

September 15, 2008

## **State treasurer: Pensions are in 'no danger'**

*Free Press Staff Report*

Billions invested in state pension funds have taken a hit because of the turmoil striking Wall Street, but pensions are secure, the state treasurer said Monday.

Vermont manages more than \$3 billion, in three different pension funds, for public teachers, state and municipal employees, Deputy Banking Commissioner Tom Candon said. The fund is managed by a six-member committee with the assistance of New England Pension Consultants of Cambridge, Mass.

Vermont state treasurer Jeb Spaulding, who serves on the Pension Investment Committee, said "there is definitely an impact on the pension funds." But, he emphasized, the roughly 40,000 members and beneficiaries are in "no danger" of losing their pension because of the liquidation of Lehman Brothers Holdings Inc. and the \$50 billion sale of Merrill Lynch & Co. to Bank of America.

"These are defined benefit plans, and the turmoil on the markets will have no impact on the security of their benefits," Spaulding said.

The pension fund is affected, however, because "a small part of our holdings" are invested in index funds that include the embattled banks, he said. So far this year, the pension fund has lost 7 to 8 percent of its value, he said. But the fund's five-year yield, through June, was 8.8 percent.

Wall Street jitters will not cause Vermont's pension fund managers to shift large sums of money. "We try not to sell low and buy high... the one thing we don't do is panic," Spaulding said.

State officials charged with overseeing the billions in pension funds are not surprised to see such a volatile market. "The surprise is seeing some of these gold-plated names going the way of the dinosaur," Spaulding said.

The most noticeable impact of the financial sector's turmoil on Vermonters, Candon said, will be the possible tightening of lending requirements, which would make it more difficult to borrow money to buy a car or a home.

Vermont's banking regulators met Monday afternoon at the Department of Banking, Insurance, Securities and Health Care Administration to consider if the state would face any implications of the liquidation of Lehman Brothers and the sale of Merrill Lynch, Candon said. The department is advising Vermonters to contact their brokers with questions about their investments. "People are obviously concerned with the headlines they are seeing," he said.