



# Retirement News Highlights

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## Op-Ed: Public pensions: A defined contribution is a broken promise

By Vermont State Senator Kesha Ram Hinsdale, a candidate for the U.S. Congress.

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Educators and civil servants in Vermont made a promise to the communities they serve. They work for wages below those paid for comparable private sector jobs, and, in exchange, receive affordable health insurance, paid time off, and a stable pension on which to retire. They have kept their promise, and we, as government and the public, need to keep our promise to them in return.

The bargain on which thousands of public servants in Vermont have staked their financial solvency and retirement security, after a lifetime of public service, was in jeopardy recently thanks to Governor Phil Scott. Despite both the Senate and the House moving forward, with tripartisan support, a pension deal to protect that promise — brokered between lawmakers and the state’s teachers and state employee unions — the governor wanted to break it, burden workers with risks they didn’t ask for, and harm the health of Vermont’s pension fund.

The governor demanded a “defined contribution,” which is a 401k-style option for retirement plans that relies on unknown and unpredictable market returns. This would’ve replaced the pre-existing “defined benefit,” which is preferred by teachers and other public servants because it allows them to retire with a specific, regular pension payment.

Vermont’s state workers already have the option of participating in the kind of plan the governor proposed, but the overwhelming majority decline it, choosing the option with a defined benefit. And understandably so, given that the economic volatility we’ve experienced since the Great Recession would see winners and losers in retirement security for the public sector.

When people who have served the state cannot retire in dignity, it adds additional state costs to support older Americans who have lost their retirement security. States that have attempted the reform the governor proposed — including Alaska, Kentucky, West Virginia, and Michigan — have actually increased overall state costs. None of them have saved money.

Asking our educators and other public servants to bear the burden of increased risks, while telling them the stock market should determine their fate, is unacceptable. Worse, they will leave these fields prematurely where we have deep worker shortages, or avoid them entirely, if the state sends the signal that the promise is so easily broken and that the state can’t be relied on to keep its end of the bargain.

To be clear, many educators and school staff are already in survival mode. And the number of crises that our public school employees have dealt with, and are expected to deal with, makes this profession increasingly difficult to sustain. While our public school workers are resilient, trustworthy, patient, and kind, that does not make them superhuman.

As one English teacher in Vermont, who teaches 9th and 10th grade, told me, “Teachers are leaving the field left and right. There should be incentive for people to make a career of teaching. After investing 20, and potentially 40 years of my life in a career that is getting measurably harder each year, I would personally feel betrayed and unappreciated if, at the end of it, I couldn’t afford to retire.” Vermont’s public servants need our support now more than ever, and we need to double down on that promise, not perpetually undermine it.

Other teachers are getting out early, preempting a possible betrayal by the state. Jennie Gartner, who taught high school World and US History and Current Events for 17 years in Vermont, told me that she took her pension contributions with her when she left teaching, noting that she had little faith in anyone's desire to take care of public school teachers and staff. “Governor Scott has shown us he has faith in markets but not in our education system and the people who are holding it together,” Jennie said. And her concerns are not unique. More and more teachers and other public servants are feeling betrayed by the governor’s unreliable and deteriorating support for state workers.

We cannot continue to break our promises to public servants. For one teacher, John Peterson, who taught high school History for 34 years in Vermont, it’s all about fairness. When he began teaching as a twenty-something in the 1980s, retirement was the furthest thing from his mind. “But once I was into my thirties and had a wife, a mortgage, and children, I began to look to the future. The state said it covered me with a retirement pension that I took as a promise and made plans with that in mind. I continued as a teacher for over 34 years believing I would be rewarded for my time with a pension. It is unfair and wrong for them not to honor that promise they made to me, and others like me.”

A shift to a defined contribution that is at the whims of the stock market – versus a defined benefit that is what our educators and public servants expect and deserve – not only harms the pension system’s health and costs the state, but it also breaks the promise we made to our Vermont workers years ago.

These testimonies by teachers should be warning signs for all of us – and especially the governor. The way our teachers and other public servants are feeling betrayed by the state is unacceptable, especially after they’ve given their heart and soul in service to the state and its future. We rely on these public servants to educate our kids and make government work for all of us. And in return, we make a promise to secure their future in retirement. Let’s keep that promise.

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