



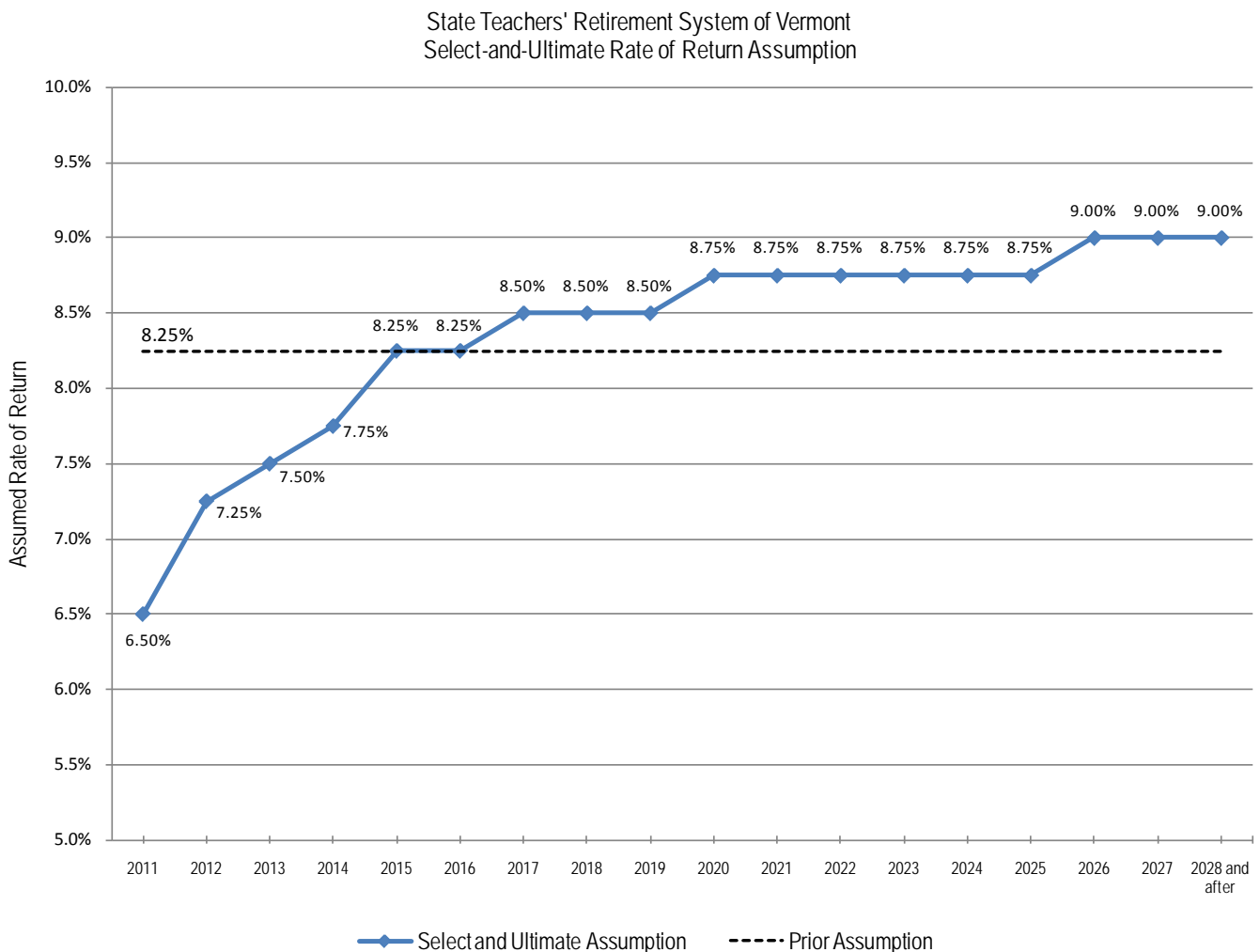
TO: Members of the Legislative Commission on Pensions and Retirement  
 FROM: Edward Burek, Deputy Director  
 RE: Vermont Teachers' Plan Select and Ultimate Rate of Return Assumption  
 DATE: October 31, 2011

Introduction

This memo provides information on the select-and-ultimate rate of return assumption which will be used by the State Teachers' Retirement System of Vermont. This recently adopted assumption will first be used in that plan's 2011 actuarial valuation. The actuaries for the Minnesota Teachers Retirement Association (TRA), Patrice Beckham and Brent Banister, mentioned this approach during their testimony at the October 19, 2011, Commission meeting. The actuaries stated that to the best of their knowledge the State Teachers' Retirement System of Vermont was the only public fund currently using a select-and-ultimate rate of return assumption, but others are expressing interest in the concept.

Summary

The State Teachers' Retirement System of Vermont has been using an 8.25% per year rate of return assumption. The newly adopted rate of return assumption, to be first used in the 2011 actuarial valuation, is a select-and-ultimate assumption which assumes lower rates for a few years, escalating gradually over a 15 year period to an ultimate rate of 9.0% per year. The specific rates that will apply and the pattern of these rates are depicted in the following graph.



For the first four years the applicable rate is lower than Vermont's current 8.25% assumption, matches the 8.25% assumption in 2015 and 2016, and then escalates further, up to 9.00% in 2026 and thereafter.