MICHAEL S. PIECIAK
STATE TREASURER

RETIREMENT DIVISION
TEL: (802) 828-2305

UNCLAIMED PROPERTY DIVISION
TEL: (802) 828-2407

ACCOUNTING DIVISION
TEL: (802) 828-2301

STATE OF VERMONT
OFFICE OF THE STATE TREASURER

TO: Members, House Committee on Commerce and Economic Development
Members, House Committee on Government Operations and Military Affairs
Members, Senate Committee on Economic Development, Housing, and General Affairs
Members, Senate Committee on Government Operations
Phil Scott, Governor

FROM: Mike Pieciak, State Treasurer

RE: Treasurer's Office Economic Empowerment Division, Annual Report

DATE: January 15, 2025

INTRODUCTION

Over the past two years, one of my priorities as State Treasurer has been to develop and implement State programs to improve all Vermonters' economic security, including the Vermont Saves Program and the Baby Bonds Trust Program. In June 2024, in furtherance of this goal, I created the Economic Empowerment Division (Division) in the Office of the State Treasurer (Office) to focus on these initiatives. This newly established Division is responsible for developing and implementing State initiatives aimed at promoting: (1) financial security, (2) equitable access to economic opportunities, and (3) more sustainable and inclusive financial markets. The Division is led by its Director, Becky Wasserman, an attorney building on experience in the Legislature and in the financial services industry, and as the founder of a nonprofit serving asylum seekers. I believe the Division will help all Vermont residents by providing asset and wealth building programs, free and accessible financial education resources, and strategies for more inclusive financial systems. We are already seeing results from the Vermont Saves Program and we look forward to more progress in the coming years.

In 2023, the General Assembly authorized my Office to create the Vermont Saves Program, a new State auto-IRA program. The following year, we were authorized to implement a Baby Bonds Pilot Program. Both of these programs, now under the Economic Empowerment Division umbrella, are focused on financially empowering Vermonters and are a major achievement toward this goal of building wealth and economic security for all State residents.

This Economic Empowerment Division report serves to meet our reporting requirements for the Vermont Saves Program[1] and the Baby Bonds Pilot Program[2]. In future years, we anticipate including any updates or reporting requirements on additional Division programs and initiatives in this report.

[1] 3 V.S.A. chapter 18.
[2] 2024 Acts and Resolves No. 184, Sec. 18.

Vermont Saves Annual Report

EXECUTIVE SUMMARY

This report is submitted pursuant to 3 V.S.A. chapter 18 (VT Saves), requiring an update to the General Assembly and Administration on steps towards implementation of the Vermont Saves Program (Program)[3] since enactment in 2023. Specifically, the report shall include "activities, operations, receipts, and expenditures of the Program during the preceding calendar year, and any other information regarding the Program. The report shall include, as applicable, the number of participants, the investment options, rates of return, and the projected activities of the Program for the current calendar year."[4]

In December 2024, the Treasurer's Office launched the Vermont Saves Program for statewide enrollment ahead of schedule. With an estimated 40 percent of working-age Vermonters without any access to a workplace retirement savings plan,[5] it was critical that we moved quickly to provide a strong retirement vehicle to those without access to savings tools.

We implemented and launched the Program in phases over the course of calendar year 2024. In January 2024, we convened the Vermont Saves Advisory Board to provide feedback and recommendations on the Program. In June 2024, after exploring all available multistate partnerships and evaluating the option of "going it alone," we announced an agreement with the Colorado SecureSavings Program to join the Partnership for a Dignified Retirement (Partnership), an interstate consortium also including Delaware and Maine.[6] Our Program's pilot phase began in October 2024 and included seven employers. Finally, the Program opened for statewide enrollment to all employers with five or more employees during the first week of December 2024.

I first want to thank our partners, the Vermont Saves Advisory Board members, as well as staff from the Treasurer's Office for their hard work in launching the Program ahead of schedule.

---

[3] We have requested a statutory name change for the Program from "VT Saves" to "Vermont Saves."
[4] 3 V.S.A. § 538 (Accounts and Reports).
[5] David John, Gary Koenig, and Marissa Malta, Payroll Deduction Retirement Programs Build Economic Security, AARP Public Policy Institute (August 2022), Payroll Deduction Retirement Programs Build Economic Security.
[6] On December 17, 2024, Nevada voted to join the Partnership.

