



Vermont

VERMONT'S PENSIONS ARE in good shape. The state generally makes close to the full annual required contribution to its state employee and municipal funds, but has fallen short of fully funding the contribution for the teachers' fund. (In the last three years, that contribution ranged from 44% of the required annual amount in 2004 to 59% in 2006.) The teachers' fund is still funded at a level that is above the national average—but the nearly 85% funding ratio in 2006 is down from the 91% level in 2005. Vermont has a moderate level of non-pension benefits, somewhat lower than most other New England states. As of 2006, Vermont had not set any funds aside for its non-pension benefits—but if the state consistently and fully funds those obligations in an irrevocable trust, its long-term bill will drop from \$552 million to \$304 million. This is because the interest the state is likely to earn when it invests more money over the long term can be applied to paying down the bill.

PENSIONS

TOTAL BILL COMING DUE: **\$3.2 billion**¹


FUNDS SET ASIDE: **\$2.9 billion**

PORTION UNFUNDED: **\$256 million**

PERCENT FUNDED: **92 as of 2006**²

TEN YEAR FUNDING HIGH: **95% in 2005**

TEN YEAR FUNDING LOW: **86% in 1997**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

ASSUMPTIONS: Vermont assumed an 8% interest rate for the pension investments of its state employee fund in 2006—the same as the 50-state median—and a slightly higher rate of 8.25% for teachers. The state uses a 20% factor in smoothing out investment returns over time, the equivalent of a five-year smoothing period, which is used by the majority of states.

¹ Pension funds include state employees, teachers and municipal employees.

² 50-state mean was 82%.

OTHER BENEFITS

TOTAL BILL COMING DUE: **\$552 million**¹

FUNDS SET ASIDE: **\$0**

PORTION UNFUNDED: **\$552 million**²

PERCENT FUNDED: **0 as of 2006**


HOW IS THE STATE DOING IN MANAGING THIS BILL? 

¹ For state employees; \$304 million if the annual contribution is consistently met and placed in an irrevocable trust.

² For state employees; 150% of covered payroll, compared to a national median of 135%.

REFORMS: In 2005, Vermont created a pension investment committee to act as the trustee for pension plan investments, and focused existing retirement boards on overseeing other aspects of the three retirement systems, such as overall operations, disability issues, contribution levels and benefit revisions. The year before, the state increased service requirements for new state employees and teachers (as of July 1, 2004), stating that individuals over age 62 need five years of service to be eligible for retirement and retiree health benefits. Previously, this was not a requirement, according to the National Conference of State Legislatures.

KEY:  Top Performer

 Needs Improvement

 Below Par

 Non-Pension Benefits are Minimal

This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by Pew's Center on the States. The full report and 50 state fact sheets can be found at www.pewcenteronthestates.org.



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