

To: Pension Task Force
From: Margaret York, state employee
Date: November 1, 2021
Re: State employee pensions

I'm a 22-year employee of the state of Vermont, working for the Department of Motor Vehicles; I live in Essex Junction and work in the S Burlington DMV office.

While I have considered moving to employment in the private sector over the years, a deciding factor to stay with the state has been the benefit of a state pension. I believe it is an attractive benefit that draws people to state employment. To cut it would have a devastating impact on current employees and feel like a kick in the teeth at a time when we are doing extraordinary work to serve customers during the pandemic. The pension fund would benefit instead from additional revenue from new sources, such as wealthier Vermonters.

November 1, 2021

Vermont Legislatures,

I've decided to provide brief written testimony to voice my opinion and concern on the importance of maintaining and recruiting a valuable workforce for Vermont and its citizens. Vermont is simply a beautiful place to raise children, work and reside. Unfortunately, it's becoming increasingly difficult to financially survive and succeed in Vermont due to increased taxes, home pricing and lack of sufficient job opportunities for current Vermonters, their children and others who wish to relocate here.

A change in benefits to current employees, their families and prospective applicants from other regions of the country will drastically diminish those employees who will ultimately decide to stay and others who will decide to come. It's already extremely difficult to recruit and retain the employees we do have, Altering the current system will simply solidify those struggles and lead to additional ones.

The state is on the verge of losing a young generation of employees and what they have to offer to our communities. I urge you to consider the magnitude of your potential decision.

Respectfully,

Thomas A. Mozzer

VSEA member/ state employee since 2000.

Monday, November 1, 2021 Dear Vermont Pension Benefits, Design, and Funding Task Force: My name is Jeff Briggs and I would like to thank you for allowing me to provide written testimony to the Task Force. **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 Commission-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 task forces's current Pension deliberations. I appreciate all of the hard work you have put in to debate this important and complex issue. I have read and would like to comment on your **Interim Report**. I would like to make it clear that I am testifying only on behalf of myself.

Comments • *Unfortunately the Task Force has adopted the use of the term "Unfunded Liabilities" This term unnecessarily frames the issue as a crisis and is a politically driven term. **What this issue is really about is WHAT IS THE APPROPRIATE LEVEL OF PREFUNDING for our public pension systems? Pensions are a direct investment in the Vermont economy and should be looked at the same as other public investments. Even under current scenarios, our state employee and teacher pensions are robustly prefunded compared to other major public investments.*** • There is an important research paper from the Brookings Institution that I don't believe the task force has seen, which helps to frame this as a **Prefunding** Issue. Every member of your task force should read it before making your final report. • The paper I refer to is: **The Sustainability of State and Local Government Pensions: A Public Finance Approach-BPEA Conference Drafts, March 25, 2021 -Jamie Lenney, Bank of England, Byron Lutz, Federal Reserve Board of Governors ,Finn Schüle, Brown University, Louise Sheiner, Brookings Institution** https://www.brookings.edu/wp-content/uploads/2021/03/BPEASP21_Lenney-et-al_conf-draft_updated_3.24.21.pdf • My experience over the last couple decades mirrors that in the paper I refer you to-pension prefunding wasn't a political issue, and was not used as a political issue to reduce benefits. Now thanks to a politically driven campaign to reduce public employees benefits-all of a sudden it is a crisis if our pension systems are not 100 percent prefunded. My question to you is **WHY? Why is 100 percent prefunding now the standard? We don't do this for other major public investments (education for example).**

• The research paper makes clear "Over roughly the last 30 years, plans have not been fully pre-funded other than a brief period during the height of the dot-com stock market bubble; on average they have been 83 percent pre-funded"... "Over roughly the last 15 years, state and local pension plans have never exceeded 67 percent pre-funding and averaged 55 percent pre-funding. Looking back further, as recently as 1978: 1 in 6 pension plans did not prefund to any degree, only 20 to 30 percent of plans were making sufficient contributions to prevent their unfunded liabilities from growing, and a quarter of local plans did not employ actuarial valuations and therefore could not even assess their funding level (United States: Congress 1978). Thus, in aggregate, these plans have always operated well short of full prefunding. Moreover, the heavy emphasis on full prefunding in discussions of state and local pensions is a relatively recent development. As recently as 2008, many analysts considered a funding ratio of 80 percent to be "sound" practice" The paper goes on to make the point that in a low interest rate environment there is no need or advantage to overly emphasizing prefunding. • **Your task force heard testimony on Oct 6 from Hank H. Kim Executive Director and Counsel National Conference on Public Employee Retirement Systems I couldn't agree more with Mr. Kim when he says "It is our**

view that it's incorrect to focus the debate over the health of public pensions on funding levels. We believe that asking "Is the pension 100% funded?" is the wrong question. The reality is that money is still coming into public pensions in the form of employee and employer contributions and earnings on investments. Considering public pensions to be faulty if they could not pay out every single dollar today is a distortion of the long-term nature of pension investing. It's like declaring nearly every American homeowner broke because they couldn't pay off their entire mortgage • Mr. Kim also goes on to state "One practice that can be helpful to pension funds is to conduct a "sustainability valuation" on an ongoing basis. Sustainability valuation is novel and original idea developed by NCPERS. **Sustainability valuation should be one of the key recommendations your task force makes.** • **I would like to make the following observations from direct experience**

1. Almost all of the numbers we are talking about in any discussion of future pension revenues and benefits are **Long Term Projections which are statistically unreliable. A case in point is the assumed rate of return, which as everyone knows is the main driver of our future prefunding status. I was directly involved in the discussions by the VPIC to lower the number to 7, which I thought was too low and was the result of too much short term focus. Sure enough in our most recent fiscal year we have posted a return greatly exceeding 7 percent and we are on track to likely greatly exceed it again this year. If we were to raise the assumed rate of return in response to our recent experience the plan's future prefunded level would look quite good and the perceived need for reform would be greatly diminished. It's an unreliable projection which is best used in conjunction with other metrics to guide our short term asset allocation discussions but should be looked at with a high degree of skepticism in making long term plan design changes.**
2. **Please don't mix prefunding of retiree health care in with pension prefunding in this discussion. Health care is a whole separate issue from pensions.**
3. **Pensions should be looked at as a major investment in the Vermont economy. I would hope this would be a major focus of your report as called for you to do in section (I). My question- Why is a taxpayer dollar invested in business loans looked at as an investment but a taxpayer dollar invested on our pensions is looked at as a liability?**
4. **For a long time there has been extensive cross subsidization in the VSERS plans between groups. Plan F has always borne the brunt of this for then other groups. Please remedy this in any recommendations you make.**
5. **Vermont has the capacity to raise revenue from the upper income taxpayers who have made out very well through the pandemic and this should be a recommendation from your task force. Wealth inequity in Vermont is increasing. I was around when Governor Snelling recognized this and added an income tax surcharge on the wealthy. There is no reason to reduce benefits in our pension system when such wealth inequity exists.**
6. **There may be a case for raising the retirement age because our beneficiaries are living longer but the commission should look carefully at the impact of the pandemic It may have changed.**
7. **Any employee contribution increases should be income sensitive.**

In summary I would like to ask that the task force move slowly in any changes you recommend. **This is not a crisis.** It is a discussion on how much we need to **Prefund** our pensions. You must always remember that it is based on notoriously unreliable projections about the future. So please, be very cautious about rushing to make changes which will have long lasting real impacts on our state employees and teachers. Any changes will have significant impacts on the Vermont economy and will raise issues of intergenerational equity, as well as issues of wealth inequity. Thank you for allowing me to provide input. *Sincerely Jeff Briggs*

From: Nora Skolnick
Sent: Monday, November 1, 2021 5:48 PM
To: Testimony <testimony@leg.state.vt.us>
Subject: Pension system

Thank you,

Nora Skolnick

Thank you for allowing me time to speak today. While I understand that our pension system is underfunded, the solution to righting this **must not** be on the backs of those who have been putting in their fair share to the system and frankly, can afford it the least.

This is a time that teachers are leaving education in droves. We have gone above and beyond during the pandemic. It is beyond my comprehension how anyone who might be interested in education as a profession can afford to stay in the profession unless they are independently wealthy. This is not the way to attract and keep high quality professionals.

This year is, if anything, even more challenging than the past two. Student needs are higher than ever before - emotionally, socially and academically. They are not able to access learning unless we can meet these other needs. At the same time, our benefits are constantly under threat of being reduced - by significant amounts. We have one of the worse pension systems in the nation.

The legislature has ignored the financial problems and mismanaged our money for nearly twenty years. The solutions should not penalize those who have kept their side of the agreement. It is time to use the money that the federal government has given the state AND to tax those who are able to afford it - the wealthiest 1%. By making up the funds short term with federal money, and sustaining the financial pool

with a tax on those earning over \$500,000 a year, there will be no shortfall.

I don't know a single teacher who went into this profession looking to get rich. We know from the beginning that there will be long hours, sleepless nights, and that the rewards are mostly intangible - a grateful smile from a student, the excitement in class during a light bulb moment. One thing we thought we could expect was if we saved some on our own, and contributed to the retirement system we would be okay financially once we retired. Stop jeopardizing our future and the future of our state and nation.

I have taught in Vermont for over 25 years. During that time I have seen my benefits being constantly chipped away. I remember the last time a "deal" was made to solve the financial problems with the pension system on the backs of teachers. Our backs cannot hold up any longer - we need a long term solution that is sustainable.

Thank you - Nora Skolnick
Teacher at Randolph Elementary School
Resident of Braintree, VT

From: Jennifer Zoller <jen.zoller@gmail.com>

Sent: Monday, November 1, 2021 6:30 PM

To: Testimony <testimony@leg.state.vt.us>

Subject: Task Force on the Implementation of the Pension Benefits, Design, and Funding Public Hearing 11/1/21 - Jennifer Zoller Testimony

my name is Jennifer Zoller. I live in Burlington and have worked for the Health Department for over 5 years, 14 months of which included deployment to COVID-19 response performing contact tracing.

We have been stretched so thin during this emergency, that many of us are beyond burned out. Adding to our burden has been the impact of these pension cut discussions. Since Beth Pearce released her recommendations, we have seen a vacancy rate that is DOUBLE our normal average. Not only did we see a mass exodus of people nearing retirement, but we have also lost countless young professionals who, like myself, hold advanced degrees and have a full career ahead of us.

These discussions themselves have done a tremendous amount of damage to the current and future workforce of the State, not to mention the capacity and quality of the services we provide to Vermonters. We have seen twice as many people leave, and we are just talking about cuts - what will happen if they come to be? How much more are you prepared to lose?

For many like me, it could mean the end of our public service. Public workers often have salaries below industry standards in our fields and with the cost of living being so high in the state, many simply cannot afford to serve their communities if we are expected to give more, work longer and get less than what we have planned. For a state that says it is committed to increasing the size and quality of its workforce, these cuts are shameful.

The state needs to address the pension system's needs using new, dedicated revenue and not on the backs of state workers and educators. I know some say that this new funding would be needed for work elsewhere, but let me ask you this - who is going to do that work?

Thank you for your time.

Jen Zoller

She/Her(s)

November 1, 2021

Good Evening,

My name is Eric Dickson, and I am a Vocational Associate I at Vocational Rehabilitation, a Division of DAHL under the Agency of Human Services. I reside in Springfield, VT with my spouse and children. I have just completed my first 6 months of work and I absolutely love it. I wanted to send this email testimony, because my retirement benefits are incredibly important to me and my family. A significant part of the reason I accepted my position with the State of Vermont is because of the highly regarded pension program and benefits – that I was told would take care of me and my family now and through my retirement. I even accepted this position, though I had a more competitive offer from another organization, solely based on the pension program. When I heard there were talks of cutting or reconfiguring the pension, I became scared. Scared for me, for my family and our future. Would I need to leave a job I love just so I can ensure stability when it comes time for me to retire? Will this mean that I will be a burden on my family because I don't have the means to support myself in retirement?

There are some important things to consider. First, the pension program is the best recruitment you have to prospective employees across all branches of state government. Losing or even cutting any of the pension program would be devastating to recruitment efforts, leaving vacancies in critical positions and resulting in a limited ability to serve Vermonters – which is our duty and charge. With lower staffing levels, retention will become a prominent problem, as employees will leave when burdened with carrying additional workloads, and further diminish any positive morale employees may have about their work and the state for which they work.

