



Vt. teachers fund first to stand against Bush reforms

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By Darren M. Allen, Vermont Press Bureau

MONTPELIER — The Vermont State Teachers' Retirement System Tuesday became the first public pension board in the country to take formal action against President Bush's proposed Social Security reforms.

The trustees of the largest of Vermont's three public pension boards, in a 4-2 vote, threw a roadblock in front of investment firms that favor the President's reform proposal. The vote will make it harder for those firms to be picked to manage the \$1.2 billion in assets in the state's teachers fund.

The two dissenting votes were cast by trustees appointed by Gov. James Douglas.

The Vermont teachers system will "carefully consider the activities and involvement of investment firms in efforts to promote privatization during the selection and retention process of such firms," according to the resolution adopted by the six trustees.

The resolution is the latest skirmish on the president's plans to divert a portion of Social Security's massive \$2 trillion trust fund and some of the billions of dollars in payroll taxes used to pay for it into personally directed, private accounts.

Bush's proposal has the limited support of Douglas, but it is opposed by all of the state's leading Democrats, including Treasurer Jeb Spaulding, who wants to see the teachers retirement board's vote repeated by the state's other two public retirement boards.

"It is entirely possible that this small pension fund could have an influence on the national debate over Social Security," Spaulding said. "As a defined benefit plan, Social Security is one leg of the stool of a healthy retirement. If you cut one of those legs off, it poses a risk to the plan's beneficiaries."

The teachers fund provides retirement benefits to about 3,400 former Vermont educators. It represents more than half of the nearly \$2.4 billion worth of assets in the state's three public funds.

The boards of the other two funds — representing state employees and municipal employees — have not yet considered a Social Security resolution, although Spaulding said he would encourage them to do so.

Jay Kaplan, the retirement board trustee who authored the resolution, said he believed privatizing any portion of Social Security could be detrimental to the state's teachers, and he did not want firms managing their retirement money to be aligned with that position.

"Until companies understand that it costs money to be bad actors, they will continue to be bad actors," Kaplan said.

While the Vermont teachers retirement board appears to be the first in the country to formally adopt a resolution making a potential investment manager's position on Social Security a factor, many public funds across America are beginning to put pressure on Wall Street.

According to the trade publication Pensions & Investments, at least two major investment houses have stopped supporting a group that favors partial privatization of Social Security. And, the newspaper reported in Monday's editions, three trustees of the \$35.3 billion New York City Employees Retirement System wrote to major investment firms seeking their position on Social Security privatization.

For Spaulding, endorsing Tuesday's vote is part of a longer move to more activism in the management of the state's retirement boards.

The treasurer for more than a year has been seeking to make the firms managing the state's retirement dollars responsive to Vermont's opinions on a range of matters, from corporate governance to investment in pharmaceutical stocks.

As in his previous efforts, the treasurer insisted Tuesday that decisions to hire or fire firms based on their stance on Social Security would be made only after considering all other factors.

"We are going to make sure that we make as much money and save as much money as we can," Spaulding said. "But this does not have to be an either-or situation. We can manage good corporate behaviors, and find firms that will help us we look to leverage additional benefits."

The governor, according to a spokesman, does not formally have a position on the resolution, although his two appointees voted against it.

The governor, while in Washington, D.C., earlier this month, offered his strongest support to date of the president's plan to divert some Social Security money to personal accounts.

Although not a stranger to using the state's pension boards to make political statements — when he was state treasurer, Douglas endorsed moves to divest from tobacco stocks — he took no position on Tuesday's vote.

"The governor would be looking for the best pension manager who has the strongest investment track record and who can provide the best return for the beneficiaries," said Neale Lunderville, secretary of Civil and Military Affairs.