

Sunday, March 28, 2021

Dear Vermont House Government Operations Committee:

I was a member of the VSERS board of trustees for over 8 years until I retired in 2017. I am currently an alternate member of the Vermont Pension Investment Committee-since 2014 and have attended meetings since 2011. I am an accredited pension fiduciary and have attended hundreds of hours of education and training over my years of service on both boards.

I have been following your committee's current Pension reform deliberations. I appreciate all of the hard work you have put in to debate this important and complex issue.

I would like to comment on your **Governance proposal**. I would like to make it clear that I am testifying only on behalf of myself.

I am opposed to the current proposal. My question for the committee-Is this being proposed to punish VPIC for past performance or to improve future results?

While it is important to understand how we got here I think it would be a mistake to put all the blame on the VPIC and attempt to fix it by throwing out the governance structure. In my opinion, there were many factors unrelated to governance that got us to this point.

Your proposal will not help us move forward.

- The VPIC currently has extensive financial expertise among its board, staff, and professional consultants. VPIC is following best practices.
- **In my opinion adding more financial expertise will not help us make better or more informed decisions.** The committee has offered no evidence to support these conclusions.
- **The New Hampshire model is deeply flawed.** In fact, their system is in worse shape than ours with over 6 billion in unfunded liabilities, worse returns for the last 1,3, and 5 years and they are only 61 percent funded.
- The proposal gives the Governor control over 6 appointees, the treasurer 4, the legislature 2, and members of the systems 3. **This is a political power grab which leaves members effectively unrepresented and violates best practices. And it makes the VPIC considerably less effective. We have the right balance now.**
- In my experience the best questions often come from the **members of the three systems** who have the longevity, commitment and experience.
- VPIC requires an extensive time commitment. **Governor's appointees have not always added value to VPIC and it should not be assumed that simply appointing MORE of them with a financial background will help us improve.**
They usually have other jobs and are quite often unable to put in the time. While some have added great value, others don't have the right alignment of skills, or don't stay on the board long enough to acquire the background needed.
- **Governors appointees are political appointments which can lead to problems.**
Unfortunately, one of the best ones we have ever had, Vaughn Altemus, was recently not reappointed. His performance on the board was exceptional and he was great loss to VPIC. No explanation was given so one can only surmise it was a political decision.
I say this not to argue against the current system or to say that the governor shouldn't

*have a couple seats, but to illustrate my point that with such a steep learning curve longevity and commitment are the most important attributes. **We don't need 4 more governor's appointees.***

- A 15 member board is unworkable
- The treasurer should not be given any additional control over VSERS appointees. Again this is a political move which violates best practice.
- The treasurer should not be the chair of VPIC. Again this injects politics and violates best practice. The chair should remain as currently constituted, selected by and working for the board.
- **The primary cause of our current unfunded liability crisis is still the Great Recession of 2007-2009. It will take a long time to recover from that. The Great Recession took down virtually every pension plan in the country, no matter how they were governed. It was not foreseen by financial experts. I fail to see how adding more financial experts would prevent events such as this.**

We should always strive to improve VPIC and the three boards. There are areas of improvements which could be made, such as separating VPIC from the treasurer's office, giving VPIC it's own budget and thoughtfully adding more legislative oversight. I would urge the committee to REJECT the current proposal and instead allow the VPIC to move forward with Governance study as we have recently voted to do.

Thank You.

Jeff Briggs