

Memorandum

TO: House Government Operations Committee
FROM: Jeff Fannon, Executive Director
DATE: March 26, 2021
RE: Initial Pension Proposal of the Chair and Vice Chair

I am here today to speak about the “Initial Pension Proposal of [the] Chair and Vice Chair” released Wednesday. In the simplest terms, the proposal requires teachers to pay more, work longer, and get less in retirement.

This proposal is even more severe than the Treasurer’s January proposal that she herself described as “extreme.” In raw terms, the Treasurer’s proposal asked teachers to shoulder an additional \$250 million in new taxes or fees and this proposal goes even further adding an additional \$58 million thereby asking teachers to shoulder a total of \$309 million in new tax burdens. They are shocked and, frankly, angry. At a time when the state is awash in federal money, and the Governor’s budget proposes to pay the entirety of this year’s ADEC, my members are asking why us why now, and with good reason. Instead of asking what went wrong the proposal puts the entire burden on teachers. That is unacceptable.

The federal stimulus money is boosting the state’s economy dramatically right now. State revenues are up and we should use these new dollars creatively to figure this out without taking money out of teachers’ paychecks. Doing now what is proposed is an insult to the hard-working teachers of the state. AND, it is unnecessary given the boost from the feds.

We agree that the long-term health and viability of the retirement system is a top priority. Indeed, 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 funding by 2038. Thoughtfully and expertly examining what happened must be part of any solution.

I am very concerned that teachers are reacting rationally to this proposal and may leave the profession at a time when we need them more than ever. As we begin to open our society and return to some sense of normalcy, including reopening schools fully, we are becoming more aware than ever of the pressing needs of our students. Driving teachers out because they don’t see hope in their retirement plan, is the absolutely wrong message to send the teachers of Vermont. Many schools in Vermont are already having a hard time attracting fully qualified licensed teachers and this will make that problem even worse. Make no mistake, making these proposed cuts will economically harm teachers now and in the future, and they are beginning to ask us about how this proposal affects them and how can they avoid this proposal, including leaving the profession.

If teachers leave as I am starting to hear, or even if those who are very close to retirement and at the top of the salary schedule have an incentive to stay, that will have an effect on the education fund that, so far, has not been examined. In other words, the Treasurer correctly noted that policy decisions in the education arena do have effects on retirement issues, and conversely, this proposal will do something to the education fund and the teaching workforce in our schools that must be examined so that we don't simply try to solve one problem only to have another problem crop-up elsewhere.

The proposal only asks teachers, and state employees, to work longer, pay more now, and get less in retirement. If we truly are all in this together, we believe the wealthiest among us, who did marvelously in the stock market last year, should be asked to pay their fair share.

Finally, and because I represent teachers including math teachers, we think we noticed a mathematical error in the proposal. The "Employee Risk Sharing Contribution" tax seems inaccurate:

.50 percent of \$60,000 would be \$300, not \$200

.75 percent of \$80,000 would be \$600, not \$350

1.25 percent of \$100,000 would be \$1,250, not \$550.

Instead, if there is a cap on this tax, that isn't clear on this page, and that should be clarified.

The time we now have should be put to good use to answer questions about the actuarial changes, the rate of return adjustments, and explore equitable solutions. Now is not the time to ask teachers to shoulder even more of the burden when they are already carrying much of the pandemic burden. Frankly, it is unfair.

Thank you, and I'm happy to answer any questions.