

## Harwood Unified Union School District

To: The HUUSD Board  
From: Michelle Baker  
Date: March 21, 2017  
RE: VMERS Retirement Group for HUUSD Employees

All employees in the state of Vermont who are employed by a municipality or school district, and who work on a regular basis not less than 30 hours per week, and who are not licensed teachers covered under the Vermont State Teachers Retirement Plan (VSTRS) are required to participate in the Vermont Municipal Retirement Plan (VMERS).

VMERS has 4 defined benefit (DB) group retirement plans and a defined contribution (DC) plan. Currently, WWSU and member districts participate in Group A (Fayston, Warren WWSU), Group B (Harwood, Moretown, Waterbury-Duxbury and Waitsfield) and the DC plan (all).

As HUUSD, one defined benefit group plan must be selected. The DC plan can be added as an additional option to employees. The board can also elect to choose a combination plan of A and B and assign certain classification of employees to each.

The recommendation is for HUUSD to participate in Group Plan B (DB) as well as the DC plan for all employees eligible to participate in VMERS.

Currently, 102 employees participate in the Group B plan. The employer cost to move the 32 employees currently in Group A to Group B is \$16,462. The employee's contribution also increases from 2.5% to 4.875%.

If the Board chooses to put everyone in Group A then the normal retirement age for anyone currently in Group B rises from 62 to 65. This will negatively affect anyone in Group B, the largest group, which currently includes 102 employees at Harwood, Moretown, Waterbury-Duxbury and Waitsfield.

Additional information is attached:

- VMERS Group Comparison
- Summary of VMERS discussion and participant information prepared by WWSU Payroll/Benefits Coordinator Tanya Cheney
- Plan information included in WWSU and member school district financial audits at June 30, 2016. Harwood Union is referenced for information here

Recommended motion: To adopt VMERS Group B plan along with the defined contribution (DC) plan for all eligible HUUSD employees at July 1, 2017.

## VMERS Group Comparison

Group Comparison	Group A	Group B	Group C	Group D
Employee Contributions	2.5% of gross salary	4.875% of gross salary	10.00% of gross salary	11.35% of gross salary
Employer Contributions	4% of gross salary	5.5% of gross salary	7.25% of gross salary	9.85% of gross salary
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
Benefit Formula	1.4% x creditable service x AFC	1.7% x creditable service x AFC + previous service: 1.4% x Group A x AFC	2.5% x creditable service x AFC + previous service: 1.4% x Group A x AFC 1.7% x Group B x AFC	2.5% x creditable service x AFC + previous service: 1.4% x Group A x AFC 1.7% x Group B x AFC 2.5% x Group C x AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Normal Retirement (no reduction)	Age 65 with 5 years of service or 55 with 35 years of service	Age 62 with 5 years of service or 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 50 with 20 years of service
Early Retirement Reduction	6% per year from age 65 **	6% per year from age 62 **	N/A	No Reduction
Post-Retirement Survivorship Options	100% and 50% (with or without pop-ups), all actuarially reduced based on age of beneficiary	100% and 50% (with or without pop-ups), all actuarially reduced based on age of beneficiary	100% and 50% (with or without pop-ups), all actuarially reduced based on age of beneficiary	70% spousal survivorship with no reduction in retiree's benefit
Benefit Eligibility - Other (Vested Rights, Disability, Death-in-Service)	5 years of service	5 years of service	5 years of service	5 years of service
Disability Benefit	Unreduced, accrued benefit	Unreduced, accrued benefit	Unreduced, accrued benefit	Unreduced, accrued benefit, plus children's benefit representing 10% of AFC to maximum of 3 concurrently
Death-in-Service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship	70% of accrued benefit with no actuarial reduction applied

### VMERS Information regarding choosing a group for HUUSD

VMERS needs to have information from the board clearly defined how they would like to contribute to VMERS. The board can choose to elect A, B, and/or DC or any combination of the above.

- a. If they elect to choose A and B as a combination, then they must define what classes of employees that go into the group A or B. Example: A- Para B- Custodians, Food Service, Administrative Assistants. VMERS said this would not be a preferred choice because of the extra work for the payroll people.
- b. If they elect to not offer DC then those employees currently participating have to make a choice about their retirement. They can use their Fidelity Funds to buy service credit in the group that has been chosen or they can elect to keep their Fidelity account and start at zero service credits in the VMERS group.
- c. If the Board chooses to put everyone in group A then the normal retirement age for anyone currently in group B rises from 62 to 65. This will negatively affect anyone in group B which is our biggest group of employees ( HU, Moretown, Waterbury, Waitsfield.)

