STATE OF VERMONT
OFFICE OF THE STATE TREASURER

2021 ANNUAL REPORT
January 18th, 2022

TO: Members of the General Assembly
Honorable Phil Scott, Governor
Citizens of Vermont

I am pleased to submit my eleventh annual report as your State Treasurer. This report provides a summary of the accomplishments to date and the planned initiatives for the coming year.

The year was again dominated by the COVID pandemic as we continue to address the public health and the resulting economic crisis. Vermonters have had to address numerous personal challenges, and many have experienced losses. In these past two difficult years, I continue to be thankful for the way Vermonters support each other. I know that our Office and public servants across the State are working together to address both the challenges brought about by COVID and plans for a prosperous future. I want to convey my thanks to the front line workers who are doing very difficult jobs under challenging circumstances.

Treasurer's Office staff continue to meet these challenges.

- The Retirement Division serves over 58,000 active, vested, and retired members. With the Administration's work from home order, which was in place until November 1, 2021, the Retirement Division switched to remote operations, counseling members of our systems, processing retirement applications, and providing needed retiree pension and health benefits. The Retirement Office continued to roll out an online resource, Member Direct, for use by the members of all three systems.

- In addition to managing the receipt of federal COVID funds and coordinating disbursements with Finance & Management, Treasury Operations staff have worked diligently throughout the pandemic to assure that state banking, cash management and payments continue without interruption.

- Treasury Operations staff worked with the Capital Debt Affordability Advisory Committee to develop a "pay-go" model for capital financing that will be the basis of a joint proposal by the Administration and the Treasurer's Office to lower the cost of capital projects and the State's debt profile.

- Working with the VSTRS Board of Trustees, the Treasurer's Office successfully implemented a new health care contract for Medicare-eligible retirees that closely matches the benefits previously provided to retirees, provides additional vision and hearing benefits, and reduces the premiums for retirees averaging between 30% and 40%. This plan change took effect on January 1, 2022.

- The Unclaimed property Division implemented a new reporting website for companies to report unclaimed property, eliminating paper copies and streamlining the process for over 1,296 reporting entities.

- The Unclaimed Property Division also fully implemented a new online fast-track system, which allowed Vermonters to file claims online and eliminated paper documents.

- The IT and Retirement Divisions worked with the Agency of Education to streamline the employer reporting process for VSTRS and VMERS by creating an electronic interface between the Vermont Pension Administration System and the payroll system used by many school districts.

- Despite challenges with closures and distance learning, 2,149 K-6 students completed the Treasurer's Office's Reading is an Investment financial education program.

- In May 2021, $153.3 million in State General Obligation bonds were successfully sold in three separate series, generating proceeds of $183.1 million, including a premium of $29.8 million. The bonds were issued to fund new capital projects and to refinance existing debt with lower interest rates. The refinancing portion of the transaction saved taxpayers over $7.6 million in borrowing costs on a net present value basis

- The State's Trust Investment Account, managed by the Treasurer's Office, earned 14.9% in FY21, providing dollars to fund retiree health benefits, scholarships through the Higher Education Trust Fund, and other services.

- The Vermont Pension Investment Committee, now Commission, earned 24.62% for the year ending June 30, 2021, the highest percentage since the early 1980s, setting the stage for the new Commission to build on past and current successes.

Bond Ratings

In April 2021, I announced that the three major rating agencies affirmed their ratings of the State's General Obligation Bonds:

- Fitch Ratings, AA+, stable outlook
- Moody's Investors Service, Aa1, stable outlook
- S&P Global Ratings, AA+, negative outlook

These ratings are unchanged from the ratings assigned in 2020, which reflected a downgrade by Moody's and Fitch from triple A status in 2018 and 2019, respectively, and the assignment of a "negative outlook" by S&P in 2020. The rating agency reports generally cite the State's strong financial management and fiscal discipline, consensus revenue forecasts, good liquidity, and efforts to reduce bonded debt. These rating strengths support the overall credit ratings. Notwithstanding these strengths, the ratings also reflect continued challenges with Vermont's demographics and workforce issues, as well as long-term liabilities related to pension and other post-employment benefits (OPEB).

The Treasurer's Office, the Governor, and the General Assembly have stated their commitment to restoring the triple-A ratings. As noted earlier, the Treasurer's Office and the

Administration will be proposing several steps to reduce the costs of capital projects and lower the State's appetite for debt. I believe these initiatives represent a proactive approach to meeting our infrastructure needs while lowering the cost to the taxpayer. In addition to our capital debt financing efforts, we have addressed, at least in part, our pension and OPEB labilities.

Pension and OPEB Initiatives

The Treasurer's Office, working with the Administration, the General Assembly and, most importantly, employee groups, has undertaken many steps to reduce the costs of our post-employment pension and benefit programs while at the same time providing adequate and reliable benefits for retirees. Despite the success of many initiatives, overall liabilities for the State (VSERS) and Teachers (VSTRS) have continued to increase. The 2020 actuarial valuations generated significant increases in the pension unfunded liabilities and the resulting contribution recommendations, reflected in the FY22 budget. The combined increase in unfunded liabilities (for pensions) was over $604 million with a required increase in appropriations for the actuarially determined employer contribution of almost $97 million. Much of this resulted from a scheduled experience study completed by the actuaries to "true up" our actuarial assumptions. A significant portion of the increase was a result of lowering the assumed rate of return for pension investments, consistent with future return assumptions across the nation's pension funds while demographics, particularly retirement and turnover experience, was also a major contributor. In the case of VSERS, approximately 30% of the increase in liabilities is attributable to demographic changes, with the balance related to the change in the interest rate assumption. In the case of VSTRS, the combined impacts of the experience study and demographic losses in the valuation account for roughly 50% of the increase in liabilities.

As a result, the Boards of Trustees for both VSERS and VSTRS directed me to prepare a report to provide options and recommendations to reduce these liabilities. The Treasurer's Office also addressed the issue of the failure of the General Assembly and the Administration to adopt prefunding strategies for retiree health benefits or OPEB. A report was submitted to the Trustee Boards and the General Assembly on January 15, 2021 with the expectation that this would provide a range of options for consideration by the legislative committees of jurisdiction. As the General Assembly was not able to enact legislation in 2021, it convened a Pension Benefits, Design, and Funding Task Force. The Task Force announced its recommendations on January 10, 2022. While the details are still being vetted, the recommendations appear to follow the Pension Boards' and my position of prefunding the OPEBs and are expected to reduce liabilities by over $1.7 billion. The recommendations for pensions, based on a preliminary Joint Fiscal Office summary, would, if enacted, lower the VSERS pension liability by $130.2 million and the VSTRS pension liability by $159. 9 million for a total $290.1 million, or 48% of the $604 million. This was accomplished by the application of $200 million in one-time revenues as well as increases in employee contributions and modification to cost-of-living benefits for current active members at the time of their retirement. There are additional provisions for ongoing revenue.

I am pleased with the Task Force's recommendations to begin prefunding retiree health care. Over the past several years, the Treasurer's Office has routinely submitted concrete proposals to address this issue, and the Task Force's recommendations are in line with these proposals. In addition to the retiree health benefits, the pension fund unfunded liabilities total roughly $3 billion. The proposed steps will address a portion of this unfunded liability ($290.1 million) and ensure consistent payment of the ADEC. I support passage of these recommendations this session and urge the Legislature and the Governor to move these recommendations into law and ask all parties to stay at the table as these measures cross the finish line.

But there are continued stresses on the systems. We need to continue to exercise fiscal discipline with our plan to eliminate the liabilities by 2038. Our goal is to assure retirement security for every member of the systems for this generation, the next generation, and every generation after that.

I commend the employee groups for stepping up to the plate to collaboratively address these liabilities, with a plan including both contribution increases and changes to cost-of-living benefits to active members at the time of retirement. I also thank the Task Force, State and Teacher Retirement Boards, and Treasurer's Office staff for their near constant work on this matter for over a year.

In closing, I want to recognize and thank the Treasurer's Office staff for all the hard work and their many accomplishments. They are true professionals, committed to excellence. They put the customer first. I want to especially thank my Deputy Treasurer, Michael Clasen, for his hard work, leadership, and support.

The Treasurer's Office's successes are built on a collaborative effort with all our partners. I want to thank the Governor and his leadership team, members of the General Assembly, our state employees and retirees, and all stakeholders for their partnership during these hard times. I look forward to working with you now and in the future as we emerge from this crisis with a new normal and prosperity for each and every Vermonter.

Sincerely,

Beth Pearce

Beth Pearce, State Treasurer

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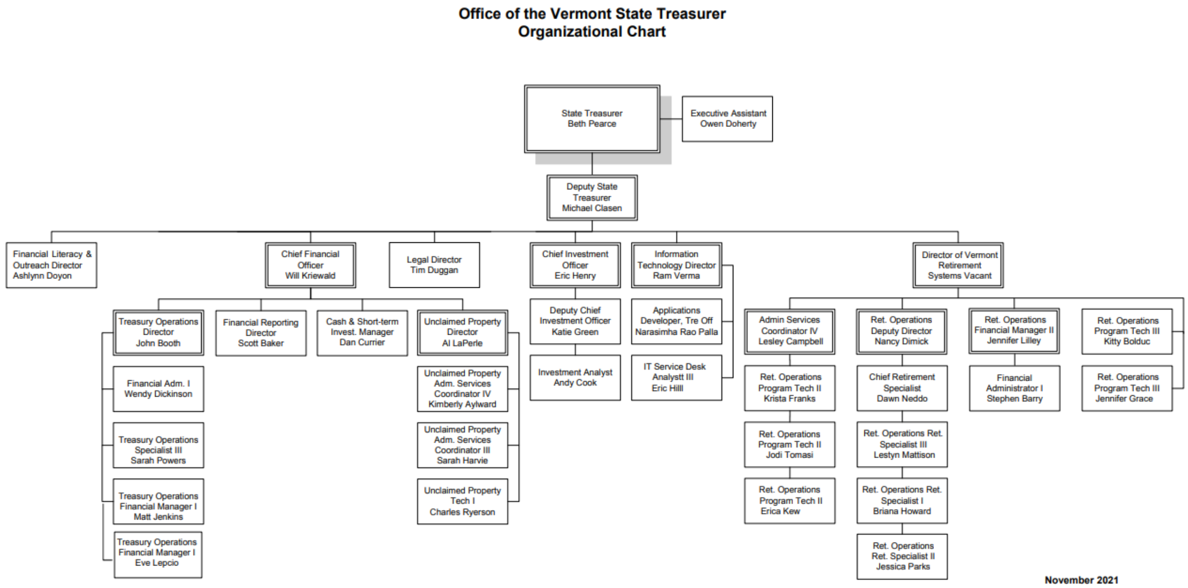
Our Commitment to Vermonters

The State Treasurer's Office manages money that belongs to all citizens of Vermont. The Treasurer and staff are committed to doing this efficiently, responsibly, and professionally. The Treasurer's Office operates as a business, serving the needs of Vermonters while working to save the taxpayers money and earn the highest possible investment returns in its funds within acceptable risk parameters.

Vermont State Treasurer's Office Organizational Chart



The Treasurer's Office is comprised of a team of 36 professionals. The organizational chart and staff listing above are effective as of November 2021. The investment staff will transfer to the Vermont Pension Investment Commission on July 1, 2022.

Specific administrative and service duties of the Treasurer's Office as prescribed by State statutes include:

- **Investment of State funds;**
- **Issuing all State bonds authorized by the General Assembly;**
- **Serving as the central bank for State agencies;**
- **Management of the State's cash-balances, processing of checks, and the reconciliation of payroll and vendor checks;**
- **Safeguarding and return of unclaimed or abandoned financial property, which is held in trust by the State until the rightful owner can be located; and**
- **Administration of the State, Teachers' and Municipal defined benefit plans, the deferred compensation plan, and the defined contribution plans for State employees and participating municipalities.**

Vermont Retirement Systems

Overview

The Treasurer's Office administers three statutorily defined benefit (DB) retirement plans that serve members of the Vermont State Employees' Retirement System (VSERS), Vermont State Teachers' Retirement System (VSTRS), and the Vermont Municipal Employees' Retirement System (VMERS). Each system is overseen by a Board of Trustees acting as the fiduciary of the funds held on behalf of active employees and retirees. By statute the State Treasurer is a member of all three boards. The Retirement Division falls within the Office of the State Treasurer and consists of 14 staff members responsible for the administration of the three systems and benefit management. As of June 30, 2021, there were 36,680 active, vested and terminated members, and 21,760 retirees, or 4,174 customers for each retirement staff person. The COVID-19 pandemic put additional strains on retirement operations, which are outlined below along with steps taken to address these challenges. A breakdown of the demographics of the three defined benefit plans is described in Figure 1.

Figure 1: Retirement System Demographics as of June 30, 2021

System	Active Members	Inactive Members	Deferred Members	Retirees & Beneficiaries	Total Monthly Benefits
VSERS (State)	8,192	1,716	771	7,716	$ 13,456,088
VSTRS (Teachers)	9,955	2,915	911	10,106	$ 18,591,034
VMERS (Municipal)	7,879	3,343	998	3,938	$ 3,544,190

In addition to the three defined benefit plans, there are two defined contribution (DC) plans set by statute, a State and a Municipal plan that are administered by Prudential Retirement. The State DC plan is offered as an alternative to the DB plan for exempt (non-classified employees). An exempt employee may choose either plan. An employee's election is irrevocable. Approximately 30% of exempt State employees have elected DC, while the remaining chose to participate in the DB plan. Please see Figure 2 for data related to the defined contribution plans. In addition, there are four supplemental retirement plans also administered by Prudential Retirement available to state, teacher, and municipal employees depending on eligibility requirements. These plans include a 457 Deferred Compensation Plan available to State, Teacher, and Municipal employees, a Single Deposit Investment Account for State employees and Teachers (this plan is closed to new entrants), and a Municipal Retiree Health

Figure 2: VSERS and VMERS Defined Contribution Plan Data

Plan Name	Total Participants	Total Assets (as of June 30, 2021)	Fiduciary
State Defined Contribution	551	$ 91,371,892	State Treasurer
Municipal Defined Contribution	433	$ 32,239,780	VMERS Board

Savings Plan for Municipal employees. These plans provide members an option to put aside additional funds for retirement and data for these plans can be found in Figure 3.

