

# Vermont Retirement Systems: VSTRS Federal Grant Assessment



**Presentation to the House  
Appropriations Committee**  
January 15, 2026

# Federal Grant Assessment Background

- What is the FGA?
  - Beginning in FY2016, the Federal Grant Assessment (FGA) is a charge applied to a federal grant that funds a teacher position to cover the retirement costs for that teacher position
  - Codified in 16 V.S.A. 1944c
- How does the FGA work?
  - Treasurer's Office sets the FGA rate as a percentage to apply to a grant funded teacher's salary
    - Calculated to reflect the amount needed to cover the retirement costs for that teacher as determined by actuaries, plus overhead
      - In FY2026 – the FGA rate is 25.47%
  - School districts pay the FGA to the Treasurer's Office
    - Payments come in on a lag – FY2026 Q1 payments are coming in now

# Federal Grant Assessment Background

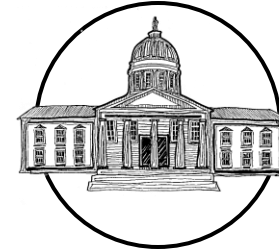
- How does the FGA fit into VSTRS pension funding?
  - State pays VSTRS employer costs
  - Actuarially determined employer contribution (ADEC) has two components:
    - **Normal Cost** – the cost to fund this year's benefit
      - Funded out of the Education Fund
    - **Unfunded Liability Payment** – annual cost to pay down our unfunded liability
      - Funded out of the General Fund
  - FGA revenues offset the amount the State needs to pay to fund the ADEC
  - State is also making a third payment – the Act 114 "Plus Payment" – \$15 million above the actuarially recommended amount
    - FGA does not impact this component

# Federal Grant Assessment - FY26

- FGA Revenues offset the State's employer contribution, or ADEC
- Additional \$15 million "plus payment" comes 100% from the General Fund



**School  
Districts  
Pay the FGA**



**State  
Pays the Rest**

**Normal Cost**

\$41,414,649

**Unfunded Liability  
Payment**

\$171,337,978

**Total**

\$212,752,627

=

\$2,603,591

\$10,771,409

\$13,375,000

+

\$38,811,058 Education Fund

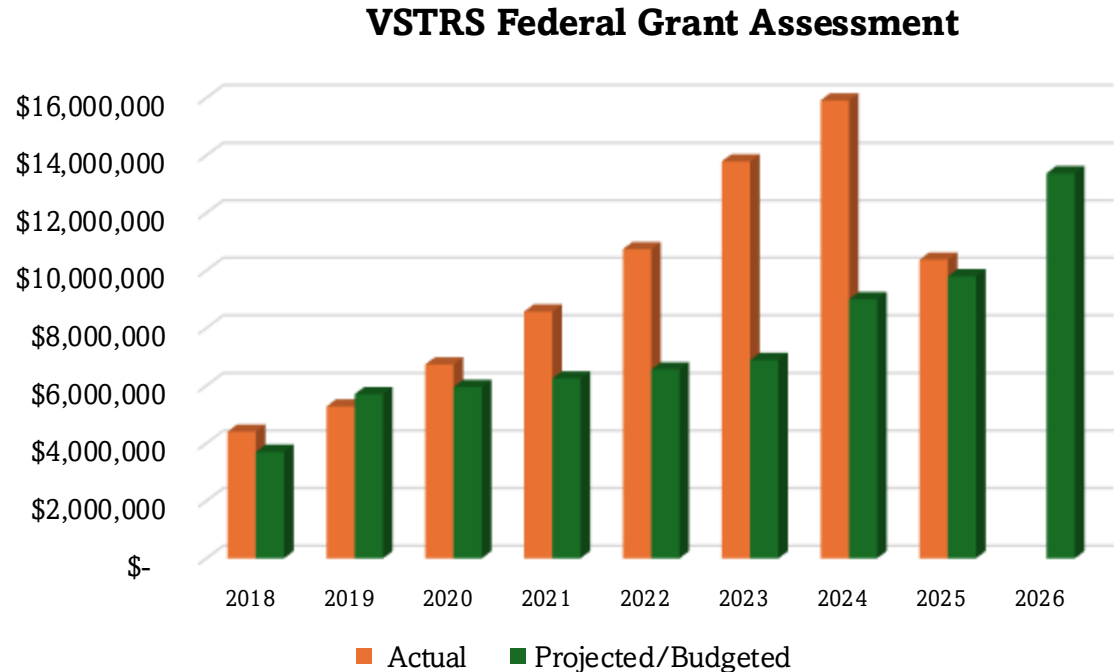
\$160,566,569 General Fund

\$199,377,627

Reference sections B.514 and E.514 of last year's Big Bill – [Act 27 of 2025](#)

# Federal Grant Assessment - Revenues

- Chart shows historical projected and actual FGA revenues
- FY26 revenues are projected knowing only FY24 actuals and very early receipts in FY25
- Just as our projections caught up to rapid spike in FGA revenues, federal dollars (like ESSER funds) were going away



# Federal Grant Assessment – Revised FY26 Projection

- By last Spring, we realized that FGA revenues were falling precipitously
- Legislature appropriated a \$3.8 million "reserve" to backfill FGA revenue that did not materialize in FY25 and FY26
  - No additional funds needed in FY25... barely
- FY26 is a different story – FGA revenue projection has been revised down
  - From \$13.375 million to approx. \$6.5 million
- Request is to add another \$3 million to this reserve to ensure sufficient funding for the VSTRS ADEC

# Federal Grant Assessment - FY27

- A Note about FY27...
  - Current FGA projection used for FY27 budget is \$8 million
  - Need to watch FGA revenues closely to determine whether this amount remains realistic and whether we need to adjust or create a reserve for FY27

# Contact Information & Further Reading

For further information, please feel  
free to contact

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For additional background, please  
see

- Vermont JFO, [How Vermont Funds the Employer Share of Public School Retirement Benefits](#)  
(Feb. 20, 2025)