

April 14, 2022

An Update on the Framework to Strengthen Your Pension:

As you know, the legislature's pension task force released its recommendations for strengthening the pensions relied on by teachers, state employees, and state troopers. Those recommendations are now in the form of a bill, S.286.

On April 1st, the Senate passed the pension bill by a unanimous and bipartisan vote of 28-0. The bill now being considered in the House. In early April after the bill moved to the House your fellow Vermont-NEA members and Legislative Pension Task Force representatives Molly Stoner, Kate McCann, and Andrew Emrich, along with the fellow union members to the Task Force, testified in support of S.286. **On Wednesday April 13th S.286 passed out of the House Committee on Government Operations on a unanimous and bipartisan vote of 11-0.** It now will go to the House Committee on Appropriations and soon the full House for a vote.

Here are the highlights of the bill, which reflect the total package recommendation from the Task Force.

- Historic One-Time Money of \$125 Million – The state will make an unprecedented one-time contribution of \$125 million that will reduce the Vermont State Teachers Retirement System's underfunding.
- Extra Annual State Payment of \$15 Million – The state is committing to make all annual payments as determined by actuaries, and, beginning in fiscal year 2024, the state will make an additional \$15 million a year on top of that.
- Twenty-five percent of State Budget Surplus to Fund Future COLA Enhancement – The state will also commit to placing 25 percent of any future budget surplus into a fund that will be used to pay for eventual hikes in the cost-of-living adjustment payment to retirees.
- Millions in One-time and Annual Payment for Retiree Health Care Security – The state is making a one-time \$13.3 million contribution from the Education Fund to pre-fund retiree healthcare benefits and is also looking to move retiree healthcare benefits prefunding costs to the Education Fund to the tune of \$15 million annually.
- Progressive Contribution Structure Phased-in – Teachers will see a progressive approach to the amount they contribute to the system that will be phased-in over time and will be based on a teachers' salary.
- COLA Adjustments Going Forward – A retired teacher COLA remains status quo of 50% of CPI but will be delayed by an additional 12 months and with a minimum and maximum COLA of 0-4%.
- Path to Future COLA Enhancement – For the first time, there will be a path and a process, with dedicated funding, to increase annual COLA payments once the system is 80 percent funded.
- NO Changes Retirement Age, Formula for Calculating Pension Benefit or Move to Defined Contribution – The measure does not change how long a teacher must work before retiring; does not change the formula for determining the retirement benefit and does not reduce benefits. The bill also protects the defined-benefit nature of your pension system.

Once S.286 passes the House we expect it will go briefly back to the Senate and then to Governor Scott.

Timeline, Next Steps, and Possible Action:

Currently, the Legislature is hoping to adjourn on or around May 6th. While we never know exactly when a bill will move, we expect S.286 to move to the Governor soon.

Governor Scott has to date sent mixed messages on S.286 and has been advocating for the addition of a defined contribution option for State Employees, however not teachers. To date, legislative leaders have not endorsed introducing any defined contribution option, and we and our fellow unions remain opposed to such a move.

As the legislature moves towards adjournment, we may ask for your support to help it become law.