Figure 3: Supplemental Plan Data as of June 30, 2021

Plan Name and Eligible Participants	Total Participants	Total Assets	Fiduciary
457(b) Deferred Comp Plan (State and Municipal)	12,251	$ 977,328,007	VSERS
403(b) Plan (Teachers and Municipal)	2,936	$ 161,484,040	VSTRS
Single Deposit Investment Account (State and Teachers, closed to new entrants)	865	$ 31,177,580	VSERS and VSTRS jointly
Municipal Retiree Health Savings Plan	3,697	$ 14,303,833	VMERS

VSERS and VSTRS offer health insurance to their retired members and cover a percentage of the premium based on the member's years of service at retirement. The premium is deducted from the retiree's monthly retirement allowance. VMERS does not offer a health insurance plan, but instead established a health retirement savings plan in FY2008. All three systems offer retirees a dental plan, and premiums are paid 100% by the retiree

Pensions

To fulfill the promise of paying members' future retirement benefits, each system has developed a funding plan (amortization) which is enacted by the Legislature and codified by State statute. Actuarial assumptions are approved by the Trustee Board. The primary objective of funding is to equitably allocate costs between generations of taxpayers and provide retirement security to members and retirees who therefore have the assurance their current and future benefits will be paid. The funds come from three sources: employee contributions, employer contributions, and investment income. Interest earned on investments on the pension fund, is the largest source of funds used to pay benefits. As more members approach retirement and employee life spans lengthen, it is anticipated that significant increases in benefit payouts will occur. These assumptions have been factored into the valuation. All three boards select an independent actuarial firm, Segal Consulting, to complete an annual valuation that forms the basis of each Boards funding recommendations. Segal Consulting recommends assumptions relating to demographic, economic and the actual experience of the systems. These, in turn, are reviewed and adopted by each Board. The rate of return/interest rate assumption is set jointly by the respective board of trustees and the Vermont Pension Investment Committee (VPIC), based on advice by the actuary and the VPIC investment consultant (through FY21). As a result of recent legislative changes, VPIC will be the sole decision maker in the future. For VSERS and VSTRS, Segal Consulting makes a recommendation to the retirement Boards in October of each year as to the amount that the state must contribute to keep the system on a funding plan. The recommendation is adopted by the Boards in the form of a recommendation to the Governor and the General Assembly for the amount that must be appropriated for the upcoming fiscal year. This recommendation is known as the Actuarially Determined Employer Contribution (ADEC). See Figure 4 for the FY2023 ADEC. For VMERS this need is expressed as recommended employer and employee contributions as a percent of payroll.

Figure 4: ADEC for FY2023

System	Funded Percentage	Actuarially Determined Employer Contribution (ADEC)
VSERS (State)	67.56%	$125.9 million (FY23)
VSTRS (Teachers)	52.91%	$205.2 million (FY23)

A key indicator of pension funding progress is the development of a funding policy to pay down the unfunded liability. This requires payment of the ADEC. The ADEC is the method by which the unfunded actuarial accrued liability (UAAL) is eventually paid off, assuming it is fully appropriated. The ADEC is a measure of required plan funding that is made up of two parts: 1) the normal costs, which is value of benefits to be accrued or allocated in the current valuation year for active employees (the employer normal cost equals the total normal cost of the plan reduced by employee contributions); and 2) the amortization payment to retire the UAAL, the amount scheduled this year to retire a portion of the unfunded liability and fully pay down the liability by 2038.

Vermont has been making additional payments to the ADEC, especially in the VSERS system where the rate is developed as a percentage of payroll. As payrolls have risen, the contributions increased as well (despite this, liabilities also increased). See Figure 6 on page 12 for a detailed funding history.

In addition to annual valuations completed for funding purposes, a second set of valuations are Issued for accounting purposes using standards stipulated by the Government Accounting Standards Board (GASB) which issues statements to codify the accounting rules. For pensions these are GASB Statements 67 and 68. The intent of the standards is to provide consistency in reporting of these liabilities across states and municipalities and to increase transparency. GASB has acknowledged that funding and accounting are divorced under these rules. There are differences in processes for the GASB and funding valuations. The most significant difference is that the GASB reports use a market value of assets rather than an actuarial value of assets that smooths volatility over a five-year period. The smoothing method makes more sense for budgeting and funding purposes.

Both types of valuations use the same demographic and economic (return/interest, inflation) assumptions for the respective systems. The demographic (age, mortality, staff terminations, rates of retirement), assumptions differ, however, between the state and teachers' plans based on their unique characteristics while the rate of return/interest assumption is the same for each system experience since the assets of the plans are pooled for investment purposes. The current funding status of the three retirement systems follows in Figure 5.

Figure 5: Funding Valuations

VSERS		2019	2020	2021
Actuarial Accrued Liability	$	2,779,965,523	$ 3,095,290,972	$ 3,280,867,677
Actuarial Value of Assets	$	1,964,500,825	$ 2,054,825,853	$ 2,216,499,478
Unfunded Liability	$	815,464,698	$ 1,040,465,119	$ 1,064,368,199
Funding Percentage		70.67%	66.39%	67.56%

VSTRS		2019	2020	2021
Actuarial Accrued Liability	$	3,505,319,267	$ 3,969,002,977	$ 4,142,014,660
Actuarial Value of Assets	$	1,950,859,980	$ 2,035,713,611	$ 2,191,650,755
Unfunded Liability	$	1,554,459,287	$ 1,933,289,366	$ 1,950,363,905
Funding Percentage		55.65%	51.29%	52.91%

VMERS		2019	2020	2021
Actuarial Accrued Liability	$	896,341,848	$ 1,004,560,034	$ 1,074,167,813
Actuarial Value of Assets	$	718,337,020	$ 761,505,976	$ 837,095,639
Unfunded Liability	$	178,004,828	$ 243,054,058	$ 237,072,174
Funding Percentage		80.14%	75.80%	77.93%

State statute requires that an experience study be conducted at least every three years to review and reset the assumptions as needed. In 2020, an Experience Study was conducted by Segal Consulting for each of the three pension systems and presented to the Trustee Boards in September. As a result of the Experience Study, the three Boards and VPIC lowered the interest rate of return from 7.5% to 7.0% and the Trustee Boards adopted various other economic and demographic assumption changes. These changes led to a significant increase in the unfunded liability and ADEC for FY2022. In the case of the VSERS system, the demographic assumptions accounted for 30% of the increase in unfunded liability with the interest return assumption accounting for 70%. In the case of the Teachers' system, demographics accounted for almost 50% of the increase due to mortality and workforce changes, such as staff turnover and larger increases in retirements.

Given the significant increases (combined $604 million of the unfunded liabilities and $100 million for the ADEC) and its resulting budgetary pressures, the Trustee Boards for both the State and Teachers' systems voted to direct the Treasurer to work with the stakeholder groups to identify a range of options and recommend cost saving changes to the benefit structures of the plans, and to submit those recommendations to the General Assembly by January 15, 2021. Following submission of this report to the General Assembly, the House Government Operations Committee developed their own recommendations to address the increasing budget pressures and unfunded liabilities. These were met with significant opposition from member organizations and ultimately led to the passage of Act 75 (2021) "*An act relating to the membership and duties of the Vermont Pension Investment Commission and the creation of the Pension Benefits, Design, and Funding Task Force*". Act 75 created a Task Force to make

Figure 6: Funding Progress of the Retirement Systems - (Amounts in Thousands)

	Year ending June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
VSERS	2021	$ 2,216,500	$ 3,280,868	$ 1,064,368	67.6%	$ 552,317	192.7%
	2020	2,054,826	3,095,291	1,040,465	66.4%	551,981	188.5%
	2019	1,964,501	2,779,966	815,465	70.7%	527,571	154.6%
	2018	1,881,805	2,661,609	779,804	70.7%	521,671	149.5%
	2017	1,793,795	2,511,373	717,578	71.4%	504,553	142.2%
	2016	1,707,268	2,289,452	582,184	74.6%	471,268	123.5%
	2015	1,636,268	2,178,827	542,559	75.1%	462,057	117.4%
	2014	1,566,076	2,010,090	444,014	77.9%	437,676	101.4%
	2013	1,469,170	1,914,300	445,130	76.8%	416,766	106.8%
	2012	1,400,779	1,802,604	401,825	77.7%	385,526	104.2%
	2011	1,348,763	1,695,301	346,538	79.6%	398,264	87.0%
	2010	1,265,404	1,559,324	293,920	81.2%	393,829	74.6%
	2009	1,217,638	1,544,144	326,506	78.9%	404,516	80.7%
	2008	1,377,101	1,464,202	87,101	94.1%	404,593	21.5%
	2007	1,318,687	1,307,643	(11,044)	100.8%	386,917	-2.9%
	2006	1,223,323	1,232,367	9,044	99.3%	369,310	2.4%
	2005	1,148,908	1,174,796	25,888	97.8%	349,258	7.4%
	2004	1,081,359	1,107,634	26,275	97.6%	336,615	7.8%
	2003	1,025,469	1,052,004	26,535	97.5%	319,855	8.3%
	2002	990,450	1,017,129	26,679	97.4%	300,994	8.9%
	2001	954,821	1,026,993	72,172	93.0%	278,507	25.9%
	2000	895,151	967,064	71,913	92.6%	266,519	27.0%
	1999	804,970	876,412	71,442	91.8%	238,281	30.0%
	1998	733,716	804,501	70,785	91.2%	235,956	30.0%
	1997	639,128	753,883	114,755	84.8%	227,000	50.6%
VSTRS	2021	$ 2,191,651	$ 4,142,015	$ 1,950,364	52.9%	$ 657,935	296.4%
	2020	2,035,714	3,969,003	1,933,289	51.3%	645,903	299.3%
	2019	1,950,860	3,505,319	1,554,459	55.7%	624,908	248.8%
	2018	1,866,121	3,379,554	1,513,433	55.2%	612,899	246.9%
	2017	1,779,592	3,282,045	1,502,453	54.2%	607,355	247.4%
	2016	1,716,296	2,942,024	1,225,728	58.3%	586,397	209.0%
	2015	1,662,346	2,837,375	1,175,029	58.6%	557,708	210.7%
	2014	1,610,286	2,687,049	1,076,764	59.9%	567,074	189.9%
	2013	1,552,924	2,566,834	1,013,910	60.5%	563,623	179.9%
	2012	1,517,410	2,462,913	945,503	61.6%	561,179	168.5%
	2011	1,486,698	2,331,806	845,108	63.8%	547,748	154.3%
	2010	1,410,368	2,122,191	711,823	66.5%	562,150	126.6%
	2009	1,374,079	2,101,838	727,759	65.4%	561,588	129.6%
	2008	1,605,462	1,984,967	379,505	80.9%	535,807	70.8%
	2007	1,541,860	1,816,650	274,790	84.9%	515,573	53.3%
	2006	1,427,393	1,686,502	259,109	84.6%	499,044	51.9%
	2005	1,354,006	1,492,150	138,144	90.7%	468,858	29.5%
	2004	1,284,833	1,424,661	139,828	90.2%	453,517	30.8%
	2003	1,218,001	1,358,822	140,821	89.6%	437,239	32.2%
	2002	1,169,294	1,307,202	137,908	89.5%	418,904	32.9%
	2001	1,116,846	1,254,341	137,495	89.0%	403,258	34.1%
	2000	1,037,466	1,174,087	136,621	88.4%	387,999	35.2%
	1999	931,056	1,065,754	134,698	87.4%	372,299	36.2%
	1998	821,977	955,694	133,717	86.0%	357,899	37.4%
	1997	717,396	849,179	131,783	84.5%	364,695	36.1%
VMERS	2021	$ 837,096	$ 1,074,168	$ 237,072	77.9%	$ 331,960	71.4%
	2020	761,506	1,004,560	243,054	75.8%	327,492	74.2%
	2019	718,337	896,342	178,005	80.1%	306,103	58.2%
	2018	680,005	827,679	147,674	82.2%	289,839	51.0%
	2017	634,690	754,877	120,187	84.1%	274,814	43.7%
	2016	581,611	744,960	163,349	78.1%	256,730	63.6%
	2015	543,768	699,293	155,525	77.8%	249,811	62.3%
	2014	500,558	580,972	80,414	86.2%	230,969	34.8%
	2013	446,236	528,426	82,190	84.4%	220,372	37.3%
	2012	417,443	488,572	71,129	85.4%	215,075	33.1%
	2011	402,550	436,229	33,679	92.3%	205,589	16.4%
	2010	376,153	409,022	32,869	92.0%	202,405	16.2%
	2009	331,407	366,973	35,566	90.3%	191,521	18.6%
	2008	348,740	343,685	(5,055)	101.5%	175,894	-2.9%
	2007	325,774	309,853	(15,921)	105.1%	162,321	-9.8%
	2006	288,347	276,552	(11,795)	104.3%	148,815	-7.9%
	2005	259,076	248,140	(10,936)	104.4%	146,190	-7.5%
	2004	232,890	225,092	(7,798)	103.5%	135,351	-5.8%
	2003	222,854	218,533	(4,321)	102.0%	126,216	-3.4%
	2002	193,278	176,109	(17,169)	109.7%	106,986	-16.0%
	2001	177,928	158,786	(19,142)	112.1%	101,873	-18.8%
	2000	161,900	138,697	(23,203)	116.7%	87,147	-26.6%
	1999	137,454	114,481	(22,973)	120.1%	70,808	-32.4%
	1998	113,678	102,005	(11,673)	111.4%	87,328	-13.4%
	1997	96,196	85,686	(10,510)	112.3%	70,800	-14.8%

recommendations for consideration by the Legislature. Additional information on the recommendations of the Task Force is included later in this section.

2021 Highlights/Pandemic Response:

- As a result of the Coronavirus pandemic and the Administration's work from home order, which was in place until November 1, 2021, the Retirement Division switched all operations to be performed remotely. Counseling sessions have been held virtually either by phone or Microsoft Teams. Seminars were reconfigured to be conducted virtually through Teams and Zoom. The Retirement Division continues to provide the same level of service to its members in a new modified telework schedule and retired, and paid on time, over 1,240 teachers, state, and municipal employees during this past fiscal year.

- In response to the Pandemic and the elimination of an in-office staff presence, the Retirement Office launched an online resource, Member Direct, for use by the over 58,000 members of all three systems. This member portal allows active employees to run their own estimates and view their annual statements, beneficiaries and more. The member portal allows retirees to make changes to their tax withholding and other personal information as well as view, download, print their monthly pension payments including the gross, net, and all deductions. Retirees can also view, download, and print their 1099R for filing their annual tax return. This tool has allowed the Retirement Office to cut back on processing benefit estimates for members who are early in their career and not close to retirement and has allowed members to access this information in a timelier fashion. In addition to more broadly announcing the Member Direct functionality through a post card campaign we also announced it in HR Connect for active state employees. Please see Figure 7 for utilization metrics associated with this new member portal.

Figure 7: Member Direct Activity 2021

Pension Gold Member Direct Fiscal Year 2021 Activity	
Total Enrollments	7,573
Total Logins	23,013
Average Enrollments Per Day	21
Average Logins Per Day	63
Estimates Calculated	10,249
Address Changes	499
Email Changes	46
Telephone Changes	2,500
Direct Deposit Changes	188

- In early 2021, the Vermont State Teachers' Retirement System (VSTRS) Board, announced that, after a rigorous bid process, it selected Vermont Blue Advantage (VBA) to deliver Medicare Advantage health insurance for a majority of VSTRS retirees with Medicare. The change allows the Board to closely match the benefits provided to

Medicare-eligible members and provide significant enhancements, including a new vision and hearing benefit, at reduced premium averaging between 30% and 40%. Additionally, VBA partnered with the Vermont Education Health Initiative (VEHI) and submitted a joint bid in which VEHI will continue to provide health insurance to VSTRS's non-Medicare retired teachers, as well as some Medicare-eligible retirees with separate Part D coverage, through the same group health plans as are in place today. The new plans took effect on January 1, 2022. Retirement staff spent considerable time and effort assisting retired teachers over the phone and via webinars with this transition.

2022 Planned Retirement Initiatives

- Following the resignation of Erika Wolffing, Director of Retirement, in early October, the Treasurer's Office conducted an extensive recruitment effort. Efforts to fill this vacancy have been hampered by workforce issues attributed to COVID, a phenomenon experienced at both the national and local level. The 14 positions in the Retirement Division must serve over 58,000 members and retirees, a number that continues to grow. Without additional staff, the quality of services will suffer. This situation, coupled with the administrative tasks necessary to implement the benefit changes contemplated by the Task Force, has reached a tipping point. The Treasurer's Office is therefore requesting two additional positions.

