VERMONT LEGISLATIVE
Joint Fiscal Office
1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • https://ljfo.vermont.gov

Fiscal Note

May 11, 2026 Chris Rupe, Associate Fiscal Officer

H.567 – An act relating to unclaimed property, State retirement systems, and capital debt

As recommended by the Senate Committee on Finance [1i]

Bill Summary

This bill contains numerous provisions related to unclaimed property, the Vermont Saves Program, the retirement systems for State employees and teachers, the Capital Debt Affordability Advisory Committee, and the Vermont Higher Education Endowment Trust Fund.

Fiscal Impact

The bill has the following anticipated fiscal impacts:

- Temporarily directs certain unclaimed property to the Vermont Retirement Security Fund to support the Vermont Saves Program as it continues to expand toward fiscal self-sustainability.
- Increases the threshold for older unclaimed property that is eligible to transfer to the Higher Education Endowment Trust Fund and Vermont Retirement Security Fund from $100 to $150. Imposes a $300,000 combined annual limit on transfers to the two funds.
- Creates a Pension and Benefits Funding Task Force to make recommendations on future State funding policies for retirement benefits for State employees and teachers.
- Transitions fiduciary oversight for the Other Post-Employment Benefits (OPEB) systems for retired State employees and teachers from the Treasurer to the Vermont Pension Investment Commission (VPIC). This will require additional support at VPIC and changes to special fund appropriations between VPIC and the Office of the State Treasurer to reflect the shift of responsibilities.

The bill, as recommended, would also require the Treasurer to submit a report regarding the Vermont Higher Education Endowment Trust Fund to legislative committees by January 15, 2027.

Background and Details

The following sections have a fiscal impact or are otherwise relevant.

Sections 2-3: Unclaimed Property Revenues to Temporarily Support Vermont Saves

These sections propose to temporarily redirect a portion of certain unclaimed property funds from the Vermont Higher Education Endowment Trust Fund to the Vermont Retirement Security Fund.

Under current law, property valued at $100 or less that has been unclaimed for more than 10 years is paid into

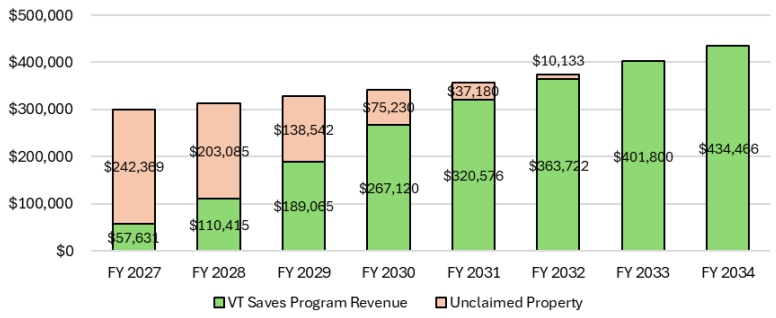
[1] *The Joint Fiscal Office (JFO) is a nonpartisan legislative office dedicated to producing unbiased fiscal analysis – this fiscal note is meant to provide information for legislative consideration, not to provide policy recommendations.*

the Trust Fund. In fiscal year 2025, this provided $147,582 to the Trust Fund. Section 2 proposes to increase the unclaimed property value threshold to $150 and pay up to $300,000 of these funds annually into the Vermont Retirement Security Fund, which supports the Vermont Saves Program. The Treasurer would also, in their sole discretion, be able to deposit a portion of these unclaimed property funds into the Trust Fund, provided that no more than $300,000 is deposited annually in the Retirement Security Fund and Trust Fund combined. Section 3 would end the transfer of unclaimed property funds to the Vermont Retirement Security Fund and redirect these funds back to the Trust Fund, effective January 1, 2040.

The Vermont Retirement Security Fund supports the costs of administering the Vermont Saves Program using fee revenue from participants. Created by Act 43 (2023), Vermont Saves provides access to an individual retirement arrangement to Vermont employees of companies that do not currently offer a retirement savings program. Vermont Saves received a one-time start-up appropriation of $750,000 from the General Fund in fiscal year 2024.[2] This proposed shift of unclaimed property funds would support Vermont Saves as it continues to scale toward financial self-sufficiency from Program fees after the initial start-up appropriation is expended in fiscal year 2026.