It's critical that instead of cutting, we bolster the pension program with new and innovative revenue streams (Nicotine tax, Recreational Marijuana tax, etc.), or else we may find ourselves again in a position of trying to save pensions that thousands of Vermont employees rely on when they eventually retire. Any cuts to this program will illustrate to Vermonters and the larger public, that the State of Vermont as an employer breaks its' promises to past and current employees. Please be on the side of what is right. Please think of our and our families' futures. Please put the blood, sweat, tears and hours lost working to support Vermonters ahead of political agendas. Please follow through on your promises.

Respectfully,



Eric S. Dickson

From: Donna Jacob <vttoad05452@yahoo.com>
Sent: Monday, November 1, 2021 6:43 PM
To: Testimony <testimony@leg.state.vt.us>
Subject: State pension crisis comments

Good evening,

I've been a state employee for over 36 years. And like the woman Julie who testified this evening, I based my employment decisions on a promise made to me 36 years ago. A promise that when it came time for me to retire, I would receive those benefits that were put into print at that time.

Over the course of those 36 years, I have been proud enough and happy enough in my job to suggest state employment to many others, including my own daughter.

Never at any time during the process of my employment did I foresee being in the position that I am now, 60 years old, still loving my job and really not ready to leave it, and fearing that if I don't retire tomorrow or the next day, I might not receive the benefits that I've been promised for all of those years.

I would like to point out something to the man who spoke up as a taxpayer and described the gutting of the retirement system in the public sector and the changes from DB to DC plans. I have seen firsthand how this is happened to friends and family throughout the years. They never had a choice or a voice in those cuts. And some were laid off with less than 2 months to go before retirement, left with nothing to show for 29 years 10 months. Frankly, those stories are too frequent, and beyond horrific. But I have to tell you that the one reason I pay my union dues is to protect me from changes of which I have no control. Changes for which no one asks our opinion. Changes that happen haphazardly when no one has a union to fight for them.

I would like to think that every man and woman on this panel has my best interest at heart. But somehow I remain critically concerned.

The causes of this crisis are clear. Please act in good faith to correct it, and don't balance it on the backs of state employees and teachers. Particularly those that have given a lifetime of service to the citizens of Vermont.

Best,
Donna Jacob
Vermont Department of Health

Sent from DJ's iPhone

My name is Carla Frappier. I have worked for the State of Vermont for 12 years, all of which have been with the Department of Labor. From the start of the Pandemic, we have worked constantly and tirelessly to aid Vermonters during this time of worry, and fear. The help we supplied depended on the knowledge base of our staff and their experience. The retirement plan we currently have is one method of insuring that we continue to supply the support needed by our constituents. If you take away this benefit, it will hurt the people of the state immensely during times of disaster and economic downturns. I am only providing an example-based n my experience, but I consider my experience immense as I have personally seen my coworkers step up and work to provide Vermonters with the financial safety when they need it.

Hello,

My name is William Wells. I work for Economic Services Division in the Burlington District office. I've been a state employee since 2009.

One of the main reasons I decided to work for the State of Vermont was the benefit package of a defined benefit pension and decent healthcare.

I believe if the legislature cuts/guts our pension system it will be very difficult to attract and retain quality workers in state government. Many of my coworkers have told me that they will be leaving state employment if their retirement package is cut.

The legislature should be looking to raise revenue to fully fund our pension system, and not cut our meager pension benefit.

Thank you,

William Wells

South Burlington VT

Good morning,

I am a COI at SSCF. I could talk about all the stress, pressure and loss of family time we undergo but I'm sure many others will address that. I would like to address a fair pension. A normal VT employee does not work overtime. In 30 years at 40 hours a week a normal employee works 62400 hours to earn their retirement. Front line corrections at this point run between 50 and 60 hours a week. so if we average that out in 22 years we will reach the same number of hours as a 30 year employee not working overtime. If you do not feel that it is fair to give us a 20 year retirement due to the toxic environment we work in everyday missed holidays and every weekend that normal state employees enjoy then how about we just get to retire when we hit 62400 hours of work like every other state employee is entitled to after 30 years of work? Thanks for your time

Gabriel Nelson