

VSEA

Chittenden Chapter Meeting 1/21/2021

ATTENDEES (50)

Jennifer Zoller (Chittenden Chapter Clerk), Kristina Sweet (Chittenden Chapter Vice President), Roy Catella (Chittenden Chapter President), Aimee Towne (VSEA President), William Wells, Susan Albert, R Moore, Ashlynn Doyon, Brenda Deering, John Howe, Tricia Cassi, Julie, Michelle Salvador, Jesse Lussier, John Salter, Alexis Menard-O'Neil, Denise LaForce, Matt Gardner, Jude, Liz, Eileen Morse, Stephanie Fillian, Paul Cerutti, AJ Van Tassel, Al, Peggy Brozicevic, Katie Humphrey, Zack York, Emily, Mary, Jeff, Kathleen Horton, Diane LeClair, Keenan Neigel, Finsmudder, Jude Melen, Michelle Thompson, Hope Charkins, Shelby Roberts, Steve Howard, Theresa Petzoldt, Alyssa Heilbrunn, Steffan Filbotte, Cheryl Brinkman, Daniel Fercier, Dylan, Jen Kerner, Kathryn Gehr, 802-798-9611

VSEA: Jennifer Larsen

Guest: Beth Pearce, Vermont State Treasurer

MEETING START 5PM

NEW BUSINESS

Introduction of New Chapter Officers

- President: Roy Catella
- Vice President: Kristina Sweet
- Treasurer: Bob Stone
- Clerk: Jennifer Zoller

Presentation by Beth Pearce, Vermont State Treasurer: Recommendations to Reduce Pension for State Workers

- Requested agenda by VSEA:
 - Info on pensions
 - What are the options?
 - How did we get here?
 - Why is it urgent?
 - Q&A
- Beth Pearce provided a review of the Treasurer's report to the Board of Trustees recommending reducing pension for State Workers. (Full report can be found at: [VermontTreasurer.gov](https://www.vermonttreasurer.gov) and [here.](#))
- Liability for State Worker pensions was 100.4% funded in 2007. Since the stock market crash/Great Recession, the liability has decreased to 66.4% funded in 2020.
- State Treasurers concern: that the Legislature will push for a **Defined Contribution Plan** (a retirement plan in which the employer, employee or both make contributions on a regular

basis). State Workers currently have a **Defined Benefit Plan** (a fixed, pre-established benefit for employees that are computed using a formula that considers several factors, such as length of employment and salary history).

- **Recommendations:**

- Recommendation #1: Maintain a defined-benefit system for current and future retirees.
- Recommendation #2: Any benefit changes to the retirement systems should NOT be made for existing retirees.
- Recommendation #3: Continue to fund the actuarial determined employer contribution (ADEC).
- Recommendations to Reduce Pension and Other Post-Employment Benefit (OPEB) Liabilities: For both the Vermont State Employees Retirement System (VSERS) and the Vermont State Teachers Retirement System (VSTRS), a series of recommendations is made to reduce liabilities and costs through:
 - Reductions/elimination of cost of living adjustments for active employees upon retirement;
 - Increasing the years used to calculate the Average Final Compensation (AFC);
 - Expanding the use of “Rule of 87” and “Rule of 90” which combine years of service and age for the purposes of eligibility for normal retirement; and
 - Increasing employee contributions.

- A total of 29 scenarios or combination of scenarios were reviewed. Vermont Treasurer recommending **Option #4**, which includes ALL of the following:

Option #4 Recommendations	Meaning	Change from Current Plans*
Cost-of-Living Adjustment (COLA) threshold \$24K for all actives upon retirement	COLA up to \$24K of pension, no COLA for any amount beyond \$24K	COLA for full pension amount
Average Final Compensation (AFC) add 2 years	Add 2 years to highest consecutive fiscal year earnings for calculating pension amount	Average of 3 highest consecutive fiscal year earnings
Rule of 90	Full retirement when your age plus years of service = 90 or you are 65 and have 30 years of service	<p>F Plan: Full retirement w/ 6% reduction for every year you are under age 62 (0.5% for every month you are under age 62)</p> <p>F* Plan: Rule of 87: Full pension at age 65 or if age and years of service = 87 (penalty if younger than 55)</p>
Contribution increase by .35%	Increasing employee contribution from 6.65% to 7%	Currently 6.65% of pay (pre-tax)

