
Rep. Scott Campbell *Vermont's Pension Problem*

State Treasurer Beth Pearce's report to the Legislature about the condition with the State's retirement pension system for our teachers and State employees arrived two weeks ago, and it's grim reading. It is also complicated.

Vermont has three pension systems, one for public school Teachers, one for State Employees, and one for Municipal Employees. The Municipal system is funded locally; Teachers and State Employees systems are the responsibility of the State. (In addition, Teachers and Employees receive Other Post-Employment Benefits (OPEBs), primarily health care — a separate but related obligation.)

State Employees include all who receive a State of Vermont paycheck, except "exempt" employees. Exempts include state-wide elected officials; agency and department heads, deputies, and executive assistants; and certain others. Members of the Legislature do not qualify for any pension system (though we can access a

pre-tax savings plan).

Teachers and Employees pension systems are Defined Benefit (DB), meaning the future benefit payout is calculated in advance and guaranteed; Teachers and Employees do make a fixed negotiated contribution from their paychecks, but the risk falls on the State to ensure funds are available when they retire. Exempts are eligible for an optional Defined Contribution (DC) plan, which means they may make a pre-tax contribution and the State will contribute a match; but the future benefit is not assured and the risk falls on the exempt employee.

Vermont's pension crisis has been building for decades, as have those in many other States. In 2007/08, close to having it under control, the Legislature enacted a plan to fully retire the deficit by 2038. But the total deficit started building faster due to the Great Recession, changing demograph-



ics, increased teacher turnover and retirement, investment return shortfalls, and general economic factors. Today and for the foreseeable future, even with more than \$100 million annually from the General Fund, we are falling further and further behind.

Treasurer Pearce's report includes recommendations for painful adjustments to rein in the runaway deficit, including reduction in Cost Of Living Adjustments (COLAs) and changes to the benefit calculation for future — not current — retirees. No one likes that, including her. But she also proposes maintaining a DB system instead of changing to DC, as the most advantageous not only to retirees but also to Vermont's economy, and most cost-effective for taxpayers. She also proposes paying down the deficit as much as possible this year with one-time Federal funds. Having observed her priorities, her diligence and in-

tegrity as Treasurer, I believe she is proposing what she feels is in the best interest of all — retirees, employees and taxpayers.

Still, the Treasurer's recommendations are just that. The Legislature ultimately must decide. I share the concerns I have heard from many teachers about the reduction of expected benefits. I also realize we must act to protect the system from even harsher adjustments. From my limited knowledge thus far, I think increases to employee contributions for current workers, and perhaps reduction in the calculated benefit for future retirees, would be fairer than reduced COLAs. I will be paying careful attention as the various committees take up this vital issue.

Write to me with your thoughts, scampbell@leg.state.vt.us, or join me during my weekly "office hour," Fridays from 4:00 to 5:00 PM on Zoom; see link at CampbellForVermont.com.

Rep. Scott Campbell serves St. Johnsbury in the Vermont House.