

Dangerous Trends and the Need for Action

Presented by David Coates

On behalf of the Vermont Business Roundtable

Dangerous Trends and the Need for Action *(continued)*

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Mandatory Expenditures

Debt Service

Education Funding

Retirement Plans

Other Post Employment Benefits (OPEB)

Dangerous Trends and the Need for Action *(continued)*

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Retirement Plans

Three Major Plans

- “*State Employees*” – Vermont State Retirement System (VSRS)
- “*Teachers*” – State Teachers’ Retirement System (STRS)
- Municipal Employees Retirement System (MERS)

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State Employees – (VSRS)

- Defined Benefit Plan
- Employees contribute 3.35% / State 9.7%
- Retire after 30 years of service or age 62
- Receive 50% of highest three consecutive years pay
- Active members 6/30/08: 8,442
- Active members 6/30/07: 8,411
- Covered payroll 6/30/08 \$404,938,000
- 6/30/07 386,917,000
- 6/30/03 319,855,000

Source: State Financial Audit
Buck Actuarial Report
State Treasurer's Office

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Teachers – (STRS)

- Defined Benefit Plan
- Teachers contribute 3.5% / State 7.6%
- Retire after 30 years of service or age 62
- Receive 50% of highest three consecutive years pay
- Active members 6/30/08: 10,685
Active members 6/30/07: 10,675
- Covered payroll 6/30/08 \$535,807,000
6/30/07 515,573,000
6/30/03 437,239,000

Source: State Financial Audit
Buck Actuarial Report
State Treasurer's Office

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Unfunded Liabilities as Determined by Actuary

	<u>State Employees</u>	<u>Teachers</u>
6/30/08	\$87.1 Million	\$379.5 Million
6/30/03	26.5 Million	212.1 Million

Annual Required Contributions as Determined by Actuary

	<u>State Employees</u>	<u>Teachers</u>
6/30/08	\$23 Million	\$25 Million
6/30/03	10.0 Million (est.)	28.8 Million
6/30/15	\$40.1 Million	\$52.4 Million

Source: State Financial Audit

Buck Actuarial Report

State Treasurer's Office

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Other Post Employment Benefits (OPEB)

State Employees (VRSRS)

Medical Insurance Plan

Retiree pays 20% of the premium

Covers retirees and dependents

Teachers (STRS)

Medical Insurance Plan (have a choice of three)

Retiree pays 20% of the premium

Covers only retiree

	<u>State Employees</u>	<u>Teachers</u>
Net obligation 6/30/08	\$ 29.5 Million	\$ 60.2 Million
Unfunded liabilities as determined by Actuary	\$751.0 Million	\$863.6 Million

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Unfunded Liabilities per Actuary at 6/30/08

	State	Teachers	Total
Pension	\$ 87.1 M	\$ 379.5 M	\$ 466.6 M
Other Post Employment Benefits (OPEB)	\$ 751.0 M	\$ 863.6 M	\$1,614.6 M
Totals	\$ 838.1 M	\$1,243.1 M	\$2,081.2 M

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(All numbers in millions)

Annual Required Contributions per Actuary at 6/30/08	2009	2010	2011	2012	2013	2014	2015
* Pension –							
State workers	\$ 30.6	32.0	33.5	35.0	36.6	38.3	40.1
Teachers	\$ 33.5	41.5	43.5	45.5	47.7	50.0	52.3
Total Pension	\$ 64.1	73.5	77.0	80.5	84.3	88.3	92.4

** To fully amortize over 30 years unfunded liabilities*

Source: Buck Actuarial Report
State Treasurer's Office
State Dept. of Finance and Management

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Other Post Employment Benefits (OPEB)

Comparison of Annual Required Contributions as Determined by Actuary and Pay As You Go

(all numbers in Millions)

State Workers	2009	2010	2011	2012	2013	2014	2015
Annual Required Contribution	\$58.7	60.0	61.3	61.9	62.6	63.4	64.1
Pay As You Go	<23.1>	<26.0>	<29.1>	<31.8>	<34.2>	<36.4>	<38.5>
Annual Unfunded Liability	35.6	34.0	32.2	30.1	28.4	27.0	25.6
Cumulative Unfunded Liability	\$35.6	69.6	101.8	131.9	160.3	187.3	212.9

Teachers	2009	2010	2011	2012	2013	2014	2015
Annual Required Contribution	\$59.1	62.8	66.8	70.9	75.8	81.4	87.4
Pay As You Go	<17.0>	<18.8>	<21.0>	<23.4>	<25.4>	<27.6>	<29.7>
Annual Unfunded Liability	42.1	44.0	45.8	47.5	50.4	53.8	57.7
Cumulative Unfunded Liability	\$42.1	86.1	131.9	179.4	229.8	283.6	341.3

Source: Buck Actuarial Report

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Summary of Other Post Retirement Benefits (OPEB) Unfunded Liability **2009 – 2015** (all numbers in millions)

	2009	2010	2011	2012	2013	2014	2015
State Workers	\$35.6	34.0	32.2	30.1	28.4	27.0	25.6
Teachers	42.1	44.0	45.8	47.5	50.4	53.8	57.7
Annual Unfunded Liability	77.7	78.0	78.0	77.6	78.8	80.8	83.3
Cumulative Unfunded Liability	\$77.7	155.7	233.7	311.3	390.1	470.9	554.2