*Current Retirement Plans can be found here: [VermontTreasurer.gov/content/retirement/state](https://vermonttreasurer.gov/content/retirement/state)

- **The implementation of these proposals will significantly reduce benefits and increase employee contributions.** From a risk sharing perspective, employees are taking on a substantially greater portion of the actuarial losses. Of the \$604 million in increases,

employees could, if all recommendations are accepted, take on as much as 78% of the increase in liabilities and 88% of the contribution increases. Future gains, if any, should be shared. To the extent that gains over the next several years reduce liabilities, language should be added to state statute to permit review of benefit and contribution levels and effectively share gains between the employee and the employer (State).

- **Q&A with attendees and Beth Pearce**

- Jesse Lussier: TO clarify, there were net investment losses for both 2007-2010 and 2011-2020 periods?
- Beth Pearce: 2011-2020 is within 2007-2020, investments not biggest factor.
- Michelle Thompson: How is the Defined Benefit plan a safer option if changes can be made to active employees and retirees so easily?
- Beth Pearce: Defined Contribution plans have a cap - when a retiree uses this amount, there is no more. If retiree lives past projection, there is no additional money.
- Zack York: Cutting our own benefits of employment. I can't in good faith accept this. VSEA needs to say no.
- Beth Pearce: It's tough. The Legislature will request more. I'm worried.
- Denise LaForge & Brenda Deering: When would these be implemented?
- Beth Pearce: Might be phased in. The earlier the better for the biggest impact on unfunded liability.
- Jennifer Larsen: Can this be delayed until 2022?
- Beth Pearce: I'd have to talk to Actuaries. Some pieces might have to wait. We started discussing this in 2019.
- Michelle Salvador: Does option #4 include Rule of 90?
- Beth Pearce: Yes. Option #4 includes all 4 recommendations.
- John Howe: Is COLA the cut that keeps cutting?
- Beth Pearce: COLA is capped at \$24K. Any gains will be shared 50% to mitigate changes.
- John Howe: If employees give more in contribution percentage, can we get rid of the other changes? I don't like giving up basic structure. What percentage would be needed?
- Beth Pearce: The employee contribution only affects ADEC (Actuarial Determined Employer Contribution), not unfunded liability.
- Jen Zoller: This does not take into account attrition. What is the incentive for people to work below industry standards, especially young professionals and people with advanced degrees? This is counter to the State's initiative to attract young professionals and provide \$10K for them to move to Vermont.
- Beth Pearce: No, it does not. Attrition will increase cost and liability.
- Jesse Lussier: Quantified effect of applying the COLA threshold to both active and current retirees?
- Beth Pearce: I am opposed to changing benefits for current retirees.

- William Wells: What I have been hearing most from members is a problem with the proposed Rule of 90. It's tough. I'm not sure we can support this. Why wouldn't staff contributions pay down unfunded liability?
- Beth Pearce: Paying more is great, but it only affects ADEC (Actuarial Determined Employer Contribution), not unfunded liability.
- Shelby Roberts: What if we had another revenue source?
- Beth Pearce: It would help, but would have to generate more than \$100 million over time (interest on unfunded liability). One-time money won't help in the long run.
- Shelby Roberts: It might take a few years, but pensions keep getting cut.
- Beth Pearce: It would have to generate more than \$100 million over time, which is substantial. I'm not saying there isn't a revenue source. Steve is going to say tax the 1%, not seeing that happening. I can't make a recommendation on that.
- Jeff: What about retail marijuana?
- Beth Pearce: I'd have to look at a report.
- William Wells: How are returns compared to other states? What about in 10 years if the stock market is bad again?
- Beth Pearce: I can't guarantee that there won't be a problem in the future. Vermont took too conservative of an approach on investments with a simplified portfolio. Vermont's 10 year numbers are not as good as peers.
- Aimee Towne: How much do Vermont teachers need to come up with?
- Beth Pearce: \$379 million. Recommendations will get them ⅔ of the way.
- Aimee Towne: For State Workers in F vs. F* plans, if Rule of 90 is implemented, how will healthcare be made equitable (F = 50% and F* = 60%)?
- Beth Pearce: We have talked about it. F* went to a tiered system on health care.
- Questions unanswered from the meeting chat section:
 - When would this take effect if passed?
 - If we can give a full percentage employee contribution can we avoid to the rule of 90, and the COLA cut?
 - Somebody posted a suggestion about asking current Retirees to also take on the \$24,000 COLA threshold? Has that been considered?
 - Can you provide examples of how people will be when they are eligible for full retirement? (Note: This is missing a word...it is from Alexis Menard-O'Neil...we should ask her for clarification?)
 - I know we are a union, we should not sell out any employees or retirees, that is wrong.
 - Yes. People close to retirement have [planned based on the agreement that the state made with us.
 - I understand you don't recommend any changes to the retired population. But have we quantified the effect of applying the COLA threshold to both actives and retirees? Or in other words, would a \$24000 COLA threshold, if applied to everyone, get us to the required savings? Or what would the COLA threshold need to be, if applied to everyone, in order to produce the required savings? This would have the benefits of 1) sharing the burden, 2) protecting those with lower incomes, and 3) preventing people from retiring early.

