

Madam Chair and members of the Committee,

For the record my name is Aimee Towne, and I am the President of the Vermont State Employees' Association. Thank you for the opportunity to testify on the governance and taskforce proposals that you are currently considering.

Let me begin with some of our concerns with the governance proposals, as they relate to the Vermont Pension Investment Committee. Draft 1.1 would change VPIC's membership to 10 members, only three of whom would be members of the Labor community. Six members would be either managers or their designees. This composition would mean that the people that the pension systems are designed to support would always be dramatically outnumbered by their bosses. We feel that it is crucial that the Committee be— at a minimum— equally balanced between front-line workers and their bosses.

As such, we suggest a Committee makeup that would include 2 members and 2 alternates elected by the employee and retiree members of each of the three retirement boards, for a total of six employee and retiree-selected members. We would not change the number or composition of the other Committee members proposed by the draft. This would yield a balanced board of 13. Currently, the Board *is* balanced; it's 3-3-1. If the Legislature is truly dedicated to working hand-in-hand with employees and future beneficiaries to safeguard the future of the funds, it can't begin by suggesting a new VPIC structure that would see our voices in danger of being drowned out before we've even begun.

The draft language would bar current legislators from serving on the Committee. We oppose this provision. We believe that— as long as Vermont has a citizen legislature— a member of VPIC who becomes a legislator, or a legislator who is interested in serving on VPIC, shouldn't be excluded just on that basis.

One provision in the draft language would bar people who are not Vermont residents from serving on VPIC. At the VSEA, we have members who live in New Hampshire, Massachusetts, Connecticut, Rhode Island, New York, and Canada. As telecommuting becomes more prevalent, even more Vermont State employees may live out-of-state. We don't believe that State employees, teachers, or municipal employees should be barred from participating simply because they live across a State line.

We support the proposed ban on the acceptance of gifts from vendors to members of VPIC. We believe that the propriety of the State's investment choices must be beyond any reproach.

VSEA supports the shift from a five-year to a three-year experience study.

Currently, VPIC and the retirement boards have to come to consensus on the actuarial assumptions before they are accepted. The draft language would end this collaborative process and place that power under VPIC's unilateral control. We oppose this proposed change, and support maximizing the number of our members who weigh in on these important decisions.

Moving to the sections of the bill that concern the new taskforce, we have some recommendations about that group's structure. We believe that balance and inclusion is key. If you want the work of the taskforce to have credibility, and to yield a result that can be supported by our members, then you have to have balance. In the current proposal, only 4 out of 15 members are selected by Labor unions; 11 out of 15 members are non-Labor, and most of those are managers. This would doom the taskforce to the perception that it is stacked unfairly against Labor before its work has even begun. Also, one of the affected labor unions, the Vermont Troopers' Association, has been omitted entirely from the draft plan. This is unacceptable. Instead, we suggest this balanced approach:

- Three members selected by Vermont-NEA
- Three members selected by the VSEA
- Three members selected by the VTA
- Three legislative members from the House Committee on Government Operations, one from each Vermont major party
- Three legislative members from the Senate Committee on Government Operations, one from each Vermont major party
- The Director of the Retirement Division, or his or her designee
- The Commissioner of DHR, or his or her designee
- A school board member, chosen by the Committee on Committees
- And finally, a chair, elected by the other members of the taskforce.

You will note that we have removed two proposed committee members who were included in the draft proposal: the Commissioner of the Department of Financial Regulation, and the member of the business community. Although we appreciate the Committee's desire to include these members, we do not see an essential nexus between those parties and the work of the taskforce. Furthermore, their participation would only add to the imbalance between Labor and non-Labor participants.

Our proposal would yield a tri-partisan, balanced taskforce, ready to represent the voices both of Labor and of other stakeholders. Our plan is equally structured, with 9 Labor members, 9 non-Labor members, and a mutually-selected chair. Again, if this process is to have any success, we cannot allow our members, or the general public, to have the perception that the cake has already been baked. We need true, balanced collaboration and input. We believe our plan accomplishes that.

One additional note on this point: the bill should be clear that leave for State employees and teachers serving on the taskforce shall not be withheld.

With regard to the powers and duties of the taskforce, we support the addition of two additional charges:

- First, the recommendation of a temporary, dedicated revenue source or sources, to raise no less than \$100 million in new, dedicated revenue. It should be made clear that this charge shall include consideration of— and a recommendation on— a temporary income tax surcharge on the wealthiest Vermonters.
- Second, an evaluation of— and a recommendation on— the creation of a so-called Retirement Group G, to include frontline staff from:
 - the Department of Corrections, both staff in our correctional facilities and those involved in community supervision
 - the Vermont Veterans’ Home
 - the Vermont Psychiatric Care Hospital
 - the Middlesex Therapeutic Community Residence, and any successor facilities, and
 - The Vermont Criminal Justice Council

The merit of giving these dedicated workers additional consideration in their retirement is contemplated by the current, statutory Group F carveout, and by Rep. Anthony’s bill, H. 305.

We appreciate the desire for broad, continued stakeholder input, and we believe that it is vital that the all members of the public have an opportunity to share their views. That’s why VSEA supports a series of public hearings, requiring preregistration, where speakers are given five minutes. The taskforce should be required to hold sufficient hearings to allow for all who have registered in advance of the deadline to be heard.

This taskforce should be open and transparent; as Justice Brandeis once said, “sunshine is the best disinfectant.” That’s why the taskforce should be required to broadcast all of its meetings on YouTube, and to allow all meetings to be viewed there retroactively as well.

Finally, given that a great part of the unfunded liability can be attributed to the sins of the past, we strongly urge that the Legislature invest that \$150 million in either prepayment of the OPEB liability or directly into the pension funds. There is no good reason of which we’re aware that that money should be just held in reserve. The only other difference of opinion we have about those funds, is that we believe they should be greater.

The past few months of this process have been incredibly difficult. If this Committee takes seriously the issues VSEA has raised today— particularly concerning a 50/50 balance on VPIC and the taskforce— I truly believe that we have an opportunity to work together to safeguard the future of the pension funds.