

Overview

The Vermont State Employees' Retirement System (VSERS) was established in 1944 and serves state employees in Vermont. The system provides a defined benefit (DB) pension for its 7,878 active employees, and 5,600 retirees and beneficiaries.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions are almost always funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Research shows that Americans who have the three-legged retirement stool of a defined benefit (DB) pension, Social Security, and individual savings, such as a 401(k)-type plan, generally have the greatest opportunity to achieve financial security in retirement.

Key Facts

- General employees contribute 6.4% of salary to the pension fund.
- Employers contribute 10.45% to the fund.
- Each dollar invested by Vermont taxpayers in VSERS supported \$3.89 in total economic activity in the state.



Key Vermont Data¹

The chart below summarizes the key VSERS data, as of June 30, 2012:

Total active employees	7,878
Total retired members and beneficiaries	5,600
Average annual service retirement allowance	\$16,734
Employer contribution rate	10.45%
Employee contribution rate	6.4%
Actuarial value of assets	\$1.4 billion
Funded ratio	77.7%
Unfunded actuarial accrued liability	\$401.8 million
Percent of ARC contributed	97.8% (2007); 92.5% (2008); 86.7% (2009); 84.1% (2010); 84.4% (2011); 140.2% (2012)

The Economic Impact of Vermont Pensions²

Expenditures made by retirees of state and local government provide a steady economic stimulus to Vermont communities and the state economy. Within the state of Vermont, 2012 expenditures stemming from state and local pensions supported:

- 3,131 jobs that paid \$126.6 million in wages and salaries,
- \$427.7 million in total economic output, and
- \$69.7 million in federal, state, and local tax revenues.

Each dollar paid out in pension benefits supported \$1.16 in total economic activity in Vermont

Each dollar “invested” by Vermont taxpayers in these plans supported \$3.89 in total economic activity in the state.

¹ All data, unless otherwise noted, as of June 30, 2012.

² Rhee, N. 2014. *Pensionomics 2014 Measuring the Economic Impacts of DB Pension Expenditures*. Washington, DC: National Institute on Retirement Security.

AARP in the STATES

Vermont State Employees' Retirement System By the Numbers

The following provides a snapshot of key data relative to the **Vermont State Employees' Retirement System (VSERS)**. VSERS provides retirement benefits for state employees. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

\$3.89 The total economic activity in Vermont for each dollar invested by Vermont taxpayers in VSERS.

\$427.7 million Total economic output in Vermont created in 2009 when public sector retirees spent their pension income.

\$69.7 million Federal, state and local tax revenues generated by spending of Vermont public pension income.

3,131 Jobs created from pension income spending by Vermont state and local government retirees.

7,878 Total active members of VSERS.

\$16,734 Average annual pension benefit for a VSERS retiree.

6.4 Percentage of salary that general employees contribute from every pay-check to their pension benefit to share the funding responsibility.

5.0 Median employee contribution rate nationally.

50.1 Percentage of pre-retirement income replaced by the defined benefit (DB) plan for a new employee with 30 years of service.

80 Percentage of pre-retirement income from all income sources that is considered adequate for a secure retirement.

All data come from either VSERS or the National Institute on Retirement Security.



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Overview

The Vermont State Teachers' Retirement System (VSTRS) was established in 1947. The system provides defined benefit (DB) pension benefits for its 10,262 active public school employees and 7,376 retirees and beneficiaries.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions are almost always funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Research shows that Americans who have the three-legged retirement stool of a defined benefit (DB) pension, Social Security, and individual savings, such as a 401(k)-type plan, generally have the greatest opportunity to achieve financial security in retirement.

Key Facts

- Most employees contribute 5% of salary to VSTRS.
- Employers contribute 10% of salary to the fund.
- Each dollar invested by Vermont taxpayers in VSTRS supported \$3.89 in total economic activity in the state.



► Key VSTRS Teachers Data¹

The chart below summarizes the key Teacher's Pension data, as of June 30, 2012:

Total active employees	10,262
Total retired members and beneficiaries	7,376
Average annual service retirement income*	\$17,457
Employer contribution rate	10.0%
Employee contribution rate	5.0%*
Actuarial value of assets	\$1.5 billion
Funded ratio	61.6%
Unfunded actuarial accrued liability	\$945.5 million
Percent of ARC contributed	100% (2007); 100% (2008); 100% (2009); 101% (2010); 104% (2011) 110% (2012)

* For Group C members, who are the vast majority of VSTRS members.

► The Economic Impact of Vermont Pensions²

Expenditures made by retirees of state and local government provide a steady economic stimulus to Vermont communities and the state economy. Within the state of Vermont, 2012 expenditures stemming from state and local pensions supported:

- 3,131 jobs that paid \$126.6 million in wages and salaries
- \$427.7 million in total economic output
- \$69.7 million in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported \$1.16 in total economic activity in Vermont.

Each dollar “invested” by Vermont taxpayers in these plans supported \$3.89 in total economic activity in the state.



¹ All data, unless otherwise noted, as of June 30, 2012.

² Rhee, N. 2014. *Pensionomics 2014 Measuring the Economic Impacts of DB Pension Expenditures*. Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **Vermont State Teachers' Retirement System (VSTRS)**. VSTRS provides retirement benefits for public school employees in Vermont. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

\$3.89 The total economic activity in Vermont for each dollar invested by Vermont taxpayers in VSTRS.

