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**STATE OF VERMONT**  
**OFFICE OF THE STATE TREASURER**

October 29, 2021

The Honorable Phil Scott  
Pavilion Office Building  
109 State Street  
Montpelier, VT 05609

Dear Governor Scott:

As provided in Title 3, V.S.A., Chapter 16, Section 471(n), the Vermont State Employees' Retirement (VSERS) Board of Trustees voted at a meeting held on October 28, 2021, to adopt the actuarial valuation prepared by Segal Consulting and to recommend the following contribution (the actuarially determined employer contribution or ADEC) to the State Employees' Retirement System:

Fiscal Year 2023: \$125,938,400

The recommended State contribution, based on statutory requirements, to the VSERS fund is made up of an employer normal cost of \$36,883,018 and an unfunded liability amortization payment of \$89,055,382.

A copy of the valuation as of June 30, 2021, which outlines the Fiscal Year 2023 contribution is available on our website for your review at:

[https://www.vermonttreasurer.gov/sites/treasurer/files/VSERS/VSERS-reports/VSTRS-actuarial-valuation/Vermont%20State%20Employees%E2%80%99%20Retirement%20System\\_Actuarial%20Valuation.pdf](https://www.vermonttreasurer.gov/sites/treasurer/files/VSERS/VSERS-reports/VSTRS-actuarial-valuation/Vermont%20State%20Employees%E2%80%99%20Retirement%20System_Actuarial%20Valuation.pdf)

An estimate of State administrative expenses is included in the recommendation. Prior to a final budget request, the administrative expenses will require true-up by your office in concert with my staff.

The VSERS Trustee Board requested that the Treasurer, as a matter of principle, convey the position that prefunding is a more prudent approach than pay-go for the funding of Postemployment Benefits (OPEB). We anticipate that amount, as well as the accompanying actuarial report, will be made available to you in November.

The VSERS pension ADEC is an increase of \$5,970,631 as compared to the Fiscal Year 2022 ADEC of \$119,967,769. The 2021 unfunded actuarial accrued liability (UAAL) is \$1,064,368,199, an increase of \$23,903,080 over the 2020 valuation of \$1,040,465,119. Given excellent investment performance,

the funding percentage did improve this year, from 66.39% in 2020 to the current 67.56% in 2021 even though the liabilities continue to increase, but at a more moderate level.

As Treasurer, I do wish to comment on next steps. By way of background, last year's UAAL increased by \$225 million as compared to the 2019 valuation. In light of that increase, the VSERS Board of Trustees directed the Treasurer to review and provide recommendations to lower the unfunded liability and the actuarially determined employer contribution and to present those recommendations to the Governor and the Vermont General Assembly. I submitted those recommendations in a report dated January 15, 2021. This report provided the General Assembly with some preliminary options to address the increased costs associated with the pension system.

I was disappointed that the General Assembly was unable to make the needed legislative changes to reduce these liabilities. At this point the vehicle for addressing them is the Pension Benefits, Design, and Funding Task Force, created by the General Assembly via Act 75 and signed by the Governor on June 8, 2021.

The Task Force must produce feasible recommendations and subsequently, the General Assembly must act this year. With the Governor's appointment of a voting member on the Task Force and the inclusion of employee group representatives, all parties needed to resolve this issue are at the table. The Trustee Boards and Treasurer's Office, with a non-voting member, continue to be available to provide assistance.

The General Assembly, the Governor, the employee groups, the Trustees, and the Treasurer's Office all have an interest in making this Task Force work. Success is about creating a sustainable system that will provide retirement security for our hard-working public employees—this generation, the next generation, and the generation after that.

Each year we delay addressing the problem results in increased costs. It is time to take decisive action to reduce our unfunded pension and health care liabilities, and to adequately fund these benefits.

Let's look forward to a collaborative approach and resulting legislative action in the 2022 session.

Sincerely,

Elizabeth A. Pearce  
Vermont State Treasurer

cc: Senator Jane Kitchel, Chair, Senate Committee on Appropriations  
Senator Jeanette White, Chair, Senate Committee on Government Operations  
Representative Mary Hooper, Chair, House Committee on Appropriations  
Representative Sarah Copeland-Hanzas, Chair, House Committee on Government Operations  
Roger Dumas, Chairperson, Vermont State Employees' Retirement Board of Trustees  
Representative Jill Krowinski, Speaker of the House  
Senator Becca Balint, Senate President Pro Tempore