



STATE OF VERMONT
OFFICE OF THE STATE TREASURER

AGREEMENT TO PROVIDE SUSTAINABILITY OF QUALITY PENSION AND RETIREE HEALTH BENEFITS FOR VERMONT TEACHERS

TOTAL FIRST YEAR SAVINGS: \$15.2 million in FY 11. Savings grow in out years.

PENSION (Provides \$6.7 million of the first year savings):

- 1) For employees more than five years from normal retirement eligibility (less than 25 years of service or less than 57 years old), normal retirement will be 65 or rule of 90 (combination of years of service and age), instead of 62 years old or with 30 years service at any age. Early retirement stays at 55 and reduction will be an actuarial calculation.
- 2) Employees more than five years from normal retirement eligibility will be eligible for a maximum benefit of 60% AFC, instead of the current 50% AFC, with a higher (2%, instead of 1.67%) multiplier upon completion of 20 years of service.

RETIREE HEALTHCARE (Cost neutral in early years on pay/go basis and starts saving \$1 million plus annually in 6 or 7 years and grows from there. On a prefunded basis the savings are in the range of \$15 million in year one):

- 1) For new hires and those with less than 10 years of service...
 - 1 to 14 years: No subsidized coverage
 - 15 years: 60% Single
 - 20 years: 70% Single
 - 25 years: 80% Single or spousal
- 2) Current actives with more than 10 years of service...
 - 80% single coverage - same as now
 - 25 years: 80% single or spousal coverage

However:

 - Those with more than 31 years of service will have to work another 5 years to be eligible for spousal coverage.
 - Those with 25 to 30 years of service will have to work a total of 35 years.
 - Those with 15 to 24 years of service will have to work 10 more years.
 - Those with 10 to 15 year of service will be eligible upon 25 years of service.

CONTRIBUTION LEVELS (provides \$8.6 million of first year savings):

- 1) The employee contribution rate will increase from 3.54% to 5.0% for all employees.
- 2) The State commits to funding the full actuarially required contribution (ARC) after taking into account the savings from the changes above. The pre-change ARC increase was approximately \$22 million. The changes reduce the ARC by approximately \$15.2 million. The new FY 11 ARC will increase approximately \$6.8 million.
- 3) Prohibition of extraordinary increases in average final compensation (limit of 10% per year during AFC determination period) being used to determine retirement benefit levels.