

Vermont Retirement Systems: VSTRS Federal Grant Assessment



**Presentation to the House Ways &
Means Committee**

January 22, 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



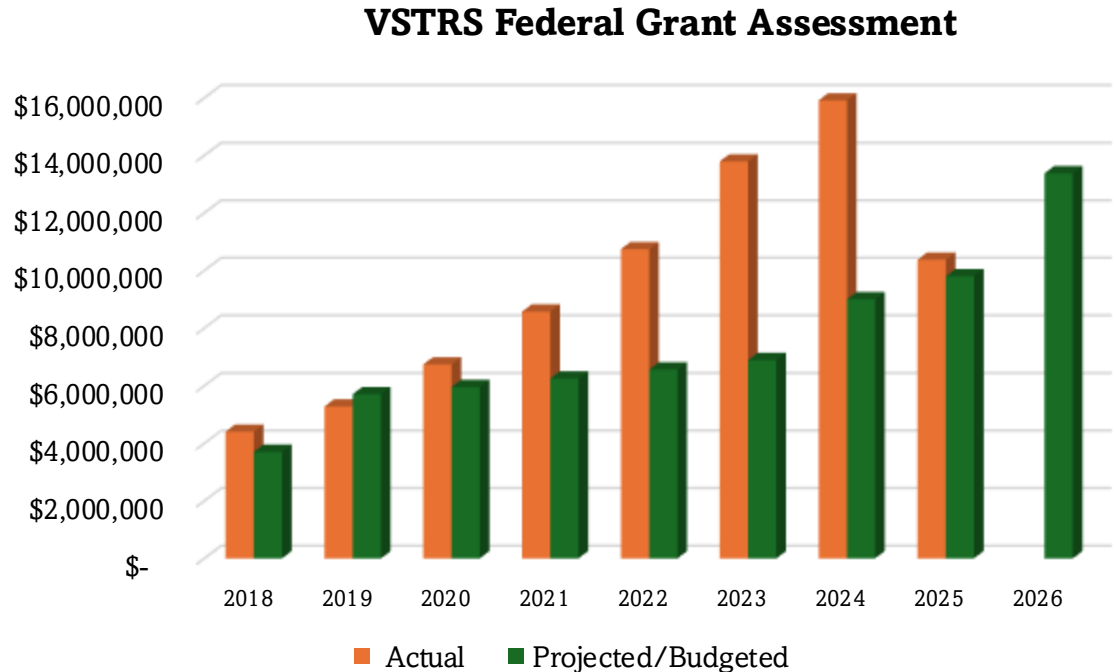
State Pays the Rest

	Total ADEC	=	School Districts Pay the FGA	+	State Pays the Rest
Normal Cost	\$41,414,649		\$2,603,591		\$38,811,058 Education Fund
Unfunded Liability Payment	\$171,337,978		\$10,771,409		\$160,566,569 General Fund
Total	\$212,752,627		\$13,375,000		\$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

Recommended BAA Language

- Sec. 46. 2025 Acts and Resolves No. 27, Sec. B.1100 is amended to read:

Sec. B.1100 MISCELLANEOUS FISCAL YEAR 2026 ONE-TIME APPROPRIATIONS

* * *

(hh) Agency of Administration. In fiscal year 2026, funds are appropriated for the following:

(1) \$3,000,000 General Fund to ensure the appropriation made in Sec. B.514 of this act is sufficient to meet 100 percent of the Vermont State Teachers' Retirement System Actuarially Determined Employer Contribution. The appropriation made in Sec. B.513 of this act pursuant to 16 V.S.A. § 1944(c)(13) shall not be considered for the purposes of determining whether the appropriation made in Sec. B.514 of this act is sufficient to ensure that the Actuarially Determined Employer Contribution requirement is funded at 100 percent in fiscal year 2026. Unexpended appropriations shall carry forward into subsequent fiscal years and remain available for this purpose.

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)