School	Group A	Group B	Group DC
Fayston	9	0	1
Moretown	0	9	0
Waitsfield	0	5	2
Warren	11	0	0
WWSU	12	0	1
Waterbury	0	49	4
HU	0	39	8
<b>Total</b>	<b>32</b>	<b>102</b>	<b>16</b>

Attached is a comparison of the VMERS groups from the Retirement web page.

The above information was provided by Jen at VMERS to Tanya Via a phone conversation on January 26, 2017. Based on this information we recommend VMERS B and DC, which will have the least impact on employees.

HARWOOD UNION HIGH SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTNUED)

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

**Plan Description**

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975, and is governed by *Title 24, V.S.A. Chapter 125*. It is designed for High Schools and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. Employees of the High School other than Teachers are eligible to participate in the VMERS providing they work on a regular basis for not less than 30 hours a week and for not less than 1,040 hours for the school year.

The general administration and responsibility for formulating administrative policy and procedures of the Retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives-one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Districts and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR may be viewed on the State's Department of Finance & Management website at:

[http://finance.vermont.gov/reports and publications/cafr](http://finance.vermont.gov/reports_and_publications/cafr).

**Benefits Provided**

The pension plan is divided into four membership groups:

- Group A – general employees whose legislative bodies have not elected to become a member of Group B or Group C
- Groups B & C – general employees whose legislative bodies have elected to become members of Group B or Group C
- Group D – sworn police officers, firefighters and emergency medical personnel

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The High School participates in Group B. Benefits available to each group are based on average final compensation (AFC) and years of creditable service, and are summarized below:

VMERS	Group A	Group B	Group C	Group D
Normal service retirement eligibility	Age 65 with 5 years of service, or age 55 with 35 years of service	Age 62 with 5 years of service, or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
Benefit formula – normal service Retirement (no reduction)	1.4% x creditable service x AFC	1.7% x creditable service x AFC + previous service; 1.4% x Group A service x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC; 2.5% x Group C service x AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 55 with 20 years of service
Early Retirement Eligibility	6% per year from age 65 **	6% per year from age 62 **	N/A	No reduction

\*\* - A special early retirement factor of 3% per year only for municipal police officers who have attained age 60

Members of all groups may qualify for vested deferred allowance, disability allowances and death benefit allowance subject to meeting various eligibility requirements. Benefits are based on AFC and service.

**Contributions**

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve

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the financial integrity of the fund, and to certify the rates of contributions payable by employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group are as follows:

VMERS	Group A	Group B	Group C	Group D
Employee Contributions	2.5% of gross salary	4.75% of gross salary to 6/30/15; 4.875% of gross salary after 7/1/15	9.625% of gross salary to 12/31/14; 9.75% of gross salary to 6/30/15; 9.875% of gross salary after 7/1/15	11.125% of gross salary to 6/30/15; 11.35% of gross salary after 7/1/15
Employer Contributions	4% of gross salary	5.375% of gross salary to 6/30/15; 5.50% of gross salary after 7/1/15	6.875% of gross salary to 12/31/14; 7% of gross salary to 6/30/15; 7.125% of gross salary after 7/1/15	9.75% of gross salary to 6/30/15; 9.85% of gross salary after 7/1/15

Employee contributions are withheld pre income tax by the High School and are remitted to the State of Vermont. Such withholdings for the years ended June 30, 2016, and 2015 totaled \$52,341 and \$52,175, respectively. The High School contributed \$59,052 and \$59,040 for the years ended June 30, 2016 and 2015, respectively. The High School's total payroll for the year ended June 30, 2016 for all employees covered under this plan was \$1,073,664.

**Pension Liabilities**

*VSTRS Plan*

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 68 and the State is treated as a nonemployer to VSTRS. Since the High School does not contribute directly to VSTRS, no net pension liability was recorded at June 30, 2016. The State's portion of the collective net pension liability that was associated with the High School was as follows: