



## **Spaulding pushes for benefit modifications**

By CHRIS GAROFOLO

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BRATTLEBORO -- State Treasurer Jeb Spaulding is recommending several modifications to the state employee and teachers retirement expenses in order to ease the escalating budget issues in Montpelier, but not without a fight from Vermont's largest unions.

Spaulding, a Democrat, serves as chairman of the Commission on the Design and Funding of Retirement and Retiree Health Benefit Plans.

The group was recently created by the Legislature to find alternatives to constrain the swelling costs from the state employee payouts.

Lawmakers are worried about the sustainability of the state's current pension plans and asked Spaulding to review the concerns and report back to the Statehouse come December.

"This is a real financial challenge of the upcoming Legislature," he said, adding that the commission is looking for a reasonable plan for a sound financial solution with plenty of opportunities for public debate.

The conceivable recommendations from the commission, according to Spaulding, is to tweak the retirement age for state employees and slightly increase the contribution rates to the pension funds.

Having the retirement age option explored is similar to a measure taking place in July 2008 when the age jumped from 62 to 65. Also, instead of retirement at a solid 30 years, the new statute looks at a combination of age and years of service.

Spaulding said it has been at least a decade since the employee contribution toward the pension increased, and it would only require a modest hike to aid the budget deficit.

"There's a lot of smoke out there about this stuff, [however] we are definitively looking at that," he said.

But the largest unions in the state, the Vermont chapter of the National Education Association and the Vermont State Employers Association, are skeptical.

"We need to guarantee the long-term sustainability of a 60-year promise to the men and women who teach Vermont's children," wrote Vermont-NEA president Martha Allen in the union's November publication. "This is a long-term challenge. Fortunately, these are long-term systems."

More than 100 people, mostly retired teachers, attended an Oct. 8 hearing at the Statehouse to push for Vermont to keep its promise to thousands of public employees.

The six-member commission does not include a single teacher or state employee, according to the Vermont-NEA.

Spaulding said the state is not changing the fundamental basics of the retirement system, but the longer the wait to make reasonable changes within the pension plans, the most serious the issue becomes in the future.

"We're not looking to do away with retirement as we know it," he said.

Spaulding said there are no proposed changes to retirement benefits for employees already pensioned, nor is there any alterations to benefit levels for people "close to" retirement.

This is also a tough sell to the average Vermonter working in the private sector who has seen their pension and benefits dry up during this economic downturn, said Spaulding.

Public servants do have a better pension than many in other fields, but when it comes to teachers and troopers, Vermont must remain competitive with other regional states to ensure a high quality of educators and police protection, he said.

"We need to have the best we can in our classrooms," Spaulding said. "We need to be able to compete."

The pension benefit payouts for state employees and teachers has become a growing issue across Vermont as the retiree health insurance payments have increased by an estimated \$10-\$11 million annually, equating to roughly \$172 million.

Projections from Spaulding indicate those figures will skyrocket in the next five years to a \$15-16 million annual increase, or a benefit payout of \$255.8 million (almost a 50 percent increase from the current figures).

"Year after year, that gets to be kind of expensive," said Spaulding.

The state allocated 5.5 percent of the General Fund for the combined actuarial pension contribution in fiscal year 2008 and 7.1 percent in fiscal 2010 -- if there is no change to the current system, the state's projected contribution would represent about 9.5 percent of the expected General Fund revenues in 2011.

Additionally, the number of retired state employees, teachers and beneficiaries increased by more than 2,800 between 2003 and 2009. With more employees drawing benefits at a younger age and living longer, the state will continue to see an increase unless changes are made, said Spaulding.

A public hearing is scheduled for Dec. 3 in Montpelier to review the commission's recommendations, which will also be broadcast on Vermont Interactive Television. Spaulding will present the report findings to the Legislature on Dec. 18.

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