- As mentioned above, Prudential Retirement currently manages the State and Municipal Defined Contribution plans as well four other supplemental retirement plans. In July 2021, the Treasurer's Office was informed that Empower Retirement was acquiring Prudential's full-service retirement plan recordkeeping and administration business starting sometime in 2022. The State of Vermont previously contracted with Empower to manage the four supplemental retirement plans before moving them to Prudential in 2018 following a competitive bidding process, that yielded a 51% reduction in costs. Retirement staff will keep current members of these plans apprised of this upcoming transition and provide whatever assistance is necessary. Our expectation is that all existing prices will be maintained.

Pension Benefits, Design, and Funding Task Force

As mentioned above, a Pension Benefits, Design, and Funding Task Force was created by Act 75 (2021). The purpose of the Task Force was to review and report on the benefits, design, and funding of retirement and retiree health benefit plans for the Vermont State Employees' Retirement System (VSERS) and the Vermont State Teachers' Retirement System (VSTRS), and to make recommendations about benefit provisions and appropriate funding sources.

Membership on the Task Force included five Legislators, an Administration representative, six representatives from labor organizations and a Treasurer designee who served as a nonvoting member. The Task Force had fiscal assistance from both the Joint Fiscal Office and the State Treasurer's Office and staff. Additionally, Segal, under its contract with the Retirement Boards provided actuarial consulting services to the Task Force. The Task Force met nearly weekly beginning in July and through November. Treasurer Pearce was invited to several meetings and provided testimony and analysis on pension funding status, methods, trends, investment gains and losses, drivers of the unfunded liability, experience study data and prefunding of OPEB. The Task Force submitted an interim report as required in October 2021 and a final report on January 10, 2022. The Task Force made recommendations that included the application of both one-time and ongoing revenues, increases in employee contributions, and some changes to cost-of-living provisions for current members upon their retirement. Please refer to the following link for more information related to the Pension Task Force: Documents & Handouts | Pension Benefits, Design, and Funding Task Force (vermont.gov)

Other Post-employment Benefits (OPEB) and Health Care

OPEB refers to other benefits received in retirement, primarily health care offered through the VSERS and VSTRS health plans. Like pensions, health care accounting is dictated by similar GASB pronouncements, Standards 74 and 75. The OPEB standards were implemented in FY2017 and FY2018 and changed the way the plans are reported in the State's financial statements. As in the case of pensions, the intent of the standards is to provide consistency in reporting of these liabilities across governments, and to increase transparency.

Like GASB 68, GASB 75 requires the State to place a net long-term OPEB liability on its government-wide financial statements. These represent current and future accrued liabilities for existing members and retirees. These long-term unfunded liabilities do not impact primary funds such as the general fund although current year premiums (not full accrued liabilities) are appropriated, paid for, and accounted for in these funds.

Application of the GASB requirements results in a calculation of unfunded liabilities. Responsible government and financial practice dictate that adequate funding must occur or financial stresses will be exacerbated. Unlike pensions, and except for some ad hoc contributions, the state has elected to pay only the health care premiums, or funding on a pay-go basis. As a result, the OPEB funds have accumulated very little assets to meet the growing liabilities; only $120 million or 7.55% of VSERS OPEB liability and just under $15 million for VSTRS, or 1.13% of the liability. The lack of a policy to prefund these benefits results in significant pressures on the unfunded liability each year, driving up future costs for taxpayers.

The considerable rise in OPEB unfunded liabilities reflected in the FY2021 OPEB valuation is directly related to the lack of prefunding. Since the State does not currently prefund OPEB benefits, the actuary calculates the ADEC using a standardized discount rate prescribed by the GASB, the 20-year AA municipal bond rate. This rate will vary from year to year based on the interest rate market and has nothing to do with the investment rates experienced by Vermont. It is an artificial construct to standardized interest rates when prefunding has not been initiated.

Funding OPEB

The State needs to move to a formalized and codified system of prefunding retiree health care. In 2019, 2020, and 2021, the Treasurer's Office provided the Administration and the General Assembly a plan to begin prefunding. The Treasurer's Office's recommendations agree with the VSTRS and VSERS Boards' stated position that prefunding is the most cost-effective approach to deliver health care services. Treasurer Pearce, as noted above provided repeated testimony and analysis on different approaches to more fully prefund OPEB costs to the Task Force this past year.

At the January 10th Task Force meeting, recommendations were made to achieve the prefunding milestone and identified necessary funding to achieve this. The Treasurer's Office will assist the Legislature in crafting prefunding policy language with the expectation that these policies will be codified in statute. The requisite statutory language and a commitment to appropriating the required dollars will get the state to prefunded status.

The result will be a substantial reduction in OPEB liabilities. The projected VSERS OPEB FY23 unfunded liability, without prefunding, is $1,664,236,504. With prefunding this will drop to $772,943, 961 or a decrease in liabilities of $891,292,543. In the case of VSTRS, the projected FY23 year-end OPEB liability, without prefunding, is estimated at $1,504,546,662. The projected FY23 OPEB, with prefunding, is $667,756,829. That is a decrease of $836,789,833. The combined reduction in liabilities, through prefunding, is over $1.7 billion. The Treasurer's memo, dated December 23, 2021, details the scenarios for prefunding, the savings, as well as past efforts, successfully lowering liabilities by millions of dollars primarily through contract changes. The memo can be found on our webpage.

Debt Management

The State of Vermont's approach to debt management is characterized by conservative debt issuance and debt management policies that adhere to rigorous disclosure practices. These policies include moderate levels of bond issuance, careful consideration of debt affordability, strict adherence to credit rating agency guidelines, and strong fiscal budget policies to ensure that the State has funds readily available for bond principal and interest payments. Attention to rating agency and investor interest and concerns has earned the State a high debt rating and correspondingly very low borrowing costs. Vermont has steered clear of financial and regulatory concerns thanks to the State's disciplined practices and uncomplicated debt profile. Except for transportation infrastructure bonds, Vermont issues general obligation debt. All of the State's debt is fixed-rate debt.

In looking at the capital budget and the use of bonds, a distinction should be made between financing and funding. Bond financing leverages the value of a stream of revenue and then pays over time for the current use of those future revenues. In cases where there are significant inflationary costs, this can also result in increased net resources, but as a general rule, they add little or no new resources to the funding gap and are not solutions to meet budgetary shortfalls.

Funding refers to the generation of revenue, through various means such as taxes and fees, that provides needed services or capital infrastructure. The bonds to finance these must be repaid through future revenue flows. The Treasurer's Office urges prudence when issuing bonds. Borrowing makes sense when:

• The costs saved through accelerated construction (inflation and preventative maintenance) exceed the interest paid on the funds;

• a quantifiable economic benefit exceeds the cost of borrowing; and/or

• a future identifiable and available revenue source exists to pay for the bonds.

In 2021, the Capital Debt Affordability Advisory Committee (CDAAC, described below) affirmed its 2020 recommendation of a 2-year maximum net tax-supported debt authorization of $123.18 million, which represented no change from the previous biennium recommendation of $123.18 million. In total, previous recommendations represent a cumulative 8-year reduction of 23.0%. These reductions are critical to reducing the portion of the budget devoted to debt service and to lower interest costs for the taxpayer. However, given the current uncertainty surrounding revenues in the aftermath of the COVID-19 pandemic, the committee decided to hold its recommendation flat.

Additionally, on May 18th of this year, the State sold $82,185,000 of General Obligation Bonds, 2021 Series A and $31,560,000 of General Obligation Refunding Bonds, 2021 Series B through a competitive sale, and $39,580,000 of General Obligation Refunding Bonds, 2021

Series C (Vermont Citizen Bonds) through a negotiated sale. The average life of the Series A bonds was 10.2 years and had a true interest cost of 1.43%. The Series B and C refunding bonds had average lives of 4.8 and 4.0 years with true interest costs of 0.63% and 0.66%, and realized refunding savings of $7.62 million.

CDAAC formed a working group in 2020 to research and recommend alternative ways to fund capital projects, rather than borrowing money. This group will specifically review the use and treatment of any bond premiums raised in the process of bond issuance, as well as the possible creation of a fund to accumulate non-bond resources (PAYGO) to pay for projects, reducing interest costs that currently amount to 40 cents for every dollar issued. A second work group reviewed affordability criteria and metrics including presentation of pension data.

Vermont's Bond Ratings

Vermont has the highest general obligation bond rating in New England (see Figure 16). However, demographic headwinds in the Northeast underscore the importance that the State of Vermont continue its commitment to proactive financial management and fiscal discipline.

Figure 8: New England General Obligation Bond Ratings

State	Moody's	S&P	Fitch
Vermont	Aa1	AA+	AA+
Connecticut	A1	A	A+
Maine	Aa2	AA	AA
Massachusetts	Aa1	AA	AA+
New Hampshire	Aa1	AA	AA+
Rhode Island	Aa2	AA	AA

The State's general obligation bond rating was downgraded in October 2018 by Moody's (Aa1, second highest rating), and by Fitch Ratings (AA+, second highest rating) in July 2019. S&P Global Ratings (AA+, second highest rating) remains unchanged, but its outlook was changed to negative in November of 2020. Moody's and Fitch ratings include stable outlooks. Fitch's rating report and the revision in outlook by S&P echoed the same issues identified by Moody's in October of 2018. The Treasurer's Office welcomes the opportunity to work collaboratively to address shared challenges such as Vermont's aging population, slow economic growth, and above average long-term pension and post retirement liabilities relative to State GDP. While these reports identified valid challenges, they are accompanied by many positive strengths that have been documented by all three rating agencies.

The State of Vermont has many attributes that will be part of the solution as we seek to restore our triple-A bond rating. In addition to working together to address our demographic and workforce challenges, the Administration and General Assembly must continue to focus on fundamentals, including:

• Passing structurally sound budgets where revenues meet ongoing expenses;

• Paying at least the full ADEC;

• Addressing pension and OPEB funding challenges collaboratively and working to prefund long-term liabilities as the State continues its plan to retire the unfunded liability in 2038;

• Reducing reliance on debt and shifting to more pay-as-you-go options to fund capital needs; and

• Increasing reserves in the General Fund, Education Fund, and Transportation Fund.

Vermont's bond ratings are critical to Vermont because they allow access to capital at low rates. This not only supports the State's bonding needs, but it also lowers borrowing costs for municipalities that issue debt through the Vermont Bond Bank (VBB) or other borrowers that rely on the State's bond rating. This is accomplished through varying levels of utilization of the state's "moral obligation" to enhance credit. These include entities that support affordable housing (Vermont Housing Finance Agency or VHFA), economic development (Vermont Economic Development Authority or VEDA), and selected issuance for student loans (Vermont Student Assistance Corporation or VSAC). Maintenance of the State's bond rating is important for every citizen, each community, and Vermont non-profits and businesses.

Debt Affordability

The Treasurer's Office and a majority of CDAAC members conclude that the State of Vermont needs to reduce its appetite for debt. Lower debt issuance by US states has weakened Vermont's debt ratio ranking relative to peers. This is particularly true of peer triple-A rated states. Furthermore, Vermont's projected debt issuance exceeds scheduled debt retirements, so the State's overall debt outstanding will continue to rise. In the sections that follow, the mean and median for all 50 states, as a part of an annual series most recently released by Moody's Investor Service in June 2021, is noted. This provides detail on Vermont's relative position.

CDAAC's 2021 report acknowledged rating agency concerns about the status of US local and state infrastructure needs. Decisions to defer maintenance and/or replacement of capital infrastructure require additional focus and proactive capital planning. There is a need to develop pay-as-you-go funding structures that would be beneficial to the capital and asset management process. CDAAC, the Treasurer's Office, and the Administration will provide the General Assembly with suggestions to proactively manage these capital needs.

In addition, CDAAC calculates debt per capita and debt as a percentage of personal income based on the annual Moody's Report, using a five-year median and mean for states with at least two triple-A ratings. In the case of debt service as a percentage of revenues, Vermont uses an absolute guideline rather than a comparison to the peer triple-A states. This forms the basis for guidelines for the State in shaping its CDAAC recommendations. Please note that the September Moody's report includes FY20 data.

Debt Per Capita

Debt as a percentage of personal income and debt service as a percentage of revenues are generally understood to be the better credit indicators of the State's ability to pay; however, the rating agencies continue to calculate and monitor the State's debt per capita as an indicator and it is included as a factor in CDAAC's deliberations. In 2020, the State's debt per capita was $1,102 (see Figure 9), an increase from $1,061 the previous year. Vermont ranking worsened from 26th to 24th among the 50 states.

Figure 9: Moody's Investors Service - Debt Per Capita Comparison

Peer Group States (All states with at least two triple-A ratings) 5-Year Average Mean and 5-Year Average Median MEAN: $933 MEDIAN: $618 5-Year Average VERMONT: $1,072								
				Moody's Debt Per Capita				
Triple-A Rated States[1]	Moody's Ratings[2]	S&P Ratings[2]	Fitch Ratings[2]	2017	2018	2019	2020	2021
Delaware	Aaa/Stable	AAA/Stable	AAA/Stable	$ 2,544	$ 2,587	$ 3,206	$ 3,289	$ 3,400
Florida	Aaa/Stable	AAA/Stable	AAA/Stable	961	889	812	780	710
Georgia	Aaa/Stable	AAA/Stable	AAA/Stable	992	986	996	971	987
Indiana	Aaa/Stable	AAA/Stable	AAA/Stable	310	295	270	251	233
Iowa	Aaa/Stable	AAA/Stable	AAA/Stable	228	219	207	150	157
Maryland	Aaa/Stable	AAA/Stable	AAA/Stable	2,122	2,164	2,343	2,323	2,410
Minnesota	Aa1/Stable	AAA/Stable	AAA/Stable	1,480*	1,430	1,415	1,406	1,400
Missouri	Aaa/Stable	AAA/Stable	AAA/Stable	579	532	487	464	413
North Carolina	Aaa/Stable	AAA/Stable	AAA/Stable	659	611	531	586	581
South Carolina	Aaa/Stable	AA+/Stable	AAA/Stable	564	517	503	469	415
South Dakota	Aaa/Stable	AAA/Stable	AAA/Stable	641	694	618	493	482
Tennessee	Aaa/Stable	AAA/Stable	AAA/Stable	322	312	305	292	266
Texas	Aaa/Stable	AAA/Stable	AAA/Stable	383	410	389	379	365
Utah	Aaa/Stable	AAA/Stable	AAA/Stable	824	772	792	720	866
Virginia	Aaa/Stable	AAA/Negative	AAA/Stable	1,486	1,515	1,502	1,677	1,746
MEAN[3]	-	-	-	**901**	**929**	**958**	**950**	**962**
MEDIAN[3]	-	-	-	**650**	**694**	**618**	**586**	**581**
Vermont	**Aa1/Stable**	**AA+/Negative**	**AA+/Stable**	**1,068**	**987**	**1,140**	**1,061**	**1,102**
(1) States that carry at least two triple-A ratings								
(2) Ratings as of September 30, 2021								
(3) These calculations exclude all Vermont numbers								
*Indicates that the state was not rated triple-A by two or more of the rating agencies during the year shown. Amount not used in calculating the mean or median for the year.								

CDAAC uses a five-year average of our peer triple-A states. Vermont has a five-year average of $1,072 versus a mean of $933 and a median of $618 (the current guideline) for the same five-year period for our peer triple-A states. Vermont is forecasted to exceed this guideline going forward. Given the weight placed on this ratio versus the other debt ratios noted below, CDAAC limited the constraining impact of this in its recommendations.

