



Vermont Retirement Overview

January 24, 2023



- The Retirement Systems include a variety of **cost-effective benefits** to Teachers as well as State & Municipal Employees.
- The Retirement Systems represent an **economic driver** for the State of Vermont that includes both revenue generation as well as expense reduction (through the avoidance of public assistance).
- These Systems affect many Stakeholders and need continued governance as well as impactful investments to ensure their overall health.



Systems are designed to provide financial stability in Retirement

- Defined Benefit Pension
 - State
 - Teacher
 - Municipal
- Other Postemployment Benefits (OPEB)
 - State
 - Teacher
- Defined Contribution
 - State
 - Municipal
- Deferred Compensation
 - State
 - Teacher

Guiding Principles for a Retirement Plan
Fairness and Sustainability Are Both Essential to Benefit Plans

What Do We Want From Our Retirement Benefit Plan?

- ▶ **Recruitment** – The benefit plan should act as an incentive for recruiting high quality employees. The plan must be competitive with those in other states and within Vermont.
- ▶ **Retention** – The benefit plan should act as an incentive for retaining high-quality employees and maintaining a stable workforce. The plan should also be compatible with changing workforce and demographic trends.
- ▶ **Reward** – The benefit plan should provide a solid foundation for retirement security following a career in public service.
- ▶ **Sustainability** – The cost of the benefit plan should be sustainable and predictable over the long term.
- ▶ **Affordability** – The cost of the benefit plan should be affordable for current and future public employees and other taxpayers.
- ▶ **Fairness** – The benefit plan should be fair to workers and other taxpayers.
- ▶ **Equity** – The benefit plan should be equitable for all parties.

Source: "Report of the Commission on the Design and Funding of Retirement and Retiree Health Benefits Plans for State Employees and Teachers" (Adopted 2009)

Vermont State Employees Retirement System (VSERS) Defined Benefit



- **Who is Covered**
 - Covers all Classified Employees, and any Exempt Employees that wish to join
 - State Troopers, Judiciary
 - Sheriffs and some municipalities

- **How is it Funded**
 - Employee contributions – based on Salary
 - Employer contributions – made by the State and set by Finance & Management as percentage of payroll
 - Funding source tracks funding for the position

- **How is it Governed**
 - VSERS Board oversees the System Benefits
 - VPIC oversees investment of System Funds

Key Information

Members	VSERS
Active	8,324
Inactive	2,012
Deferred	815
Retired & Beneficiaries	7,963
Total	19,114
Benefits	
Total Monthly	\$14,611,387
Average Monthly	\$1,834.91
Average Annual	\$22,018.92
Financial Position (in 000's)	
Actuarial Value of Assets	2,405,796
Actuarial Accrued Liability	3,444,134
Unfunded Liability	(1,038,338)
Funded %	69.85%

Other Postemployment Benefits for State Workers – VSERS OPEB



Key Information

- **Who is Covered**

- Members of the VSERS Retirement System who elect to participate
- Members of the State Defined Contribution System who elect to participate
- Eligible dependents

- **How is it Funded**

- Vermont State Employees Trust Fund OPEB (VSERS OPEB)
- Employer rate set by Finance & Management to meet ADEC
- Employees do NOT contribute to OPEB benefits

- **How is it Governed**

- VSERS Board oversees the System Benefits
- Treasurer oversees investment of System Funds
- DHR contracts with Insurance Providers

Members	VSERS
Active	8,448
Retired	5,484
Total	13,932
Financial Position (in 000's)	
Plan Net Position	104,800
Total OPEB Liability	907,317
Unfunded Liability	(802,517)
Funded %	11.55%



Vermont State Teacher's Retirement System (VSTRS) Defined Benefit

- **Who is Covered**
 - Covers licensed teachers & principals who work in public schools and a handful of independent schools
- **How is it Funded**
 - Employee contributions – based on Salary
 - Employer contributions – made by the State in a lump sum
 - Offset by amounts from federal grants
 - Unfunded Liability – General Fund
 - Normal Cost – Education Fund
- **How is it Governed**
 - VSTRS Board oversees the System Benefits
 - VPIC oversees investment of System Funds

