

For amounts \$75,000 or more, the COLA is set at 50 percent of the net percentage change in the CPI index.

- Applies the COLA payments to members who have received a retirement benefit for at least twenty-four (24) months and makes no changes to the current COLA for judges who are appointed or elected on or before June 30, 2022.

With respect to health care benefits for State employee retirees, the Task Force recommends:

- Prefunding OPEB benefits by building on the \$52.4 million one-time appropriation into the State Employees' Postemployment Benefits Trust Fund from the FY 2021 general fund surplus and enacting a prefunding schedule in statute.
- Continuing to apply current "pay go" amount for retired employees into the State Employees' Postemployment Benefits Trust Fund.

### **Vermont State Teachers' Retirement System**

The VSTRS pension fund has an underfunded liability of \$1.950 billion and health care benefits this is a bit lower at \$1.504 billion. In addition, the cost of the pension benefit itself has increased significantly due to the recent actuarial experience review. The recommendations below represent a reduction of approximately \$159.9 million in the underfunded pension liability and \$836.8 million in the underfunded healthcare liability.

With respect to the pension benefits for VSTRS members, the Task Force recommends:

- Make no changes to the pension benefits of current retirees, beneficiaries, or terminated vested members.
- In FY 2022, making a one-time payment of \$75 million in general funds towards the unfunded liability using 50 percent of the \$150 million reserved in general funds in the FY 2021 Budget, plus an additional \$50 million in general funds towards the unfunded liability.
- Beginning July 1, 2022, modifying the COLA structure by:
  - amending the minimum and maximum amounts of any decreases and increases used to determine the net percentage change in the Consumer Price Index from the current one percent minimum and five percent maximum to zero percent minimum and four percent maximum;
  - requiring a member to be receiving a retirement benefit for at least 24 months prior to receiving a COLA, an increase from the current 12-month requirement;
  - increase the 50 percent of CPI COLA formula by 7.5 percent each year once the pension system reaches an 80 percent funded status, provided that the increase does not result in the fund projected to fall below the 80 percent funded status. If the increase would result in a drop below 80 percent, then the formula is paused at the levels in place at the time pending re-evaluation in the subsequent year; and
  - applies any increases to the COLA to members who leave active service on or after June 30, 2023.
- Beginning in FY 2023, increases the contribution rates for all active members over a three-year period according to the following marginal rate schedule:

Base Salary Level	Year 1 Rate	Year 2 Rate	Year 3 Rate
\$0-\$40,000	6.00%	6.25%	6.25%
\$40,000.01-\$60,000	6.50%	6.75%	6.75%
\$60,000.01-\$80,000	6.75%	7.00%	7.50%
\$80,000.01-\$100,000	7.00%	7.50%	8.25%
\$100,000.01 +	7.25%	8.00%	9.00%

Effective contribution rates would be calculated annually based on a member's base salary as of July 1 and assessed on the member's total compensation during the fiscal year.

- Beginning in FY 2024, codifying the State's intent to annually fund an additional payment to the ADEC using monies saved from a reduction on the required annual unfunded liability amortization payment. The "plus" payment will grow to \$15 million in FY 2026 and remain at that level until the fund reaches 90% funded.
- Amend the General Fund year end surplus construct to reallocate 25 percent to VSTRS pension underfunding.

With respect to other postemployment benefits for retired teachers, the Task Force recommends:

- Using \$13.3 million of Education Fund money currently in reserve to begin prefunding other postemployment benefits by making a one-time appropriation into the Retired Teachers' Health and Medical Benefits Fund.
- Enacting a prefunding schedule into statute that charges the OPEB normal cost to the Education Fund.
- Continuing to apply current "pay go" for retired employees into the Retired Teachers' Health and Medical Benefits Fund.