

Week of February 1, 2021

Summary of Current Events: *We learned of two encouraging developments last week: the governor will fully fund the pension's long- and short-term needs in the coming year and that the education fund – where the “normal” annual pension funding comes from – will actually have a surplus.*

Gov. Phil Scott last week presented a budget that appears to fully fund the Vermont State Teachers' Retirement System for next year, a move that should cause lawmakers to pause any attempts to slash benefits and hike cuts to the pension. Indeed, as the governor noted, the pressing crisis of our times is making it to the other side of the pandemic. In addition to fully funding both the “normal” annual costs of the pension, the governor pledged to fully fund the payments needed to address the system's long-term funding issues. But while this is indeed good news, our pension fight remains. He thanked Treasurer Beth Pearce for her proposal that slashes benefits, hikes costs, and eliminates cost-of-living adjustments for active teachers in retirement and called on the legislature to work with him to tackle “this growing and unsustainable” system. ***And that's why we must continue to make the case that we must not gut the teachers' pension.***

With a flood of federal money and higher-than-expected tax revenues, the state's education fund is performing so well that the House Ways and Means Committee last week set a less-than-one-cent increase in the statewide education property tax rate. The negligible increase is significantly less than the 9-cent hike the Scott administration predicted last month. Lawmakers were pleased that the fund will be able to meet all its obligations to students and educators, including “normal” pension costs, and even have a small surplus.

For Your Information: A glossary.

Annual Determined Employer Contribution: the actuarially determined pension fund contribution in a single year. This includes the normal cost of the plan (the cost of pension benefits earned in the current year) and may include another payment that may be required to pay for a portion of benefits earned in past years that have not yet been funded.

Cost of Living Adjustment (COLA): Increases the retirement benefit based on inflation.

Defined Benefit Plan: employee group retirement plan established and maintained by an employer that uses a predetermined formula to calculate the amount of an employee's retirement benefit. The benefit formula may take into consideration an employee's years of service and salary during employment. No individual accounts are maintained.

Defined Contribution Plan: a plan that provides an individual retirement account for each participant with benefits based solely on (1) the amount contributed to the participant's account plus (2) any income, expenses, gains, losses, and forfeitures from other participants. Contributions to the account may be made by the employee or the employer. Defined contribution plans include 401(k), 403(b), and 457 plans.

Pension: steady income given to a person as the result of service that begins when a specific event occurs (such as retirement). Pensions are typically paid monthly and based on factors such as years of service and prior compensation. The payment may be made by a government, employer, pension fund, or life insurance company.

Rule of 90: formula for determining when a teacher can draw a normal pension without penalty. The formula is age plus years of service must add up to at least 90.

Unfunded Actuarially Accrued Liability: amount that a pension system owes its members that exceeds the value of assets in the fund. In other words, if a pension system owes its members \$20 million in pension benefits, but it only has \$18 million in assets, then the \$2 million difference is the unfunded actuarially accrued liability. **It's important to note that the UAAL is never due all at once but can be paid off over time.**

Take Action: Please continue to keep contacting your lawmakers: <https://actionnetwork.org/letters/dont-gut-the-teacher-pensions/>

Keep Up-to-Date: www.vtnea.org/protectourpension