



STATE OF VERMONT  
OFFICE OF THE STATE TREASURER

To: Senator Jane Kitchel, Chair, Senate Appropriations  
From: Beth Pearce, State Treasurer *Beth*  
Subject: S.225, An Act Relating to Early Retirement Allowance  
Date: March 11, 2014

Jane,

I am writing to clarify a number of issues that were discussed relative to S.225, a bill that proposes to extend to dispatchers in the Department of Public Safety an early retirement allowance after 20 years of service. I also want to state my support of this proposal.

I first want to clarify what the change would do, or rather, what it would not do. It does not provide an automatic 50% benefit to dispatchers or for that matter any of the other groups that are included in this section of statute. What it does is remove the early retirement penalty. If this bill were to be enacted it would place the dispatchers into the same group with other public safety and direct care givers with respect to retirement at age 55 with 20 years of service.

An individual's retirement is calculated using their average final salary (AFC) and a multiplier for each year of service. For Group F members, the AFC is calculated using the highest three consecutive years, excluding unused annual leave payoff. The multiplier is 1.25% per year of service prior to 12/31/90 plus 1.67% per year of service after 1/1/91. Assuming, for instance, that a dispatcher received this option and he/she retires at 55 with 20 years, the benefit would be (assuming all years were using the 1.67% multiplier) one third of their final compensation. In the example below we use the average dispatcher salary of \$51,847:

20 years x 1.67% = 33.40 % of average final compensation  
Average pay for the 73 members is \$51,847.  
Average compensation \$17,317.08 divide by 12 = **\$1,443.09 monthly pension benefit.**

Under the current statute, if a dispatcher were to retire with the early retirement penalty in effect, the pension would be reduced 6% per year from age 62. The result would be a much lower retirement – an annual retirement of **\$10,043.88:**

\$1,443.09 x 42% = \$606.10  
\$1,443.09 - \$606.09 = **\$836.99 monthly pension benefit**

Second, I want to point out that several groups currently have this option, based on legislative changes that focused on high stress/high risk direct service and public safety positions. The history of this group and the applicable legislative sessions/years are as follows:

- Prior to 1999 - Facility employees of the Department of Corrections, as Department of Corrections employees who has provided direct security and treatment services to offenders under supervision in the community and has completed 20 years of creditable service can retire at age 55 with no early retirement penalty.
- 1999- A Woodside facility employee who has provided direct patient care for 20 years can retire at age 55 with no early retirement penalty.
- 2001- A Vermont State Hospital employee who has provided direct patient care for 20 years can retire at age 55 with no early retirement penalty.
- 2007 –A state’s attorney who has completed 20 years of creditable service, of which 15 years has been as a state attorney can retire at age 55 with no early retirement penalty.
- 2013- A state’s sheriff who has completed 20 years of creditable service, of which 15 years has been as a state sheriff can retire at age 55 with no early retirement penalty.

I would point out that the job specifications in the State’s Human Resources system for dispatchers places it directly in this grouping. Its occupational category is described as protective services and the examples of work include, but are not limited to:

- Responsible for ensuring the safety of all law enforcement personnel performing their duties within a given area of responsibility, including Vermont State Police personnel, local police officers, county sheriffs, State Game Wardens, Department of Motor Vehicle Inspectors, Liquor Investigators, emergency service providers and other law enforcement personnel working in the area.
- Ensures the safety of the public by promptly and appropriately responding to their calls for service.
- Prioritizes calls, gathers information and relays information to responders and documents the event. Remains aware of the changing nature of incidents in progress and communicates pertinent information effectively to responding personnel.
- Prioritizes information and coordinates initial responses to various incidents while locating and notifying additional resources as necessary. Recognizes and responds appropriately to changing circumstances.
- Remains aware of officer safety issues, and public safety issues at all times during a call.
- Manages callers, who are often in distress, in order to obtain all necessary information and provide instruction

The proposal contemplates a limited expansion of the plan membership but is consistent with the public safety focus of this carve-out group. It does not place them in Group C, whose membership includes state police officers, firefighters, and other law enforcement employees. It is not a wholesale expansion into new service areas.

In their testimony at Senate Government Operations, employees presented some of the job stresses, discussed turnover and burn-out and also provided a recent study in the Journal of Traumatic Stress (April 2012) citing duty related trauma exposure in 911 telecommunications. This is not a field that the Treasurer's Office has expertise in, but I would state that the study is compelling and, when I review the duties related to the folks already included in the early retirement exception noted above, this group appears consistent with the carve out. As noted in the study, stress that may be in these positions can "impair decision-making abilities and functioning, which could pose significant risk to the general population that relies on them to quickly and effectively coordinate an emergency response."

Third, I would like further comment on the cost numbers we provided. Our actuary was asked to prepare a cost estimate, and the impact on the Annual required Contribution (ARC) could be as much as \$207,600 in FY 2016. It would not increase the ARC for FY 2015, as that rate has already been set based on 2013 data and we do not typically make retroactive adjustments unless material in nature. This change accounts for less than ½ of 1% (.44%) of the total actuarial recommendation for state pensions. I am assuming that some portion of this would be non-General Fund federal dollars.

I would also stress that this is the high end of the cost estimate. As noted by our actuary, "these calculations are based on the assumption that all affected participants will avail themselves to the greatest degree possible of the opportunity to retire with unreduced benefits that would be provided under this proposal." The actuary also notes that almost half of the affected participants are at or close to eligibility for unreduced retirement benefits under present System provisions, so the impact is further lowered.

In the 2009 retirement benefit study completed on behalf of the General Assembly, we outlined the guiding principles around retirement systems including fairness or equity, ability to reward service, recruitment, retention, sustainability and affordability. While there is a small incremental cost – and I recognize the reluctance to add any costs in these tough economic times – I believe this is a matter of fairness in extending some of the same benefits extended to other public safety employees. But I also believe it will likely improve retention and recruitment, reducing risk to the citizens from understaffed, overworked responders.

Please give me a call if you have any questions or I can be of further assistance.