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## Vermont panel releases plan to cut pension costs

By Molly Walsh, Free Press Staff Writer

Teachers and state employees would contribute more to their pension funds and work longer to be eligible for retirement benefits under recommendations made Wednesday by a state commission charged with reducing the ballooning cost of Vermont's public pension programs.

The Vermont retirement commission proposals, if enacted by the Legislature, would save a projected \$29 million next year alone. The commission does not recommend shifting the funding for teacher pensions from the state to local school districts, saying such a shift, while being discussed by some state leaders, would unduly burden property taxpayers.

State Treasurer Jeb Spaulding said increasing life expectancy, a \$150 million state budget gap, the economic recession and other trends require changes to public pension programs for thousands of state employees and public-school teachers in Vermont. Without modifications, the actuarially required state contribution to the plans will increase from \$73.5 million this year to \$105 million next year and continue on that path. It's time to reform an outdated system, said Spaulding, a member of the commission created by the Legislature.

"There are people that are drawing these benefits in their young 50s, and they are going to be living into their 80s or 90s," Spaulding said. "They are going to be drawing the benefits longer than they worked."

Union representatives knew the proposals were coming and blasted them in their own report last month. Wednesday they disputed projected savings and said they would fight the recommendations in court if enacted by the Legislature.

If people must work longer to access full retirement benefits, they will do so, and this could cost more in salaries and undercut retirement-system savings, suggested Joel Cook, executive director of the Vermont-NEA, which represents 11,000 educators. Cook said that if adopted, the proposals "will lead to the state being sued by any number of people, and we don't think that's a good idea."

Spaulding said he believes the proposals are legally defensible, partly because they would not apply to current retirees or in most cases to near retirees -- generally defined in the report as people who are within five years of normal retirement age.

The recommendations, which vary slightly depending on the type of employee, include calls to:

- Increase normal retirement age from 62 or 30 years' service to 65 or the "90 rule" -- the sum of age and years of service. A 55-year-old worker could retire with 35 years' service but no less. Early retirement age would increase from 55 to 58.
- Increase annual contributions to the pension fund by state employees from 5.1 percent to 5.83 percent of salary; and for teachers from 3.4 percent to 5.47 percent.
- Make the final average salary calculation used to define retirement benefits based on five years of pay rather than three years.
- Introduce a tiered medical premium co-payment based on length of service. Retirees pay 20 percent of health-insurance premiums. The new plan would have retirees with 10 years of service pay 60 percent; those with 20 years of service pay 40 percent and those with 30 years pay 20 percent.
- Increase the maximum retirement benefit from 50 percent of final average pay to 60 percent for those with 30 years service.

Jes Kraus, director of the Vermont State Employees Association, said the current maximum pension for most state workers is modest compared with what they are entitled to in many other parts of the country -- a fact Spaulding did not dispute.

The commission's proposals eat away at retirement benefits and ultimately will hurt recruiting, Kraus said: "If you want to recruit and retain decent employees to provide public services, I don't think you want to be at the bottom of the barrel."

Spaulding said many states are making dramatic changes to public pension programs, and some are going the way of the private sector, which has largely dumped defined benefit plans for 401(k)-style retirement accounts. Spaulding opposes that idea. But with Vermont pension payouts for teachers and state employees increasing from a total of \$116 million five years ago to \$172 million this year, something must change, Spaulding said.

"It doesn't take a rocket scientist to figure out that we've got a financial problem where the costs are outstripping our ability to pay for them," he said.

The commission report is available at [www.vermonttreasurer.gov](http://www.vermonttreasurer.gov).

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