

Fiscal Year 2025 Update: The State of Vermont's Public Pension Systems

Office of State Treasurer Mike Pieciak



**Presentation to the Joint Public
Pension Oversight Committee**
November 13, 2025

Retirement Systems Overview

Three defined benefit **public pension** plans:

- State Employees – funded by State and state employees
- Teachers – funded by State and teachers
- Municipal Employees – funded by Municipalities and Municipal Employees

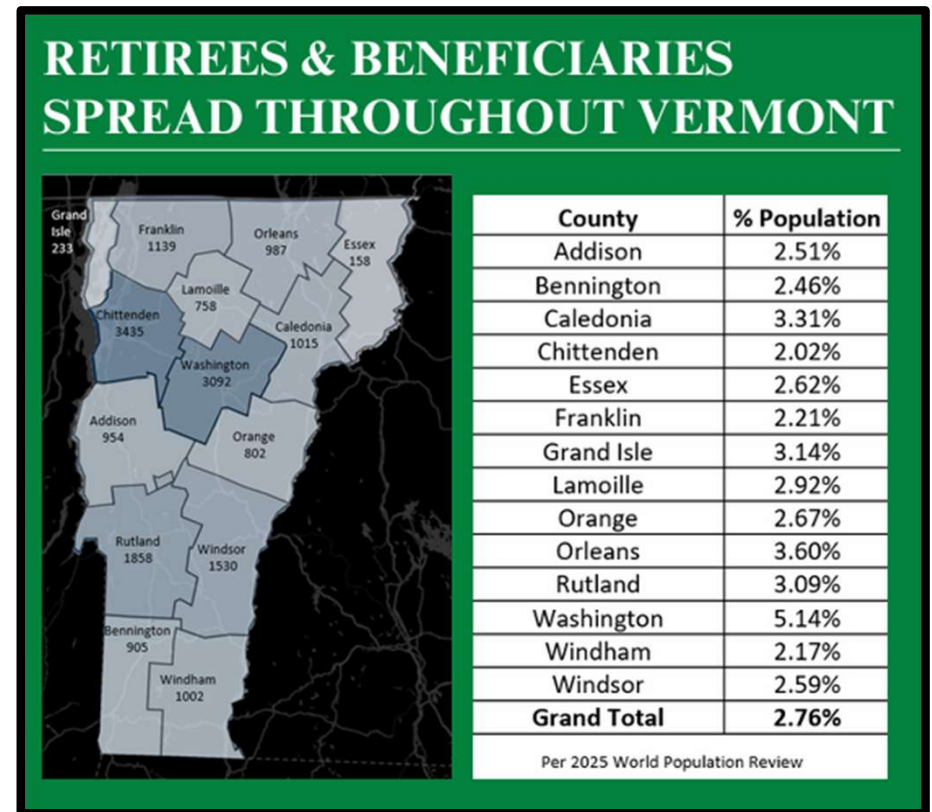
Two **retiree health insurance** plans (also called Other Post-Employment Benefit (OPEB) plan):

- State Employees – funded by the State
- Teachers – funded by the State

Retirement Systems Overview (Cont.)

Retirement Systems provide value to Vermont and Vermonters!

