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Vermont State Retirement Funds Post Large Gains in 2003

Montpelier – State Treasurer Jeb Spaulding announced some good news today for members of Vermont’s three State level retirement funds. All three funds, posting their first combined year of positive gains since the stock market slumped in 2000, earned investment returns in excess of 20 percent in 2003. The combined dollar return on invested funds was \$468.4 million.

“The positive returns and increase in pension assets are very welcome after three years of overall losses,” said Spaulding. “The diversity in our balanced portfolios handed us less of a loss than the overall market during those down years, but it is still a relief to see substantial gains in the last year.”

	<u>Dollar Return</u>	<u>Rate of Return</u>
Vermont State Teachers’ Retirement System	\$236.7 million	23.8%
Vermont State Employees’ Retirement System	\$195.8 million	23.4%
Vermont Municipal Employees’ Ret. System	<u>\$ 35.9 million</u>	20.8%
Combined \$ Increase/ Rate of Return	\$468.4 million	23.4%

Source: New England Pension Consultants

Spaulding praised the performance of Vermont’s Retirement Board members: “Certainly the rebounding market was the big factor in our 2003 success, but since our two largest funds outperformed the median investment return for all public pensions, I think the members of our retirement boards deserve some applause, too.”

Based on the universe of Public Pension Funds compiled by New England Pension Consultants, the median investment return for all public funds in 2003 was 22.1%. Vermont’s funds have generally outperformed other public pension funds. Over the last 10 years, the pension funds have averaged gains of 10.1% for the Teachers’ Retirement System, 9.4% for the State Employees’ Retirement System, and 10.3% for the Municipal Employees’ Retirement System. The median for public pension funds nationally over the same period was 8.9%.

The pension funds cover about 33,000 active and retired teachers, state employees, and municipal employees. The three pension funds pay more than \$110 million in benefits every year. The increase in net assets in calendar 2003 from both investments and contributions, net of benefits paid, was about \$435.7 million.

Vermont's pension funds are invested in equity (stocks), fixed income (bonds), and real estate securities. This type of balanced portfolio reduces investment risk while increasing assets to cover the costs of the pension systems. Both employers and employees also contribute to the pension funds.

Spaulding cautioned that the kind of investment returns experienced in 2003 are not likely to be the norm in the future, "We can't count on bull markets to fund our retirement systems. We also need to keep a lid on expenses, be sure our investment management is proactive, and assure that the employer (i.e., State) contributions are forthcoming."