

## State underfunding teacher pensions

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By JOHN FLOWERS

VERGENNES -- Local lawmakers served notice on Monday that Medicaid is not the only state program that's bleeding red ink.

Speaking before a legislative luncheon crowd of more than 60 at Northlands Job Corps in Vergennes, lawmakers warned that the state is under-funding Vermont's Teachers' Pension Fund to the tune of more than \$20 million each year. It's a mounting shortfall that future generations of Vermonters are going to have to pay for, as more and more teachers wind up their careers in the public school system.

"It's something we're going to have to address down the road, or we're going to face a train wreck," said Sen. Harold Giard, D-Bridport, a member of the Senate Government Operations Committee.

"We are all concerned about it," said Rep. Greg Clark, R-Vergennes, who is a teacher at Mount Abraham Union High School and a member of the House Education Committee. "We've got to do something."

In a telephone interview on Monday, Vermont Treasurer Jeb Spaulding explained that pension benefits are essentially "IOUs" to employees that accumulate while they are working and that are cashed in at the time of retirement. The benefits, he said, are also a partnership, since employees make ongoing contributions with the expectation that the employer will also kick in its share.

The problem is, the state hasn't been kicking in its share to the teacher's retirement system -- at least the share recommended by an actuary who calculates the amount needed to make the fund solvent for future retirees.

Spaulding noted it has not been unusual for the state to under-fund the teachers' pension fund for a year or two, then make up the difference during prosperous years. But Spaulding noted a recent trend that has seen the state go from appropriating 98 percent of the recommended actuarial contribution five years ago to 43 percent of that threshold this year.

Gov. James Douglas -- also Spaulding's predecessor -- has recommended a state appropriation of \$24,446,282 for the teachers' pension fund for fiscal year 2006. The actuary has recommended almost \$50 million.

Spaulding explained the funding ratio the state relies on to calculate its contribution has not proven to be an accurate indicator of the true financial health of the pension fund. As a result, the state has been consistently under-funding its share, according to Spaulding.

He stressed that current retirees are not in jeopardy of seeing their benefits cut, as a result of the current under-funding. There is no such guarantee for future retirees, however, if the state does not boost its commitment, according to Spaulding.

There are currently around 18,000 active and retired public school teachers, Spaulding said.

"This may put us in a situation where our only option is to cut benefits, and that is not something I want to see," said Spaulding, a former state senator who served as chairman of the Senate Appropriations Committee.

"This cannot have a pleasant ending unless the Legislature takes the obligation seriously," Spaulding said.

Other issues discussed at Monday luncheon included:

- Ongoing efforts to expand healthcare benefits to more Vermonters. There are currently around 60,000 Vermonters who have no health care coverage and around 100,000 who have no drug benefits, according to Rep. Steve Maier, D-Middlebury, a member of the House Committee on Health Care.

- The potential impact of looming federal cuts described in President Bush's fiscal year 2006 budget. The budget would result in cuts to several programs, including heating fuel assistance and Lake Champlain clean up, according to U.S. Sen. Patrick Leahy, D-Vt.

"It's frightening what the federal government might cut," said Rep. Betty Nuovo, D-Middlebury, who suggested citizens voice their concerns to Vermont's congressional delegation.

- Farm legislation designed to make producers of genetically modified seeds more liable in circumstances where those products crossbreed nearby organic crops.

