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STATE OF VERMONT
OFFICE OF THE STATE TREASURER

October 31, 2019

The Honorable Phil Scott
Pavilion Office Building
109 State Street
Montpelier, VT 05609

Dear Governor Scott:

As provided in Title 16, V.S.A., Chapter 55, Section 1942(r), the Vermont State Teachers' Retirement (VSTRS) Board of Trustees voted at a meeting held on October 29, 2019 to adopt the actuarial valuation prepared by Segal Consulting.

A copy of the valuation as of June 30, 2019 which outlines the Fiscal Year 2021 contribution will be available for your review at:

https://www.vermonttreasurer.gov/sites/treasurer/files/Retirement/PDF/2019/DRAFT%20Vermont%20State%20Teachers%27%20Retirement%20System_Actuarial%20Val%20and%20Review%20as%20of%2006.30.2019.pdf

The VSTRS Board voted to recommend the following State contribution to the Teachers' Retirement System:

Fiscal Year 2021: \$135,649,428

The recommended State contribution to the VSTRS fund is made up of an employer normal cost of \$7,213,271 and an unfunded liability amortization payment of \$128,436,157. This recommendation reflects the approved alternative amortization schedule passed by the Board last year.

The actuary has calculated the actuarially determined employer contribution (ADEC) for Fiscal Year 2021 based on the original amortization schedule to be \$132,141,701. This is comprised of an employer normal cost of \$7,213,271 and an unfunded liability amortization payment of \$124,928,430.

As you may notice, the recommended State contribution is slightly higher than the ADEC. The difference is attributable to the supplemental \$26.2 million payment to the VSTRS fund appropriated in the 2018 Special Session, and how that payment is recognized in the calculation of the Fiscal Year

2021 unfunded liability. The recommended contribution defers the recognition of the gains from this contribution, thereby preserving the interest generated.

While the Board understands the challenges of building a balanced budget, adhering to the alternative amortization schedule as recommended last year will allow for a \$77.4M savings on the final amortization payment. As we made the first payment of this recommend amount last year, we look to continue that momentum this year. This method allows us to both continue making progress towards fully funding the VSTRS pension liability by 2038 and save taxpayers money.

Also please note that pursuant to Section 1944(b)(2), the actuary has determined that the reduction to the recommended contribution for Fiscal Year 2021 attributable to the increase from 5% to 6% for Group C members with less than five years of service as of June 30, 2014 is \$2,627,248.

I look forward to working with the Administration and the General Assembly on funding the VSTRS system this year, and I am happy to work through any questions you may have.

Sincerely,



Elizabeth A. Pearce
Vermont State Treasurer

cc: Senator Jane Kitchel, Chair, Senate Committee on Appropriations
Senator Jeanette White, Chair, Senate Committee on Government Operations
Representative Catherine Toll, Chair, House Committee on Appropriations
Representative Sarah Copeland-Hanzas, Chair, House Committee on Government Operations
Jon Harris, Chairperson, Vermont State Teachers' Retirement Board of Trustees
Erika Wolffing, Director of Retirement Operations, Office of the Treasurer
Representative Mitzi Johnson, Speaker of the House
Senator Tim Ashe, Senate President Pro Tempore