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Editorial: Lawmakers must tackle pension costs

The cost of retirement benefits for public workers is threatening to swallow up the state budget, and it's a problem that won't be solved by simply shifting the responsibility for teacher pensions from Montpelier to local school boards.

Lawmakers must make tackling retirement costs a priority in the coming session and set in motion changes that will rein in the ever-rising costs. The solution could include shifting the teachers' pensions to the Education Fund, but it will require much more in the way of changing benefits and employee contributions.

Before anyone starts to howl about the changes, consider the cost projections from state Treasurer Jeb Spaulding.

The state's contribution to the teachers' pension fund has risen 70 percent in the past five years, from \$24.4 million to \$41.5 million. Next year, the bill is expected to hit \$63.5 million as the General Fund faces an \$85 million drop in revenues. The problem goes beyond benefits for teachers.

Spaulding projects Vermont will see the benefits payout for state employees and teachers hit \$255.8 million in five years, compared with \$172 million this year. To keep up, the state must put more money toward retiree benefits each year. The combined state pension contribution for last year was \$66.3 million, or 5.5 percent of General Fund revenues, and rises to \$73.5 million, or 7.1 percent, for the current year. By fiscal year 2011, the state contribution is projected to hit \$103 million, or about 9.5 percent of General Fund revenues.

That's a whole lot of money unavailable for everything else state government is supposed to do, from fixing roads to paying state troopers to looking after the welfare of Vermonters unable to care for themselves.

This is clearly an unsustainable scenario. The state must change the way the retirement benefits for teachers and civil servants are funded and find savings within the pension system to control costs. The only options for getting the situation under control are to raise taxes, change benefits, increase employee contributions or a combination of the three.

Of course, the state must keep promises made to those who are retired or near retirement and live up to legal obligations when it comes to pensions. This is also not about getting rid of pension or other retirement benefits. This is about those still in the work force and new employees working to find the savings that will preserve the most important benefits.

If the teachers' pension system is unaffordable within the General Fund, there's no reason to believe things will be any better within the Education Fund. After all, the money comes from the same place -- taxpayers.

Gov. Jim Douglas last session proposed such a shift as a way to help balance the General Fund budget and said local school districts could get by without raising taxes if they cut

spending. The proposal was rejected by lawmakers, who voted to adopt a budget rejected by the governor.

Shifting the responsibility for teachers pension onto the property tax merely dumps a problem the Statehouse has been unable solve -- or unwilling to tackle -- on the laps of the part-time, volunteer members of local school boards. By telling local school boards to find the savings that Montpelier failed to wrangle within the statewide budget, our elected representatives are abdicating their responsibilities.

Pushing for changes to retirement benefits for teachers and state workers will take political courage for the Legislature's Democratic majority, which counts unions among its key backers. This is especially true in an election year in which many in the Statehouse have aspirations for higher office.

But doing nothing will mean pension and retiree health care will eat an ever bigger portion of the budget, leaving less and less for everything else. Montpelier can no longer postpone facing up to the cost of retirement benefits for state employees because Vermonters can no longer afford to keep footing the ever rising bills.