Debt as a Percentage of Personal Income

Another credit factor for assessing a state's relative ability to pay its general obligation debt is the ratio of net tax-supported debt as a percent of personal income. Vermont has a ratio of 1.9 percent as compared to a 50 state mean of 2.5 percent and a median of 1.9 percent. The State's ranking slipped slightly in 2021 from 29th to 27th among the 50 States. The CDAAC guideline is to perform better than the Moody's five-year mean (1.8 percent) and median (1.4 percent) for states with at least two triple-A ratings (Vermont's 5-year average is 2.0 percent). Using the current CDAAC projection, this ratio will improve to 1.2 percent by FY2032. Using the recommended level of debt issuance, the debt as a percentage of personal income would exceed the state guideline in 2022 and 2023 but would be back into compliance by 2024.

Figure 10: Moody's Investors Service - Debt as a % of Personal Income

Peer Group States (All states with at least two triple-A ratings)

5-Year Average Mean and 5-Year Average Median

MEAN: 1.8% MEDIAN: 1.4% 5-Year Average VERMONT: 2.0%

	Moody's Debt as % of Personal Income				
Triple-A Rated States	**2017**	**2018**	**2019**	**2020**	**2021**
Delaware	5.4%	5.5%	6.5%	6.1%	6.0%
Florida	2.2	2.4	1.7	1.5	1.3
Georgia	2.5	2.0	2.3	2.0	1.9
Indiana	0.8	0.7	0.6	0.5	0.5
Iowa	0.5	0.5	0.4	0.3	0.3
Maryland	3.8	3.7	3.8	3.5	3.5
Minnesota	2.9*	2.8	2.6	2.4	2.3
Missouri	1.4	1.2	1.1	0.9	0.8
North Carolina	1.6	1.5	1.2	1.2	1.2
South Carolina	1.5	1.3	1.2	1.0	0.9
South Dakota	1.4	1.5	1.3	0.9	0.8
Tennessee	0.8	0.7	0.7	0.6	0.5
Texas	0.8	0.9	0.8	0.7	0.7
Utah	2.1	1.9	1.9	1.5	1.7
Virginia	2.9	2.9	2.7	2.8	2.8
MEAN[1]	**2.0**	**2.0**	**1.9**	**1.7**	1.7
MEDIAN[1]	**1.6**	**1.5**	**1.3**	**1.2**	1.2
VERMONT	**2.1**	**2.0**	**2.2**	**1.9**	1.9

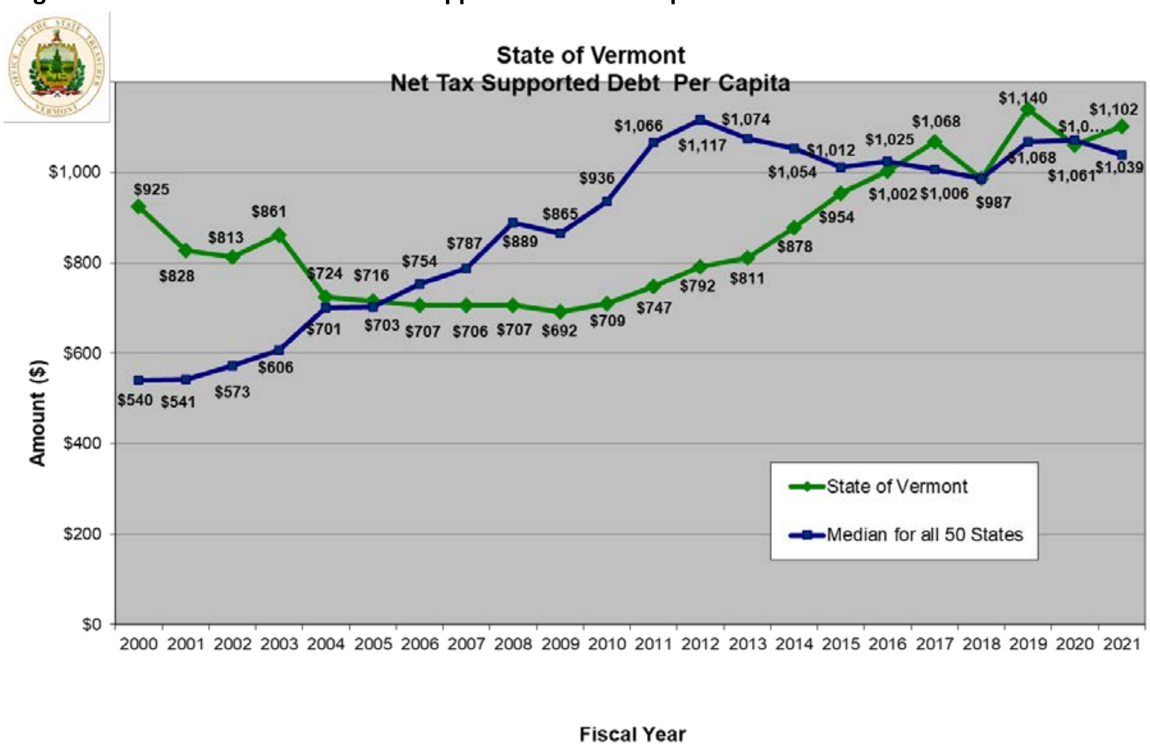
(1) These calculations exclude all Vermont numbers and include only states rated triple-A by two or more of the rating agencies during the periods shown, as of September 30, 2021

*Indicates that the state was not rated triple-A by two or more of the rating agencies during the year shown. Amount not used in calculating the mean or median for the year.

Debt as a Percentage of Revenue

The guideline used for determining debt service as a percentage of revenue states that projected annual State debt service on general obligation bonds should not be more than 6.0 percent of projected revenues in the combined General and Transportation funds. The debt service as a percentage of revenues ratio was 4.0 percent for FY2021. This percentage is expected to rise to 4.2 percent from FY2025 through FY2027. Given the potential for wide variances in State revenues at various points in the economic cycle, CDAAC proposed a significant buffer between the recommended level and the guideline. During the Great Recession, this ratio jumped from 5 percent in 2008 to 5.5 percent in 2009 and 5.7 percent in 2010.

Figure 11: State of Vermont Net Tax Supported Debt Per Capita



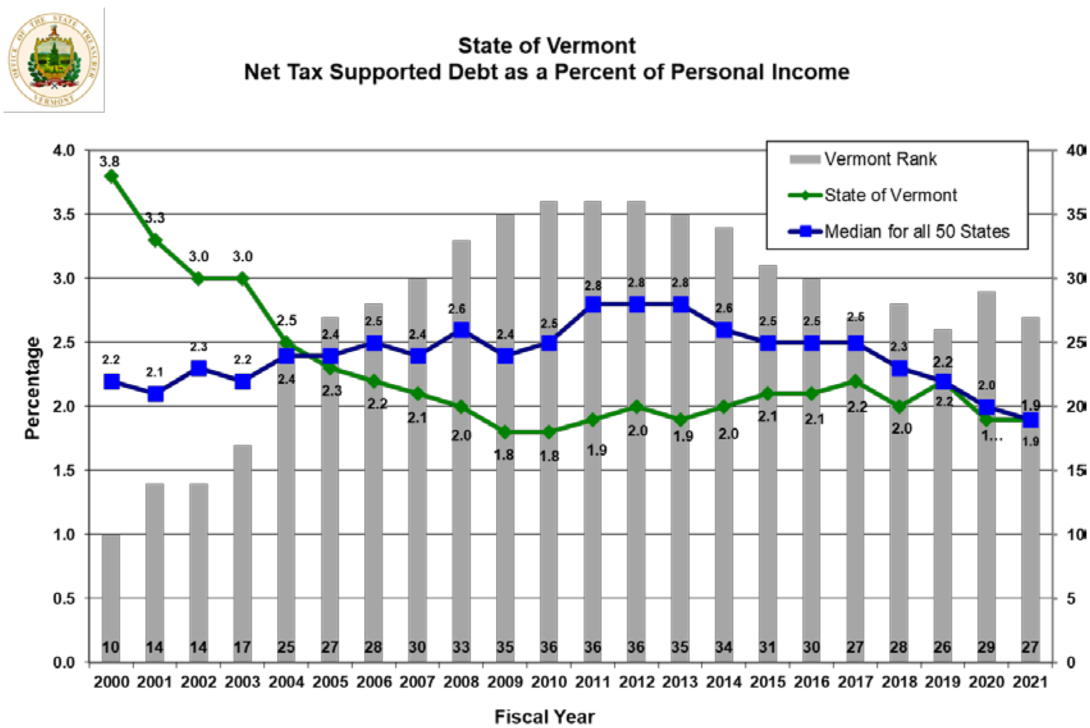
Budget Stabilization Reserves

The State has budget stabilization reserve levels required by statute for each of the State’s General Fund, Transportation Fund, and Education Fund. Required reserves for the General Fund and Transportation Fund are 5 percent. The Education Fund’s required reserve levels are between 3.5 percent and 5 percent of the previous year’s appropriations. In addition to these reserves, the State has also increased the Human Services Caseload Reserve and 27/53 Reserve. Taken as a whole, General Fund reserves were 24.45% as a percentage of FY2021 appropriations. The Treasurer's Office supports a policy of increasing reserves to mitigate economic fluctuations and recommends continued progress to build reserves.

Other Factors and Summary

The rating agencies also consider the breadth of the economy; the level and condition of the State's transportation, utilities, and other infrastructure; personal income levels; fiscal responsibility; employment levels; workforce size and training; population demographics and trends; internal controls and auditing standards; need for short-term borrowings; and other factors.

Figure 12: State of Vermont Net Tax Supported Debt as a % of Personal Income



In looking at our bond rating profile, Vermont's strong fiscal discipline, a record of surpluses, modest debt burden, and progress on funding liabilities despite a net pension liability are generally seen as strengths. Maintaining our reserves is also a strength, although additional increases to reserves would be a credit plus. On the credit challenge side, our demographics, particularly our aging workforce and population and slow revenue growth, are seen as weaknesses.

There are many external national and international economic factors that put stress on state ratings. In order to maintain and foster economic health, the State of Vermont must continue a collaborative, disciplined approach to financial management, punctuated by timely, balanced budgets; proactive budget management using consensus revenue forecasting; full funding of the required actuarial contributions; and continuous improvement of State stabilization and rainy-day reserves.

Investments

Overview

The Treasurer's Office maintains four broad categories of investment portfolios (exclusive of VPIC): 1) operating funds and short-term restricted funds investment, 2) local investments, 3) the Trust Investment Account, and 4) certain retirement funds, excluding the defined benefit plans, under the authority of the Retirement Boards of Trustees, and in the case of the State Defined Contribution Plan, the Treasurer.

The pension funds are managed by the Vermont Pension Investments Commission. The VPIC transitioned from a Committee with staff support from the Treasurer's Office to an independent Commission in July 2021 as a result of changes made in Act 75 of 2021. While VPIC has been staffed and has received administrative support from the Treasurer's Office, the growth of assets under management led the VPIC to explore options to create a separate entity and a Request for Proposals was issued. A draft proposal with Recommendations on Governance Changes was submitted by Treasurer Pearce and Thomas Golonka, VPIC Chairperson, to the House Government Operations Committee on April 1, 2021. These form the basis of the statutory changes made in Act 75.

While the Commission immediately began transition (see the VPIC Report to the House and Senate dated January 10, 2022), it did not receive a separate budget for FY22. While the provisions of Act 75 call for staff reporting to VPIC, the positions remain in the Treasurer's budget until July 1, 2022, although transition of functions is already taking place. Going forward, VPIC will need its own budget for investment expenses, consultants, staff positions, operating costs, and administrative expenses of the staff and the Commission. Separating budgets for FY23 at the onset is a critical part to this process. It provides a clean budget, moves us forward consistent with legislative intent, and facilitates transparency. While some limited information on pension investments is included in the report, further details are available on the VPIC webpage at vpic.vermont.gov.

Treasurer's Office Investments

Operating funds and restricted funds (those funds identified as having certain federal restrictions, grant restrictions, or funds that must be segregated by statute) are invested by the Treasurer's Office with the State Treasurer serving as the fiduciary. The primary objective is liquidity, meeting the cash needs of State operations. Asset levels are subject to significant seasonal variation, depending on the timing of receipts (such as Tax) and disbursements (local aid, Act 68 payments). Due to COVID dollars received from the federal government, the assets under management have experienced significant, but temporary, growth. A chart with cash flow trends is included as Figure 13.

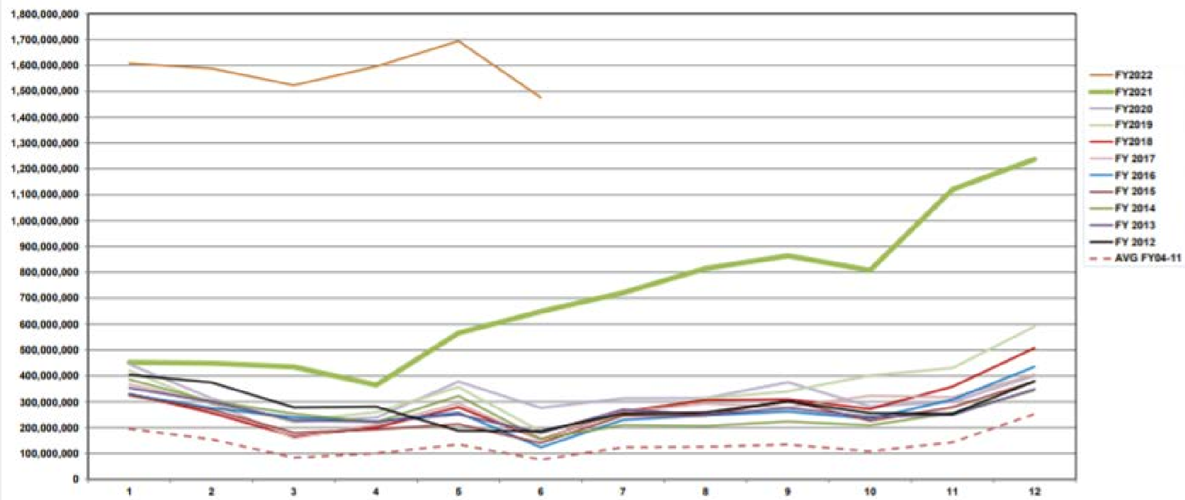
Figure 13: Historical Cash Flows

State of Vermont
Monthly Unrestricted Cash Balances
July 1, 2004 through December 31, 2021