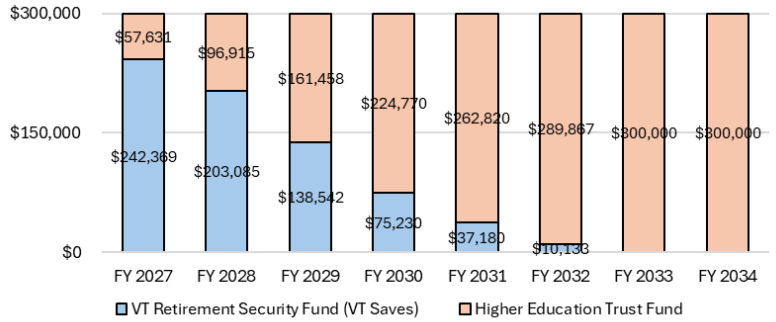
Investment gains earned on the Trust Fund are distributed to the University of Vermont (UVM), the Vermont State Colleges (VSC), and the Vermont Student Assistance Corporation (VSAC) to provide non-loan financial aid to Vermont students at Vermont postsecondary institutions and increasing permanent endowments at UVM and VSC.

Figure 1: VT Saves Projected Funding Sources



Source: Office of the State Treasurer

Figure 2: Projected Allocation of Unclaimed Property Funds as Proposed



Source: Office of the State Treasurer

Fiscal Impact: These sections would redirect up to $300,000 annually from the Trust Fund to the Retirement Security Fund, beginning in fiscal year 2027 until January 1, 2040. The Trust Fund may still receive contributions from this funding source, provided that no more than $300,000 in total is transferred to the two funds combined. It is expected that over time the Trust Fund will receive more contributions from unclaimed property than under current law.

The Office of the State Treasurer expects Vermont Saves will scale up to be financially self-sufficient from Program fees by fiscal year 2033 (see Figure 1). Until that point, it is expected that this unclaimed property revenue would be used as necessary to pay the Program's expenses net of its revenues. Once these costs are paid, any amount remaining up to the $300,000 annual limit would be eligible for transfer to the Trust Fund. By fiscal year 2033, it is expected that Vermont Saves will no longer rely on this revenue and the full $300,000 would be eligible for transfer to the Trust Fund annually – a higher amount than the Trust Fund has received in any year up to this point under current law (see Figure 2).

In each future year, more unclaimed property will age into eligibility. The Office of the State Treasurer expects that, under the higher $150 threshold, the unclaimed property eligible to be swept in future years will likely exceed the $300,000 annual transfer cap.

[2] Act 78 (2023), Sec. B.1100(cc).

In addition to funding the scale-up of Vermont Saves, the provisions of this bill would generate more revenue over time to the Trust Fund than under current law. However, unclaimed property is a relatively minor funding source for the Trust Fund. In fiscal year 2025, the Trust Fund received $26.4 million from excess Estate Tax revenues.[3] This substantially increased the total cumulative balance contributed to the Trust Fund to a total of $59.9 million as of June 30, 2025.[4] In comparison, unclaimed property contributed $147,582 to the Trust Fund in fiscal year 2025 – a marginal fiscal impact to the overall Trust Fund. This was the largest deposit to the Trust Fund from unclaimed property in recent years (see Table 1).

Table 1: **Unclaimed Property Revenues Available to Higher Education Trust Fund**

Fiscal Year	Unclaimed Property Funds to Higher Education Trust Fund Under Status Quo ($100)	Unclaimed Property Funds Available to Higher Education Trust Fund if Threshold Was $150
2021	$ 128,343	$ 295,488
2022	$ 109,960	$ 270,511
2023	$ 103,353	$ 301,753
2024	$ 134,747	$ 317,664
2025	$ 147,582	$ 342,458

Section 7: Pension and Benefits Funding Task Force

Section 7 would create a Pension and Benefits Funding Task Force to review and report on the funding methodologies of the Vermont State Employees' Retirement System (VSERS) and the Vermont State Teachers' Retirement System (VSTRS), including the State Employees' Postemployment Benefits Trust Fund and the Retired Teachers' Health and Medical Benefits Fund.

