TO:	General Assembly
FROM:	James H. Douglas, State Treasurer
RE:	Report on Employees of Department of Social and Rehabilitation Services and Vermont State Hospital
DATE:	January 15, 2001

Introduction

Section 29 of Act 150 enacted during the 2000 session directed the State Treasurer to submit a report to the General Assembly which assesses the financial impact on the Vermont State Retirement System if employees of the Vermont State Hospital and employees of the Department of Social and Rehabilitation Services who provide supervision and treatment services to juveniles in the community are provided retirement benefits and options equal to those received by employees of the Department of Corrections. The legislature requested a report that advanced a basis for establishing parity among the retirement benefits and options available to employees of the Department of Corrections, Department of Social and Rehabilitation Services and Vermont State Hospital.

Background

Group F members who have 20 years of service as facility employees of the Department of Corrections, Department of Corrections employees who provide direct security and treatment services to offenders under supervision in the community, and employees of the Department of Social and Rehabilitation Services at the Woodside facility have been provided the ability to retire under an early retirement at age 55 without a reduction applied to their accrued benefit, provided the 20 years of service occurred as a facility employee, a community service center employee, or a court and reparative service unit employee.

It has been suggested that employees of the Department of Social and Rehabilitation Services who provide supervision and treatment services to juveniles in the community and employees of the Vermont State Hospital operate within a similar work environment and are subject to many of the same dangers and stresses as those experienced by facility employees and other Corrections employees identified as eligible for the special early retirement provision. A review of the statistics for the annual worker's compensation claims for these groups of employees appears to support that suggestion.

Findings

There are currently 174 employees in the Department of Social and Rehabilitation Services who provide supervision and treatment to juveniles in the community, and 181 Vermont State Hospital employees, for a total of 355 employees who would be eligible for the special early retirement provision, if enacted. It is assumed that the special early retirement provision would apply to all employees filling similar positions in the future, so for purposes of calculating the cost impact to the system, it was assumed that the demographics of the 355 current employees match those of Vermont State Employees' Retirement System's Group F members generally.

If an early retirement provision comparable to that available to Woodside employees and certain employees of the Department of Corrections had been reflected in the June 30, 2000 valuation of the System, it would have produced an increase of approximately $5.85 million in the System's total liability for future benefits. If this additional liability were covered by increased State normal contributions, the normal contribution percentage derived in the 2000 valuation report would have been 1.61%, rather than 1.34%, raising the projected State contribution for the fiscal year ending June 30, 2001 by approximately $720,000. If the additional liability were to be covered instead by higher member contributions for all Group F members, the Group F annual contribution rate would have to be increased by .3%, from 3.35% to 3.65%. If the member contribution of only the 355 affected members were increased to cover the additional liability, their annual contribution rate would have to be raised from 3.35% to 10.76%.

In arriving at the above cost estimates, the actuary assumed that all of the individuals who would be entitled to retire without a reduction in benefits under the liberalized requirements would opt to do so. Application of this assumption is an actuarially sound practice in order to determine the full extent of the potential liability if the statutory provision were enacted. In reality, the experience with the Department of Corrections and Woodside employees reflects that significantly fewer employees than are eligible actually took advantage of the early retirement benefit. The primary reason is the decrease in a member's monthly pension with only 20 years of service. Most members wish to maximize their benefit by accruing as many years as possible prior to retirement.

Conclusions and Recommendations

In conclusion, the extension of this retirement option to just the targeted SRS employees alone will be very expensive. The Treasurer's Office recommends caution in proceeding with costly enhancements for discrete groups of employees in a piecemeal fashion without examining the State's workforce in its entirety. There most likely exist other State employee groups, such as adult protective service workers employed by the Department of Aging and Disabilities, who deliver the same or similar services in the community who may seek this enhanced benefit in the future.

It is recommended that a comprehensive study of the State's workforce be conducted to identify any other employee groups who should also be considered for this enhancement rather than address this type of enhancement on an ad hoc basis. A review of specific job requirements, work environments, and other relevant aspects of employment should be identified to determine whether special retirement benefits are appropriate for targeted employee groups. Once these factors are identified, they could be developed into a framework against which future requests for inclusion in this group could be considered. The Commissioner of Personnel is in agreement with this recommendation.