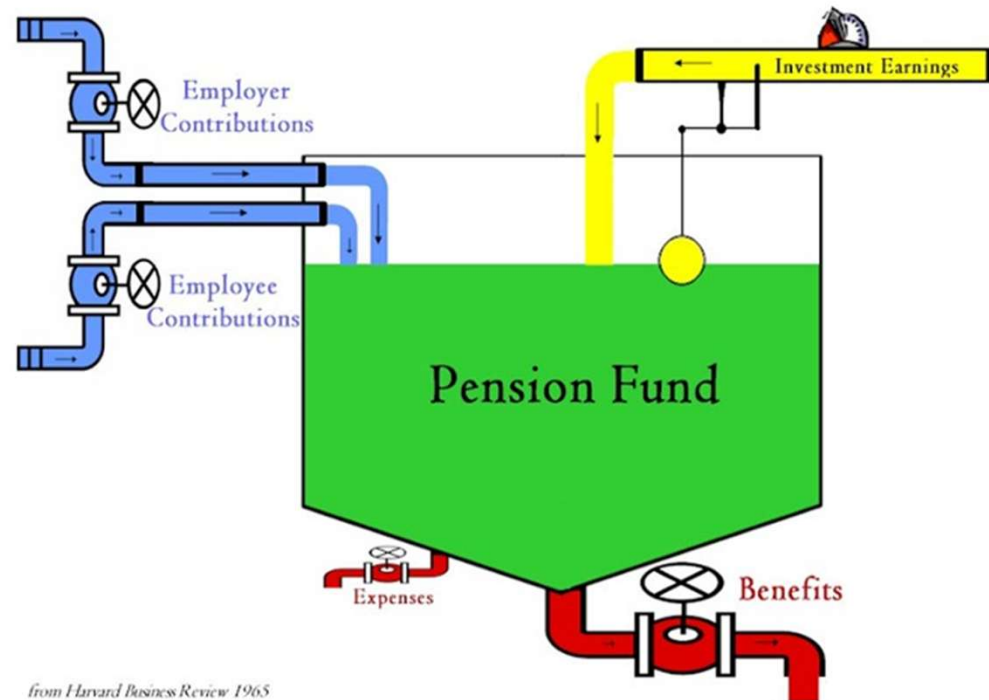
- Recruitment and retention of public servants
- Modest but consistent retirement income
- Economic driver for Vermont
 - 75% of our members remain in Vermont in retirement, and they are spread throughout
 - For every \$1.00 of taxpayer funds put into the retirement systems, \$4.48 in total activity results in the State! [NIRS, Pensionomics 2025: Vermont](#)



Retirement Systems Funding

Pension Funding operates on a simple formula:

$$\begin{array}{c} \text{Contributions +} \\ \text{Investments} \\ = \\ \text{Benefits +} \\ \text{Expenses} \end{array}$$



from Harvard Business Review 1965

Bill Hallmark, *Characteristics of a Great Public Pension Plan: An Actuarial Perspective*, NCPERS 2025 Public Pension Funding Forum

State and Teacher System Funding

- In 2008, the State established a policy to pay down unfunded liabilities for the State and Teachers Pension Plans over a closed 30-year period
 - July 1, 2023 marked the halfway point
 - Pace of annual contribution increases is slowing while progress on funding is accelerating
- FY25 marked Year 17 – another good year with strong investment returns:
 - Pension Funds **10.7%**
 - OPEB Funds **11.8%**
- Act 114 reforms are mostly implemented, with substantial cost savings
 - Active Employee contribution increases fully implemented for Teachers
 - One year away from full implementation for State employees

Annual Valuation Reports (FY25)

Purpose

Tool to help project future Retirement System obligations.

Actual long-term System costs will be determined by actual benefits, expenses, and investment returns. Annual valuations help minimize divergence from actuals.

Looking Back

Valuation looks back at FY25 to see how the Plan performed against assumptions.

Establishes metrics like the **FY25 funded percentage**.

Assets tracked on a market and actuarial basis.

Looking Forward

The FY25 Valuations determine the **FY27 ADECs**.

State Employees' Pension System (Year-over-Year)

Fiscal Year 2024	
Members	VSERS
Active	8,819
Inactive	2,554
Deferred	869
Retired & Beneficiaries	8,142
Total	20,384
Benefits	
Total Monthly	\$16,199,459
Average Monthly	\$1,990
Average Annual	\$23,875
Financial Position (in 000's)	
Actuarial Value of Assets	2,690,348
Actuarial Accrued Liability	3,772,062
Unfunded Liability	(1,081,714)
Funded %	71.32%

Fiscal Year 2025	
Members	VSERS
Active	8,963
Inactive	2,721
Deferred	934
Retired & Beneficiaries	8,256
Total	20,874
Benefits	
Total Monthly	\$17,136,938
Average Monthly	\$2,076
Average Annual	\$24,908
Financial Position (in 000's)	
Actuarial Value of Assets	2,888,534
Actuarial Accrued Liability	3,948,298
Unfunded Liability	(1,059,764)
Funded %	73.16%

Teachers' Pension System (Year-over-Year)

Fiscal Year 2024	
Members	VSTRS
Active	10,567
Inactive	3,500
Deferred	1,050
Retired & Beneficiaries	10,625
Total	25,742
Benefits	
Total Monthly	\$21,475,087
Average Monthly	\$2,021
Average Annual	\$24,254
Financial Position (in 000's)	
Actuarial Value of Assets	2,815,335
Actuarial Accrued Liability	4,602,349
Unfunded Liability	(1,787,014)
Funded %	61.17%

