4.125% | 5.625% | 7.375% | 9.975% | 5.739% |
| • Actuarially determined rate | 3.179% | 5.729% | 7.750% | 11.035% | 5.660% |
| • Excess/(shortfall) | 0.946% | -0.104% | -0.375% | -1.060% | 0.079% |
| Actuarial cost method measures: | | | | | |
| • Actuarial shortfall | \$34,462,420 | \$108,010,773 | \$44,535,541 | \$19,642,011 | \$206,650,745 |
| • Normal contribution rates | | | | | |
| – Employee rate | 2.625% | 5.000% | 10.125% | 11.475% | 5.580% |
| – Employer rate | 0.392% | 1.316% | 2.455% | 1.789% | 1.298% |
| – Total rate | 3.017% | 6.316% | 12.580% | 13.264% | 6.878% |
| Actuarial accrued liability (EAN): | | | | | |
| • Total actuarial accrued liability | \$171,889,889 | \$418,438,448 | \$184,648,834 | \$52,579,134 | \$827,556,305 |
| • Employer normal cost dollars | 3,265,558 | 8,163,911 | 2,724,234 | 727,605 | 14,881,308 |
| • Employer normal cost rate | 4.111% | 5.193% | 5.042% | 5.332% | 4.890% |
| Assets: | | | | | |
| • Market value of assets (MVA) | \$151,770,129 | \$339,135,075 | \$141,932,388 | \$35,011,313 | \$667,848,905 |
| • Actuarial value of assets (AVA) | 154,532,662 | 345,308,040 | 144,515,853 | 35,648,592 | 680,005,147 |
| Funded status (EAN): | | | | | |
| • Unfunded liability on MVA basis | \$20,119,760 | \$79,303,373 | \$42,716,446 | \$17,567,821 | \$159,707,400 |
| • Funded percentage on MVA basis | 88.29% | 81.05% | 76.87% | 66.59% | 80.70% |
| • Unfunded liability on AVA basis | \$17,357,227 | \$73,130,408 | \$40,132,981 | \$16,930,542 | \$147,551,158 |
| • Funded percentage on AVA basis | 89.90% | 82.52% | 78.27% | 67.80% | 82.17% |
| Demographic data: | | | | | |
| • Retired members and beneficiaries | 1,242 | 1,522 | 372 | 53 | 3,189 |
| • Vested former members | 446 | 316 | 30 | 6 | 798 |
| • Inactive members entitled to a refund of employee contributions | 1,290 | 1,099 | 109 | 18 | 2,516 |
| • Active members | 2,604 | 3,805 | 848 | 195 | 7,452 |
| • Total payroll | \$75,655,844 | \$149,729,567 | \$51,458,142 | \$12,995,284 | \$289,838,838 |
| • Average payroll | 29,054 | 39,351 | 60,682 | 66,642 | 38,894 |

USERS Group C & VMERS Group C/D Comparison Chart

| GROUP COMPARISON | USERS (State) GROUP C | VMERS (Municipal) GROUP C | VMERS (Municipal) GROUP D* |
|--|---|---|--|
| Employee Contributions | 8.53% of gross salary | 10.125% of gross salary | 11.475% of gross salary |
| Employer Contributions | 18.43% of gross salary – will vary based on annual actuarial valuation (includes pension & post-employment benefits) 11.70% T&C | 7.375% of gross salary | 10.125% of gross salary |
| Average Final Compensation (AFC) | Highest 2 consecutive years, including unused annual leave payoff | Highest 3 consecutive years | Highest 2 consecutive years |
| Benefit Formula | 2.5% x creditable service | 2.5% x creditable service x AFC + previous service: 1.4% x Group A x AFC 1.7% x Group B x AFC | 2.5% x creditable service x AFC + previous service: 1.4% x Group A x AFC, 1.7% x Group B x AFC, 2.5% x Group C x AFC |
| Maximum Benefit Payable | 50% of AFC | 50% of AFC | 50% of AFC |
| Normal Retirement (no reduction) | Age 55 (mandatory) | Age 55 with 5 years of service | Age 55 with 5 years of service |
| Post-Retirement COLA | Full CPI, from a minimum of 1% up to a maximum of 5%, after 12 months of retirement | 50% of CPI, up to 3% per year | 50% of CPI, up to 3% per year |
| Early Retirement Eligibility | Age 50 with 20 years of service | N/A | Age 50 with 20 years of service |
| Early Retirement Reduction | No Reduction | N/A | No Reduction |
| Post-Retirement Survivorship Options | 70% spousal survivorship with no reduction in retiree's benefit | 100% and 50% (with or without pop-ups), all actuarially reduced based on age of beneficiary | 70% spousal survivorship with no reduction in retiree's benefit |
| Benefit Eligibility - Other (Vested Rights, Disability, Death-in-Service) | 5 years of service (vested and disability) 10 years of service (death-in-service) | 5 years of service | 5 years of service |
| Disability Benefit | Unreduced, accrued benefit with minimum of 25% of AFC, with children's benefit of 10% of AFC to maximum of 3 concurrently, if injured on the job 50% of AFC | Unreduced, accrued benefit | Unreduced, accrued benefit, plus children's benefit representing 10% of AFC to maximum of 3 concurrently |