Becky Wasserman, our Economic Empowerment Director, deserves particular credit for her tireless work. I look forward to the Program's continued success and growth in 2025 and beyond.

BACKGROUND

In 2023, the General Assembly passed Act 43, authorizing the creation of the Vermont Saves Program.[7] The Governor signed the act into law on June 1, 2023. Vermont Saves is a state-facilitated retirement savings plan that was established "for the purpose of increasing financial security for Vermonters by providing access to an IRA for Vermont employees of companies that do not currently offer a retirement savings program."[8] The Program requires that covered employers with five or more employees automatically enroll their employees into Vermont Saves. Through payroll deductions, these eligible employees will be able to contribute to a Roth IRA account that will be managed by a private program administrator. The Program operates at no cost to the employer and – once Program assets are sufficient – no ongoing cost to the State beyond the initial modest appropriation. Program costs to participating employees are modest as well and will be lower over time as the Partnership's accounts under management grow. Importantly, the Program is voluntary for eligible employees, who can opt out or modify their contribution level at any time. It is estimated that approximately 80,000 Vermonters will be eligible to participate in Vermont Saves.[5]

IMPLEMENTATION TIMELINE

In an effort to gather feedback and recommendations on Program design and outreach efforts, the Treasurer started implementation of the Program by forming the Vermont Saves Advisory Board in January 2024. The Board held its inaugural meeting in February 2024 and met bimonthly over the course of the year. Board members represent employers in diverse industries and geographic locations around the State and meetings have proven instrumental in providing feedback as we moved towards launch and assisting in our outreach initiatives.

In addition to convening the Advisory Board, the Treasurer's Office also began formally investigating partnership with a State that already implemented a state-facilitated auto-IRA plan

[7] 2024 Acts and Resolves No. 43.
[8] 3 V.S.A. § 532 (a).

as a way to reduce participant costs and maximize efficiencies.[9] We sent out requests for proposals to all states already operating a program to determine interest in partnering with Vermont. We received proposals from the auto-IRA programs in Connecticut and Colorado. We engaged consultants to help review the investment options and fiduciary responsibilities under each state's partnership proposal and met in person with representatives of both states.

Ultimately, in June 2024, we announced that we would join Colorado's SecureSavings Program in the Partnership for a Dignified Retirement (PDR), an interstate consortium then including Delaware and Maine. We have benefitted from this partnership by not having to "reinvent the wheel" in implementing a state auto-IRA program, allowing us to expedite our launch time. Through the PDR, we benefit from master contracts with Vestwell to serve as the Program Administrator and recordkeeper for the Program and with BNY Mellon, which serves as the custodian bank. As part of the Partnership, we also offer participants a pre-determined straightforward menu of five investment options – a capital preservation fund (or money market fund), a target date series of funds, an international equity fund, a bond index fund, and a domestic asset class fund.[10] The Partnership has negotiated very reasonable expense ratios on these funds, and those ratios will drop over time as Partnership assets grow.

The Treasurer's Office worked closely with several other partners to ensure the successful launch of Vermont Saves. Regularly meeting with other state programs and national retirement organizations and consultants resulted in valuable advice and feedback. We also worked with other Vermont agencies and departments (the Department of Labor, the Chief Marketing Office, and others) to obtain the employer data we needed to launch the program and to create a branding and marketing campaign.

In addition, the Treasurer's Office focused its efforts on marketing and outreach for the Program. In the spring of 2024, we worked with a marketing firm on a branding campaign, which included designing a logo for Vermont Saves. We attended numerous outreach events, including industry association conferences and chamber meetings statewide. In the fall of 2024, we launched our Program website at vtsaves.vermont.gov. Other public engagement efforts in fall 2024 included

[9] Our early conversations with other states, consultants, and service providers in this space made clear that it would be impractical and expensive, if not impossible, for Vermont to "go it alone" given the likely size of Vermont's participant pool.
[10] The domestic asset class fund is new and will be available to participants in February 2025.

a series of webinars on Vermont Saves directed at targeted industries. We worked closely with partners, such as AARP Vermont, who has assisted us with public awareness of the Program through additional marketing efforts, including a video ad. We also partnered with the Vermont Language Justice Project to create videos in 18 of the most commonly spoken languages in Vermont, as well as American Sign Language. Through a marketing firm, we launched a digital ad campaign, which will run from December 2024 to the end of February 2024.