Fiscal Year 2025	
Members	VSTRS
Active	10,526
Inactive	3,612
Deferred	1,057
Retired & Beneficiaries	10,772
Total	25,967
Benefits	
Total Monthly	\$22,443,858
Average Monthly	\$2,084
Average Annual	\$25,002
Financial Position (in 000's)	
Actuarial Value of Assets	3,038,152
Actuarial Accrued Liability	4,789,486
Unfunded Liability	(1,751,334)
Funded %	63.43%

Pension System Contributions

Modest increases in State Contributions between FY26 and FY27, generally on par with 3% rate of inflation in FY25

FY26

State contributions:

\$151.5 million

71.32% funded

State

FY27

Recommended State contributions:

\$155.5 million

73.16% funded

Teachers

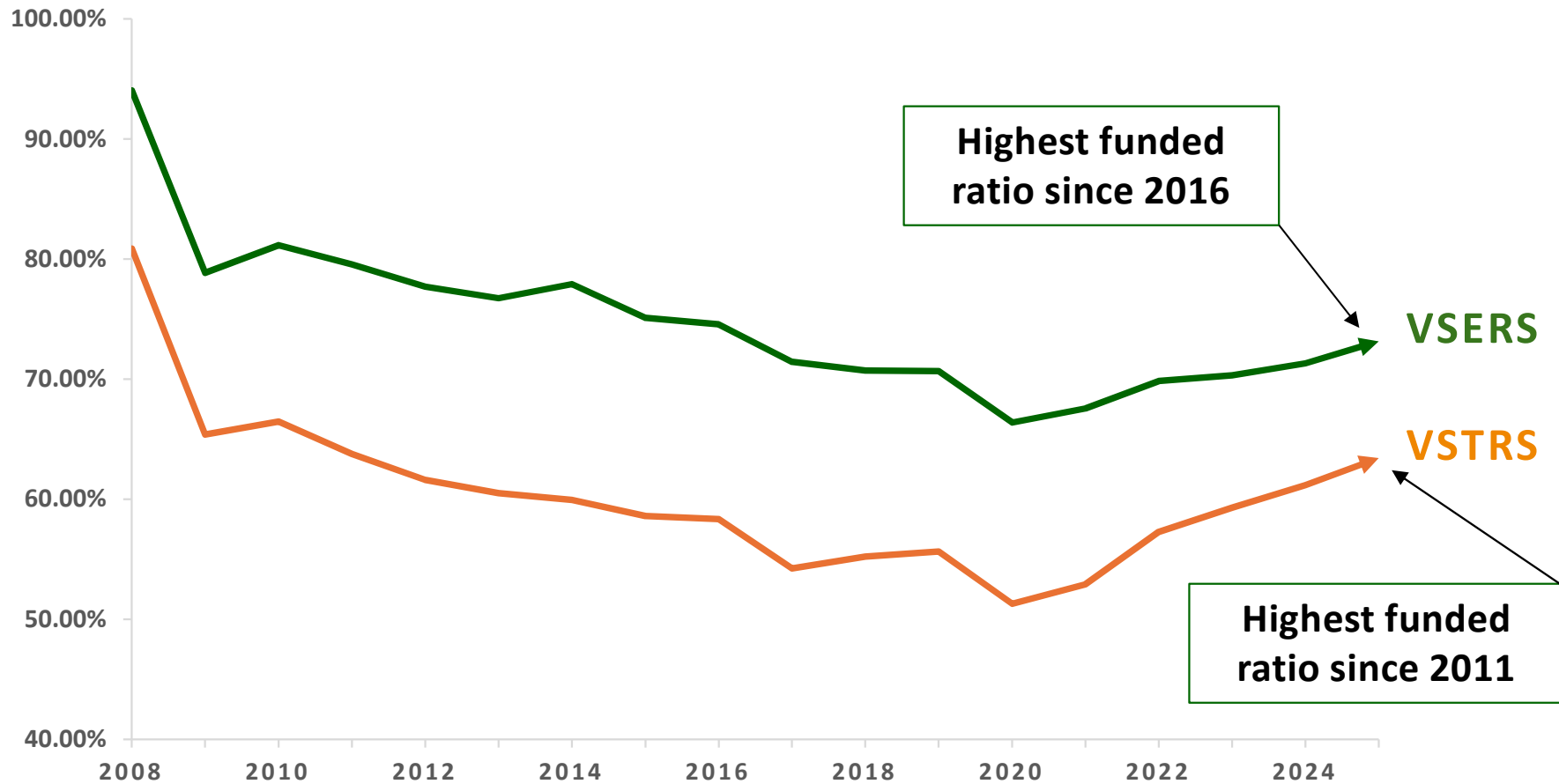
\$227.8 million

61.17% funded

\$235.9 million

63.43% funded

Pension System Funding Improvements



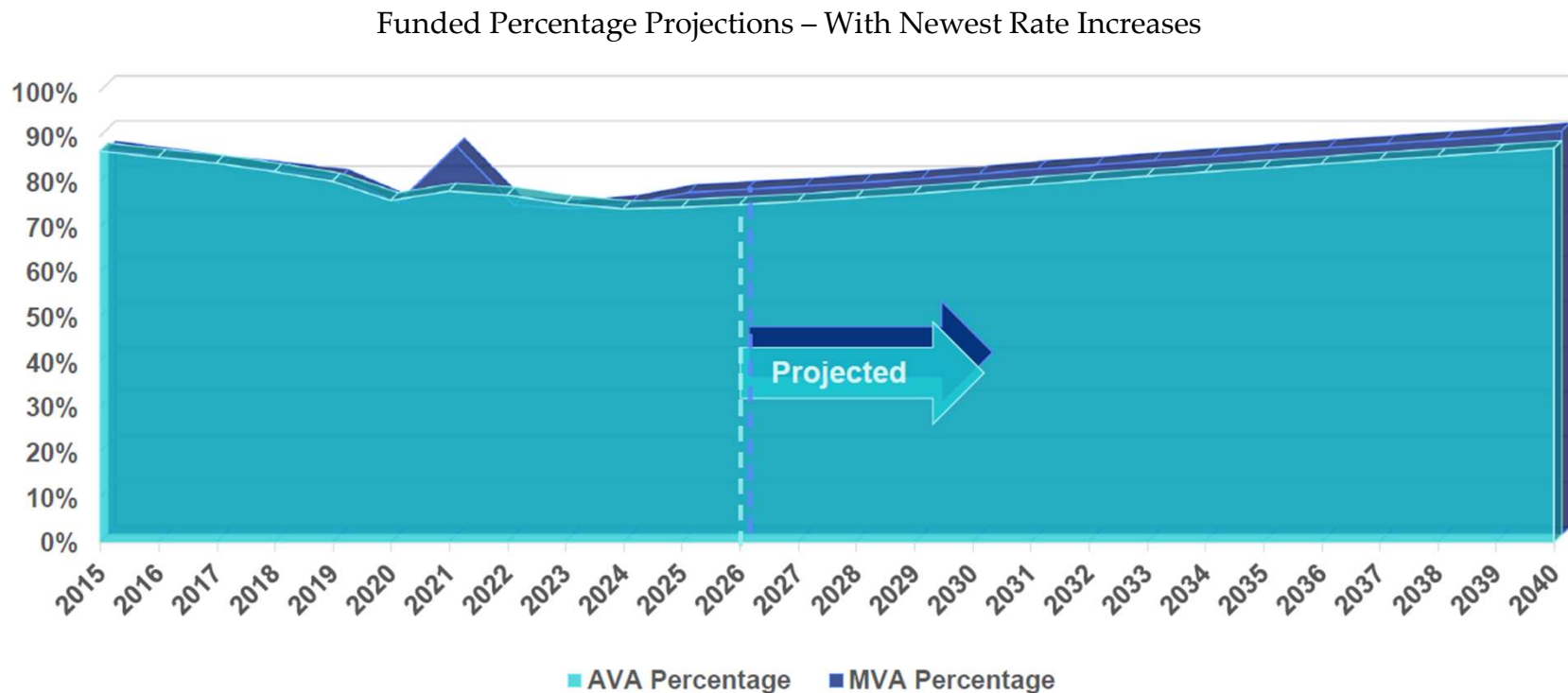
Municipal Employees' Pension System (Year-over-Year)

Fiscal Year 2024	
Members	VMERS
Active	8,692
Inactive	5,020
Deferred	1,160
Retired & Beneficiaries	4,638
Total	19,510
Benefits	
Total Monthly	\$4,741,469
Average Monthly	\$1,022
Average Annual	\$12,268
Financial Position (in 000's)	
Actuarial Value of Assets	1,015,400
Actuarial Accrued Liability	1,371,375
Unfunded Liability	(355,975)
Funded %	74.04%

