

November 3, 2021

Written testimony to Pension Task Force via testimony@leg.state.vt.us

Hello,

I spoke at the public hearing November 1st. The script I used to meet the two-minute limit is below the long line below. I tend to talk fast but not normally that fast! A few additional comments and context I didn't have time to address are directly below. Thank you for your interest in everyone's comments and offering multiple methods for feedback.

Amy Galford

Five years ago, I moved from a better-paying university job in another state to a more secure Vermont state government job. The pension was not the primary factor in my decision, but it was part of my overall decision to trade higher income for better economic stability. I expect to retire in about 20 more years in my late 60s; if so, according to the Group F* formula, my pension will be about 42% of my AFC, plus I'll have Social Security and a retirement account from prior employment. Having a predictable pension is attractive to me and other employees as a component with Social Security and other investments.

When I referred to proposing straightforward changes in my remarks, I was thinking of changes that do not rely on too many complex assumptions about what behavioral choices people will make in order to have the desired financial impact on the plan, and changes that will not require hiring more state staff or consultants to implement.

In the interim report and last legislature's discussions, there are tables and graphs with very precise looking numbers in them. Remember that there are invisible error bars around most or all of those; some options are more certain or relevant than others.

Hello, Amy Galford. State employee for five years regulating drinking water systems. I live in Barre City.

Given the updated demographic and investment assumptions, corrections must happen.

In January, immediately get one-time contributions into our pension system.

Propose a few straightforward changes that do the least harm to the lowest paid employees and will be easy to evaluate in several years under increased oversight.

Fix the pension liability first, and that will free up money to fix OPEB later. Health care is too tied to state and federal policy and technology changes to make long-term predictions.

Raising employee contribution rates to pay for more of the normal cost for a longer lifetime pension makes intuitive sense. Consider slight increases in contributions with a progressive structure.

Before raising Group F contributions, group cross-subsidization must be corrected. Lower paid employees who have to work longer are subsidizing others whose pension benefits are more generous in several ways. As you discussed, this is also a matter of fairness across state departments and various salary funding sources.

“Close to retirement” needs to be defined and justified. Given nearly 20% of state employees are soon eligible for retirement, you are putting the burden of any increased contributions and benefit cuts on the other 80%. Would you really set up a difference between those 5 years versus 5 years and 3 months away from retirement? Changes can be phased in; those two months from retirement could pay increased contributions for two months while others like me will pay for decades.

Chart 8a of the interim report shows that recent COLA experience reduced the unfunded liability.

Eliminating COLA or using option F1 are unacceptable. Setting a series of COLA thresholds might be acceptable but they must track the median state pension benefit or the CPI. Make the COLA floor zero.

As a taxpayer and pension member, I’m already paying for the market losses in the Vermont Pension system that happened 7 years before I moved here. Risk sharing in contributions would make my current income variable. Risk sharing via COLA cuts would cut my pension after my other investments have been impacted and with odd time lags. Why would it be OK for my benefits to fluctuate according to the market when I’m retired and can’t change my investments? This task force is not working on investment policy; it also should not be creating benefit cuts tied to investment performance. If you are going to go from a pension to risk sharing, I want an option to get my money out of the system to balance risk and stability for my portfolio.

In your final report, you should present the impact your proposal will have on someone earning 25th percentile, median, and 75th percentile salary, by several ages and length of service combinations.