With respect to Program governance, the Treasurer's Office submitted a proposed rule on the Vermont Saves Program to the Secretary of State's Office on July 12, 2024. A public hearing was held on August 20, 2024, and we received three comments during the comment period. A final proposed rule was submitted to the Legislative Committee on Administrative Rules (LCAR) on September 19, 2024, incorporating the comments we received. The Office of Legislative Counsel sent us potential edits and questions on the final proposed rule on October 24, 2024. An updated final proposed was submitted to LCAR on October 28, 2024, incorporating some of these edits. The final proposed rule was approved at the October 31, 2024, LCAR meeting. The adopted rule became effective on January 1, 2025.

Finally, we have engaged several consultants to analyze the program design to ensure we are delivering maximum value and simplicity to Vermonters. This included Pew Trusts, who completed a feasibility analysis of Vermont Saves, an investment consultant, who drafted our investment policy statement and reviewed our default contribution structure, default investment options, and governance structure and a municipal securities advisory firm, who conducted a fiduciary training for the Treasurer and staff.

VERMONT SAVES LAUNCH

During the first week of October, we launched the Vermont Saves Pilot Program to seven businesses around the State. Over the course of several weeks, our third-party administrator Vestwell held individual onboarding sessions with all seven employers. All the pilot businesses are now registered with the Program and have begun making payroll contributions for employees who did not opt out of the Program. Broadly, the pilot process established that the registration process was not onerous or unduly time consuming, and feedback from pilot businesses was positive and constructive.

On December 1, 2024, the Program was launched statewide to all employers in the State with five or more employees that do not already offer a workplace retirement plan. Because the program is so young, numbers are changing by the day if not the hour; we are happy to report out current numbers at any time upon request. As of January 14, 2025, the Program had 93 registered employers, 80 funded accounts, and $16,710.81 in total assets. The average contribution amount per account (in the past 30 days) is $154.06 and there are 292 pending accounts within the 30-day window for employees to opt out of the Program. The average contribution rate for the Program is 4.85%.

In 2025, we will focus on outreach efforts and continued enrollment. We will then begin the enforcement phase of the Program to encourage registration of employers who have not complied with their registration requirements. Pursuant to statute, the Treasurer is authorized to impose penalties on employers that do not comply with the Program's requirements; however, the Treasurer is inclined, as other states have, to approach enforcement with penalties as a last resort. Our goal is to maximize registered employers over the course of the year without having to impose any penalties.

FY 2024 BUDGET

In 2023, the General Assembly appropriated $750,000 for the operations of the VT Saves Program. We are not seeking any additional appropriation this fiscal year. Provided in Attachment A are FY 2024 Program expenses and FY 2025 YTD expenses, which primarily represent salary and benefits, advertising and marketing costs, investment consultant services, and a program administration fee. As suggested by the attached figures, it may prove necessary to seek a modest supplemental appropriation in FY27 or 28 to support the Program until it reaches a point of self-sufficiency. Current projections suggest that this will take several years, after which the Program will generate a surplus absent changes to the fee structure.

Baby Bonds Annual Report

EXECUTIVE SUMMARY

This report is submitted pursuant to 2024 Acts and Resolves No. 184, Sec.18, directing the Treasurer's Office to evaluate certain issues related to the research, planning, design, and implementation of the Baby Bonds Trust Program established pursuant to 3 V.S.A chapter 20.[11] Simultaneously, the General Assembly also authorized the Treasurer's Office to implement a Baby Bonds Pilot Program ("Pilot Program"), funded by philanthropic donations, for the purpose of generating data and learnings on the design and implementation of the permanent Baby Bonds Trust Program using a smaller cohort of baby bond recipients in the State.[12]

Since Act 184's enactment, we have taken steps to secure private funding and design and implement the Pilot, which will be launched in several phases: (1) fundraising, (2) program design, (3) implementation, (4) outreach and engagement, and (5) data collection, research, and analysis. Over the past six months, we have made significant progress in the phases one and two of the Pilot Program. We anticipate implementing a 3–5-year pilot that will commence by the end of calendar year 2025.