Fiscal Year	July*^	August*^	September*^	October*^	November*^	December*^	January*^	February*^	March*^	April*^	May*^	June*^	Average	High	Low
FY2022	1,608,781,074	1,588,205,078	1,523,245,764	1,595,928,165	1,694,432,959	1,475,677,350							1,581,045,065	1,694,432,959	1,475,677,350
FY2021	452,251,715	449,228,533	434,745,691	364,371,924	565,843,810	648,762,517	721,417,392	814,844,480	864,093,083	808,186,920	1,121,111,034	1,237,394,415	706,854,293	1,237,394,415	364,371,924
FY2020	445,552,401	312,965,630	222,142,458	238,957,578	377,945,036	276,352,133	313,484,484	313,745,077	374,900,708	281,327,783	299,771,957	401,164,242	321,525,791	445,552,401	222,142,458
FY2019	420,777,480	290,619,269	226,312,266	259,819,597	357,038,831	184,725,942	245,153,354	312,445,525	340,189,539	401,805,797	430,664,491	590,721,959	338,356,171	590,721,959	184,725,942
FY2018	330,182,508	257,325,095	165,730,484	200,322,636	279,303,994	154,798,331	262,617,257	305,709,388	309,323,342	271,816,949	358,953,778	507,165,881	283,604,137	507,165,881	154,798,331
FY 2017	367,504,858	295,042,014	160,247,640	211,636,396	292,869,053	153,148,145	260,981,526	293,061,476	277,788,509	323,550,102	317,982,832	405,293,723	279,925,523	405,293,723	153,148,145
FY 2016	328,629,839	274,879,869	240,480,380	224,087,186	257,936,032	123,326,035	230,018,280	247,351,703	262,646,655	233,718,940	308,908,995	435,650,542	263,969,538	435,650,542	123,326,035
FY 2015	324,112,228	268,730,300	179,516,841	192,555,243	213,096,741	140,687,435	246,219,079	247,456,127	306,351,776	226,329,296	278,534,401	379,095,752	250,223,768	379,095,752	140,687,435
FY 2014	385,390,107	301,483,382	253,579,640	221,148,235	322,771,267	156,929,513	209,760,844	205,662,398	223,867,721	208,995,174	256,702,380	344,298,776	257,549,120	385,390,107	156,929,513
FY 2013	353,744,866	299,813,564	227,603,329	222,569,254	250,563,010	179,166,437	270,167,722	249,747,750	275,057,275	241,560,860	248,840,326	348,958,709	263,982,758	353,744,866	179,166,437
FY 2012	404,190,091	374,426,630	277,933,879	280,428,748	187,883,194	186,957,967	253,923,289	258,539,313	300,483,164	255,957,487	253,658,199	379,979,911	284,530,156	404,190,091	186,957,967
AVG FY04-11	195,107,662	154,677,134	83,604,291	100,194,286	134,794,508	76,037,601	123,860,732	125,804,597	134,476,384	108,744,712	143,783,418	252,628,673	136,142,833	252,628,673	76,037,601
Average:	355,519,204	282,996,289	203,715,121	215,171,916	267,420,167	163,212,954	241,618,657	255,952,335	280,508,507	255,380,710	289,780,078	404,495,817	267,980,979	415,943,400	157,791,986

* The balances from April 2020 forward do not include the CARES ACT 2020 money $1.250B received in April. CARES ACT balance as of 6/30/2020 = $1.140B. CARES ACT balance as of 7/31/2020=$1.036B. CARES ACT balance as of 9/30/2020=$795.656MM. CARES ACT balance as of 10/31/2020=$718.541MM. CARES ACT balance as of 11/30/2020=$547,059,125. CARES ACT balance as of 12/31/2020=$238,054,014. CARES ACT balance as of 01/31/2021=$196.947.855. CARES ACT balance as of 02/28/2021=156.364,080. CARES ACT balance as of 3/31/21=127,714,447. CARES ACT balance as of 04/30/21=122,139,320, CARES ACT balance as of 05/31/21=111,286,517. CARES ACT balance as of 06/30/21=62,498,613, CARES ACT balance as of 07/31/21=59,613,706, CARES ACT balance as of 08/31/21=57,293,616, CARES ACT balance as of 09/30/21=44,093,492, CARES ACT balance as of

^ The balance from January and February 2021 include $200MM for Emergency Rental Assistance, March and April 2021 includes $172,500,000, May 2021 includes $232,095,529, June 2021 includes $230,207,296, July 2021 includes $229,350,667, August 2021 includes $227,919,683, September 2021 includes $226,198,198, October 2021 includes $2208,614,004, November 2021 includes $206,322,483, December 2021 includes $181,587,102



The investment of these funds is governed by statute (32 V.S.A. § 433) which limits these to short-term investments. These include:

(1) obligations of the United States, its agencies, and instrumentalities, which have a liquid market with readily determinable market value;
(2) certificates of deposit and other evidences of deposit at banks, community development credit unions as defined in 8 V.S.A. § 30101, and savings and loan associations approved by the Treasurer;
(3) bankers' acceptances issued by domestic banks where the guaranteeing bank is rated in the highest tier assigned to the investments by at least two nationally recognized rating agencies;
(4) commercial paper rated in the highest tier by at least two nationally recognized rating agencies;

(5) investment-grade obligations of state or local governments, instrumentalities, and public authorities;
(6) repurchase agreements whose underlying purchased securities consist of any of the investments specified in (1) through (5) above;
(7) investment agreements or guaranteed investment contracts rated or guaranteed by a financial institution whose senior long-term debt obligations are rated, at the time such agreement or contract is entered into, in the highest tier assigned to such investments by a nationally recognized rating agency, and where the Treasurer has the option to terminate each agreement in the event such rating is downgraded below the highest rating tier; and
(8) money market mutual funds that either are regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities or are managed in a manner consistent with Rule 2a-7 of the Investment Company Act

In addition, the Treasurer's Office issues additional guidance that is reviewed periodically, with an overarching goal of minimizing exposure to risk and maintaining liquidity necessary for future cash needs, while maximizing the return on investments (safety, liquidity, and yield, in that order).

Pursuant to Act 199 of 2014, Act 51 of 2015, and Act 157 of 2016, the Local Investment Advisory Committee (LIAC), chaired by the State Treasurer is mission-driven to increase the economic development activity in Vermont and create jobs by committing up to 10 percent of the Treasurer's Office's average available cash balance to local investments. This program invests for longer maturities than in operating funds, generally in the five to seven year range. The State Treasurer is the fiduciary and has the final decision on the commitment of funds for local investment purposes. At present, approximately $39.7 million has been authorized to projects, although not all obligated funds are invested at any point in time. The Treasurer's Office will be proposing changes to the program for consideration by the General Assembly in FY22 to maximize investments and expand the composition of the investment committee.

These dollars have been used to support housing and energy projects, energy retrofits in state buildings, investments to lower the cost of post-secondary education, energy investments with the Vermont Economic Development Authority (VEDA), and investments with the Vermont Community Loan Fund (VCLF), to support family day care, affordable housing, and VCLF's Food, Farms, & Forests Fund. These investments provide access to needed capital while providing a competitive rate of return.

The 1999 State Legislature authorized the establishment of a trust investment account (TIA) administered by the State Treasurer for purposes of investing restricted funds with non-expendable principal balances and other funds with long-term liabilities. The parameters of this fund are codified in 32 V.S.A. § 434. Current funds in the portfolio include the Tobacco Trust Fund, the Higher Education Endowment Trust Fund, the Agency of Natural Resources Stewardship Fund, two Veterans' Home Trusts, the Fish and Wildlife Trust, Vermont State Retirement OPEB Fund, and various small trusts. The State Treasurer may invest funds in accordance with the standard of care established by the Prudent Investor Rule and apply the same investment objectives as pension funds, where appropriate, to the investment of funds in the Trust Investment Account.

The Treasurer's Office believes that a dependence upon manager performance relative to benchmarks, or alpha, is counterproductive, especially for relatively established asset classes. The Treasurer's Office believes that investment effort is better spent analyzing optimal portfolio allocations using total return, standard deviation, correlation assumptions available from professional investment advisors, and expected cash flows or distributions. This is essential to constructing a portfolio with the lowest expected risk relative to the TIA's return objectives. This philosophy is reflected in TIA and the Fund by allocating to low-fee, highly liquid indexing vehicles. A well-developed asset allocation strategy and its successful implementation has enabled TIA and the Fund to perform reasonably well in both up and down markets. The Treasurer's Office continues to apply rigorous metrics and macro trends when evaluating these and other investment portfolios, maximizing value to trust recipients and taxpayers.
For the period ending June 30, 2021, the TIA had assets of $112,065,659. With the addition of funds, primarily the State OPEB, and accounting for all disbursements, the balance as of December 31, 2021 is $184,637,787. The return for FY21, net of fees, is 14.9%.

As noted in the retirement operations section of this report, certain optional retirement plans, defined contribution plans, and supplemental retirement plans are available to state, teacher and municipal members and retirees. The State utilizes a contractor for management of these plans but the responsibility for the selection of investment fund offerings in each plan rests with the Board of Trustees, or in the case of the State defined contribution plan, the Treasurer. The fund lineups are reviewed on at least a quarterly basis. The plan specifics and assets under management for each plan are outlined in the Retirement Division section of this report.

Vermont Pension Investment Commission

The mission of VPIC is to manage investments for the participating retirement plans with integrity, prudence, and skill to meet or exceed the financial objectives of the beneficiaries of the participating retirement systems. VPIC acts as the trustee for the defined benefit plan investments and actuarial recommendations related to rate of return and inflation, while the Board of Trustees for each retirement system maintains its fiduciary role in the area of benefits administration, oversight of the actuarial services necessary to complete experience studies and annual valuations, approval of all assumptions to be used in valuations (with the exception of inflation and rate of return), and making recommendations to the General Assembly on funding and benefit structures for their consideration. The Treasurer serves on each of the Retirement Boards and VPIC.

The three retirement systems' cash flows vary due to their plan designs and varying inception dates. The Municipal system has positive cash inflows, such that contributions exceed payouts which is not uncommon in a relatively new fund (founded in 1974). On the other hand, the State Employees', and Teachers' funds (most significantly the Teachers' fund) have negative cash flows, whereby contributions are less than payouts. This is not uncommon in older plans where investment income is expected to have accumulated to partially fund payouts and reduce the required contributions. While this does not typically manifest into significant deviations in performance between the three systems, this fiscal year the Teachers' system outperformed the Employees and Municipal due to the outperformance of less liquid investments during the period and the Teachers' system's increased need for liquidity to withdraw funds to pay beneficiaries that created a slight overweight in their system to illiquid assets compared to the State Employees' and Municipal systems.

The combined assets of the three statewide pension plans generated a 24.62% return for the fiscal year ending June 30, 2021. This strong performance was welcome from an actuarial standpoint as it far exceeded the 7.0% assumed rate of return and resulted in net investment gains for the prior 10 years. VPIC and staff do not expect such strong returns to continue, as valuations of equity and debt investments are high relative to history, and we anticipate a reversion to the mean that will dampen investment returns for the coming years. Indeed, our investment consultant's capital market assumptions with a 20-year time horizon have been lowered across all asset classes due to the strong recent performance. While accurately forecasting if, when, and how such metrics revert to lower levels is very difficult, we do expect future returns to be lower than those of the recent past.

Figure 14: Investment Rate of Return

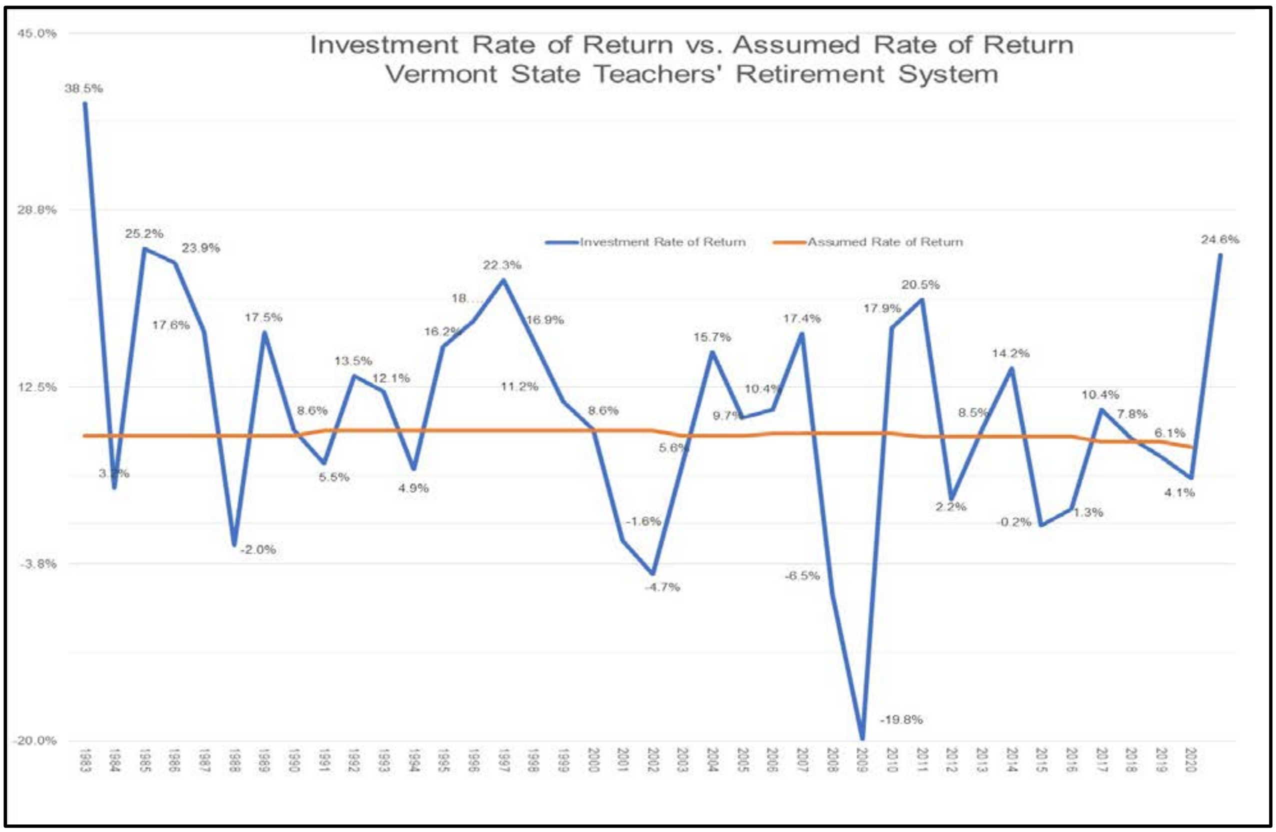


Figure 15: Investment Return as of June 30, 2021

Pension Plan	1-Year Return	3-Year Return	5-Year Return	10-Year Return	15-Year Return
Combined VPIC	24.62%	11.15%	10.37%	7.57%	6.47%
State VSERS	24.59%	11.10%	10.35%	7.56%	6.52%
Teachers VSTRS	24.75%	11.27%	10.42%	7.58%	6.44%
Municipal VMERS	24.32%	10.98%	10.32%	7.55%	6.54%

The historical performance of the funds, back to 1979, is included Figure 14. Since VPIC was not formed until 2005, the historical numbers represent those of one of the retirement systems. For more information on VPIC, please visit the Commission's webpage at vpic.vermont.gov.

Environmental, Social, and Corporate Governance (ESG) Initiatives

The Treasurer's Office is committed to environmental, social & governance (ESG) issues, both in its capacity as a constitutional office and in its role as a voting member of the Vermont Pension Investment Commission and the Boards of Trustees for the State, Municipal and Teachers' Retirement Systems. The Treasurer is Chair of the VPIC ESG Committee.

ESG is an approach to managing assets by integrating environmental, social and governance considerations into decision-making processes. The Treasurer's Office highlights the following ESG accomplishments since the last annual report.

- The Treasurer has used her office to advocate for institutional investors and regulators to engage on the risks posed by climate change and to invest in solutions. Below are a few areas in which we have been advocating:
    - Over the last several years, the Treasurer's Office has authorized approximately $39.7 million under the 10% in Vermont Program Local Investment Advisory Committee (LIAC) for local investment projects in Vermont to implement energy efficiency improvements to residential housing, commercial properties, and State office buildings.
    - The Treasurer proposed and the Retirement Boards of Trustees adopted, the offering of socially responsible investment mutual funds (SRI) in the supplemental retirement plans' lineups. These are available for participants if they so choose (see Figure 16).

o The Treasurer was featured in a *Pensions & Investments* article, "Proxy season action on climate change will be hard to avoid," highlighting the importance of institutional investors to engage with companies on climate change concerns during the proxy season.

