

No. 24. An act relating to miscellaneous adjustments to the public retirement systems.

(H.431)

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 3 V.S.A. § 459a is added to read:

§ 459a. RESTORATION OF SERVICE

(a) When a beneficiary resumes service, as defined in subdivision 455(a)(21) of this title, he or she shall again become a member of the system, shall contribute at the rate established for members of his or her group, and shall not be entitled to receive a retirement allowance.

(b) Upon the subsequent retirement of an employee who once again became a member under subsection (a) of this section, the employee shall once again become a beneficiary whose former retirement allowance shall be restored under the same plan provisions applicable at the time of the initial retirement, but the beneficiary shall not be entitled to cost of living adjustments for the period during which he or she was restored to service. In addition to the former retirement allowance, a beneficiary shall be entitled to a retirement allowance separately computed for the period beginning with his or her last restoration to service for which the member has made a contribution. If the beneficiary is not vested in the system since he or she was last restored to service, the member's contributions plus accumulated interest shall be returned to him or her.

Sec. 2. 3 V.S.A. § 468 is amended to read:

§ 468. OPTIONAL BENEFITS

(a) Until the first payment on account of a retirement allowance becomes normally due, any member may elect to convert the retirement allowance otherwise payable to the member after retirement into a retirement allowance that is its actuarial equivalent, in accordance with one of the optional forms described in this section.

(1) Option 1. A reduced retirement allowance payable during the member's life, with the provision that at the member's death a lump sum equal in amount to the difference between the member's accumulated contributions at the time of retirement and the sum of the annuity payments actually made to the member during his or her lifetime shall be paid to such person, if any, as the member has nominated by written designation duly acknowledged and filed with the retirement board; or, in the absence of a written designation of beneficiary or when the designated beneficiary is deceased, the residual amount payable as a result of the death of the member after retirement shall be payable as follows

~~(2) Option 2. A reduced retirement allowance payable during the member's life, with the provision that at the member's death a lump sum equal in amount to the difference between the member's accumulated contributions at the time of the member's retirement and the sum of the retirement allowance payments actually made to the member during his or her lifetime shall be paid~~

~~to such person, if any, as the member has nominated by written designation duly acknowledged and filed with the retirement board; or in the absence of a written designation of beneficiary, or when the designated beneficiary is deceased, the residual amount payable as a result of the death of the member after retirement shall be payable as follows:~~

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Sec. 3. 3 V.S.A. § 470(b) is amended to read:

(b) For group F members, as of June 30 in each year, commencing January 1, 1991, a determination shall be made of the increase or decrease, to the nearest one-tenth of a percent of the Consumer Price Index for the preceding fiscal year. The retirement allowance of each beneficiary in receipt of an allowance for at least one year on the next following December 31st shall be increased or decreased, as the case may be, by an amount equal to one-half of the percentage increase or decrease. Commencing January 1, 2014, the retirement allowance of each beneficiary who was an active contributing member of the group F plan ~~as of~~ on or after June 30, 2008 and who retires on or after July 1, 2008 shall be increased or decreased, as the case may be, by an equal percentage of the Consumer Price Index for the preceding year. The increase or decrease shall commence on the January 1st immediately following such December 31st. The adjustment shall apply to group F members receiving an early retirement allowance only in the year following attainment of age 62, provided the member has received benefits for at least 12 months as

of December 31 of the year preceding any January adjustment. The maximum adjustment of any retirement allowance resulting from any such determination shall be five percent and the minimum shall be one percent, and no retirement allowance shall be reduced below the amount payable to the beneficiary without regard to the provisions of this section.

Sec. 4. 3 V.S.A. § 472a(1) is added to read:

(1) The board may adopt rules to ensure that this chapter complies with federal law requirements.

Sec. 4a. 3 V.S.A. § 473(c)(4) is amended to read:

~~(4)(A)~~ Until the unfunded accrued liability, ~~excluding the portion described in subdivision (B) of this subdivision (4)~~, is liquidated, the basic accrued liability contribution shall be the annual payment required to liquidate the unfunded accrued liability over a period of 30 years from July 1, ~~1988~~ 2008, provided that the amount of each annual basic accrued liability contribution after June 30, ~~1988~~ 2009 shall be five percent greater than the preceding annual basic accrued liability contribution. Any variation in the contribution of normal, basic, unfunded accrued liability or additional unfunded accrued liability contributions from those recommended by the actuary and any actuarial gains and losses shall be added or subtracted to the unfunded accrued liability and amortized over the remainder of the 30-year period.

