

ELIZABETH A. PEARCE
STATE TREASURER



UNCLAIMED PROPERTY DIVISION
TEL: (802) 828-2407

RETIREMENT DIVISION
TEL: (802) 828-2305
FAX: (802) 828-5182

ACCOUNTING DIVISION
TEL: (802) 828-2301
FAX: (802) 828-2884

STATE OF VERMONT
OFFICE OF THE STATE TREASURER

To: General Assembly

From: Beth Pearce, State Treasurer

Date: January 15, 2015

Re: Interim Study of the Feasibility of Establishing a Public Retirement Plan Required by Section C. 108 of Act 179 of 2014

This report reviews findings and recommendations towards satisfying Section C. 108 of Act 179 of the 2013-2014 Legislative Session. The State Treasurer, the Commissioner of the Department of Labor, the Commissioner of the Department of Disabilities, Aging & Independent Living, two appointees from the Committee on Committees, and two appointees from the Speaker of the House formed the Public Retirement Study Committee (Committee) to evaluate the feasibility of establishing a public retirement plan in Vermont.

No. 179. An act relating to making appropriations for the support of government.

**Sec. C.108 INTERIM STUDY ON THE FEASIBILITY OF ESTABLISHING
A PUBLIC RETIREMENT PLAN**

Section C. 108 of Act 179 of 2014 asks the Committee to study the feasibility of establishing a public retirement plan, including the following: the access Vermont residents currently have to employer-sponsored retirement plans; data and estimates on the amount of savings and resources Vermont residents will need for a financially secure retirement, data and estimates on the actual amount of savings and resources Vermont residents will have for retirement, and whether those savings and resources will be sufficient for a financially secure retirement; current incentives to encourage retirement savings, and the effectiveness of those incentives; whether other states have created a public retirement plan and the experience of those states; whether there is a need for a public retirement plan in Vermont; whether a public retirement plan would be feasible and effective in providing for a financially secure retirement for Vermont residents; and other programs or incentives the State could pursue in combination with a public retirement plan or, instead of such a plan, in order to encourage residents to save and prepare for retirement. If the Committee determines that a public retirement plan is necessary, feasible, and effective, the Committee shall study: potential models for the structure, management, organization, administration, and funding of such a plan; how to ensure that the plan is available to private sector employees who are not covered by an alternative retirement plan; how to build enrollment to a level that enrollee costs can be

**REPORT ON PUBLIC RETIREMENT PLAN
JANUARY 15, 2015**

lowered; whether such a plan should impose any obligation or liability upon private sector employers; and any other issue the Committee deems relevant.

Although the Committee was created with the passage of Act 179 on June 9, 2014, several appointees to the Committee were not named until October 31, 2014. With the sunset of the committee and the deadline to submit a report both being on January 15, 2015, the Committee had a little over two months during the holiday season to attempt to satisfy the requirements of Act 179.

As a result of the shortened timetable, the Committee met on two occasions. At these meetings, the Committee:

1. Collected a compendium of resources regarding retirement security, including an analysis of whether other states have created a public retirement plan and the experience of those states.
2. Agreed that it should list guiding principles for the Public Retirement Study Committee to provide a framework and goals for its analysis. Some of the principles articulated included:
 - a. Simplicity—a plan should be easy for participants to understand
 - b. Affordable—a plan should be administered to maximize cost-effectiveness and efficiency
 - c. Ease of Access—the plan should be easy to join
 - d. Trustworthy Oversight—the plan should be administered by an organization with unimpeachable credentials
 - e. Protection from Exploitation—the plan should protect its participants, particularly the elderly, from unscrupulous business practices or individuals
 - f. Portability—the plan should not depend upon employment with a specific firm or organization
 - g. Choice—the plan should provide sufficient investment alternatives to be suitable for individuals with distinct goals, but not too many options to induce “analysis paralysis”
 - h. Voluntary—the plan should not be mandatory; however, auto-enrollment may increase participation
 - i. Financial Education and Financial Literacy—the plan should assist the individual in understanding their financial situation
 - j. Sufficiency Savings—encourage adequate savings in retirement combined with existing pension savings and social security
 - k. Additive not Duplicative—the plan should not compete with existing private sector solutions
 - l. Able to use pre-tax dollars
3. Identified several areas that the Committee believes would require additional study prior to making a definitive recommendation. In particular, while the Committee suspects, based upon the existing literature regarding the U.S. population in general, that retirement savings are inadequate, it was unable to compile specific information as to the extent of the problem in Vermont. Also the Committee did not have sufficient time to evaluate public retirement plan structures, for example, Defined-Benefit vs. Defined Contribution vs. Deferred Compensation, nor to analyze how such an alternative might be structured and administered.

**REPORT ON PUBLIC RETIREMENT PLAN
JANUARY 15, 2015**

Given the relatively short timeframe that it had been fully constituted, the Committee is not in a position to make definitive recommendations regarding a Public Retirement Plan at this time. Should the General Assembly wish to allow the Committee to continue its efforts to date and more thoroughly analyze and provide recommendations using the framework described above, then we would recommend extending the Committee's mandate by one year to January 15, 2016 and removing the limit as to the number of meetings it may convene.

The State Treasurer would like to thank the efforts of the members of the Public Retirement Study Committee for their work:

- Susan Wehry, Commissioner, Vermont Department of Disabilities, Aging and Independent Living
- Annie Noonan, Commissioner, Vermont Department of Labor
- Dan Boardman, Owner, Hickok & Boardman Retirement Solutions—Appointed by the Speaker
- Andrea Cohen, Executive Director, Vermont Businesses for Social Responsibility—Appointed by the Speaker
- Rebecca Towne, Vermont Gas—Appointed by the Committee on Committees
- Bob Hooper, Trustee and Board Member at Vermont Pension Investment Committee—Appointed by the Committee on Committees

Sincerely,

Beth Pearce
State Treasurer
Chair, Public Retirement Study Committee

cc: Shap Smith, Speaker of the House of Representatives
John Campbell, Senate President Pro Tempore
Steve Klein, Legislative Joint Fiscal Office