Figure 16: ESG Funds

Plan # - Plan Name	Fund	Ticker	AUM as of 9/30/2021	# of PPT	% of AUM of the Plan
940010 - 940060 - 403(b) Exclusive & Non-Exclusive					
	Calvert Equity Fund Class I	CEYIX	$3,890,074	150	
	Pax Global Environmental Markets Fund Institutional Class	PGINX	$522,835	71	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	$4,922,735	1,115	
940020 - State Defined Contribution					
	Pax Global Environmental Markets Fund Institutional Class	PGINX	$423,015	8	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	$450,559	13	
940030 - Muni Defined Contribution					
	Pax Global Environmental Markets Fund Institutional Class	PGINX	$4,577	1	
940050 - 457 Plan					
	Pax Global Environmental Markets Fund Institutional Class	PGINX	$3,324,263	565	
	Pax Sustainable Allocation Fund Individual Investor Class	PAXWX	$3,386,209	197	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	$6,671,892	1,542	
	Vanguard FTSE Social Index Fund Institutional Shares	VFTNX	$28,411,811	658	

  - In an article highlighting Duke Energy shareholders' opposition to Board of Directors given their failure to align expenditures with their stated goal of achieving net-zero carbon emissions by 2050, Treasurer Pearce called on Duke's Board to be held accountable for their lack of oversight of ESG risks.
  - The Treasurer signed onto a letter to the Biden Administration calling for Methane and Flaring regulations at the Federal level. Methane emissions from the oil and gas industry expel greenhouse gases that are 84 times more powerful than carbon dioxide in its first two decades after release. The letter, organized by CERES, requests that the government appropriately regulate this activity.
  - Treasurer Pearce presented Proposal #4: Independent Chair proxy resolution on behalf of VPIC and the Olga Monks Pertzoff Trust 1945 at the Exxon Mobil Annual General Meeting on May 26, 2021. This initiative is part of a greater environmental engagement effort that VPIC participates in through Climate Action 100+ with the company.
- In addition to climate change, the Treasurer has advocated for many other ESG issues, including board diversity, workplace equity, and political spending. We highlight a few of her actions:
  - The Treasurer organized a series of meetings with several state treasurers, unions, and employees to communicate with a large real estate asset manager their concerns with its hotel management practices, which have been exacerbated during the COVID pandemic. The treasurers believed the manager's hotel operators' labor management practices were at odds with maximizing guest satisfaction scores, profitability, cash flow, and valuation. The engagement resulted in significant improvements to the practices, that served the customer, the employees, and added to the value of the properties.
  - The Treasurer, alongside other institutional investors, signed a letter addressed to 82 corporations regarding their oversight of political spending and requesting more transparency in their corporate political spending and lobbying practices.

  - To advocate for diversity on corporate boards, Treasurer Pearce joined Illinois State Treasurer Frerichs' Russell 3000 Board Diversity Disclosure Initiative, to address the lack of diversity among boards of directors and the need for change given the positive correlation between board diversity and long-term performance.
  - Along with other institutional investors, the Treasurer signed onto the "Workplace Equity Disclosure Statement," advocating for increased disclosure related to workplace equity policies, practices, and program outcomes.
- Prior to the passage of Act 75, the Treasurer's Office administered the VPIC's ESG activities in line with their approved ESG engagement plans. There were several successes during the 2021 Proxy Season, which we highlight below.
  - Activision Blizzard agreed to conduct a study of pay parity at the firm and publish a report in 2022.
  - Hess adopted a Bakken flaring reduction metric as part of their 2021 annual incentive plan for employees worldwide. This action ties executive compensation to the company's environment, health, safety, and climate change goals.
  - Prosperity Bancshares incorporated an inclusive recruitment policy in support of board diversity within their Board governance documents.
  - Four resolutions that the VPIC co-filed with other institutional investors went to a vote on the proxy ballot. The outcomes are noted below. While these fell well short of majorities, they resulted in dialogue with the companies. Experience indicates that there is typically increased shareholder support when resolutions are refiled in subsequent proxy seasons.

Figure 17: 2021 Proxy Resolutions

Company	Resolution	Shareholder Support
Exxon Mobile	Independent Chair	22.10%
AbbVie	Independent Chair	28.40%
Amazon	Alternative Director	17.50%
Facebook	Independent Chair	16.1% (52% excluding Zuckerberg shares)

- After the passage of Act 75, Treasurer Pearce was elected Chair of the VPIC ESG Committee, which is committed to overseeing matters related to adhering to the VPIC's ESG policy and making recommendations to the Commission regarding engagement activities and proxy voting policy amendments. Below are actions completed by the Committee to date:
  - VPIC approved a recommendation by the Committee to adopt an engagement plan for the 2022 proxy season.
  - An ESG survey was issued to all VPIC managers to evaluate each on their integration of ESG considerations into their investment process. The responses will set the basis for engagement with managers in the coming months.

- Nine shareholder resolutions were filed at companies on behalf of the VPIC, in line with the approved engagement plan for the 2022 proxy season. The VPIC is lead investor on six of the resolutions.

Single Deposit Investment Account (SDIA)

The Single Deposit Investment Account (SDIA) is a non-contributory defined contribution plan. The fund was formed in 1981 and is closed to new membership with no new monies invested since 1990. The portfolio is invested in a commingled stable value fund managed by ICMA-RC and administered by Prudential Retirement. The fund's objective is to provide a high level of income consistency with low market risk. The primary importance is the preservation of capital, with a secondary need to generate a composite yield in excess of comparable short-term money market yields. The balance as of June 30, 2021 is $31.2 million with 865 participants.

Unclaimed Property

Overview

Unclaimed property refers to accounts in financial institutions, non-profits, and companies that have had no activity generated or contact with the owner for one year or a longer period. Common forms of unclaimed property include savings or checking accounts, stocks, uncashed dividends or payroll checks, refunds, traveler's checks, trust distributions, unredeemed money orders, insurance payments or refunds and life insurance policies, annuities, certificates of deposit, customer overpayments, utility security deposits, mineral royalty payments, and contents of safe deposit boxes. The Treasurer's Office's unclaimed property program is first and foremost a consumer protection program that centralizes search efforts to locate property owners. Despite the many challenges that were faced last year, FY 2021 was another productive year for the Unclaimed Property Division.

The Unclaimed Property Division implements the State's Unclaimed Property Act by:

- Reuniting owners with their unclaimed funds.
- Ensuring banks, corporations, insurance companies and other entities remit to the State funds that are deemed abandoned under the law (usually after three years pass with no owner activity).
- Managing audits to recover additional unclaimed funds.
- Increasing public awareness of unclaimed funds.
- Protecting the assets and rights of owners until their funds are returned to them.

The State of Vermont is currently in possession of more than $109 million in unclaimed property belonging to approximately 854,000 individuals and organizations.

- In FY 2021, the Unclaimed Property Division returned just over $4.9 million to rightful owners. The Vermont Unclaimed Property Division has been consistently in the top 10 in the country in the percentage of property returned.
- The average amount claimed was $317.95.
- The Unclaimed Property Division collected $14.2 million to be held in trust for their rightful owners or their heirs to collect. Owners never lose their right to collect and the State never charges a fee for this service.
- During FY 2021, the division implemented a new holder reporting website. This site allows holders of Unclaimed Property to upload reports and remit payments directly to the division without the need to send in paper copies. 1,296 reports totaling $4.6 million were received using this new website.
- 15,411 claims were paid to individuals or organizations in the fiscal year ending June 30, 2021. Included in these numbers are 5,981 claims that were filed using the fast-track

process. The new fast-track process allows claimants to file a claim without the need to submit paper documents. During FY 2021 these fast-tracked claims totaled $161,526.67, with the average amount claimed being $27.01. The fast-track process not only saves the division money but reunites owners with their property more quickly.

- Unclaimed Property transferred $6.6 million to the general fund in FY 2021. Each year, unclaimed funds receipts are used, in the first instance, to pay claims and offset the division's operational costs. The remaining receipts are transferred to the General Fund to support State programs and operations.
- 323,789 searches were conducted using the enhanced web site.

Additionally, the Unclaimed Property Division has set the following goals for 2022:

- Introduce an imaging solution specifically designed for use with the Unclaimed Property system that allows for scanning and indexing of all documents related to all areas of unclaimed property. This process will eliminate the need for retention of paper records.
- Expand our physical outreach and mailing campaign. In FY 2021, the division mailed over 7,500 notifications and staffed a booth at the Champlain Valley Fair.
- Expand our voluntary compliance program. Voluntary compliance allows holders of unclaimed property to report and remit late property without interest and penalties being imposed on the report.

Facts and Figures

Figure 18 details the types of property reported in FY 2021. Figures 19, 20, and 21 provide statistics by year for the Unclaimed Property Division, including number of claimants paid, the amount of unclaimed property returned to Vermonters and unclaimed property turned over to the Treasurer's Office. In closing, there are two important facts about Vermont's unclaimed property program: 1) the services are free to the public and 2) you never lose the right to claim unclaimed property, no matter how old the property.