Source: Buck Actuarial Report

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Summary of Other Post Retirement Benefits (OPEB)

2009 – 2039

(all numbers in millions)

Summary of Unfunded Liability	2015	2020	2025	2030	2035	2039
State Workers	\$212.9	336.9	487.7	682.5	936.8	1,200.0 *
Teachers	\$341.3	694.9	1,156.1	1,723.8	2,423.2	3,107.5
Cumulative Unfunded Liability	\$554.2	1,031.8	1,643.8	2,406.3	3,360.0	4,307.5 *

* Will be reduced by an estimated \$308 Million as a result of Act 116

Source: Buck Actuarial Report

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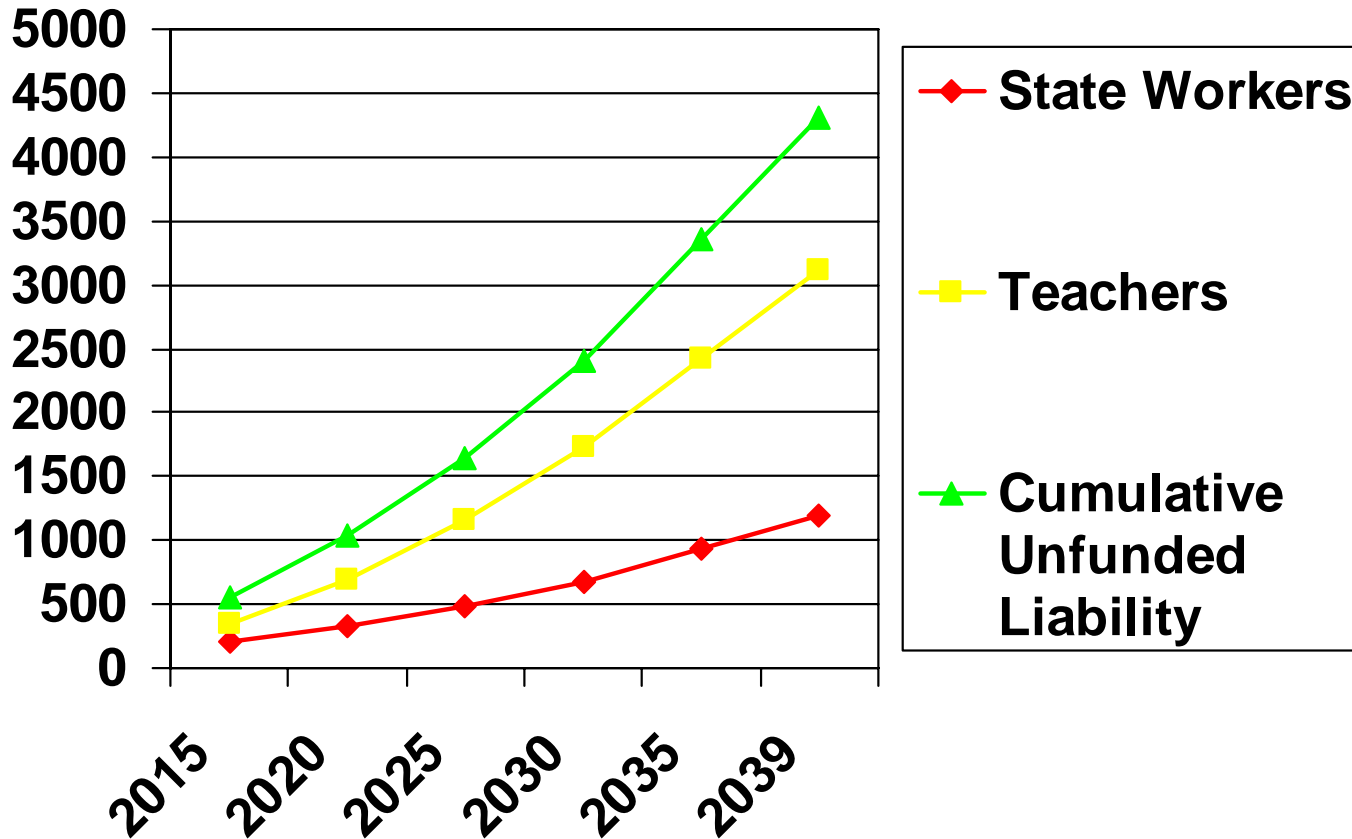
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Summary of Other Post Retirement Benefits (OPEB)

2015 – 2039

(all numbers in millions)



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Talking Points

- **JFO/Consensus Forecast – Net Revenues (2009-2011) = \$20 million**
- **Total required payments (2009 over 2008 actual) = \$35 million**
- **Number of private sector jobs to support one state job = 30:1**
- **Private sector job loss in recession forecast to be 15,000, comparable state reduction in jobs = 500**
- **Average compensation for state versus private worker**
 - State base + benefits = \$68K (benefits are 36%)
 - Private base + benefits = \$44k (benefits are 16%)

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Other Thoughts and Observations ...