



MEMORANDUM

TO: Senate Education Committee
 FROM: Jeff Fannon, Vermont-NEA Executive Director
 DATE: February 2, 2023
 RE: Pensions (teachers and support staff)

Thank you for inviting me to speak, very briefly, about pensions for Vermont educators, which are extremely important to school employees. These benefits are contributory, which means the state, the employer, and the employee contribute to the system.

There are two systems that cover Vermont’s education employees: Licensed teachers are participants in the Vermont State Teachers Retirement System (VSTRS), and public school employees (support staff) who are not licensed teachers and who work in a school district that elects to participate in the retirement system are participants in the Vermont Municipal Employees Retirement System (VMERS). A few facts are probably in order, all of which come from the Retirement Office within the Treasurer’s Office:

VSTRS		VMERS	
Active Teachers:	10,387	Active	8,059
Inactive	2,932	Inactive	3,997
Deferred	938	Deferred	1,048
Retired & Beneficiaries	10,295	Retired & Beneficiaries	4,149
Average annual Teacher Pension:	\$22,552	Avg. annual VMERS Pension:	\$11,244

As I mentioned above, employees contribute to their pension, and attached hereto is an explanation of the different rates teachers contribute towards their pension.

Other post employment benefits, a/k/a health care in retirement or “OPEBs,” are for those teachers who elect the coverage, and OPEBs for VMERS beneficiaries is an extremely modest monthly stipend if a pensioner has purchased their own separate health coverage.

Finally, the VSTRS system is mandatory for all public school teachers, and the licensed teachers in the four historic academies also participate in VSTRS but the unlicensed teachers in the historic academies do not participate in VSTRS.

THE UNION OF VERMONT EDUCATORS

Details for Progressive Teacher Contributions as Passed in S.286

Currently, teachers either pay 5 or 6 percent of their salary to the Vermont State Teachers Retirement System (VSTRS) based upon their date of hire with newer teachers paying 6 percent and more senior teachers paying 5 percent. Approximately half of teachers pay 5 percent and half pay 6 percent.

Given the current regressive contribution structure, one of the guiding principles of your Vermont-NEA Internal Pension Task Force, the group of approximately 20 fellow teachers that met weekly to support the work of Kate McCann, Molly Stoner, and Andrew Emrich, was to move to a **progressive structure for teacher contributions**. As S.286 moved through the legislative process, the progressive contribution structure was adjusted to ensure that it could be implemented by school business offices starting July 1, 2022. As agreed to by the Legislative Pension Task Force, and maintained in the final version of S.286, there is a three-year phase-in to the new rates. Additionally, there will be a study completed over the next year addressing implementation issues as we move to year three of the contribution phase-in.

In the 2022-23 and 2023-24 school years, the progressive rates will be an **eight banded flat progressive rate**. This means that depending on where your salary lands within the bands (Figure 1 and 2) you will pay the percentage rate below for your pension contribution to VSTRS.

Figure 1

Year 1	
Salary	Rate
\$0-40,000	6.00%
\$40,000-50,000	6.05%
\$50,000-60,000	6.10%
\$60,000-70,000	6.20%
\$70,000-80,000	6.25%
\$80,000-90,000	6.35%
\$90,000-100,000	6.50%
\$100,000+	6.65%

Figure 2

Year 2	
Salary	Rate
\$0-40,000	6.10%
\$40,000-50,000	6.15%
\$50,000-60,000	6.25%
\$60,000-70,000	6.35%
\$70,000-80,000	6.50%
\$80,000-90,000	6.75%
\$90,000-100,000	7.00%
\$100,000+	7.25%

Starting July 1, 2024, teacher contribution rates will transition to a **marginally applied progressive contribution rate**, as originally recommended by the Legislative Pension Task Force, where teachers will pay a blended effective rate towards their pension. This means a teacher will pay the percentage for each dollar earned in each bracket (Figure 3). The effective rate a teacher pays will be a combination of rates and unique to each VSTRS participant based upon their salary.

Figure 3

Year 3+	
Salary	+ % on Excess
\$0-40,000	6.25%
\$40,000-60,000	6.75%
\$60,000-80,000	7.50%
\$80,000-100,000	8.25%
\$100,000+	9.00%