

# VT-NEA Guardrails for Teachers Retirement System Adjustments

February 3, 2021

We are amidst a global pandemic. Vermont's public school employees are front-line, essential workers. Every day, teachers—over 75% of whom are women—have stepped up to support our students, families, and communities. Since the start of the pandemic, teachers have created spaces where their students can feel safe and cared for, sometimes at great costs to their own families. Collectively, they have spent thousands upon thousands of dollars creating virtual classrooms in their own homes, using their own internet access and digital devices without reimbursement from their school districts. All this at a time when many teachers are paying more for their health insurance, which is eating-up their inflationary salary bump.

Nevertheless, even as the stock market soars, motivated by changes in Wall Street analysts' predictions about the long-term fund balance, state pension managers have proposed only changes that would require teachers to pay more now to get less retirement security later. Word that the State of Vermont is considering imposing drastic changes to the pension in the middle of a pandemic is unsettling teachers and risks causing a rush to retire early, leave the profession, or leave the state altogether, all at a time when rural schools need experienced teachers more than ever as students recover from the pandemic.

For context, the average teacher pension is only \$21K/year, not an overly generous amount on which to live.

## VT Teachers Retirement System Legislative Reform Guardrails

### 1) Promises must be kept.

For their years of hard work, teachers have been promised a secure, basic retirement income. The State must keep its promise to provide a defined benefit pension to teachers. If Legislative leaders are seriously considering abandoning this promise to impose radical changes, we object.

### 2) A reliable pension program is imperative.

We all agree that the long-term health and viability of the retirement system is a top priority. Vermont-NEA has negotiated and supported fair and balanced adjustments in both 2010 and 2014. State pension system managers and actuaries told us those changes put the system on a long-term path to full balance in 2038.

### 3) What went wrong? A thorough examination of system performance should come first.

Teachers have made all their payments. For the Legislature and teachers to face new demands to pay more to get less means something went wrong with the state's management of the system and the advice and recommendations of so-called experts who advised the state.

In order to buttress VSTRS and ensure its long-term viability for the financial security of our members in their retirement, Vermont-NEA is committed to asking tough questions.

Do we trust the unelected Wall Street analysts that are suddenly reducing their earnings predictions at a time when the stock market is soaring? The majority of the newly estimated

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long-term balance deficit comes from a 0.5% reduction in their earning predictions. Why are teachers being pressured to endorse paying more to get less because unelected Wall Street analysts suddenly change the estimates their crystal ball provided just last year? In other words, the state and teachers accepted actuarial recommendations that proved to be wrong, and the same actuaries are now saying the state and teachers need to pay more to make amends for those mistakes. Tough questions need to be asked.

Plus, the demographics problem, which accounts for the second largest source of the Wall Street analysts' supposedly new pressures, should be examined.

## **4) Slow down. Be creative.**

State revenues are so high right now that the Governor's proposed budget fully funds the State's FY22 pension payments and still has \$210 million to spend on special initiatives.

Over \$5 billion in federal money has come to Vermont this year, with more on the horizon.

Is it fair to have educators—the majority of whom are middle-class working women—pay more and get less while the wealthiest citizens are not paying their fair share?

What creative solutions can help? So far, it's been all about teachers paying more to get less.

## **5) Pensions are about retirement security. No COLA cuts.**

Teachers have always contributed to their pension. The current proposals offer nothing to teachers. In that vein, we oppose the elimination of Cost-of-Living Adjustments. Retired teachers face inflation, like everyone else.

Teachers are not willing to sacrifice their future because of actuaries' mistakes.

*In mid-November, Treasurer Pearce informed Vermont-NEA of problems the state's actuaries said required adjustments to the plan. Over the course of the next month and a half, multiple meetings occurred, including a meeting in early December with Treasurer Pearce and the Vermont-NEA Board of Directors, and in early January a virtual Town Hall with almost 1,000 Vermont-NEA teacher members and the Treasurer. No agreement was reached about how to respond to the actuaries' identified problems. Asking teachers to pay more now and receive even less in retirement is unacceptable at any time and most especially during a pandemic.*