

1 H.431

2 Introduced by Committee on Government Operations

3 Date:

4 Subject: Executive; state employee; teacher; municipal employee; retirement
5 benefit

6 Statement of purpose: This bill proposes to: (1) clarify the current practice of
7 freezing retirement benefits for state employees and municipal employees
8 when a beneficiary returns to active employment that mandates they again
9 become a contributing member of the respective system; (2) amend language
10 created during the 2008 session to allow newly hired group F plan members to
11 be eligible for full COLA when they retire; (3) eliminate one option for
12 reduced retirement allowances for state employees; (4) clarify the definition of
13 “teacher” for purposes of qualifying for membership in the teachers’ retirement
14 system; (5) eliminate the ability for a municipal employee member to work
15 under “reduced hours” for a three-year period; (6) clarify that the decision of a
16 municipality to join the municipal employees’ retirement system is irrevocable;
17 (7) eliminate the required 90-day absence period after separation of service for
18 municipal employees, and provide for the retirement board to determine what
19 the required period of separation should be; (8) authorize the municipal
20 employees’ retirement board to offer a dental plan to retirees; and (9) authorize

1 the three retirement boards to adopt rules to ensure compliance with federal
2 law.

3 An act relating to miscellaneous adjustments to the public retirement
4 systems

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

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

7 § 459a. RESTORATION OF SERVICE

8 (a) When a beneficiary resumes service, as defined in subdivision
9 455(a)(21) of this title, he or she shall again become a member of the system,
10 shall contribute at the rate established for members of his or her group, and
11 shall not be entitled to receive a retirement allowance.

12 (b) Upon the subsequent retirement of an employee who once again
13 became a member under subsection (a) of this section, the employee shall once
14 again become a beneficiary whose former retirement allowance shall be
15 restored under the same plan provisions applicable at the time of the initial
16 retirement, but the beneficiary shall not be entitled to cost of living adjustments
17 for the period during which he or she was restored to service. In addition to
18 the former retirement allowance, a beneficiary shall be entitled to a retirement
19 allowance separately computed for the period beginning with his or her last
20 restoration to service for which the member has made a contribution. If the

1 beneficiary is not vested in the system since he or she was last restored to
2 service, the member's contributions plus accumulated interest shall be returned
3 to him or her.

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

5 § 468. OPTIONAL BENEFITS

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

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

1 or after July 1, 2008 shall be increased or decreased, as the case may be, by an
2 equal percentage of the Consumer Price Index for the preceding year. The
3 increase or decrease shall commence on the January 1st immediately following
4 such December 31st. The adjustment shall apply to group F members
5 receiving an early retirement allowance only in the year following attainment
6 of age 62, provided the member has received benefits for at least 12 months as
7 of December 31 of the year preceding any January adjustment. The maximum
8 adjustment of any retirement allowance resulting from any such determination
9 shall be five percent and the minimum shall be one percent, and no retirement
10 allowance shall be reduced below the amount payable to the beneficiary
11 without regard to the provisions of this section.

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

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

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

16 (20) "Teacher" shall mean any licensed teacher, principal, supervisor,
17 superintendent, or any professional licensed by the Vermont standards board
18 for professional educators regularly employed for the full normal working time
19 for his or her position in a public day school within the state, or in any school
20 or teacher-training institution located within the state, controlled by the state
21 board of education, and supported wholly by the state; or any licensed teacher,

1 principal, supervisor, superintendent, or any professional licensed by the
2 Vermont standards board for professional educators and regularly employed
3 for the full normal working time for his or her position in any nonsectarian
4 independent school which serves as a high school for the town or city in which
5 the same is located, provided such school is not conducted for personal profit.
6 It shall also mean any ~~person~~ licensed teacher employed in a teaching capacity
7 and licensed by the Vermont standards board for professional educators in
8 certain public independent schools designated for such purposes by the board
9 of trustees in accordance with section 1935 of this title. In all cases of doubt
10 the board of trustees, herein defined, shall determine whether any person is a
11 teacher as defined in this chapter. It shall not mean a person who is teaching
12 with an emergency license.

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

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

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

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

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

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

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

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

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

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

17 (c) A municipality may elect to join the Vermont municipal employees'
18 retirement system by a vote of the legislative body of such municipality for all
19 its employees or for employees of one or more groups of employees which
20 have a similarity of interest, needs and general conditions of employment, as
21 determined by the legislative body and approved by the board. The effective

1 date of participation for such employers shall be designated by the retirement
2 board. The vote by the legislative body of a municipality to join the Vermont
3 municipal employees' retirement system shall be irrevocable.

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

5 (a) Any member may elect to have included in the member's creditable
6 service, years of service as an employee of another municipality, as a state
7 employee or as a teacher in a public or private school, as defined by the board,
8 and years of service in the defined contribution plan authorized under section
9 5070 of this title when the employee elects to transfer back to the defined
10 benefit plan as a result of his or her employer offering a higher group plan.

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

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

17 § 5055. NORMAL AND EARLY RETIREMENT

18 * * *

19 (f) In any fiscal year in which a beneficiary resumes service, as that term is
20 defined in section 5051 of this title, after separation from service for a period
21 of time to be determined by the board, he or she shall again become a member

1 of the system, shall contribute at the rate established for members of his or her
2 group, and shall not be entitled to receive a retirement allowance ~~if he or she is~~
3 ~~separated from service for a period of not less than 90 days.~~

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

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

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

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

19 (a) The board may enter into insurance arrangements to provide health and
20 medical benefits for retired members and their dependents. The board may
21 enter into insurance arrangements to provide dental coverage for retired

- 1 members and their dependents, provided the municipalities or the system has
- 2 no legal obligation to pay any portion of the dental benefit premiums.