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NASRA Responses to Vermont Pension Task Force Questions
September 2021

<u>**Examples of plans that offer participants an option to elect different contribution rates and benefit levels**</u>

Newly hired school and most state employees in Pennsylvania as of 7/1/19 and 1/1/19, respectively, are required to choose between a defined contribution plan or one of two hybrid plans with different employee contribution rates and multipliers.

2011 legislation required current active participants of the Kansas Public Employees' Retirement System hired between 7/1/09 and 1/1/15 to choose between accepting an increase in the member contribution rate, from 4% to 6%, with a corresponding increase to the retirement multiplier, from 1.75% to 1.85%, or retaining the member contribution rate of 4% with a corresponding reduction in the multiplier from 1.75% to 1.40% for service beginning 1/1/14. This change was subject to IRS approval, which was not granted, so all affected participants defaulted into the higher contribution rate and multiplier.

<u>**Examples of plan designs that potentially incentivize participants to work longer**</u>

The Public Employees' Retirement System of Mississippi provides a 2.0% multiplier for the first 25 years of service (if hired before 7/1/11) or 30 years of service (if hired on or after 7/1/11), and a 2.5% multiplier thereafter.

Benefits for newly hired participants in the New Mexico Educational Retirement Board are based on a tiered multiplier schedule as follows:

For service in:	Multiplier
The first 10 years of service	1.35%
Years 11-20	2.35%
Years 21-30	3.35%
Years 31+	2.40%

The Arizona State Retirement System plan design features multiple elements that could potentially incentivize participants to work longer. Participants who retire from the ASRS and who were hired before 9/13/13 are eligible to receive a permanent benefit increase, which is based on years of service, contingent with a 10-year actuarial investment return above 8.0 percent.

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The ASRS also provides a multiplier that escalates with additional years of service, and applies to all previously accrued years of service, as follows:

Years of credited service	**Multiplier**
Less than 20	2.10%
20.00 to 24.99	2.15%
25.00 to 29.99	2.20%
30.00 or more	2.30%

Participants in the New York State Teachers' Retirement System and New York State & Local Retirement Systems hired before 1/1/10 were required to contribute to their plan only until they had reached 10 years of service.

Also, some plans create incentives to work longer through COLA provisions that require a minimum age, years of service, or length of time after retirement to qualify. For example: the New York State and Local Retirement System and the New York State Teachers Retirement System require retirees to be age 62 and retired for 5 years, or age 55 and retired for 10 years, to receive a COLA.

<u>Vermont ARC effort to the SERS</u>

Below is an excerpt from the 2014 VT SERS actuarial valuation, highlighting the years when the state paid less than the Annual Required Contribution.

2. GASB Statement No. 27 requires the development of Annual Pension Cost and Net Pension Obligation (NPO). This development is shown in the following table:

DEVELOPMENT OF PENSION COST AND NET PENSION OBLIGATION (NPO)

Year Ending June 30	Annual Required Contribution	Interest on NPO	Amortization of NPO	Pension Cost (1)+(2)-(3)	Actual Contribution	Change in NPO (4)-(5)	NPO Balance
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2000	19,548,817	3,203,998	3,306,500	19,446,315	19,012,608	433,707	38,127,804
2001	19,679,398	3,240,863	3,344,544	19,575,717	19,548,598	27,119	38,154,924
2002	24,189,000	3,243,169	3,346,923	24,085,246	23,788,282	296,964	38,451,887
2003	24,715,309	3,076,151	3,372,972	24,418,488	24,394,934	23,554	38,475,441
2004	29,023,431	3,078,035	3,375,039	28,726,427	26,645,619	2,080,808	40,556,249
2005	36,019,056	3,244,500	3,686,932	35,576,624	36,493,435	(916,811)	39,639,438
2006	38,214,704	3,171,155	3,603,585	37,782,274	36,866,451	915,823	40,555,261
2007	40,189,812	3,244,421	4,179,681	39,254,552	39,297,002	(42,450)	40,512,811
2008	42,375,068	3,342,307	4,269,499	41,447,876	39,193,942	2,253,934	42,766,745
2009	28,997,554	3,528,257	3,110,436	29,415,375	25,134,235	4,281,140	47,047,885
2010	37,417,824	3,881,451	2,504,166	38,795,109	31,468,885	7,326,224	54,374,109
2011	44,491,459	4,485,864	2,958,574	46,018,749	37,572,599	8,446,150	62,820,259
2012	28,748,401[1]	3,926,266	3,531,192	29,143,475	40,302,433	(11,158,958)	51,661,301
2013	39,389,870	3,228,831	2,970,974	39,647,727	51,370,307	(11,722,580)	39,938,721
2014	42,786,326	2,496,170	2,353,218	42,929,278	56,482,985	(13,553,707)	26,385,014

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Dedicated Funding Sources

NASRA maintains a list of examples of public pension plans that receive dedicated funding sources – ongoing or one-time sources of sources of revenue that must, by law, be contributed to the pension fund – on the following webpage:

https://www.nasra.org/funding

Amortization Reference

Following is a link to the Conference of Consulting Actuaries 2014 white paper, "Actuarial Funding Policies and Practices for Public Pension Plans," which was referenced at the hearing. Discussion of amortization policy begins on page 21:

https://www.ccactuaries.org/docs/default-source/papers/cca-ppc_actuarial-funding-policies-and-practices-for-public-pension-plans.pdf?sfvrsn=6397cc76_6

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