

Working Vermonters' Caucus Pension Proposal

Retirement Fund Task Force:

Create a task force to meet over the rest of 2021 to hold more public hearings and meetings over the summer and to come back with a pensions proposal in October 2021 for legislative action in 2022.

Membership: Divided equally between workers, management, and state officials- VSEA, NEA, VTA, Professional Firefighters of Vermont, AFL-CIO, AFSCME, IBEW local 300, Treasurer, all members of both House and Senate Government Operations Committee, Governor, Judiciary, Vermont League of Cities and Towns, Vermont School Board Association, VPIC, with the actuary

Powers and Duties:

Evaluate the current VPIC model and if this is the best practice or what changes need to be made to pension

Evaluate the governance model, in general

Evaluate structure of current plans and ways to improve performance

Evaluate the management of the pension funds

Explore long term viability of the pension funds

Identify and advise on long term possibilities for dedicated funding streams

Review various short term possible revenue streams to pay off debt/liability and set us up for success

Consider impact of retirement benefits on workforce development, including recruitment and retention

Assess impact of pensions on the other areas of the state budget and the state's economy

Explore long term transition to a public retirement system so that all workers can buy into pension plans

Resource for ideas:

<https://www.bankoflabor.com/community-investments/>

Audit/Evaluation:

Conduct an independent evaluation of the pension fund's performance and management, using an expert analyst contracted through the auditor's office. The evaluation will identify reasons for the fund's performance and independently ascertain and certify the performance, valuation, and fees of alternative investment managers like private equity, real estate, hedge funds, and commodities going back to 2011, with specific emphasis on the last 5 years given the changes. Identify alternate and potential investment strategies to improve/stabilize performance and to consider pro-labor investments. Report due in October 2021.

Transparency:

Enact legislation, as California and other states have done, requiring annual disclosures of 1) the fees and expenses the public investment fund pays to each alternative investment vehicle, fund manager, or related parties and 2) the gross and net rate of return of each alternative investment vehicle, since inception, in which the public investment fund participates, as reviewed and certified by a Certified Public Accountant who has been able to review valuation and cash flow reports of the underlying fund.

See <https://codes.findlaw.com/ca/government-code/gov-sect-7514-7.html> for model legislation.

Revenue:

If we need to raise extra money after the COVID money is gone, we can consider a surcharge on high income earners for a set amount of time to recapture a portion of the 2017 Tax Cuts to raise extra revenue to help us to meet our obligations, instead of putting it all on the backs of workers. Some preliminary numbers from JFO on the fiscal impact of a surcharge on income tax should be considered:

- 1.5% on incomes over \$300,000= \$30-40 million per year
- 3% on incomes over \$300,000= \$60-70 million per year
- 3% on income above \$500,000 = \$40-50 million per year
- 6% on income above \$500,000 = \$70-90 million per year

Additionally, in recognition of the importance of addressing long-term liabilities, this proposal calls for the state to dedicate a total of at least \$150 million (as currently appropriated) above the ADEC amounts for paying down the state's 4 major retirement liabilities.

Supporters from the Working Vermonters' Caucus:

- | | |
|---------------------------|----------------------------|
| Rep. Brian Cina, co-chair | Rep. Mary Howard, co-chair |
| Rep. Mollie Burke | Rep. Elizabeth Burrows |
| Rep. Selene Colburn | Rep. Mari Cordes |
| Sen. Cheryl Hooker | Rep. Bob Hooper |
| Rep. Jay Hooper | Rep. Logan Nicoll |
| Rep. Emma Mulvaney-Stanak | Sen. Anthony Pollina |
| Sen. Keshia Ram | Rep. Larry Satcowitz |
| Rep. Taylor Small | Rep. Heather Surprenant |
| Rep. Avram Patt | Sen. Christopher Pearson |
| Rep. Tanya Vyhovsky | Rep. Mike Yantachka |

AFT- American Federation of Teachers
New England Police Benevolent Association
Rights and Democracy VT
Vermont AFL-CIO
Vermont NEA