Key Information

Members	VSTRS
Active	10,387
Inactive	2,932
Deferred	938
Retired & Beneficiaries	10,295
Total	24,552
Benefits	
Total Monthly	\$19,619,042
Average Monthly	\$1,906
Average Annual	\$22,872
Financial Position (in 000's)	
Actuarial Value of Assets	2,457,374
Actuarial Accrued Liability	4,289,799
Unfunded Liability	(1,832,425)
Funded %	57.28%

Other Postemployment Benefits - RTHMB



Key Information

Members	RTHMB
Active	9,955
Retired & Beneficiaries receiving benefits	7,280
Retired & Beneficiaries not receiving benefits	2,656
Vested terminated members entitled to but not yet receiving benefits	2,001
Total	21,892
Financial Position (in 000's)	
Plan Net Position	40,508
Total OPEB Liability	758,359
Unfunded Liability	(717,851)
Funded %	5.34%

- **Who is Covered**
 - Members of the VSTRS Retirement System who elect coverage
 - Eligible dependents

- **How is it Funded**
 - Retired Teacher’s Health & Medical Benefit Fund (RTHMB)
 - Normal Cost is paid out of the Education Fund
 - Unfunded Liability payment is paid out of the General Fund
 - Total payment is offset by New Teacher Healthcare Assessment

- **How is it Governed**
 - VSTRS Board oversees the System Benefits
 - Treasurer oversees investment of System Funds
 - VSTRS Board contracts with Insurance Providers

Vermont State Municipal Retirement System (VMERS) Defined Benefit



- **Who is Covered**
 - Covers a wide range of municipal and school district employees including law enforcement and firefighters.
 - Municipalities elect to participate.
- **How is it Funded**
 - Employee contributions – based on Salary
 - Employer contributions – based on Salary
- **How is it Governed**
 - VMERS Board oversee the System Benefits
 - VPIC oversees investment of System Funds

Key Information

Members	VMERS
Active	8,059
Inactive	3,997
Deferred	1,048
Retired & Beneficiaries	4,149
Total	17,253
Benefits	
Total Monthly	\$3,887,934
Average Monthly	\$937
Average Annual	\$11,244
Financial Position (in 000's)	
Actuarial Value of Assets	893,224
Actuarial Accrued Liability	1,159,280
Unfunded Liability	(266,056)
Funded %	77.05%



Defined Contribution Systems – State and Municipal

- **Who is Covered**
 - State Exempt Employees who elect to join
 - Municipal employees in towns that have elected the Municipal DC Plan
- **How is it Funded**
 - Employee contributions – based on Salary
 - Employer contributions – based on Salary
- **How is it Governed**
 - Treasurer oversees the State System
 - VMERS Board oversees the Municipal System
 - Empower is the third-party administrator

Key Information

	State	Municipal
Total Participants	547	431
Total Asset (6/30/22)	\$ 72,992,730	\$ 25,995,003

Deferred Compensation



- **Who is Covered**

- 457 – State and Municipal Employees who elect to participate
- 403(b) – Teachers and Municipal Employees who elect to participate
- No one is required to participate

- **How is it Funded**

- Employee elective contributions
- No employer contributions

- **How is it Governed**

- VSERS Board oversees the 457 Plan
- VSTRS Board oversees the 403(b) Plan
- Empower is the third-party administrator