Fiscal Year 2025	
Members	VMERS
Active	8,991
Inactive	5,297
Deferred	1,250
Retired & Beneficiaries	4,890
Total	20,428
Benefits	
Total Monthly	\$5,203,527
Average Monthly	\$1,064
Average Annual	\$12,769
Financial Position (in 000's)	
Actuarial Value of Assets	1,098,094
Actuarial Accrued Liability	1,477,521
Unfunded Liability	(379,427)
Funded %	74.32%

Municipal System Funding

In 2024, the Legislature and VMERS Board adopted a package of rate increases from FY27 through FY30. This has improved the funding outlook.



2025 Pension Valuations – Key Takeaways

Another strong year for plan investments

- Pensions - Net investment gains of \$603.6 million
 - Over \$165 million in deferred investment gains to be recognized in future years

Annual increases in ADECs have stabilized

All plans are cashflow positive net of investments.

- Investment gains go to better funding instead of paying benefits
- No need to sell assets to pay benefits in down years

Improvements noted by Ratings Agencies

“Policy actions in recent years attest to active state management of its pensions’ funded status. Over the long term, this could have beneficial effects on funding progress assuming the plans achieve their rate of return assumptions.”

– Fitch Ratings 6/4/2024

Funding Plan is working – Stay the Course!

Background on OPEB System Funding

State has historically paid for OPEB on a pay-as-you-go basis.

Act 114 put the State on a path to fully prefunding the State and Teachers' OPEB Systems by 2048, saving over \$1.7 billion.

Costs of prefunding the systems are increasing due to overall healthcare cost pressures.



State Employees' OPEB System (Year-over-Year)

Fiscal Year 2024	
Members	VSERS
Active	8,855
Retired	5,672
Total	14,527
Financial Position (in 000's)	
Plan Net Position	176,655
Total OPEB Liability	1,222,218
Unfunded Liability	1,045,563
Funded %	14.45%

Fiscal Year 2025	
Members	VSERS
Active	9,063
Retired	5,680
Total	14,743
Financial Position (in 000's)	
Plan Net Position	223,369
Total OPEB Liability	1,345,739
Unfunded Liability	1,122,370
Funded %	16.60%

Teachers' OPEB System (Year-over-Year)

Fiscal Year 2024	
Members	RTHMB
Active	10,618
Retired & Beneficiaries receiving benefits	7,369
Retired & Beneficiaries not receiving benefits	2,891
Vested terminated members entitled to but not yet receiving benefits	1,953
Total	22,831
Financial Position (in 000's)	
Plan Net Position	113,207
Total OPEB Liability	974,539
Unfunded Liability	(861,332)
Funded %	11.62%

Fiscal Year 2025	
Members	RTHMB
Active	10,567
Retired & Beneficiaries receiving benefits	7,434
Retired & Beneficiaries not receiving benefits	3,000
Vested terminated members entitled to but not yet receiving benefits	2,072
Total	23,073
Financial Position (in 000's)	
Plan Net Position	162,808
Total OPEB Liability	1,200,774
Unfunded Liability	(1,037,966)
Funded %	13.56%

OPEB System Contributions

Increases in Liabilities and ADECs driven by increases in health care costs generally

FY26

State contributions:

State

\$94.1 million

14.45% funded

FY27

Recommended State contributions:

\$105.4 million

16.60% funded



Teachers

\$80.0 million

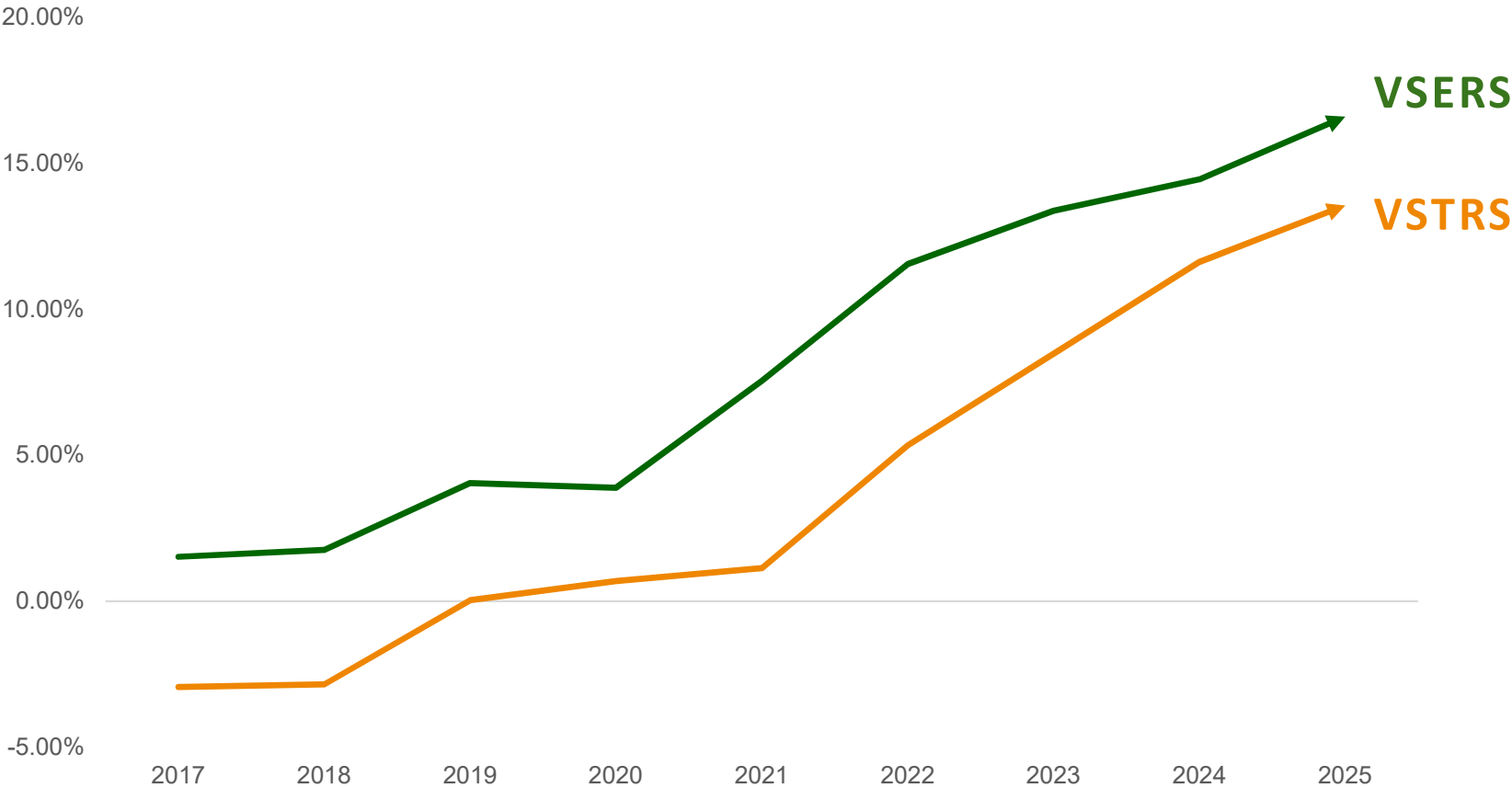
11.62% funded



\$99.8 million

13.56% funded

OPEB System Funding Improvement



Recent OPEB Cost Saving Efforts

VSTRS Board changed insurers for Medicare eligible retirees in CY26

- **Impact on Premiums**
 - Savings of approx. \$7.8 million to the State and \$3.2 million to members.
- **Impact on State Budget**
 - Reduces FY27 ADEC by at least \$20 million and prevents an additional \$215 million in unfunded liability compared to status quo