Figure 18: Property Type Reported

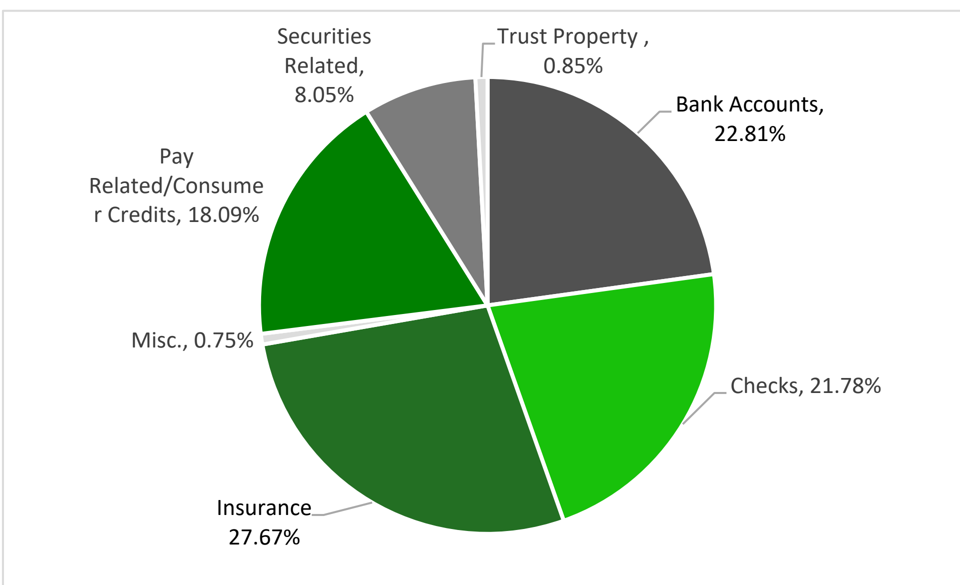


Figure 19: Unclaimed Property Turned Over to the State Treasurer

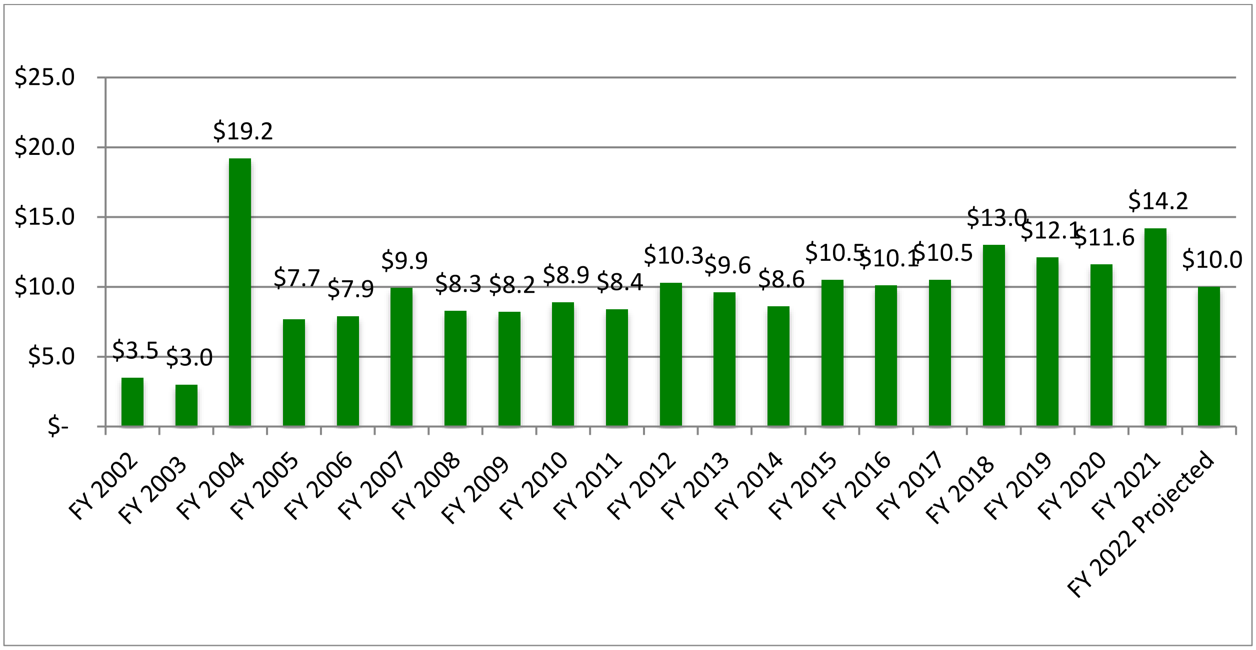


Figure 20: Unclaimed Property Amount Returned to Vermonters

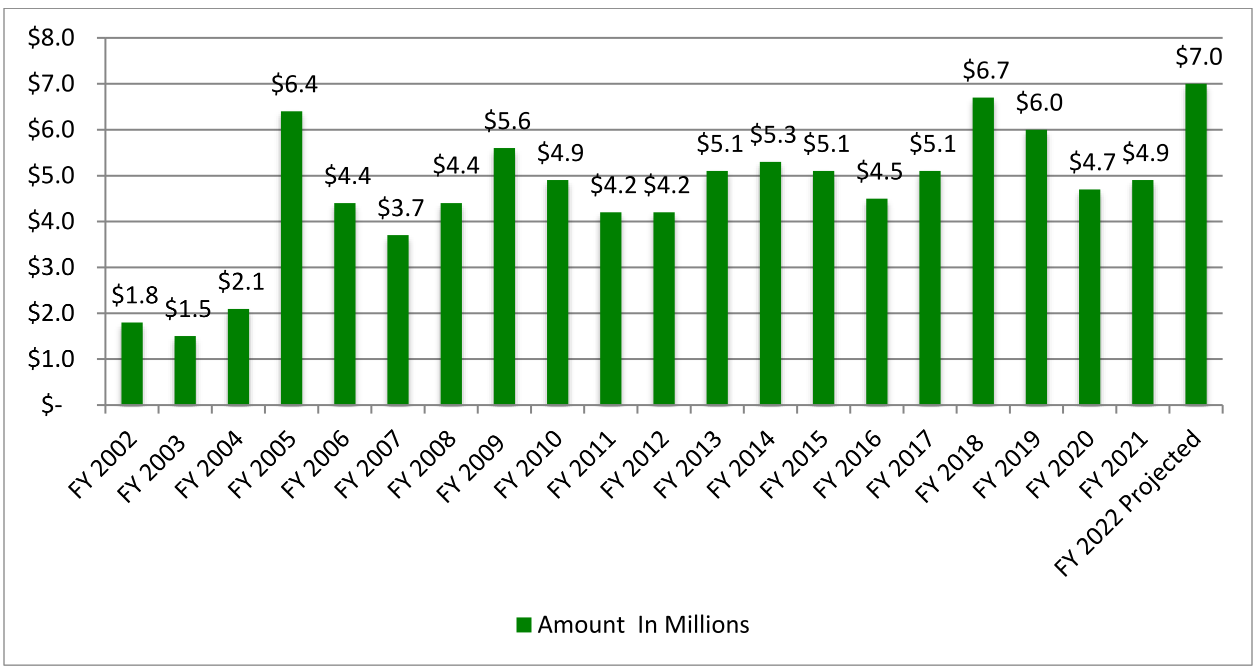
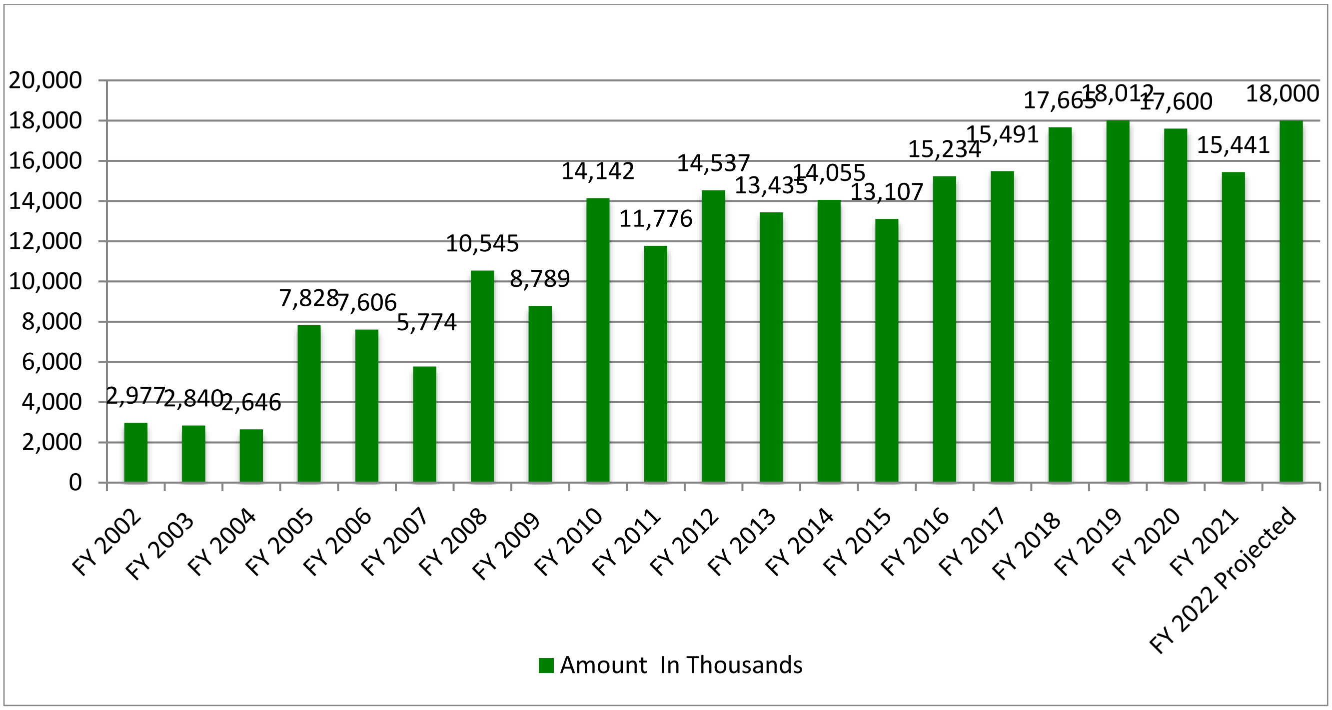


Figure 21: Number of Claimants Paid



Financial Literacy

One of the Treasurer's Office's primary missions is to improve the financial capability of all Vermonters. The Office regularly collaborates with education stakeholders, financial institutions, and community organizations to achieve this goal. Financial literacy initiatives are developed with the following objectives (1) advocacy – working to promote the adoption of fiscally sound money management practices by Vermonters of all ages; (2) collaboration – working with local, state, and national groups to build support for and participation in activities that promote and teach personal finance; and (3) development – creating new financial education programs and resources for Vermont citizens where gaps exist.

The 2020-2021 academic year was the eleventh year of Reading is an Investment. Since the program launched in 2010, more than 44,000 Vermont students have completed the lessons. In June, twenty students from twelve Vermont counties were selected as winners out of 2,419 K-6 students from 140 participating schools who completed all steps of the financial literacy curriculum. Reading is an Investment teaches K-6 students about managing money by providing educators with a set of curated books, lesson plans, and resources to teach financial concepts. People's United Bank generously underwrote the program this year and the Vermont Student Assistance Corporation (VSAC) provided the college savings account prizes.

This year the Treasurer's Office also helped the Vermont Jump$tart Coalition host its second annual financial literacy video contest. The video contest theme was "Save for a Rainy Day," and student participants created public service announcements addressing the themes of investing, financial decision making, and spending and saving. We are currently helping to develop and support the Coalitions third annual contest launching this January.

In fall 2021, Ashlynn Doyon was appointed Director of Financial Literacy, Outreach, and Special Projects. With this transition comes an opportunity to assess and evaluate how the Treasurer's Office can best advocate for, collaborate on, and develop financial literacy education resources delving into different topics and geared toward a broader audience than we have focused on previously. For example, in 2022, a major focus will be the launch, marketing, and promotion of the Green Mountain Secure Retirement Program.

Additionally, the Treasurer's Office will continue its collaborative work with State partners to develop MyMoney.Vermont.Gov into a clearinghouse for financial education topics. We will develop info sheets and content on this webpage to highlight relevant, in-demand topics.

We also plan to continue conversations and work with the Department of Human Resources (DHR) to develop a personal finance class for State Employees. This goal was first explored in 2020 but was delayed due to the onset of COVID-19 and an immediate need to shift resources. The goal is to develop relevant curriculum about saving, retirement preparedness, and ways that the State supplemental retirement options can be used to help build a secure future. These topics are especially relevant in the context of the Pension Task Force recommendations.

Treasury Operations Division

The Treasury Operations Division is responsible for the banking and cash management of approximately $7.2 billion annually in both receipts and disbursements; the establishment and maintenance of the State's banking services network; the disbursement of the State's warranted payments and debt service; the collection of certain receipts; and the recording of associated accounting transactions. Monitoring and reconciliation of internal and external accounts comprise a major portion of staff time, in addition to the proper reporting and recording on the State's books.

The Treasury Operations Division is also responsible for preparing financial statement schedules and disclosures for the annual audit of the State's books for cash, investments, and pension systems managed in the Treasurer's Office, and administering various special funds. Pervasive changes in the above processes are not expected on a year over year basis as this Division is operationally focused. There is a periodic review of operational risks and associated internal controls to ensure that this Division is effectively managing the State's cash.

Key performance metrics for Treasury Operations in 2021 include the following:

- Treasury Operations reconciles approximately 50 core bank accounts which in 2021 received over 91,000 cash and check deposits, over 540,000 ACH credit transactions, and disbursed over 2.07 million payments. This represents a significant increase in payments including those to Vermonters in need.
- Overall Electronic Payments have remained stable at approximately 83 percent of all payments, with the expectation that this will slowly increase going forward. Retirement monthly benefit payments increased slightly to 98.7 percent electronic. As the cost of issuing a check well exceeded that of issuing payment electronically (ACH), this provides savings to taxpayers.
- The State is currently holding $1.80B, a near record amount of cash, as a result of the American Rescue Plan, Coronavirus Relief Funds, and strong revenues.

Additionally, the Treasury Operations Division has the following goals for department work in 2022:

- Treasury Operations will continue its work with various State departments to reduce the amount of time and manual effort required to reconcile bank accounts.
- Treasury Operations will evaluate opportunities for reduced paper usage related to the warranting and payment process.

Technology Update

The Technology Services Division is committed to providing technology support services to the Treasurer's Office. Staff provides business analysis; system design; programming; help desk support; hardware maintenance; system and data security; and project management services.

Our work in 2021 was characterized by the shift to a hybrid remote work/in-office schedule for most employees in the Office of the State Treasurer. As a result, the number of devices that the IT division must manage has increased. The increase in devices has also raised our level of exposure to outside threats to our systems and data. The process of implementing secure processes to enable staff to be most productive has been our focus since the start of the pandemic.

Additionally, in 2021, the Technology Services team has:

- Worked with our partners at the Agency of Digital services to monitor the security of our networks. While we have not experienced any security breaches, we continue to evaluate and improve our security measures for our network, services, applications, and devices. In 2022, we expect to implement improved security to ensure that our network, servers, and devices are safe from attack.
- Continued to evaluate tools like Voice over IP (VOIP) to improve customer service by allowing staff to answer calls from remote locations.
- Begun testing a new Employer Reporting portal named "Employer Direct" that will be initially rolled out to VMERS DC employers and will set the precedent for VMERS and VSTRS DB employers.
- Worked with the Agency of Education to streamline the employer reporting process for VSTRS and VMERS by creating an electronic interface between the Vermont Pension Administration System and the payroll system used by many school districts.

Financial Literacy Trust Fund

The General Assembly established a trust fund in 2008 to support financial literacy in Vermont. As enacted, "the purpose of the fund is to promote the adoption of fiscally sound money management practices by Vermonters through education and outreach efforts that raise awareness of the need for and benefits of practicing such skills; and to create opportunities to build and encourage the development of new financial literacy activities and educational products for Vermont citizens." The State Treasurer is authorized to collect money from a variety of sources to fund these activities. For FY2021: There were no deposits into the fund from program sponsors. $44.86 of interest was earned on the balance in the fund. $15,484.67 was expended from the fund in support of Reading is an Investment, VerMoney; to develop and support the MyMoney.Vermont.Gov resource site; and for de minimis administrative expenses. The June 30, 2021 trust fund balance was $10,281.74.

Local Investment Advisory Committee

Pursuant to Act 199 of 2014, Act 51 of 2015, and Act 157 of 2016, the Local Investment Advisory Committee (LIAC), chaired by the State Treasurer, is tasked with increasing economic development in Vermont and creating jobs by committing up to 10 percent of the state's average available cash balance to local investments. These financing projects redirect funds that were invested primarily in out-of-state government agency securities and money market accounts at large financial institutions, to local investments. To date, the State Treasurer has overseen the commitment of over $39.7 million for local investment projects in energy improvements in residential housing, commercial energy projects, higher education, and the rehabilitation of State office buildings for energy efficiencies. See Figure 22 of this report for an overview of existing loans.

The LIAC did not make any new investments in 2021. The committee met once in 2021 to consider a request from the Vermont Economic Development Authority (VEDA) to extend the interest rate modification on VEDA's $10 million note due the State of Vermont. This request began a discussion around the competitiveness of LIAC's floor interest rates in the current market environment. The committee moved to do a comprehensive analysis as to the market conditions associated with LIAC dollars.

In addition to the State Treasurer, the membership of the committee currently includes: Maura Collins, Executive Director, Vermont Housing Finance Agency; Dave Corliss, Efficiency Vermont Designee; Cassie Polhemus, Chief Executive Officer, Vermont Economic Development Authority; Michael Gaughan, Executive Director, Vermont Bond Bank; Tom Little, Vice President and General Counsel, Vermont Student Assistance Corporation Designee. Please visit the Local Investment Advisory Committee webpage for more details.

Figure 22: Summary of Credit Facilities

Vermont State Treasurer's Office
Summary of Credit Facilities and Local Investment Initiatives
Status as of December 31, 2021

