

Article published Jan 30, 2010

Teachers agree to revamp pensions--Expected savings will total \$15 million

By Louis Porter Vermont Press Bureau

MONTPELIER – Vermont's teachers will work longer and pay more into their pension plans based on an agreement reached between their union and state officials, designed to save \$15 million in the next fiscal year.

In exchange, some teachers will receive larger pensions and health coverage for their spouses and the state will accept \$5 million less in savings for the pension system. State Treasurer Jeb Spaulding said he was pleased and surprised that the agreement announced Friday came to pass. The Vermont NEA, the state's main teachers union, had vigorously opposed the recommendations of a commission convened to find \$20 million in savings in teachers' retirement and \$5 million more in the state employees' retirement system.

"This is quite a remarkable event," he said.

The agreement leaves the fate of other proposals for teachers and related questions on the table. Gov. James Douglas has recommended requiring that teachers pay 20 percent of their health care premiums, that the state reduce the number of teachers and that the teachers' pension obligations be moved over time from the General Fund (which now pays for pension costs) to the Education Fund. None of those changes were included – or ruled out – in the agreement outlined Friday. Still, the agreement by the union to saving \$15 million on pensions was applauded by legislative leaders as well as by the state treasurer.

"We can address the budget crisis and still provide a strong retirement for the people who teach our kids," Speaker of the House Shap Smith said.

"We are in tight fiscal times," Senate President Pro Tem Peter Shumlin said. "Working together the parties can find ways to solve those problems," he said.

If approved in the Legislature and made into law, the plan would make several changes and reduce an expected \$22 million increase in pension obligations.

The agreement would:

- Increase normal retirement age from 62 to 65 or apply the "rule of 90," a way of combining length of service and age to calculate retirement age. This would save nearly \$7 million for the pension system.

- Increase the cap on average final compensation for retirement from 50 percent of final wages to 60 percent.

- Allow career teachers to retire with 80 percent health coverage for their spouses as well as their own health insurance coverage in some cases.
- Increase payments by teachers into the pension system from 3.54 percent to 5 percent. This would save the state more than \$8 million a year and lower the state's contributions to the fund.
- The program would not affect the benefits for currently retired teachers or those close to retirement. It could change the pension payments for those close to retirement.

"Public policy is always better when developed with those affected by it on the stage and not merely in the audience," union President Martha Allen said in a statement.

Joel Cook, director of the union, said that on average teachers would pay about \$550 a year more into the pension system. The agreement is the second major concession by a public union in recent weeks. In late December the Vermont State Employees Union (VSEA) accepted a 3 percent cut to help with an ailing state budget due to declining revenues.

Spaulding said he hopes the agreement with the Vermont-NEA over teachers' pension costs will be followed by a similar accord with state workers and their pensions. Some changes to their pension system were already agreed to by the state workers in recent years.

"I hope this could serve as a template for the state employees," he said.

Douglas administration officials said they were very encouraged by the agreement as well, although they added that the agreement (which would primarily benefit the General Fund) might have an unintended consequence on the Education Fund. That's because if longer-serving teachers remain in the system at higher pay levels, it may cost more to the state.

Secretary of Administration Neale Lunderville said lawmakers, Spaulding and the union were on the right track.

"We think it is a good step towards addressing some of the fundamental issues with the sustainability of the pension systems," he said.