While making significant progress towards the launch of a pilot program, it was not feasible to gather data and evaluate many of the issues raised in Act 184 before the implementation of either a pilot or permanent program. However, the Pilot Program will provide us the opportunity to conduct research and gather sufficient data to respond to the issues that the General Assembly tasked us with evaluating in Act 184. In lieu of that evaluation, we are pleased to submit this report, which outlines the progress we have made with the Pilot Program. As part of this report, we have also included our recommendations for proposed legislative action during the 2025 legislative session, which includes ongoing reporting requirements for the Pilot Program as well as a final report upon its completion.

BACKGROUND

During the 2024 Vermont legislative session, the Treasurer's Office proposed creating a statewide "Baby Bonds Trust Program," funded by the State using excess funds from the Unclaimed Property Program.[13] Baby bonds programs aim to decrease the growing wealth gap in the United States by

---

[11] *See* Attachment B for the list of issues the General Assembly tasked us with evaluating.
[12] *See* 3 V.S.A. § 609.
[13] *See* S-0268 As Introduced.pdf and Bill Status H.769.

providing universal, publicly funded trust accounts for children.[14] Baby bonds recipients can access these funds in early adulthood exclusively for wealth-building activities, e.g., education, homebuying, starting a business, and saving for retirement.[15] As an "economic birthright to capital,"[16] baby bonds are intended to decrease wealth disparities for children born into lower wealth households by allowing them to access an amount of capital that can meaningfully improve economic security. Statistically, black, Latinx, and indigenous children are far more likely to belong to a lower wealth household.[17] A publicly funded investment in baby bonds can help close the wealth gap and accelerate wealth-building among those who lack access to generational transfers of wealth.

Under the Baby Bonds Trust Program as proposed by our Office, the State would fund investments of $3,200 for every child born on Medicaid in Vermont. We estimated that the program would cost roughly $6 million per year, given that about 2,000 babies per year (roughly 40% of Vermont births and nearly 60% in Vermont's most rural counties) would qualify.[18] Each child's initial investment would grow until, between age 18 and 30, beneficiaries can withdraw and use it for four specific wealth-building activities: college, buying a house, starting a business, or saving for retirement.

The General Assembly passed Act 184, which created the Baby Bonds Trust Program, but did not provide any State funding.[19] Act 184 also authorized the Treasurer's Office to create a Baby Bonds Pilot Program, to be funded at the outset by philanthropic dollars, and tasked the Treasurer's Office to study several related issues.[20] The Act became law on June 28, 2024.

PILOT PROGRAM UPDATES

Since enactment of Act 184, we have made significant progress towards launching the Pilot Program. In June 2024, we created the Economic Empowerment Division to house the Pilot

---

[14] Madeline Brown, Ofronama Biu, Catherine Harvey, and Trina Shanks, "The State of Baby Bonds," Urban Institute, February 2023, The State of Baby Bonds (urban.org).
[15] *Id*.
[16] Darrick Hamilton and William Darity, Jr. "Can 'Baby Bonds' Eliminate the Racial Wealth Gap in Putative Post-Racial America?" *The Review of Black Political Economy*, SAGE Journals, January 1, 2010, https://doi.org/10.1007/s12114-010-9063-1.
[17] Dedrick Asante-Muhammed, Chuck Collins, Josh Hoxie, and Emanual Nieves, "The Road to Zero Wealth: How the Racial Wealth Divide is Hollowing Out America's Middle Class," Prosperity Now, September 2017, The-Road-to-Zero-Wealth_FINAL.pdf (ips-dc.org).
[18] Births Financed by Medicaid | KFF.
[19] 2024 Acts and Resolves No. 184.
[20] 2024 Acts and Resolves No. 184, Sec. 18.