VSEERS Group C & VMERS Group C/D Comparison Chart

| GROUP COMPARISON | VSEERS (State) GROUP C | VMERS (Municipal) GROUP C | VMERS (Municipal) GROUP D* |
|---------------------------------|---|---|--|
| Death-in-Service Benefit | 70% of accrued benefit with no actuarial reduction applied, plus children's benefit | Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied | 70% of accrued benefit with no actuarial reduction applied |
| Medical Benefits | 80% of total premium | | N/A |

* VMERS Group D includes law enforcement, firefighters, and emergency medical personnel, however some members may be in VMERS Groups A, B, or C

| VMERS EMPLOYER CONTRIBUTION RATES | | | | | |
|-----------------------------------|-------------|---------|---------|---------|---------|
| Eff. Date | Fiscal Year | GROUP A | GROUP B | GROUP C | GROUP D |
| 7/1/1999 | FY00 | 4.200% | 5.600% | 6.500% | 9.000% |
| 7/1/2000 | FY01 | 4.000% | 5.000% | 6.000% | 9.000% |
| 7/1/2010 | FY11 | 4.000% | 5.000% | 6.500% | 9.500% |
| 7/1/2013 | FY14 | 4.000% | 5.125% | 6.625% | 9.625% |
| 1/1/2014 | FY14 | 4.000% | 5.125% | 6.750% | 9.625% |
| 7/1/2014 | FY15 | 4.000% | 5.375% | 6.875% | 9.750% |
| 1/1/2015 | FY15 | 4.000% | 5.375% | 7.000% | 9.750% |
| 7/1/2015 | FY16 | 4.000% | 5.500% | 7.125% | 9.850% |
| 1/1/2016 | FY17 | 4.000% | 5.500% | 7.250% | 9.850% |
| 7/1/2018 | FY19 | 4.125% | 5.625% | 7.375% | 9.975% |
| 7/1/2019 | FY20 | 4.250% | 5.750% | 7.500% | 10.100% |
| 7/1/2020 | FY21 | 4.500% | 6.000% | 7.750% | 10.350% |
| 7/1/2021 | FY22 | 4.750% | 6.250% | 8.000% | 10.600% |

| VMERS EMPLOYEE CONTRIBUTION RATES | | | | | |
|-----------------------------------|-------------|---------|---------|---------|---------|
| Eff. Date | Fiscal Year | GROUP A | GROUP B | GROUP C | GROUP D |
| 7/1/1999 | FY00 | 3.000% | 5.000% | 11.000% | 11.000% |
| 7/1/2000 | FY01 | 2.500% | 4.500% | 9.000% | 11.000% |
| 7/1/2010 | FY11 | 2.500% | 4.500% | 9.250% | 11.000% |
| 7/1/2013 | FY14 | 2.500% | 4.625% | 9.375% | 11.125% |
| 1/1/2014 | FY14 | 2.500% | 4.625% | 9.500% | 11.125% |
| 7/1/2014 | FY15 | 2.500% | 4.750% | 9.625% | 11.250% |
| 1/1/2015 | FY15 | 2.500% | 4.750% | 9.750% | 11.250% |
| 7/1/2015 | FY16 | 2.500% | 4.875% | 9.875% | 11.350% |
| 1/1/2016 | FY17 | 2.500% | 4.875% | 10.000% | 11.350% |
| 7/1/2018 | FY19 | 2.625% | 5.000% | 10.125% | 11.475% |
| 7/1/2019 | FY20 | 2.750% | 5.125% | 10.250% | 11.600% |
| 7/1/2020 | FY21 | 3.000% | 5.375% | 10.500% | 11.850% |
| 7/1/2021 | FY22 | 3.250% | 5.625% | 10.750% | 12.100% |