

JEB SPAULDING
STATE TREASURER

RETIREMENT DIVISION
TEL: (802) 828-2305
FAX: (802) 828-5182



UNCLAIMED PROPERTY DIVISION
TEL: (802) 828-2407

ACCOUNTING DIVISION
TEL: (802) 828-2301
FAX: (802) 828-2884

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For more information or interview, contact: Jeb Spaulding at 802-828-1452
Joel Cook, NEA, at 802-223-6375

Funding for State Teachers' Retirement System Is Back on Track

MONTPELIER – One of the Legislature's more significant, if unheralded, accomplishments this session was adopting all of the major recommendations of the Commission on Funding the Vermont State Teachers' Retirement System (VSTRS). Those recommendations, now law, will help get funding for the Teachers' Retirement System back on track after years of under-funding that threatened the integrity of the system.

Today, State Treasurer Jeb Spaulding, who headed the Commission, told its members that all of their hard work paid off. The Commission included several legislators and representatives of education groups, the public, and the governor. "You might want to thank some of the key legislators who made this happen," he advised Commission members, naming in particular Representatives Martha Heath, Dick Marron, Gaye Symington, Donna Sweaney, Ken Atkins, Kevin Endres, and Ann Mook, and Senators Jim Condos, Diane Snelling, Susan Bartlett, Hinda Miller, and Peter Welch.

According to Commission member Joel Cook of Vermont-NEA, the State Treasurer deserves tremendous credit, along with legislators, for recognizing the seriousness of the under-funding problem and stepping up to find a solution. "Jeb committed himself to this issue early on," said Cook. "He brought all of us with diverse perspectives together around our common mission to respect the state's promise to teachers and to maintain fiscal responsibility."

These Commission recommendations were adopted by the Legislature as part of the appropriations bill (H.881):

- Adopt the Entry Age Normal (EAN) actuarial methodology, because doing so provides a more accurate picture of the plan's funded status and is consistent with most public retirement plans.
- Re-amortize the unfunded actuarial liability (UAL) over 30 years because, while this will increase plan costs over that period, it will reduce the State's required annual contribution substantially.
- Create separate appropriations for normal and UAL costs, because doing so will make plan costs associated with underfunding distinct from costs associated with paying benefits.

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- Fully fund both normal and UAL costs beginning in FY 2007, because doing so is necessary both to justify implementing other recommendations and to preserve the fiscal integrity of the VSTRS.

The final major Commission recommendation needs to be implemented by the Board of Vermont State Teachers' Retirement Fund:

- Increase the assumed rate of investment return by .25% because doing so reflects the beneficial effects of Vermont's new unified pension fund investment process.

Spaulding says the VSTRS Board likely will accept this recommendation, because the Board voted last fall to increase the return if the Legislature did their part. "It remains our common task now to ensure that the state meets its funding obligation each year from now on."

"I would say we hit a bases-clearing triple," he said. "I thank all the members of the Commission for their help finding a path to restoring the financial integrity of the Vermont State Teachers' Retirement System."

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