Program. Becky Wasserman, the Executive Director of the Vermont Saves Program, commenced a new role as the Director of Economic Empowerment, to manage the operations and implementation of all initiatives in the Division, including the Pilot Program.

To support the planning and design phase of the Pilot, we are in the process of forming a Baby Bonds Advisory Committee. The Advisory Committee members will have work, research, or volunteer experience in racial wealth equity, education, child welfare, public policy, community engagement, and asset-building initiatives. The Committee will provide feedback and recommendations on program design, stakeholder engagement, public input, and outreach efforts necessary to fully implement a Pilot Program. Some of the aspects of program design that the Advisory Committee will weigh in on include whether funds must be expended in Vermont and how to structure the financial coaching element of the Program to be most beneficial to recipients and caretakers. It is anticipated that the first meeting of the Advisory Committee will be scheduled for February 2025.

To fund the Pilot Program, the General Assembly directed us to publicize that "the Treasurer has received donations designated for purposes of implementation or administration of the Trust in an amount sufficient to operate a pilot program."[21] To that end, we have prepared a funding proposal and are investigating funding opportunities through private donations, grants, and foundations at the local and national levels. We have also been collaborating with other state and local governments on potential shared funding proposals for baby bond pilot programs. With a growing number of pilot programs around the country, we seek to maximize efficiencies and explore funding partnership opportunities. We aim to finalize funding sources for the Pilot by the end of 2025.

The Treasurer's Office is working closely with several partners to ensure the success of the Baby Bonds Pilot Program. We have received valuable advice and feedback from other state programs, academic institutions, national think tanks, and consultants. In particular, we have joined a cross-site baby bonds working group, established by the New School's Institute on Race, Power, and Political Economy, that is comprised of governments and nonprofits launching baby bonds pilot programs. The purpose of this group is to share knowledge on evaluation, research, data collection, and program design of baby bonds pilot programs. We are also

[21] 3 V.S.A. § 609.

working with in-state partners, such as other Vermont agencies and departments (to obtain the data we need to launch the program) and local organizations that may serve as partners to offer wrap-around services to baby bond recipients. During the 2024 fall semester, the Treasurer's Office had the opportunity to supervise a community practicum at Middlebury College. We worked with four Middlebury students to study the likely micro- and macro-economic impacts of baby bonds in Vermont. The students' final report, which analyzed how baby bonds could be used in the four key spending areas (education, business creation, retirement, and property ownership), can be found here.

To ensure that our Pilot is designed to deliver empirically valid results, we have also started investigating research and evaluation partners who will conduct a randomized control trial to help us understand the impact of Baby Bonds on recipients. We have ongoing discussions with a Vermont-based academic institution as well as a national organization with expertise in baby bond programs.

Finally, we have begun exploring partners to serve as the program administrator and software platform for the pilot to manage and deploy the Baby Bonds endowment and provide financial advising to Baby Bonds recipients.

The fiscal year 2025 expenditures to date for the Baby Bonds Pilot Program totaled approximately $20,000, which primarily represents the cost of salary and benefits.

PROPOSED LEGISLATIVE ACTION

As we continue to implement the Baby Bonds Pilot Program in 2025, we are recommending certain clarifying changes 3 V.S.A. chapter 20 to ensure we have the necessary tools to launch the Pilot. First, we recommend statutorily creating a separate baby bonds pilot program section to more clearly distinguish the Pilot from the permanent trust program and to direct the Treasurer to include certain parameters in the design of the Pilot. Second, we propose directing the Treasurer to submit ongoing annual reporting requirements during the term of the Pilot as well as a final report upon completion of the Pilot that analyzes its impact. Third, we recommend establishing a separate special fund for the Pilot that is separate from the Trust created in 3 V.S.A. § 608. The pilot funds will not be invested in a trust in the same way that those monies would be invested for a permanent long-term baby bonds program. Since pilot funds will be distributed within 2-3 years of receiving those funds, a special fund is more appropriate than a Trust for this purpose. Finally, we are requesting a one-time appropriation to assist with the administrative costs for implementing the Pilot.

