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STATE OF VERMONT
OFFICE OF THE STATE TREASURER

To: Chair Sarah Copeland-Hanzas, Vice-Chair John Gannon and the Members of the House Committee on Government Operations

From: Erika Wolffing, Director of Retirement, Office of the State Treasurer

Date: March 16, 2021

Re: Pension Group Plan Comparison for the State and Teacher Retirement Systems

The Committee asked for an overview of the group plans for the state and teacher retirement systems. A group plan comparison chart for both the Vermont State Employees' Retirement System (VSERS) and the Vermont State Teachers' Retirement System (VSTRS) are located in Attachment A and Attachment B of this memorandum and outline the important plan provisions and differences between each group.

In addition, the Committee asked for an explanation of the employee membership in each group by system:

VSERS

Group A – State employees in active service as of June 30, 1981 who elected to continue to make contributions or were hired between July 1, 1981 and June 30, 1984. This plan is closed to new members and only a handful of active participants remain.

Group C – Law enforcement including state police, firefighters, game wardens, deputy sheriffs responsible for transport, capitol police, investigators of other departments and agencies who exercise law enforcement powers and have attained certification from the Vermont Criminal Justice Training Council.

Group D – Judges including supreme court justices and superior, district, environmental and probate judges.

Group F – All other state employees hired before July 1, 2008.

Group F* – All other state employees hired on or after July 1, 2008.

VSTRS

Group A – Covers teacher employed within the State prior to July 1, 1981. This plan is closed to new members.

Group C (old) – Teachers that were 57 years old or had at least 25 years of service as of June 30, 2010.

Group C (new) – Teachers that were less than 57 years old and had less than 25 years of service as of June 30, 2010.

Attachment A

VSERS GROUP COMPARISONS	GROUP A	GROUP C	GROUP D	GROUP F <i>Hired before 7/1/08</i>	GROUP F <i>Hired on or after 7/1/08</i>												
Employee Contributions	6.65% of gross salary	8.53% of gross salary	6.65% of gross salary	6.65% of gross salary	Same												
Employer Contributions	21.4% of gross salary (includes pension & post employment benefits)	21.4% of gross salary (includes pension & post employment benefits)	21.4% of gross salary (includes pension & post employment benefits)	21.4% of gross salary (includes pension & post employment benefits)	Same												
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave payoff	Highest 2 consecutive years, including unused annual leave payoff	Final salary at retirement	Highest 3 consecutive years, excluding unused annual leave payoff	Same												
Benefit Formula	1.67% x creditable service	2.5% x creditable service	3.33% x creditable service (after 12 years in Group D)	1.25% x service prior to 12/31/90 + 1.67% x service after 1/1/91	Same												
Maximum Benefit Payable	100% of AFC	50% of AFC	100% of Final Salary	50% of AFC	60% of AFC												
Normal Retirement (no reduction)	Age 65 or 62 with 20 years of service	Age 55 (mandatory)	Age 62	Age 62 or with 30 years of service	Age 65 or a combination of age & service credit that equals 87												
Post-Retirement COLA	Full CPI, from a minimum of 1% up to a maximum of 5%, after 12 months of retirement	Full CPI, from a minimum of 1% up to a maximum of 5%, after 12 months of retirement	Full CPI, from a minimum of 1% up to a maximum of 5%, after 12 months of retirement	50% CPI until 1/1/2014; 100% of CPI thereafter, from a minimum of 1% up to a maximum of 5%, after reaching age 62, or (if retired after June 30, 1997) 30 years service	50% CPI until 1/1/2014; 100% of CPI thereafter, from a minimum of 1% up to a maximum of 5%, after reaching age 65 or age and service to equal 87												
Early Retirement Eligibility	Age 55 with 5 years of service or 30 years of service (any age)	Age 50 with 20 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service	Same												
Early Retirement Reduction	Actuarially reduced benefit if under 30 years of service	No reduction	3% per year from age 62	6% per year from age 62	<table border="1"> <thead> <tr> <th><u>Ser. Years</u></th> <th><u>Monthly Red.</u></th> </tr> </thead> <tbody> <tr> <td>35+</td> <td>1/8th of 1%</td> </tr> <tr> <td>30-34</td> <td>1/4th of 1%</td> </tr> <tr> <td>25-29</td> <td>1/3rd of 1%</td> </tr> <tr> <td>20-24</td> <td>5/12th of 1%</td> </tr> <tr> <td>< 20</td> <td>5/9th of 1%</td> </tr> </tbody> </table>	<u>Ser. Years</u>	<u>Monthly Red.</u>	35+	1/8 th of 1%	30-34	1/4 th of 1%	25-29	1/3 rd of 1%	20-24	5/12 th of 1%	< 20	5/9 th of 1%
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Post-Retirement Survivorship Options	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	100% and 50% (with or without pop-ups), all actuarially reduced based on age of beneficiary	100% and 50% (with or without pop-ups), all actuarially reduced based on age of beneficiary	Same												