- We're in a state hiring freeze, so many positions may not be filled any time soon if we lose a lot of employees to early retirement.
- If we set the threshold, wouldn't that protect the retirees who made less money.
- The VT-NEA and VSEA are the two largest unions in Vermont. Imagine the possibilities if we organized together.
- Senator Hooker is proposing a revenue bill to tax 3% on hh's with adjusted income of \$500,000 earmarked to the pension.
- Senator Hooker's bill is estimated to bring in \$25-30million per %, so about \$75-90m/year.
- Tax the wealthy!
- I was ready to retire shortly and would be looking at adding a few years. Not the agreement that this state made with me!!
- Won't there be a windfall in taxes when the marijuana retail comes into play, and would that provide any relief?
- The long and the short of this is that neither the legislature nor the administration are going to be willing to contribute to this problem they helped create.
- Marijuana is a sustainable source of revenue.
- No state in the US is showing revenue beyond prevention and law enforcement and regulation from weed. Fact.
- This current legislature is not strong enough to tax the wealthy at the same rates as the rest of us.
- How much are we spending on buildings, internet, electricity, etc? Many of us have converted to working remotely. I'm not saying to close down all offices but to organize it better?
- **Beth Pearce: Please send me any unanswered questions and I will respond.**
- Next Steps
 - Beth Pearce has noted previous concerns raised regarding Rule of 90 and no COLA beyond \$24K
 - Continue to develop options, State Treasure wants to continue to work with stakeholders, including State Workers

Closing

- Aimee Towne: I'm thankful to be included in the discussions. Over 900 State Workers have attended pension discussions over the past month. A VSEA survey went out to gather State Worker input. We are hoping to discuss as a board to decide if we can support the recommendations or not.
- Jen Larsen: Thank you [Beth Pearce] for explaining the recommendations. Other VSEA Chapters are asking for a similar meeting.
- Roy Catella: Thank you to Treasurer Pearce for coming to the table for discussions. Stake Workers - please fill out the VSEA survey.
- Jen Zoller: Thank you to all who attended, we hope to see you at future discussions and the next Chapter meeting. Please fill out the VSEA survey.
- Kristina Sweet: Thank you all for coming.
- Beth Pearce: Thank you for having me.

RESOURCES

- VSEA Pension Survey <https://www.surveymonkey.com/r/L8NPS5M>
- State Worker Pensions VermontTreasurer.gov/content/retirement/state
 - **Group F** for state employees
 - **Group F*** for state employees hired after July 1, 2008.
- Report to the General Assembly and VSERS and VSTRS Boards of Trustees on Recommendations to Reduce Pension and OPEB Liabilities [Full Report](#)

OLD BUSINESS

No old business discussed.

NEXT CHAPTER MEETING

AGENDA

- *Brainstorm 2021 priorities*
- *Funding provided by VSEA to Chapters to provide "SWAG" to Chapter members*

MEETING ADJOURN 7PM

Meeting Notes by:

Jennifer Zoller

VSEA Chittenden Chapter Clerk