The members of the VSEA believe strongly in a healthy and sustainable Defined Benefit Pension Plan as a resource to ensure a secure retirement for public servants who have dedicated decades of service to the benefit of Vermonters.

It's important to recognize that 78% of retired state employees remain citizens of Vermont after leaving state service, investing their hard earned pensions in our local economies and supporting small businesses. On average, a state employee receives $20,100.00 annually in retirement.

Over the lifetime of the State Employees' Retirement System, state employees have been asked--and have almost always agreed--to sacrifice in order to sustain the defined benefit pension.

VSEA members share the goal of ensuring the stability of the pension fund in order to provide financial security to public employees in retirement, to incentivize current and future state employees to enter and to stay in state service, and to contribute positively to the Vermont economy and preserve the State of Vermont's fiscal position.

VSEA engaged collaboratively with the Treasurer during the process of developing her recommendations and is committed to continue the dialogue with her and with the members of the General Assembly to identify an equitable and sustainable solution.

More than 700 members of the VSEA weighed in during 14 informational meetings VSEA has conducted so far with members and retirees to seek input on the ideas being floated by the Treasurer. The VSEA is currently surveying VSEA's entire membership to gain a broader understanding of our members' views. It is clear from the conversations we have had to date that there are concerns with various aspects of the Treasurer's recommendations.

VSEA Members' Concerns

First, VSEA members are concerned that public services could be impaired by a significant increase in retirements by eligible state employees who hope to retire before any change is mandated. This concern comes at a time of great stress on state employees, and at a time when many of our agencies and departments are experiencing staffing crises. We call on the General Assembly to review the fiscal and programmatic impacts of a significant increase in retirements by some of the most experienced state employees.

Second, there is serious concern about the fairness of the Rule of 90, especially for those who are within 5 years or less of retirement. Many state employees have planned, invested and relied upon the promise of the current retirement statute to guide their decisions about their retirement. Some of the changes leave few or no options for those public servants to adjust their plan.

Third, state employees are willing to do their share to address the increase in annual funding to ensure retirement of this new increment of unfunded liability. We also strongly support a dedicated revenue source to provide sustainable funding to the Vermont State Employees' Retirement System. While funding changes are necessary to improve the fiscal position of the plan, we urge the General Assembly to consider sunset provisions for any changes that improve the plan's fiscal position. VSEA believes this can be structured in a way to not affect future actuarial valuations, and we look forward to continuing this dialogue with the Treasurer and General Assembly.

Fourth, Segal Consulting, the State's actuary, proposed a range of acceptable long-term, rate-of-return assumptions in the low 7's. The retirement boards adopted an assumption of 7%; the lowest and most conservative number in the range offered by the actuary. If the boards had settled on the mid-range assumption of 7.15%, the unfunded liability increase would have been $164 million and the Actuarial Determined Employee Contribution would have been $24 million. Both these numbers are quite a bit less than the numbers generated with a 7 percent assumption and significantly lower the scope of changes needed. It should be pointed out that in the actuary's report, the probability of hitting the 7.15 assumption is virtually identical to the 7, but picking the lower number has large impacts on the funding of members' future benefits. The members of the VSEA would ask the General Assembly to consider the incremental costs associated with adoption of the most conservative assumption when evaluating proposed changes to the funding or structure of Vermont State Employees Retirement System.

Fifth, state employees ask the General Assembly to review and understand the legal exposure to the State of Vermont that comes with making changes to the retirement benefits of vested state employees.

Finally, as the State of Vermont works to recover from the economic perils of the COVID-19 pandemic, VSEA would request that the General Assembly assess the economic impacts of the proposed changes to the VSERS system, as well as broader effects on the economy of the state.