Benefit Eligibility - Other (Vested Rights, Disability, Death-in-Service)	5 years of service (vested and disability) 10 years of service, or age 55 with 5 years (death-in-service)	5 years of service (vested and disability) 10 years of service (death-in-service)	5 years of service (vested and disability) 12 years of service, or age 55 with 5 years (death-in-service)	5 years of service (vested and disability) 10 years of service, or age 55 with 5 years (death-in-service)	Same
Disability Benefit	Unreduced, accrued benefit with minimum of 25% of AFC	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 with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC	Same
Death-in-Service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	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 plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Same
Medical Benefits	80% of total premium	80% of total premium	80% of total premium	80% of total premium	The amount the State pays toward your medical coverage is based on your years of service at retirement as follows: 5-9 yrs Buy-in 10-14 yrs 40% State pays 15-20 yrs 60% State pays 20+ yrs 80% State pays Also, with 20 yrs. service, you may recapture (access) subsidized health insurance at 80% upon initiation of retirement benefits comparable to regular retirement, even if you terminated prior to your early retirement date.
Plan Description	Group A	Group C	Group D	Group F	Group F

Attachment B

VSTRS GROUP COMPARISONS	GROUP A	GROUP C – Group #1*	GROUP C – Group #2**
Employee Contributions	5.5% of gross salary	5.0% of gross salary	5.0% of gross salary***
Employer Contributions	varies based on actuarial recommendation	varies based on actuarial recommendation	varies based on actuarial recommendation
Benefit Formula	1.67% x creditable service	1.25% x service prior to 6/30/90 + 1.67% x service after 7/1/90	1.25% x service prior to 6/30/90 1.67% x service after 7/1/90 2.0% after attaining 20.0 years
Maximum Benefit Payable	100% of AFC	53.34% of AFC	60% of AFC
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave, sick leave, and bonus/incentives	Highest 3 consecutive years, excluding all payments for anything other than service actually performed	Highest 3 consecutive years, excluding all payments for anything other than service actually performed
Normal Retirement (no reduction)	Age 60 or with 30 years of service	Age 62 or with 30 years of service	Age 65 or when the sum of age and service credit equals 90
Post-Retirement COLA	Full CPI, up to a maximum of 5% after 12 months of retirement; minimum of 1%	50% CPI, up to a maximum of 5% after 12 months of retirement or with 30 years; minimum of 1%	50% CPI, up to a maximum of 5%
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% per year from age 62	Actuarial reduction
Post-Retirement Survivorship Options	100%, 75%, and 50% (with or without pop-ups), all actuarially reduced based on age of beneficiary	100%, 75%, and 50% (with or without pop-ups), all actuarially reduced based on age of beneficiary	100%, 75%, and 50% (with or without pop-ups), all actuarially reduced based on age of beneficiary
Benefit Eligibility - Other (Vested Rights, Disability, Death-in-Service)	5 years of service (vested and disability) 10 years of service, or age 55 with 5 years (death-in-service)	5 years of service (vested and disability) 10 years of service, or age 55 with 5 years (death-in-service)	5 years of service (vested and disability) 10 years of service, or age 55 with 5 years (death-in-service)
Disability Benefit	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% AFC
Death-in-Service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied, plus children's benefit up to maximum of 3 concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied, plus children's benefit up to maximum of 3 concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied, plus children's benefit up to maximum of 3 concurrently
Medical Benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Member pays the full premium	Member pays the full premium	Member pays the full premium

Group A members cease contributions upon attainment of 25 years of service.

* Group #1 are members who were at least 57 years of age or had at least 25 years of service on June 30, 2010.

**Group #2 are members who were less than age 57 and had less than 25 years of service credit on June 30, 2010.

*** Group #2 members who had less than 5 years of service credit as of June 30, 2014 will contribute 6% of gross salary.