~~(B) Until the additional unfunded accrued liability created as of July 1, 2008, by the implementation of a group F cost of living adjustment equal to the full increase or decrease, to the nearest one tenth of a percent of the Consumer Price Index for the preceding fiscal year as provided in subsection 470(b) of this title, is liquidated, the additional accrued liability contribution, shall be the annual payment required to liquidate the additional unfunded accrued liability over a period of 30 years from July 1, 2008, provided that the amount of each annual additional accrued liability contribution made after June 30, 2009 shall be five percent greater than the preceding annual additional accrued liability contribution.~~

Sec. 4b. 3 V.S.A. § 479a is amended to read:

§ 479a. STATE EMPLOYEES' POSTEMPLOYMENT BENEFITS

PENSION TRUST FUND

(a) ~~An irrevocable~~ A "state employees' postemployment benefits ~~pension~~ trust fund" is hereby created for the purpose of accumulating and providing reserves to support retiree postemployment benefits for members, and to make distributions from the fund for current and future postemployment benefits for retirees, of the Vermont state employees' retirement system, excluding pensions and benefits otherwise appropriated by statute and for the payment of reasonable and proper expenses of administering the fund and related benefit plans. The fund shall not be part of the retirement system, but is intended to

comply with and be a tax exempt governmental trust under section 115 of the Internal Revenue Code of 1986, as amended.

(b) Into the state employees' postemployment benefits ~~pension~~ trust fund shall be deposited:

(1) All assets remitted to the state as a subsidy on behalf of the members of the Vermont state employees' retirement system for employer-sponsored qualified prescription drug plans pursuant to the Medicare Prescription Drug Improvement and Modernization Act of 2003.

(2) Any appropriations by the general assembly ~~to pay toward~~ for the purposes of paying current and future retiree postemployment benefits for members of the Vermont state employees' retirement system.

(3) Amounts contributed or otherwise made available by members of the system or their beneficiaries for the purpose of paying current or future postemployment benefits costs.

(c) The state employees' postemployment benefits ~~pension~~ trust fund shall be administered by the state treasurer. The treasurer may invest monies in the state employees' postemployment benefits ~~pension~~ trust fund in accordance with the provisions of section 434 of Title 32. All balances in the state employees' postemployment benefits ~~pension~~ trust fund at the end of the fiscal year shall be carried forward. Interest earned shall remain in the state employees' postemployment benefits ~~pension~~ trust fund. The treasurer's annual financial report to the governor and the general assembly shall contain

an accounting of receipts, disbursements, and earnings of the state employees' postemployment benefits ~~pension~~ trust fund.

(d) All funds of the state employees' postemployment benefits trust fund shall be held in one or more trusts, custodial accounts treated as trusts, or a combination thereof. Contributions to the fund shall be irrevocable and it shall be impossible at any time prior to the satisfaction of all liabilities, with respect to employees and their beneficiaries, for any part of the corpus or income of the fund to be used for, or diverted to, purposes other than the payment of retiree postemployment benefits to members and their beneficiaries and reasonable expenses of administering the fund and related benefit plans.

Sec. 5. 16 V.S.A. § 1931(20) is amended to read:

(20) "Teacher" shall mean any licensed teacher, principal, supervisor, superintendent, or any professional licensed by the Vermont standards board for professional educators regularly employed for the full normal working time for his or her position in a public day school within the state, or in any school or teacher-training institution located within the state, controlled by the state board of education, and supported wholly by the state; or any licensed teacher, principal, supervisor, superintendent, or any professional licensed by the Vermont standards board for professional educators and regularly employed for the full normal working time for his or her position in any nonsectarian independent school which serves as a high school for the town or city in which the same is located, provided such school is not conducted for personal profit.

It shall also mean any ~~person~~ licensed teacher employed in a teaching capacity and licensed by the Vermont standards board for professional educators in certain public independent schools designated for such purposes by the board of trustees in accordance with section 1935 of this title. In all cases of doubt the board of trustees, herein defined, shall determine whether any person is a teacher as defined in this chapter. It shall not mean a person who is teaching with an emergency license.

Sec. 6. 16 V.S.A. § 1943a(1) is added to read:

(1) The board may adopt rules to ensure that this chapter complies with federal law requirements.

Sec. 6a. 16 V.S.A. § 1944(c)(4) is amended to read:

(4) Until the unfunded accrued liability is liquidated, the accrued liability contribution shall be the annual payment required to liquidate the unfunded accrued liability over a period of 30 years from July 1, ~~2006~~ 2008, provided that the amount of each annual accrued liability contribution after June 30, ~~2006~~ 2009 shall be five percent greater than the preceding annual accrued liability contribution. Any variation in the contribution of normal or unfunded accrued liability contributions from those recommended by the actuary and any actuarial gains and losses shall be added or subtracted to the unfunded accrued liability and amortized over the remainder of the 30-year period.