Proactive management of drug costs delivers savings for non-Medicare plans

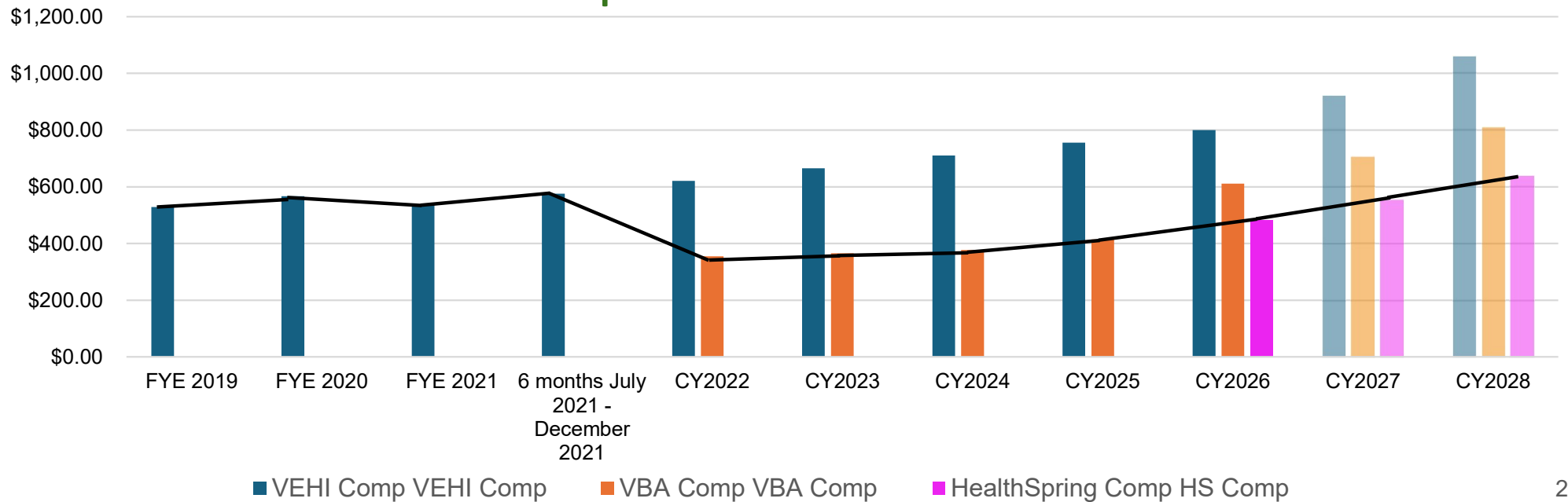
- **Impact on Premiums**
 - Reduces premium rate increases by 2%
- **Impact on State Budget**
 - Reduces FY27 ADEC by approx. \$500,000 and prevents an additional \$4.3 million in unfunded liability compared to status quo

Recent OPEB Cost Saving Efforts

Chart below shows the premium savings resulting from changes in the retired teachers health plan over recent years

- Approximately 70% of these savings are reduced State payments and 30% are reduced member premiums

Comprehensive Plan Premiums



2025 OPEB Valuations – Key Takeaways

Prefunding is working – Net investment gains of **\$36.3 million** in FY25

Increases in liabilities and ADECs driven by increases in health care costs

- Change in health care trend assumption drives the year-over-year increases in the ADECs for both plans
- Spike in insurance costs for teachers' plan also contributes

Over the last year, the Treasurer's Office has engaged in substantial cost savings efforts, saving the State and members millions.

- Nevertheless, increasing health care costs are driving substantial increases in funding needs
- This will continue until policymakers in Vermont and nationally address the broader issue of runaway healthcare spending

Retirement Systems are doing what we can to manage costs!

Upcoming Work

Retired Teachers' Health Insurance Transition

- Critical work over the next few months to transition over 7,000 Medicare-eligible VSTRS retirees health coverage from VBA to HealthSpring
- Held 7 virtual and 5 in-person sessions to answer member questions about the change
- Conducting targeted outreach to educate providers about the plan
- Maintaining a dedicated [website](#) to provide members up-to-date resources and answers to questions

For more information on why VSTRS made the change, please see this [Presentation](#)

Upcoming Work (Cont.)

Legislative Proposals in 2026

- Create a Task Force to review and make recommendations about potential changes to funding policies
 - Current policy risks substantial budget volatility as we approach 2038
 - Task Force to review options to maintain funding discipline while mitigating budget risk
- Transfer Investment Authority of OPEB Funds from Treasurer to VPIC
 - VPIC has a professional investment staff with access to better investment vehicles and resources
 - As OPEB investments grow, Treasurer's Office would need additional resources to manage
 - Committee fiduciary model has advantages to current sole fiduciary model

Upcoming Work (Cont.)

2026 Experience Studies

- Experience Studies review economic and demographic assumptions against what happened in recent years (“experience”) to assess and update assumptions
- In 2020, Legislature directed that they be performed every three years
- Next studies are to be completed by late summer this year

Key Links - 2025 Reports

State System

- Annual Pension Valuation, available [here](#)
- Annual OPEB Valuation, available [here](#)

Teachers' System

- Annual Pension Valuation, available [here](#)
- Annual OPEB Valuation, available [here](#)

Municipal System

- Annual Pension Valuation, available [here](#)