

# **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)

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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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## **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

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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

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## Unfunded Liabilities per Actuary at 6/30/08

	<b>State</b>	<b>Teachers</b>	<b>Total</b>
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)*

<b>Annual Required Contributions per Actuary at 6/30/08</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
* 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
<b>Total Pension</b>	<b>\$ 64.1</b>	<b>73.5</b>	<b>77.0</b>	<b>80.5</b>	<b>84.3</b>	<b>88.3</b>	<b>92.4</b>

*\* 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)

<b>State Workers</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
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

<b>Teachers</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
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)

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
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)

<b>Summary of Unfunded Liability</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>	<b>2030</b>	<b>2035</b>	<b>2039</b>
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

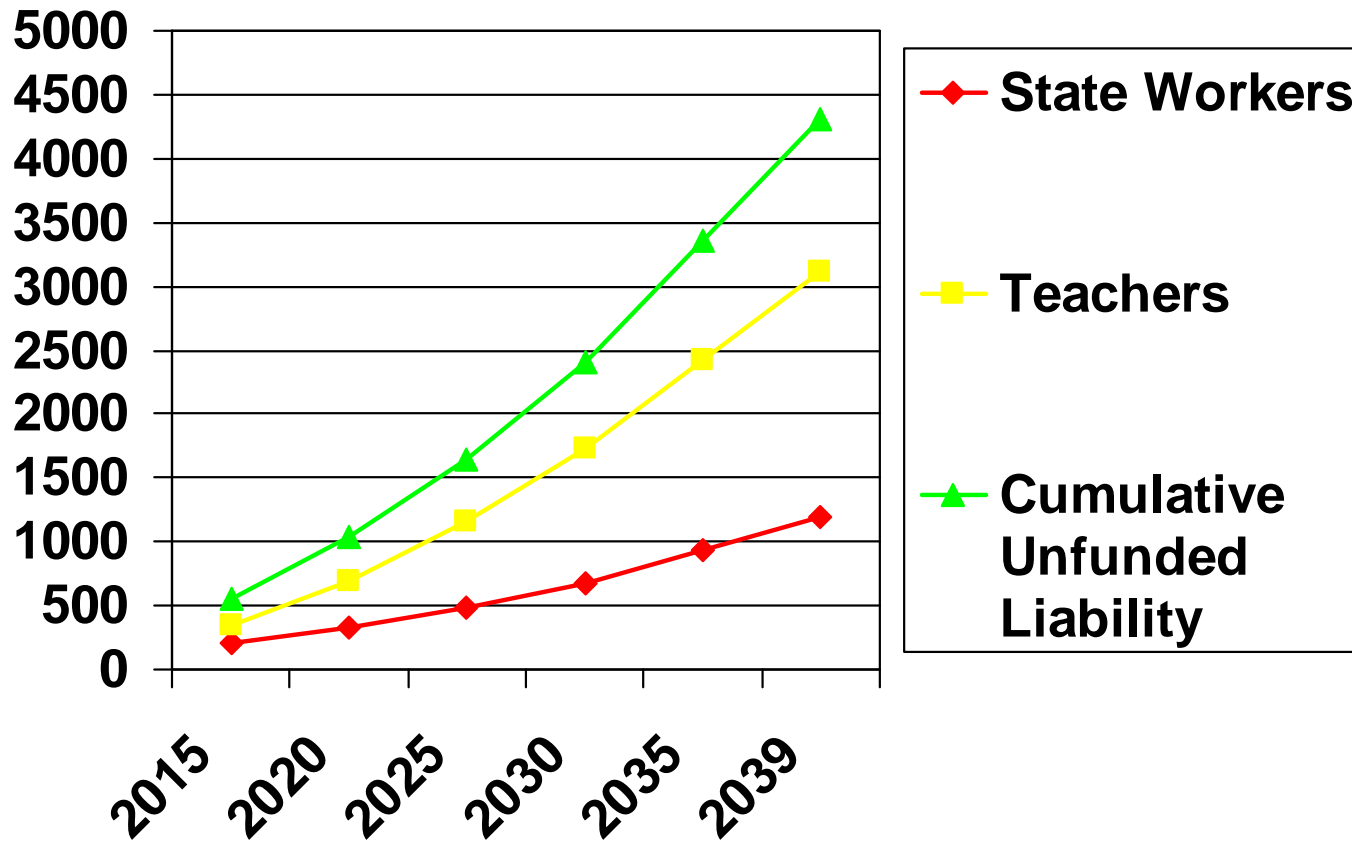
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Summary of Other Post Retirement Benefits (OPEB)

**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 ...***