The Task Force would have seven members:

- The chair of the House Committee on Appropriations;
- The chair of the Senate Committee on Appropriations;
- The Secretary of Administration or designee;
- The Treasurer or designee;
- One member appointed by the Vermont National Education Association;
- One member appointed by the Vermont State Employees' Association; and
- One member appointed by the President of the Vermont Troopers' Association.

The Task Force would be charged with reviewing the existing funding schedules and methodologies for the pension and OPEB systems for State employees and teachers. The Task Force would make recommendations about the funding methodologies of those systems, with due consideration of:

- The long-term sustainability of the pension and benefit plans;
- The total cost of funding the systems over time;
- The predictability and stability of annual actuarially determined employer contributions;
- The impact of any change in funding methodologies on the State's credit rating; and
- Best funding practices as recommended by actuaries and implemented by peer public pension systems.

The Task Force would not make recommendations on member benefits, contribution levels, or assumed rates of return. Rather, it would focus on funding policies such as how to amortize unfunded liabilities in future years to mitigate contribution volatility risk as the pension systems approach the end of their current amortization periods. Under current law, pension and OPEB unfunded liabilities are amortized on single closed layers, with the pension unfunded liabilities amortized by fiscal year 2038 and the OPEB unfunded liabilities by 2048. As those dates get closer, risk of volatility in employer contribution requirements increases because there are fewer remaining years to spread the impact of any significant shocks across. If the economy

[3] Per 16 V.S.A. § 2885(a)(2), in any fiscal year in which a General Fund surplus exists and the General Fund Stabilization Reserve is funded to its required statutory level, funds raised by the Estate Tax in excess of 125% of the July consensus revenue forecast are deposited in the Trust Fund.

[4] "Annual Report on the Higher Education Trust Fund – Fiscal Year 2025." Office of the State Treasurer, October 9, 2025. https://www.vermonttreasurer.gov/sites/treasurer/files/HEETF%20Council%20Report%202025%20v2.pdf

were to have a challenging investment environment in fiscal year 2033, for example, the impact of that would need to be funded across just four fiscal years (2035 through 2038) under current law.

The Task Force would have the administrative, technical, legal, and fiscal assistance of the Office of the State Treasurer, VPIC, and the Joint Fiscal Office (JFO). The Task Force would be chaired by the Treasurer (or designee), who would call for the first meeting to occur on or before June 15, 2026. Members would be entitled to per diem compensation and expense reimbursement for not more than six meetings. The Task Force's final report would be due to the General Assembly and retirement boards on or before December 15, 2026. The Task Force would cease to exist on December 31, 2026.

Fiscal Impact: As introduced, Section 7 would appropriate $75,000 to the Office of the State Treasurer from the General Fund in fiscal year 2027 for costs associated with the administration of the Task Force, including actuarial services and per diem compensation and expense reimbursement for any eligible non-legislative members. Per diem and reimbursements for the two legislative members would be made from the General Assembly budget at a cost of approximately $3,600 (assuming six meetings). The $75,000 appropriation is no longer in this bill, as it is included in the fiscal year 2027 Big Bill (H.951).

Sections 8-20: Transitioning OPEB Fiduciary Oversight to VPIC

Sections 8 through 20 pertain to transitioning the fiduciary oversight for the State employees' and teachers' OPEB funds from the Treasurer to the VPIC.[5]

Under current law, the Treasurer is the sole fiduciary and custodian of the State Employees' Postemployment Benefits Trust Fund and the Retired Teachers' Health and Medical Benefits Fund. At the end of fiscal year 2025, the State Employees' Postemployment Benefits Trust Fund had a balance of $223.4 million and the Retired Teachers' Health and Medical Benefits Fund had a balance of $162.8 million. Prior to the OPEB systems being prefunded, which began in fiscal year 2023 as a result of Act 114 (2022), the relatively small balances were invested in the Trust Investment Account managed by the Treasurer. With prefunding, the growing balances in the funds have been invested similarly to (but separately from) much of the pension portfolio managed by VPIC through a memorandum of agreement with the Treasurer.