\$427.7 million Total economic output in Vermont created in 2009 when public sector retirees spent their pension income.

\$69.7 million Federal, state and local tax revenues generated by spending of Vermont public pension income.

3,131 Jobs created from pension income spending by Vermont state and local government retirees.

10,262 Total active members of VSTRS.

\$17,457 Average annual pension income for a retired teacher in Vermont.

5.0 Percentage of salary that most teachers contribute from every pay-check to their pension benefit to share the funding responsibility. Nationally, the median employee contribution rate is 5%.

53.3 Percentage of pre-retirement income replaced by the defined benefit (DB) plan for a new teacher with 30 years of service. A replacement ratio of 80% from all income sources is considered adequate for a secure retirement.

75 The number of teachers retained each year solely due to the defined benefit (DB) plan.

\$850,000 Teacher turnover cost savings generated by the retention effect of the defined benefit (DB) pension.

All data come from either VSTRS or the National Institute on Retirement Security.

Overview

As early as the turn of the 20th century, American legislators seemed to understand the importance of teacher quality to students' education. A 1917 report on public education noted that, "A school teacher's work is personal, direct, and positive. It works for the good or the ill of each pupil."¹

Key Facts

- Employees contribute 5% of salary out of each paycheck to the pension fund.
- The average retirement benefit is \$17,457 per year, or \$1,455 per month.
- VSTRS covers 10,262 active school employees and 7,376 retired school employees and beneficiaries.
- Teachers are paid 14.3% less than comparable private sector workers.
- The pension replaces 53.3% of pre-retirement income for a teacher with 30 years of service.
- Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement.

Defined benefit (DB) pension plans were first introduced for teachers in the United States to help with the recruitment of high quality educators, and as an incentive to keep those educators in the teaching profession. By 1916, some form of retirement plan was available to public schoolteachers in 33 states. It was thought that such a retirement system might serve two purposes: 1) bringing more diverse, and highly qualified teachers into the profession; and 2) creating a more productive workforce that actually saves public employers money, as one dollar in pension benefits was seen as worth more than a dollar in salary.²

All public school teachers in Vermont have pension coverage through the Vermont State Teachers' Retirement System (VSTRS).

VSTRS covers 10,262 active employees of public educational institutions, and 7,376 retired school employees and beneficiaries. Most employees contribute 5% out of each of their paychecks to the pension fund. The average retirement benefit is \$17,457 per year, or \$1,455 per month.

The pension replaces 53.3% of pre-retirement income for a new teacher with 30 years of service. Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement.

Teachers Receive Lower Compensation

Public employees receive lower wages than their private sector counterparts. Even after accounting for pensions and other benefits, on average, state and local workers receive 7% less than those in the private sector.³ More specifically, teachers are paid 14.3% less than comparable private sector workers—and this pay gap has increased in the last decade.⁴ Teacher pensions play an important role in offsetting the financial impact of lower salaries.

Research shows that pensions are reliable and relieve retirement anxiety. Some 82% of Americans indicated that those with pensions are more likely to have a secure retirement, and 82% believe all workers should have access to a pension plan.⁵

Pensions Help Retain Quality Teachers in Vermont⁶

Better teachers are experienced teachers. DB pensions help to retain highly productive teachers longer, as compared with individual defined contribution (DC) accounts. Moreover, the cost of teacher turnover is quite high, both in terms of financial cost and loss of productivity to the school district.

In Vermont:

- The cost of turnover in Vermont is \$11,324 per teacher.
- 75 teachers are retained each year due to the defined benefit (DB) plan.
- The defined benefit (DB) pension system saved \$850,000 in teacher turnover costs in 2003 in school districts across the state.

About NRTA

NRTA: AARP's Educator Community is a national umbrella organization for the nation's largest network of retired educators. For nearly 65 years, NRTA has worked with state and local Retired Educators Associations (REAs) across the country on areas of mutual interest in advocacy and community outreach.

Collectively, NRTA and REAs engage and advocate on behalf of nearly one-million retired educators. Our shared priorities are to protect earned pension benefits and to assure access to affordable retiree healthcare. Additionally, NRTA helps inspire and honor the work of REA volunteers through NRTA's With our Youth! national recognition program.



^{1, 2} Graebner, W. 1978. Retirement in education: The economic and social functions of the teachers' pension. *History of Education Quarterly*, 18(4), 397-417.

³ Heywood, J., and K. Bender. 2010. *Out of Balance: Comparing Public and Private Sector Pay over Twenty Years*. Washington, DC: National Institute on Retirement Security.

⁴ Allegretto, S., S. Corcoran, and L. Mishel. 2008. *Teachers' Pay Continues to Slide*. Washington, DC: Economic Policy Institute.

⁵ Oakley, D, and K. Kenneally. 2013. *Pensions and Retirement Security 2013: A Roadmap for Policy Makers*. Washington, DC: National Institute on Retirement Security.

⁶ Boivie, I. 2011. *The Three Rs of Teacher Pension Plans: Recruitment, Retention, and Retirement*. Washington, DC: National Institute on Retirement Security.