Sec. 7. 24 V.S.A. § 5051(4)(D) is amended to read:

(D) For purposes of determining average final compensation for a member who has accrued service in more than one group plan within the system, the highest consecutive years of earnings will be based on the formulas outlined in subdivision (A) ~~or~~, (B), or (C) of this subdivision (4) using the earnable compensation received while a member of the system.

Sec. 8. 24 V.S.A. § 5051(7)(D) is amended to read:

(D) each employer employing the employee after the effective date was a participant in the system during the period it employed the employee. Notwithstanding any other provisions, continuous service prior to the effective date of this plan shall commence on the most recent date of hire as an employee, but in no case shall the continuous service of an employee prior to the effective date of this plan be for a period longer than 20 years. If an employee does not withdraw his or her contributions, continuous service shall not be interrupted by:

(i) ~~by~~ an approved leave of absence; or

(ii) ~~a reduction in the normal work schedule of an employee, which is below the minimum number of hours established under subdivision (10) of this subsection, for a period not to exceed three years; or~~

(iii) a departure from the municipal retirement system for a period of less than three years.

Sec. 9. 24 V.S.A. § 5053(c) is amended to read:

(c) A municipality may elect to join the Vermont municipal employees' retirement system by a vote of the legislative body of such municipality for all its employees or for employees of one or more groups of employees which have a similarity of interest, needs and general conditions of employment, as determined by the legislative body and approved by the board. The effective date of participation for such employers shall be designated by the retirement board. The vote by the legislative body of a municipality to join the Vermont municipal employees' retirement system shall be irrevocable.

Sec. 10. 24 V.S.A. § 5054a(a) is amended to read:

(a) Any member may elect to have included in the member's creditable service, years of service as an employee of another municipality, as a state employee or as a teacher in a public or private school, as defined by the board, and years of service in the defined contribution plan authorized under section 5070 of this title when the employee elects to transfer back to the defined benefit plan as a result of his or her employer offering a higher group plan.

Any member who so elects shall deposit in the fund by a single contribution the amount or amounts determined by the system's actuary to be cost neutral to the system. No application for credit under this subsection shall be granted if at the time of application, the member has a vested right to retirement benefits in another defined benefit retirement system based upon that service.

Sec. 11. 24 V.S.A. § 5055 is amended to read:

§ 5055. NORMAL AND EARLY RETIREMENT

* * *

(f) In any fiscal year in which a beneficiary resumes service, as that term is defined in section 5051 of this title, after separation from service for a period of time to be determined by the board, he or she shall again become a member of the system, shall contribute at the rate established for members of his or her group, and shall not be entitled to receive a retirement allowance ~~if he or she is separated from service for a period of not less than 90 days.~~

(g) Upon the subsequent retirement of an employee who once again became a member under subsection (f) of this section, the employee shall once again become a beneficiary whose former retirement allowance shall be restored, but the beneficiary shall not be entitled to cost of living adjustments for the period during which he or she was restored to service. In addition to the former retirement allowance, a beneficiary shall be entitled to a retirement allowance separately computed for the period beginning with his or her last restoration to service for which the member has made a contribution. If the beneficiary is not vested in the system since he or she was last restored to service, the member's contributions plus accumulated interest shall be returned to him or her.

Sec. 12. 24 V.S.A. § 5063a(1) is added to read:

(1) The board may adopt rules to ensure that this chapter complies with federal law requirements.

Sec. 12a. 24 V.S.A. § 5064(c)(4) is amended to read:

(4) For each actuarial valuation completed on or after July 1, 2009, the accrued liability contribution rate shall be computed for each membership group based on the actuarial assumptions and methodology adopted by the retirement board as the rate percent of the earnable compensation of the employees in such membership group which, if applied to expected future earnings of current and future employees of such membership group, would be expected to liquidate the membership group's unfunded accrued liability on or before June 30, ~~2018~~ 2038. The product of a membership group's accrued liability rate and its total earnable compensation shall be referred to as that membership group's "accrued liability contribution."

Sec. 13. 24 V.S.A. § 5069(a) is amended to read:

(a) The board may enter into insurance arrangements to provide health and medical benefits for retired members and their dependents. The board may enter into insurance arrangements to provide dental coverage for retired members and their dependents, provided the municipalities or the system has no legal obligation to pay any portion of the dental benefit premiums.

Approved: May 18, 2009