ATTACHMENT A

Vermont Saves Program

FY 2024 Program expenses and FY 2025 YTD expenses

1/14/2025

Service/Category	FY 2024 Actual	FY 2025 Budget Estimate	FY 2025 YTD Expenses
Salaries/Benefits			
Salaries	85,396	$ 76,776	$ 38,597
Benefits	42,040	38,290	19,454
Temporary Employees	-	-	-
Other Employment Costs			
Subtotal	127,436	115,065	58,051
Agency Support			
Attorney General/Legal	-	-	-
Auditor of Accounts	-	-	-
Human Resources	-	-	-
Subtotal	-	-	-
	-		
Third Party Support	-		
Third Party Fin Paid through 1260010000	-	-	56,839
Other Third Party Support	-	25,000	75,381
Subtotal	-	25,000	132,220
Office and Administrative Support			
Per Diem and Other Service	-	-	-
Repairs & Maintenance	1,150	-	250
Insurance (not employee related)	-	-	-
IT Hardware/Software/Supplies	432	-	-
Communications	-	-	-
Third Party Marketing paid through 1260010000	-	-	10,000
Advertising & Other Media Costs	25,000	-	34,640
Printing/Binding	-	-	-
Postage/BGS	-	-	-
Fee for Space	-	-	-
Building Repair & Improvements	-	-	-
Other Rentals	-	-	-
Office Supplies	147	-	-
FMS/HRMS/VISION Assessment	-	-	-
Dues/Subscriptions	-	-	-
Office Equipment	-	-	-
Meetings and Conferences	710	-	10,534
Travel	1,117	-	254
Miscellaneous	84	-	4,421
Subtotal	$ 28,640	$ -	$ 60,099
Total	$ 156,076	$ 140,065	$ 250,371
Total	$ 156,076	$ 140,065	$ 250,371
Check Figures	750,000		593,924
Less Spending FY	156,076		250,371
	593,924		343,553

ATTACHMENT B

2024 Acts and Resolves No. 184, Sec. 18

Sec. 18. VERMONT BABY BOND TRUST; HOUSING OPPORTUNITIES; REPORT

(a) The Office of the State Treasurer, in consultation with interested stakeholders, shall evaluate the following issues and options under the Vermont Baby Bond Trust program established in 3 V.S.A. chapter 20:

(1) increasing housing opportunities in Vermont through investment of Trust funds, including:

(A) how the Treasurer may, consistent with the Treasurer's fiduciary obligations and subject to the provisions of 32 V.S.A. chapter 7, subchapter 2, invest the funds to advance housing opportunities in Vermont;

(B) the amount of funds that could be invested in this manner; and

(C) the anticipated impact of these investments on housing in Vermont;

(2) potential funding sources for the program;

(3) creating eligibility conditions for, and safeguards to protect, a beneficiary's investment in a business in Vermont;

(4) additional mechanisms to encourage beneficiaries to stay in Vermont, including:

(A) incentives to encourage beneficiaries to expend funds on education at in-state institutions; and

(B) the feasibility of limiting expenditures on education to in-state institutions while permitting waivers to access out-of-state institutions based on program availability and capacity;

(5) modifications to the financial coaching element of the program, including:

(A) ensuring a parent or caretaker of a beneficiary is made aware of the program at or around the time of the beneficiary's birth and offered a financial coaching program substantially similar to that offered beneficiaries;

(B) providing additional financial coaching opportunities for beneficiaries who delay withdrawing funds after meeting eligibility conditions;

(C) utilizing an advisory board to assist in developing the financial coaching element; and

(D) measures to expand financial coaching to all children living in Vermont;

(6) measures for achieving inflationary adjustment of the statutorily mandated accounting;

(7) whether additional needs-based programs administered by the State may be impacted by a beneficiary's entitlement to funds in the Trust;

(8) the feasibility of altering the program to permit unclaimed funds to roll over into a beneficiary's retirement account, including mechanisms for creating an account on behalf of a beneficiary and ensuring funds in the account are not accessible until the beneficiary reaches retirement age; and

(9) any other issues relating to the Vermont Baby Bond Trust investments that the Treasurer identifies as warranting study.

(b) On or before January 15, 2025, the Office of the State Treasurer shall submit a written report to the General Assembly with its findings and any recommendations for legislative action