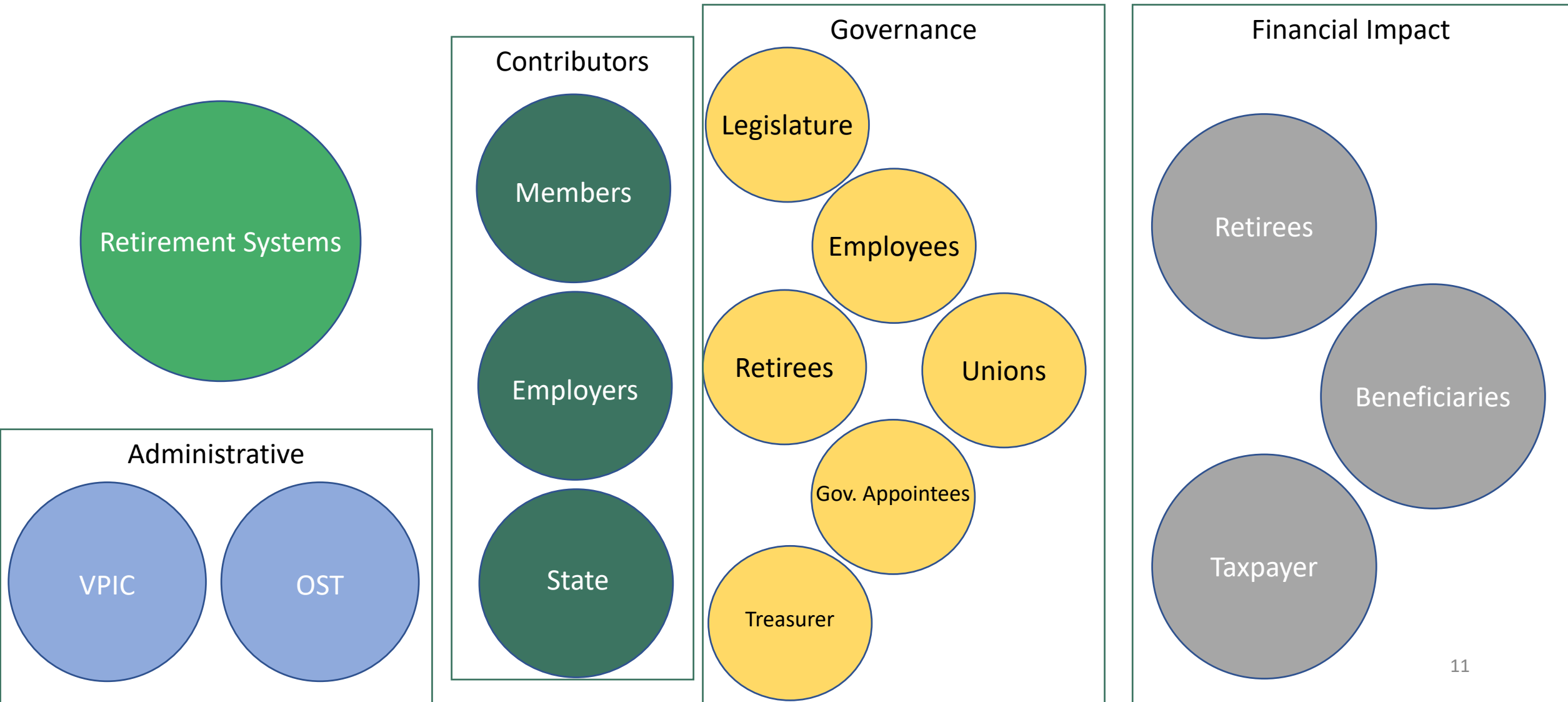
Key Information

	457	403(b)
Total Participants	8,296	3,164
Total Asset (6/30/22)	\$ 571,936,931	\$ 146,521,905



Understanding Stakeholders is key to the success of the Retirement Systems

The Retirement Systems have a wide assortment of Stakeholders and broad impact



Vermont Retirement System – Boards of Trustees



Each of the Retirement System is Governed by its own Board of Trustees

VSERS Board of Trustees

Roger Dumas, *Chair*, VRSEA Rep
Eric Davis, Vice Chair, VSEA Rep
Jean Paul Isabelle, VSEA Rep
Tom Mozzer, VSEA Rep
Michael Pieciak, State Treasurer
Beth Fastiggi, DHR Commissioner
Adam Greshin, F&M Commissioner
Jay Wisner, Governor's Delegate

John Vorder Bruegge, VSEA Alt
Allen Blake, VRSEA Alt

VSTRS Board of Trustees

Jon Harris, Chair, VREA Rep
Erin Carter, Vice Chair, Active Rep
Sandra Mings-Lamar, Active Rep
Michael Pieciak, State Treasurer
Dan Raddock, DFR Commissioner Rep
Emily Simmons, AOE Secretary Rep

