

Dear Fellow Vermont-NEA Members,

Below please find current reflections on the work of the Pension Benefits, Funding and Design Task Force from your three representatives, Kate McCann, Andrew Emrich and Molly Stoner.

First of all, we offer our gratitude for:

- Your service each and every day to Vermont’s children, under increasingly challenging circumstances. You are a gift!
- Your participation in our October Telephone Town Hall and your staying abreast of developments, whether by watching our Pension Benefits, Funding and Design Task Force meetings or reading updates: <https://vtnea.org/pensiontaskforce>
- Local Association Pension Organizers (LAPO) - the time, the effort
- Our fellow members who serve on the Internal VT-NEA Pension Policy Task Force, representing members from all corners of the state who offer us invaluable weekly reflection, pressure and guidance

WHERE WE WERE in March 2021	WHERE WE ARE in December 2021
Working up to an additional 10 years	OFF THE TABLE = negotiated this out
Increasing Average Final Compensation from 3 to 7 years	OFF THE TABLE
Lengthening vesting period from 5 to 10 years	OFF THE TABLE
Threat of moving to a hybrid (Defined contribution/ defined benefit) plan	OFF THE TABLE
Elimination of the Cost of Living Adjustment	Considering minimal COLA changes in the short term and securing increased COLA when the system reaches a stronger health
Paying regressively higher contributions, as high as 8%	Restructuring our contributions into a progressively tiered system whereby the first \$40K is subject to a 6% contribution, with higher tiers subject to higher contributions (phased in over 5 years, with the highest salaries seeing an effective rate of just over 7%)

HOW WE GOT HERE

Since July, the three of us have participated in weekly all-day meetings of the Legislative Task Force. While long and arduous, these meetings have also been deeply enlightening. We have built strong

bonds with our fellow Vermont State Employees Association and Vermont Troopers Association union members and have worked collectively to get out YOUR message about the work you do, the importance of this work to the state, and the current growing workforce challenges. We have also dug deeply into the numbers associated with the health of our pension fund and projections for its future. Our key takeaways from this work include:

- Our pension system currently has a \$1.9 billion unfunded liability.
- This is a very complicated issue, and the challenges are due to the intersection of multiple forces: unexpected demographics (living longer, fewer teachers paying in), lower rates of return than assumed; recent adjustment of assumptions; underfunding (see below)
- Our system (as opposed to the Vermont State Employees Retirement System) is further challenged by the state's underfunding for almost all years from the 1970's through 2009. Experts suggest \$350 million-\$400 million of the unfunded liability is attributable to this underfunding.
- The state is in a unique situation that is not likely to occur again and has one-time funds available right now to help solve this problem: \$150 million already set aside for this purpose and additional state budget surpluses.
- Recurring additional money given to the system on an annual basis will save the state millions of dollars in the long run, much like additional payments on a mortgage can reduce the length and amount of payments.
- Comparing the teachers' with the state employees' system, we see that our contributions have been significantly lower, and our Cost of Living Adjustment has been 50% of inflation while theirs is 100%.

The task force was originally slated to issue its recommendations earlier this month; that report is now expected early in January.

We all want to ensure that our pension is there for decades to come. Throughout this process we have been clear that plan design changes (those to our contributions and benefits) to benefit the long-term health of the system will only happen if there is significant investment of one-time money and recurring additional money from the state. As we work toward a possible agreement, we are negotiating about increased contributions, and minimal COLA changes in the short term to provide a greater benefit in the future. Combined with that, we have asked the state to invest hundreds of millions of dollars in one-time money and commit to additional recurring funding beyond the annually required payments in the years to come.

We continue to put you – our fellow members – and the vital work that we all do front and center as we work to preserve our pension and set it on a course for a secure retirement.

In solidarity,

Kate, Andrew, and Molly