Authorizing Legislation and Agency	Statutory Description	Amount Authorized	Remaining Capacity	Outstanding Balance	Issue Date	Original Amount	Maturity Date	Rate
Act No. 62 of 2019:	**Investment**	**$1,500,000**	**$0**	**$1,500,000**		**$1,500,000**		
1. Vermont Community Loan Fund				$1,500,000	7/22/2021	$1,500,000	7/22/2024	1.50%
Act No. 87 of 2013, Sec. 8, as amended by Act No. 199 of 2014, Sec. 22:	**Credit Facility**	**$10,000,000**	**$0**	**$10,000,000**		**$10,000,000**		
2. Vermont Economic Development Authority (Note VEDA-003)				$10,000,000	2/1/2015	$10,000,000	1/31/2025[2]	2.43%[3]
Act No. 87 of 2013 Sec. 8a:	**Credit Facility**	**$6,500,000**	**$3,959,134**	**$2,540,866**		**$5,550,000**		
3. NeighborWorks of Western Vermont (Note A-001)				$0	10/22/2013	$250,000	10/15/2023	2.00%
4. NeighborWorks of Western Vermont (Note A-002)				$0	5/19/2014	$250,000	4/15/2024	2.27%
5. NeighborWorks of Western Vermont (Note A-003)				$0	10/15/2014	$250,000	10/15/2024	2.35%
6. NeighborWorks of Western Vermont (Note A-004)				$0	1/26/2015	$250,000	1/15/2025	2.00%
7. NeighborWorks of Western Vermont (Note A-005)				$97,081	10/15/2015	$250,000	10/15/2025	2.00%
8. NeighborWorks of Western Vermont (Note A-006)				$158,154	11/30/2015	$250,000	10/15/2025	2.26%
9. NeighborWorks of Western Vermont (Note A-007)				$170,787	10/27/2016	$250,000	10/15/2026	2.00%
10. NeighborWorks of Western Vermont (Note A-008)				$172,064	12/27/2016	$250,000	10/15/2026	2.63%
11. NeighborWorks of Western Vermont (Note A-009)				$179,572	7/21/2017	$250,000	7/15/2027	2.49%
12. NeighborWorks of Western Vermont (Note A-010)				$199,012	7/17/2019	$250,000	7/15/2029	2.48%
13. NeighborWorks of Western Vermont (Note A-011)				$204,196	10/24/2019	$250,000	10/15/2029	2.21%
14. Vermont Housing Finance Agency (Note VHFA-001)				$1,360,000	2/18/2014	$2,800,000	2/15/2024	2.76%
Act No. 199 of 2014, Sec. 23	**Credit Facility**	**$8,200,000**	**$5,157,396**	**$3,042,604**		**$7,750,000**		
15. NeighborWorks of Western Vermont (Note B-001)				$246,254	9/2/2015	$400,000	7/15/2025	2.10%
16. NeighborWorks of Western Vermont (Note B-002)				$167,846	6/20/2016	$250,000	7/15/2026	2.00%
17. NeighborWorks of Western Vermont (Note B-003)				$170,787	9/6/2016	$250,000	10/15/2026	2.00%
18. NeighborWorks of Western Vermont (Note B-004)				$174,608	1/11/2017	$250,000	1/15/2027	2.52%
19. NeighborWorks of Western Vermont (Note B-005)				$283,288	2/17/2017	$400,000	4/15/2027	2.45%
20. Champlain Housing Trust (Note A-001)				$1,000,000	3/31/2016	$1,000,000	3/31/2026	2.48%
21. Champlain Housing Trust (Note A-002)				$321,547	2/28/2017	$321,547	3/31/2027	3.02%
22. Champlain Housing Trust (Note A-003)				$50,000	5/7/2018	$50,000	6/30/2028	3.42%
23. Champlain Housing Trust (Note A-004)				$59,315	6/18/2018	$59,315	6/30/2028	3.58%
24. Champlain Housing Trust (Note A-005)				$49,119	6/18/2018	$49,297	6/30/2028	3.58%
25. Champlain Housing Trust (Note A-006)				$519,841	7/30/2018	$519,841	6/30/2028	3.50%
26. VSAC- higher education loan cost reduction				$0	6/8/2016	$4,000,000	6/15/2021	2.00%
Act No. 178 of 2014, Sec. 41 [4]	**Credit Facility**	**$8,000,000**	**$5,891,613**	**$2,108,387**		**$ 2,404,202**		
27. 32 Cherry St. Exhaust Air Heat Recovery (SERF 001)				$311,170	1/31/2015	$ 524,172	6/30/2026	2.00%
28. 108 Cherry St. Lighting & Controls (SERF 002)				$534,156	2/15/2017	$ 534,156	6/30/2030	2.00%
29. 52 Cherry St. Energy Upgrade SERF 003)				$136,744	9/24/2018	$ 147,211	6/30/2029	2.00%
30. Springfield State Office Building (SERF 004)				$278,792	8/14/2017	$ 278,792	6/30/2025	2.00%
31. Derby Public Safety Facility Energy Retrofit (SERF 005)				$127,348	9/28/2017	$ 127,348	6/30/2027	2.00%
32. Historic Sites Lighting Retrofits, Chimney Point & Mt. Independence (SERF 006)				$0	3/26/2018	$ 43,452	6/30/2024	2.00%
33. Mahady Courthouse (SERF 007)				$217,249	12/17/2018	$ 224,961	6/30/2026	3.00%
34. Williston Info Center (SERF 008)				$43,241	12/10/2018	$ 45,536	6/30/2027	2.60%
35. Caledonia Court (SERF 009)				$174,613	8/15/2018	$ 183,287	6/30/2024	2.75%
36. Asa Bloomer State Office Building, Rutland SERF 011)				$285,075	1/8/2019	$ 295,288	6/30/2027	2.75%
37. Rutland Parking Garage & Barre Courthouse Lighting (SERF-014)				$396,525	7/2/2019	$ 396,525	6/30/2026	2.00%
38. Southern State Correctional Facility (SERF 015)				$456,143	3/11/2021	$ 456,143	6/30/2027	2.00%
39. Asa Bloomer Emergency Lights (SERF017)				$27,440	10/25/2021	$ 27,440	12/30/2026	
Act No. 11 of 2018 (SERF Supplemental Funding)	**Appropriation**	**$ 500,000**	**$ 138,850**	**$ 361,150**		**$ 100,732**		
40. Williston Info Center (SERF 008)				$ 28,866	12/10/2018	$ 28,866	-	-
41. Asa Bloomer State Office Building, Rutland SERF 011)				$ 28,366	1/8/2019	$ 28,366	-	-
42. Rutland Parking Garage & Barre Courthouse Lighting (SERF-014)				$ 43,500	7/2/2019	$ 43,500	-	-
43. Southern State Correctional Facility (SERF 015)				$ 220,657	3/11/2021	$ 220,657	-	-
44. Asa Bloomer Emergency Lights (SERF017)				$ 39,761	10/25/2021	$ 39,761	-	-
Act No. 188 of 2018	**Appropriation**	**$ 5,000,000**	**$ 4,551,340**	**$ 448,660**		**$ 500,000**		
45. NeighborWorks of Western Vermont (Note C-001)				$ 210,011	12/5/2019	$ 250,000	1/15/2030	2.14%
46. NeighborWorks of Western Vermont (Note C-002)				$ 238,649	2/5/2021	$ 250,000	4/15/2031	2.00%
	TOTALS:	**$39,700,000**	**$19,698,333**	**$20,001,667**		**$27,804,935**		

Notes:
1. Subject to annual review and renewal.
2. Subject to a "put" provision enabling the Treasurer's Office to demand full or partial repayment within 60 days if the State's unrestricted cash balance falls below $75,000,000.
3. VEDA rate was reduced to 1.00% for the period of 5/1/2020 - 1/31/2022
4. Establishes an Energy Revolving Fund under 29 V.S.A. § 168(c)

Green Mountain Secure Retirement

In 2017, the General Assembly authorized creation of the Green Mountain Secure Retirement Plan (Plan) through the passage of Act 69. Specifically, the General Assembly provided that "[t]he State of Vermont shall, consistent with federal law and regulation, adopt and implement a voluntary Multiple Employer Plan (MEP) public retirement plan, which shall remain in compliance with federal law and regulations once implemented, and shall be called the 'Green Mountain Secure Retirement Plan.'" 2017 Acts & Resolves No. 69, Sec. C.1, Subsec. (a).

Per Act 69, the Plan is overseen by a 7-member Board, and the State Treasurer serves as Chair. Act 69, Sec. C.1 requires an annual report on certain metrics beginning January 2020, e.g., number of participants and participating employers, funds contributed, etc. Because the Plan is not yet launched, there is no data to report. We look forward to providing this data once the Plan goes live.

Coming into 2021, we had hoped that this would be the year that the Green Mountain Secure Retirement Plan would be formally launched. As you may recall, uncertainty regarding the authority of states to sponsor a MEP caused implementation delays in 2018-2019 as we sought clarity at the federal level. In 2020, notwithstanding challenges associated with the COVID-19 pandemic, we were able to complete the process of contracting with a vendor to administer the Plan, with the hope of a full launch in the second half of 2021.

Early in the year, we worked with our plan administrator – TAG Resources – on reviewing and approving TAG's process for selecting an investment fiduciary to oversee Plan investments as well as the design of the Plan. Regarding the plan design, the Board approved the offering of two plans – a Standard Plan, with pre-set provisions for eligibility, vesting, contribution levels, etc. and a Custom Plan that allows employers to choose from a menu of options. The Standard Plan, being simpler in nature, would be priced at a reduced cost. During this time, we also continued work on presentation and marketing aspects of the Plan.

With plan design and administrators set, we moved forward in the summer and fall with developing the plan documents that would be necessary to govern the Plan. This aspect proved more challenging than anticipated, at which point we engaged in further discussions with our administrator about whether we would be able to finalize and launch the plan as expected, without revisiting fundamental contract terms.

As we explored this issue in greater depth, our administrator proposed that we consider a newly created form of MEP called a Pooled Employer Plan, or PEP, which was recently authorized by the *Setting Every Community Up for Retirement Enhancement Act of 2019*, Pub L. 116-94, also known as the Secure Act. The PEP provides greater flexibility for the Board and we believe it complies with the language and intent of our enabling legislation. As the year ended, we have been working with TAG to make sure that we understand the structure and governance requirements associated with the PEP structure to ensure that it is an appropriate vehicle for Green Mountain Secure.

We are frustrated that implementation of Green Mountain Secure has taken the time that it has. We are invested in the program and in seeing it come to fruition. With that commitment, we also need to make sure that we get the underlying structure right, and we will not launch until we are confident that Green Mountain Secure is sound and something that can be counted on by employers and participants.

Additionally, in 2021, our office had two critical staffing changes that affected the time and resources that we were able to concentrate on Green Mountain Secure. Operational challenges associated with COVID-19 have compounded a shortage of dedicated staff time. It is important to remember that the legislature authorized the development and launch of the Green Mountain Secure Retirement Plan without an additional dedicated staff position or ongoing appropriation. As we move forward into 2022, we believe that we have a team in place to finalize the structures review and achieve implementation.

I want to thank the Green Mountain Secure Retirement Plan Board members, as well as staff from the Treasurer's Office for their hard work in moving the Plan from concept to implementation. We look forward to continuing the effort in 2022.

State Building Energy Loans

Act 11 of the 2018 Special Session authorized an additional $500,000 in supplemental funding to offset costs of interest and principal available to State building weatherization projects that were longer-term than previously funded through the program. During calendar year 2021, $260,418 of this funding was utilized. We do expect to utilize the rest of these funds in calendar year 2022.

State PACE Reserve Fund

24 V.S.A. § 3270 specifies that the State Treasurer shall administer the State PACE Reserve Fund. The purpose of the fund is to reduce, for certain Property-Assessed Clean Energy districts, the risk faced by an investor making an agreement with a Vermont municipality to finance such a district. Monies deposited in this fund may be invested by the State Treasurer. The balance of this fund may be expended for the sole purpose of paying claims resulting from certain losses related to a Property-Assessed Clean Energy district. During FY2021, there were no new funds deposited into this fund. There was $112.66 earned on the balance in the fund. There were no claims submitted and, therefore, no expenditures from the fund during FY2021. The fund balance as of June 30, 2021 was $53,331.19.

Vermont Achieving a Better Life Experience (ABLE)

A 529-ABLE account allows for an account within section 529 of the Internal Revenue Code of 1986, and is a tax-free savings vehicle for disability-related expenses. VermontABLE participates in a multi-state partnership headed by the Ohio State Treasurer's Office STABLE program in order to administer these accounts. This is the largest consortium of ABLE accounts in the country with twelve states currently participating.

In 2020, STABLE announced that it would transition to a new program administrator, Sumday, in 2021. The Treasurer's Office has been working closely with the team at STABLE Ohio this year to mitigate impacts on VermontABLE accountholders as a result of the administrative transition. On November 2, 2021, BNY Mellon announced that their subsidiary, Sumday, will be purchased by Vestwell. Sumday will transition its technology, overall program management responsibilities, and team to Vestwell. It is not anticipated that this transaction will have any impact on accountholders.

As of December 31, 2021, VermontABLE had 732 active accountholders with $6.1 million in assets under management and an average account balance of $8,309.79. Please visit VermontABLE.com for more information.

Transportation Infrastructure Bonds

Beginning in 2010, the State began issuing Special Obligation Transportation Infrastructure Bonds (TIBs), which are payable from assessments on motor vehicle gasoline and diesel fuel. The State has issued three series of TIBs bonds (in 2010, 2012, and 2013) totaling $36,385,000. As of June 30, 2021, the amount of outstanding bonds is $21,710,000.

Trust Investment Account

In 2000, the General Assembly authorized the establishment of a Trust Investment Account (TIA) administered by the State Treasurer for the purpose of investing restricted funds with non-expendable principal balances and other long-term funds. As of June 30, 2021, the fund had a principal balance of $112,065,658.75 of which 53% was allocated to the VSERS OPEB, 31% to the Higher Education Endowment Trust Fund, 14% to various Agency of Natural Resources Funds, and the remainder to various smaller trust funds. Of those smaller trust funds, the Vermont Veteran's Home had a June 30, 2021 balance of $1,715,677.74 and the Tobacco Trust Fund had a balance of $10,063.81.

The current target allocation of the Trust Investment Account is 50% Fixed Income, 25% Domestic Large Cap Equities, 18.75% International Equities, and 6.25% Emerging Market Equities. In FY2021, the Fund's investment return was 14.9% net of fees. The market experienced a steep recovery due to the availability of the COVID-19 vaccine that eased the pandemic pressures on the global economies starting in late 2nd quarter FY2021 and global economies continued to reopen. The pandemic remains, however, a significant risk to the economy and markets. Equities had a significant growth period and the ACWI IMI Index ended the fiscal year up 40.9% over the prior fiscal year. The 50% allocation to domestic fixed income lagged due to inflation concerns as rates rose from historical lows. The Bloomberg Aggregate Bond Index ended the fiscal year down -0.4%. Markets are, however, volatile, and a diversified portfolio provides some protection during economic cycles. The fixed income allocation provides downside protection.

Vermont Higher Education Endowment Trust Fund

16 V.S.A. § 2885 provides that in August of each fiscal year, the State Treasurer is to withdraw up to 5% of the 12-quarter moving average of the Fund’s assets and divide the amount equally among UVM, the Vermont State Colleges (VSC), and the Vermont Student Assistance Corporation (VSAC). The amount appropriated, however, cannot bring the Fund Balance below total contributed principal. As of June 30, 2021, principal contributions accrued were $33,024,055 (See Figure 34).

The 5% distribution available this year is $1,584,953 or $528,317 each for UVM, the Vermont State Colleges, and VSAC. 16 V.S.A. § 2885 further provides that during the first quarter of each fiscal year, the Secretary of Administration and the Subcommittee may authorize the State Treasurer to make an additional distribution of up to 2% of the Fund’s average assets available to UVM and the Vermont State Colleges for the purpose of creating or increasing a permanent endowment fund. Like the 5% distribution, the amount appropriated cannot bring the Fund balance below total contributions to principal. Further, each institution is required to raise private donations of at least twice the appropriated amount. At its meeting last year, the Secretary of Administration and the Subcommittee voted to authorize the 2% appropriation for distribution this year of $618,079 or $ 309,039.50 each for UVM and the Vermont State Colleges. After payments, the Fund balance at the end of FY2021 totaled $35,890,081. For more detailed information regarding the Higher Education Endowment Trust Fund, please visit the Treasurer's Office's website.

Figure 23: Higher Education Endowment Trust Fund

Ending balance Fiscal Year 2020			**$31,954,154**
	Fiscal Year 2020 Contributions received in Fiscal Year 2021		$76,853
Opening balance Fiscal Year 2021			**$32,031,007**
	Fiscal Year 2020 Distributions withdrawn in Fiscal Year 2021		
	5%:	***University of Vermont***	($515,066)
		Vermont State Colleges	($515,066)
		Vermont Student Assistance Corp.	($515,066)
	2%:	***University of Vermont***	($305,433)
		Vermont State Colleges	($305,433)
	Income earned Fiscal Year 2021		$677,416
	Appreciation (Depreciation) Fiscal Year 2021		$3,866,867
	Fees and Other Charges Fiscal Year 2021		($3,940)
	Accrued Unclaimed Property		$128,343
	Accrued Estate Tax		$3,549,486
Principal Balance June 30, 2021 [1]			**$38,093,113**
	Statutory Distributions Potentially Available [2]		
	5% of 12-Quarter Moving Average as of June 30, 2021		($1,584,953)
	2% of 12-Quarter Moving Average as of June 30, 2020		($618,079)
	Total Projected Statutory Distribution Potentially Avai		**($2,203,032)**
	Projected Balance After Potential Projected Distributions		$35,890,081
	Threshold for Distributions (Contributions Accrued as of June 30, 2021)		$33,024,055
	Difference After Potential Distributions compared to the Total Fund Contributions [3]		**$2,866,026**
	Actual Distributions for Fiscal Year 2021		
		5% Distribution	**$1,584,953**
		2% Distribution [4]	$618,079
			$2,203,032
Principal Balance after distributions			**$35,890,081**
	Fundraising target for potential 2% distribution in 2023		$633,981
	(Contingent on an institutional match in Fiscal Year 2022 and Principal Balance greater than the total Contributions)		

1 Numbers may not add due to rounding and include accruals

2 Assuming statutory levels (5% distribution & 2% distribution) without regard to statutory requirement to keep balance at or above the total principal contributions.

3 This represents the amount after the statutory required levels are distributed from principal compared to the total contributions since inception.

4 Committee may elect to forego or match the 2% distribution for the fiscal year. In Fiscal Year 2021, the Committee approved the 2%.