Perry Lessing, VREA Alt
Genevieve Hamby, Active Alt

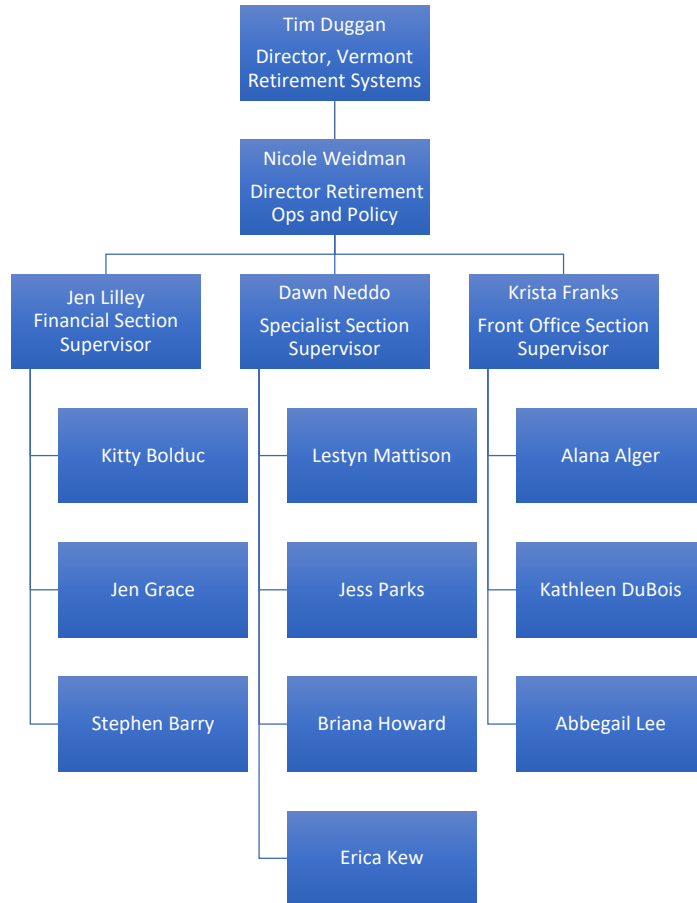
VMERS Board of Trustees

Chris Dube, Chair, Employee Rep
Kimberly Gleason, Vice-Chair, Employer Rep
Morgan Daybell, Employee Rep
Kathleen Ramsay, Employer Rep
Michael Pieciak, State Treasurer

Vermont Retirement System – Retirement Division



The Retirement Division manages Pension and OPEB benefits



Retirement Division serves more than 60,000 members with a staff of 15.

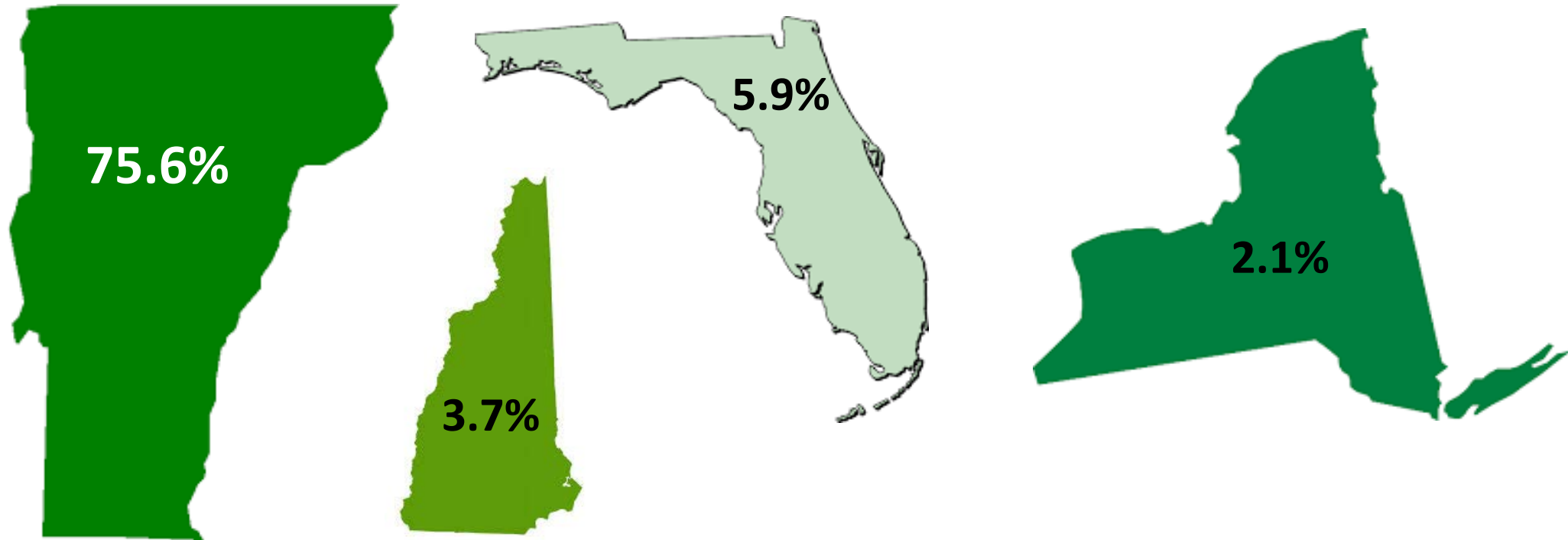
NASRA tracks staff to active/retired member ratios (excludes inactive and deferred members) across State systems:

- National median in 2021 – 1 staff : 1,336 members
- Vermont in 2021 – 1 staff : 3,186 members

Vendors routinely explain that Vermont has some of the most complex benefit structures nationwide

Each change to the System brings greater complexity

Most Retirees Remain in Vermont



The top 4 State where Vermont Retirees reside, which account for 87.3% of all Retirees.


Over 80% of the Benefit Payments are to Retirees who reside in Vermont

There is a Major economic impact from Defined Benefit Pensions

In 2020 expenditures stemming from state and local pensions supported:


- 5,385 jobs that paid \$282.7 million in wages and salaries
- \$845.0 million in total economic output
- \$98.5 million in State, and local tax revenues

Pension Benefit Multiplier



\$1.00
pension benefits paid to retirees in Vermont


→



\$1.85
total output


Each \$1 in state and local pension benefits paid to Vermont residents ultimately supported \$1.85 in total output in the state. This “multiplier” incorporates multiple rounds of impacts of retiree spending, as each purchase ripples through the state economy.

Taxpayer Investment Factor



\$1.00
contributed by taxpayers to Vermont pensions over 30 years

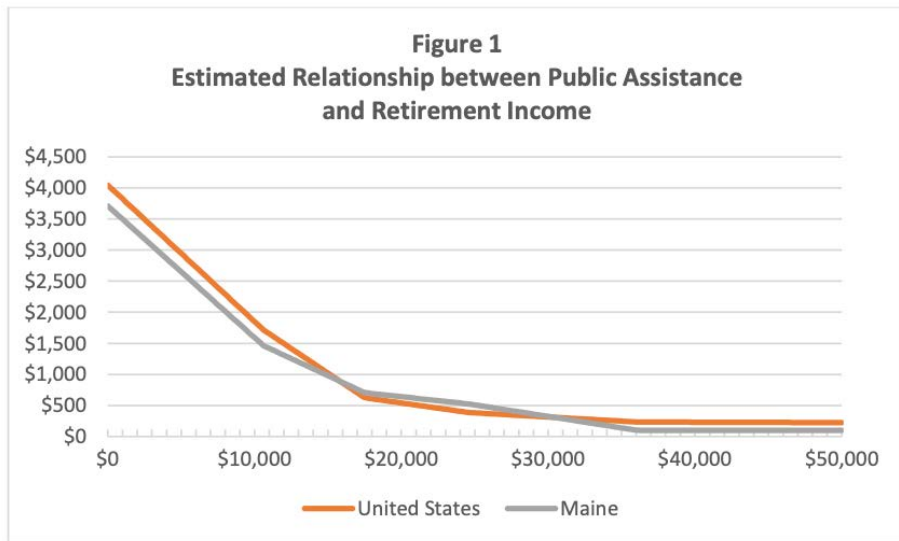
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\$7.01
total output

Each \$1 in taxpayer contributions to Vermont’s state and local pension plans supported \$7.01 in total output in the state. This reflects the fact that taxpayer contributions are a minor source of financing for retirement benefits—investment earnings and employee contributions finance the lion’s share.

Source: The source for the infographics as well as the economic data is the National Institute on Retirement Security (NIRS) Pensionomics Report: <https://www.nirsonline.org/reports/pensionomics2023/>



As annual retirement income increases (left to right), spending on public assistance decreases (top to bottom).

Source: The Fiscal Implications of Inadequate Retirement Savings in Maine <https://mcspolicycenter.umaine.edu/wp-content/uploads/sites/122/2017/03/final-aarp-report.pdf>