ONE BALDWIN STREET
MONTPELIER, VT 05633-5701

PHONE: (802) 828-2295
FAX: (802) 828-2483
WEBSITE: ljfo.vermont.gov/

STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE

MEMORANDUM

TO:	Senate Committee on Government Operations
FROM:	Chris Rupe, Associate Fiscal Officer
SUBJECT:	S.295 Fiscal Considerations
DATE:	February 12, 2026

The Joint Fiscal Office (JFO) cannot quantify the fiscal impact of S.295 (As Introduced) to the Vermont State Employees' Retirement System (VSERS) pension or Other Post-Employment Benefits (OPEB) systems without actuarial analysis. This type of analysis could reasonably be expected to cost in the range of $30,000 to $50,000. The Office of the State Treasurer, which manages the contract with the actuary for the retirement systems, would require an appropriation for this purpose.

However, based on the following considerations, JFO expects that S.295 would materially increase the liabilities of the VSERS pension and OPEB systems, with cost impacts to relevant members and the State budget.

Sec. 1 – VSERS Pension Group Membership
This section proposes to shift the following groups of members from Group F to Group G:

- Classified employees of the Department for Children and Families;
- Fire academy site coordinators and assistant State fire marshals within the Division of Fire Safety;
- Force protection officers within the Military Department; and
- Law enforcement certification and training coordinators within the Vermont Police Academy.

Group G was created by Act 114 (2022) to provide certain employees of the Department of Corrections and Department of Mental Health with a pension benefit that allows for normal retirement at age 55 with 20 years of service and a benefit multiplier of 2.5%. Previously, these employees were members of Group F and could retire at 55 with 20 years of service, but with a lower benefit multiplier of 1.67%. In other words, a member in Group F needs 30 years of service to earn a benefit worth 50% of average final compensation, whereas under Group G this level of benefit is reached after 20 years of service.

Act 130 (2024) subsequently shifted certain deputy sheriffs who were previously enrolled in Group F to Group G. This was motivated by a desire to provide a benefit that was more competitive that offered to State law enforcement in VSERS Group C, and to law enforcement officers enrolled in the Vermont Municipal Employees' Retirement System (VMERS) Group D – both of which have a 2.5% multiplier.

Existing employees were provided an opportunity to make an irrevocable election to move from Group F to Group G; employees first hired after a certain date were automatically enrolled in Group G. This bill proposes a similar construct for the new employee groups mentioned above. Section 3 would also allow any Group F member who takes a position subject to Group G to, within a year, elect to remain in Group F.

Pension Impacts

Group G offers a more generous benefit multiplier and retirement eligibility than Group F; therefore, the cost to the pension system is higher for Group G. To pay for this higher cost in a manner that was expected to be cost-neutral to the State, Act 114 set a higher employee contribution rate (4.68% higher than the rate for Group F). This rate was calculated based on the membership characteristics of the employee groups in Group G and the relevant actuarial assumptions that were in place at the time.

As of June 30, 2025, Group G had 583 active members. This bill proposes to significantly expand Group G to make more than 1,000 positions newly eligible. Adding such a significant number of members in such varied occupations would likely alter the demographics of Group G's membership. **Actuarial analysis is strongly recommended to determine the impact of this change on the adequacy of the current 4.68% contribution surcharge to fund the cost of Group G.** It is also possible that other actuarial assumptions for the pension system (e.g., retirement behavior) may need to be revised in response to this change. Any impacts to pension funding requirements from changes to actuarial assumptions are reflected in the costs paid directly by the State and any other participating employers in the VSERS system.

As of fiscal year 2027, the State will contribute $153,559,108 to the VSERS pension system, which is 73.16% funded with an unfunded liability of $1.059 billion. This cost is apportioned across all the funds that employ active members through a payroll charge that is budgeted across State government at 16.63% of payroll. The General Fund makes an additional $15 million "plus" payment above the actuarially-recommended amounts – this additional payment is included in the total cost above, but is not budgeted for through the payroll charge.

OPEB Impacts

Additionally, the extent to which more members retire at an earlier age than they otherwise would under Group F will increase liabilities of the OPEB system (when all else is equal), which will translate to higher State funding requirements. Among other potential reasons, on a per-member basis, it is significantly more expensive to provide retiree health care benefits in the years prior to reaching Medicare eligibility. Like with pensions, actuarial analysis is needed to estimate the cost impact of these retirement changes on the OPEB system, as well as to evaluate whether changes to assumptions are needed.

As of fiscal year 2027, the State will contribute $105,405,207 for the VSERS OPEB system, which is 16.60% funded with an unfunded liability of $1.122 billion. This cost is apportioned across all the funds that employ active members through a payroll charge that is budgeted across State government at 12.17% of payroll.

Sec. 2 – VSERS Accidental Disability Benefits

This section would make changes to how accidental disability benefits are calculated for Groups A, D, F, and G to calculate this benefit equal to a "normal retirement allowance." Under current law for these groups, accidental disability benefits are calculated based on the accrued benefit as of the date of disability, with a minimum benefit of 25% of average final compensation (AFC) at the time of disability. The bill would also remove the 25% minimum benefit for these groups. This could reduce benefits for certain members if their normal retirement allowance would not be expected to equal 25% of AFC based on their years of service.

The impacts of this language, as it is currently written, will vary on a member-specific basis. Actuarial analysis is required to estimate the extent to which this provision is expected to have an impact to the system and whether revisions to actuarial assumptions are warranted. However, accidental disabilities are relatively rare. According to the Office of the State Treasurer, since January 1, 2019 there were 85 VSERS members who have retired on a disability retirement, of which 29 were accidental disabilities (9 of these are in Group C, which would not be impacted by the change).