In Act 3 (2023), the General Assembly directed the Treasurer to submit a report on the topic of OPEB governance on or before January 15, 2024. That report highlighted shifting OPEB investment authority to VPIC as a primary alternative to the sole fiduciary status quo. [6]

These sections would shift the custodial and investment responsibilities of the two OPEB funds to VPIC, which already has these responsibilities for the pension systems for State employees, teachers, and municipal employees. VPIC would decide how to invest the OPEB assets with information gleaned through a comprehensive asset and liability study, liquidity study, and illiquid asset pacing study.

Fiscal Impact: VPIC has identified a need for one additional position (Financial Director III) and related administrative costs to support this shift in responsibilities. Additionally, contracts (e.g., investment consulting, periodic studies) associated with the OPEB systems would need to migrate from budget of the Office of the State Treasurer to VPIC. These costs are not reflected in the bill.

[5] VPIC is a 9-member independent commission comprised of the State Treasurer, two appointees of the Governor, three representatives from the pension boards (one respectively from VSERS, VSTRS, and VMERS), a representative of the VT School Boards Association, a representative of the VT League of Cities and Towns, and a chair elected by the other eight members who is nonvoting except in the case of a tie vote. See 3 V.S.A. § 522.

[6] https://legislature.vermont.gov/assets/Legislative-Reports/OPEB-Study_FINAL.pdf

VPIC is funded proportionally from the retirement systems whose funds it invests, not from the General Fund. Approximate additions to the VPIC budget related to this change in responsibilities include:

- $125,000 annually – 1 FTE (Financial Director III)
- $10,000 – Administrative expenses associated with additional FTE
- $105,000 annually – OPEB investment consulting expenses currently paid through the Office of the State Treasurer
- $60,000 (approximately) every three years – OPEB asset/liability study currently paid through the Office of the State Treasurer

The Office of the State Treasurer anticipates limited budgetary and operational savings from this transition. It will continue to provide banking, accounting, financial reporting, and audit support related to OPEB. It is likely that a position would be needed to manage the OPEB systems in the near future even if this work remained within the Office of the State Treasurer. However, consolidating OPEB investment management within VPIC is likely to generate additional fiscal benefits over time, including the opportunity for lower fees, potential to realize economies of scale, and the leveraging of VPIC's existing investment analysis and underwriting capacity to also support the OPEB systems.

Sections 21-22: Elective Retirement Credits for the President of an Employee Organization

Sections 21 and 22 would allow a member of VSTRS or Vermont Municipal Employees' Retirement System (VMERS) to, prior to receiving a retirement allowance, purchase retirement service credit for time spent serving as president of an employee organization while released from their employment responsibilities and not otherwise earning service credits from active employment.

This would permit a member in active service to take leave from their employment responsibilities to serve as the president of an employee organization without adversely impacting their retirement benefits by losing service credit, provided, however, that the employee organization initiates the purchase and pays the respective retirement system the actuarially determined cost of the service credit purchase.

Fiscal Impact: Since a service credit purchase would be paid by the employee organization on an actuarially neutral basis to fully cover the expected cost, these provisions are not expected to impose additional costs on State pension funding requirements.

Section 24a: Vermont Higher Education Endowment Trust Fund Report

Section 24a, as recommended by the Senate Committee on Finance, would require the Treasurer to submit a written report to legislative committees by January 15, 2027 regarding the Vermont Higher Education Endowment Trust Fund. As part of the report, the Treasurer would provide recommendations on:

- Mechanisms, including requiring consultation with the Vermont Higher Education Endowment Trust Fund Council, for ensuring appropriate fiduciary oversight of the use of the Trust Fund to ensure that the endowed funds, including principal and interest earnings, are available for the intended purpose of providing scholarships to Vermont students;
- How to expand or modify the membership of the Council to include student representatives of the recipient institutions of higher education; and
- How to expand the scope of scholarship awards, including award amounts, types of degrees covered, and institutions of higher education included in the scholarship program.

In developing the report, the Treasurer shall consult with the Council and the respective student government associations of the University of Vermont, Community College of Vermont, and other institutions within the Vermont State Colleges System.

[i] *The full fiscal note history is available on the fiscal tab of the bill page on the General Assembly website and can be pulled up through a bill number search on the JFO page.*