I am Perry Lessing. I live in Weybridge where I am a recently retired teacher. I spent the last 19 years of my career in the math department at Middlebury Union High School and until last spring I was on the VSTRS board. Thank you for holding this hearing and thank you for letting me speak.

I'd like to very briefly touch on two topics: the normal cost of the teacher retirement system and the proposal to limit the pension cost of living adjustment.

As you know, there are two reasons the state sends money each year to the pension system: One is to cover pensions for teachers who are working now and will retire sometime in the future. This is the normal cost of the system, simply the amount that would need to be added if the fund were up to date. The other is to partially pay down the unfunded liabilities created in past years when the state chose to underpay its part of the normal cost in those years.

In round numbers the 2019-2020 normal cost for teacher pensions was $42 million and of that teachers paid $35 million, leaving about one-sixth, $7 million dollars, for the state contribution. That breakdown is typical of the normal cost for years I was on the board and following the numbers. Teachers paying five dollars into the system for every one dollar contributed by the state.

The proposals currently on the table will both lower the normal cost and increase the teacher contribution making it so that teacher contributions to the system will exceed the normal cost. Once that happens today's teachers will not only be paying the full cost of their future pensions they will also be taking on part of the state's past unmet responsibilities. In effect, that would create a special tax on the incomes of current school teachers; a tax no one else in the state is asked to pay.

Cost of living adjustments to teacher pensions are currently throttled to one half the inflation rate and the current proposal is to end them entirely. The reduction to half the inflation rate, or a further reduction to zero cannot save the system very much and it certainly hurts a few vulnerable retirees quite a lot. Each new retiree has their initial pension amount set by their average final pay. Since that amount is not directly related to the consumer price index, the cost of pensions to the system is constantly updated as teachers newly retire. Halving or eliminating the cost-of-living adjustment doesn't amount to much for the first years a person is retired. Only once those reductions have compounded for a while do they begin to add up. That means the people most affected are those who have been retired for the longest time. These people typically have low pensions already since their average final compensation was calculated many years earlier and having been retired for many years, they have presumably used much of their savings. They are the people least able to afford an eroded pension.

We justly place great value in our defined benefit retirement system. The proposals to have current teachers pay more than the full normal cost of the system while also ending pension cost of living adjustments would newly define that benefit with a value that is ever diminishing. Please respect Governor Scott's recommendation to fully fund the annual contribution to the teacher pension system.