

Dangerous Trends and the Need for Action

Presentation by David Coates

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Dangerous Trends and the Need for Action

VERMONT BUSINESS ROUNDTABLE

ANNUAL MEETING – JANUARY 14, 2009

Immediate

FY 2009 Budget

FY 2010 Budget

Shorter Term

- Health Care / Medicaid
- Transportation Infrastructure
- Rising “*Mandatory Expenditures*” result in less “*Discretionary Funding*”

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Mandatory Expenditures

Debt Service

Retirement Plans

Other Post Employment Benefits (OPEB)

Education Funding

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Retirement Plans

Two Major Plans

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

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State Employees – (VSRS)

- Defined Benefit Plan
- Employees contribute 5.1% / State 9.7%
- Retire after 30 years of service or age 62
- Receive 50% of highest three consecutive years pay (60% 7/08)
- 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

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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	140.8 Million

Annual Required Contributions as Determined by Actuary

	<u>State Employees</u>	<u>Teachers</u>
6/30/08	\$42.4 Million	\$41.2 Million
6/30/03	24.7 Million	28.8 Million
6/30/15	\$40.1 Million	\$52.4 Million

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Other Post Employment Benefits (OPEB)

State Employees (VSRS)

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

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

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Educational Fund Outlook – 12/08 (millions of dollars)

	Total Revenues	Residential Tax	Residential Rebate	Non-Residential/ Business Tax	Transferred from General Fund	All Others
2010 (JFO Report)	\$1,383.6	\$509.2	* <\$147.1>	\$560.9	\$297.8	\$162.9
% Growth 2005-2010	31%	47%	59%	45%	19%	N/A
Projected 2016 using same growth 2005-2010	\$1,812.5	\$748.5	<\$233.8>	\$813.3	\$354.4	\$162.3

	Total Spending	Total	\$ Increase	%
Actual	2005	\$ 1,064.9	N/A	
Actual	2006	1,134.0	\$69.1	6.5
Actual	2007	1,200.3	66.3	5.8
Actual	2008	** 1,250.5	50.2	4.2
Projected by JFO	2009	** 1,317.7	67.2	5.1
Projected by JFO	2010	** 1,379.9	62.2	4.7

Projected 2016 using same growth 2005 – 2010		1,793.9	414.0	30.0%
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* Includes renter rebate of \$5.9

** Excludes renter rebate of \$5.9 (2010), \$5.6 (2009), \$5.3 (2008)

***Other Thoughts and
Observations ...***