

1 H.673

2 SHORT FORM

3 Introduced by Representative Sweaney of Windsor

4 Referred to Committee on

5 Date:

6 Subject: Executive; Vermont State Employees' Retirement System; education;

7 Vermont Teachers' Retirement System; municipal and county

8 government; Vermont Municipal Retirement System

9 Statement of purpose of bill as introduced: This bill proposes to make
10 retirement and pension amendments.

11 An act relating to ~~retirement and pension amendments~~ *retired teachers'*
12 *health care costs*

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

14 ~~(TEXT OMITTED IN SHORT FORM BILLS)~~

Sec. 1. 16 V.S.A. § 1944b is added to read:

§ 1944b. RETIRED TEACHERS' HEALTH AND MEDICAL BENEFITS

FUND

*(a) There is established a Retired Teachers' Health and Medical Benefits
Fund (Benefits Fund) to pay retired teacher health and medical benefits,
including prescription drug benefits, when due in accordance with the terms*

established by the Board of Trustees of the State Teachers' Retirement System of Vermont pursuant to subsection 1942(p) and subdivision 1944(c)(12) of this title. The Benefits Fund shall be administered by the Treasurer.

(b) The Benefits Fund shall consist of:

(1) all monies remitted to the State on behalf of the members of the State Teachers' Retirement System of Vermont for prescription drug plans pursuant to the Employer Group Waiver Plan with Wrap pursuant to the Medicare Prescription Drug Improvement and Modernization Act of 2003;

(2) any monies appropriated by the General Assembly for the purpose of paying the health and medical benefits for retired members and their dependents provided by subsection 1942(p) and subdivision 1944(c)(12) of this title;

(3) any monies pursuant to subsection (e) of this section;

(4) any monies the General Assembly transfers from the Supplemental Property Tax Relief Fund pursuant to 32 V.S.A. § 6075; and

(5) any monies pursuant to section 1944d of this title.

(c) No employee contributions shall be deposited in the Benefits Fund.

(d) Interest earned shall remain in the Benefits Fund, and all balances remaining at the end of a fiscal year shall be carried over to the following year; provided, however, that any amounts received in repayment of interfund

loans established under subsection (e) of this section may be reinvested by the State Treasurer.

(e) The State Treasurer is authorized to use interfund loans from the General Fund for payment into the Benefits Fund, which monies shall be identified exclusively for the purposes of payments of retired teacher health and medical benefits pursuant to this section. Any monies borrowed through an interfund loan pursuant to this section shall be paid from monies in the Benefits Fund or from other funds legally available for this purpose. It is the intent of the General Assembly to appropriate sufficient General Fund revenue, after consideration of all other revenue and disbursements, such that the interfund loan shall be paid in full on or before June 30, 2023. The Governor shall include in the annual budget request an amount sufficient to repay any interfund borrowing according to a schedule developed by the State Treasurer. The State Treasurer shall pay the interest and principal as due in accordance with authority granted under 32 V.S.A. § 902(b). The State Treasurer shall assess a rate of interest on the outstanding balance of the interfund loan comparable to the rate paid by private depositories of the State's monies, or to the yield available on investments made pursuant to 32 V.S.A. § 433.

(f) It is the intent of the General Assembly to appropriate the required contributions necessary to pay retired teacher health and medical benefits by

combining annual increases in General Fund appropriations and surplus revenues as they become available, so that the full cost of retired teacher health and medical benefits payments shall be met in General Fund appropriations by fiscal year 2024. The General Fund obligation shall not be reduced until all annual disbursements to repay the interfund loan in subsection (e) of this section are satisfied.

Sec. 2. 16 V.S.A. § 1944 is amended to read:

§ 1944. VERMONT TEACHERS' RETIREMENT FUND

(a) Fund. All of the assets of the system shall be credited to the ~~Vermont teachers' retirement fund~~ Vermont Teachers' Retirement Fund.

(b) Member contributions.

(1) Contributions deducted from the compensation of members shall be accumulated in the ~~fund~~ Fund and separately recorded for each member.

(2) The proper authority or officer responsible for making up each employer payroll shall cause to be deducted from the compensation of each group A member five and one-half percent of the member's earnable compensation ~~and~~; from each group C member with at least five years of membership service as of July 1, 2014, five percent of the member's earnable compensation; and from each group C member with less than five years of membership service as of July 1, 2014, six percent of the member's earnable compensation, including compensation paid for absence as provided by

subsection 1933(d) of this title. In determining the amount earnable by a member in a payroll period, the ~~board~~ Board may consider the rate of compensation payable to such member on the first day of a payroll period as continuing throughout the payroll period, and it may omit deduction from compensation for any period less than a full payroll period if a teacher was not a member on the first day of the payroll period, and to facilitate the making of deductions it may modify the deduction required of any member by such an amount as shall not exceed one-tenth of one percent of the annual earnable compensation upon the basis of which such deduction is made. The actuary shall make annual valuations of the reduction to the recommended State contribution attributable to the increase from five to six percent, and the Board shall include the amount of this reduction in its written report pursuant to subsection 1942(r) of this title.

* * *

Sec. 3. 16 V.S.A. § 1944c is added to read:

*§ 1944c. EMPLOYER CHARGES FOR FEDERAL GRANTS OR
REIMBURSEMENTS*

(a) Notwithstanding any provision of law to the contrary, effective July 1, 2015, the employer retirement costs and administrative operating expenses related to the retirement plans applicable to those teachers whose funding is provided from federal grants or through federal reimbursement shall be paid

by local school systems or educational entities that participate in the Vermont Teachers' Retirement Fund from those federal monies.

(b) The percentage rates to be applied shall be determined by an actuary approved by the Board of Trustees of the State Teachers' Retirement System of Vermont and shall be applied to the total earnable compensation of members prepared by the actuary in compliance with subsection 1942(r) of this title. The Secretary of Education shall annually provide an accounting of federal grants and federal reimbursements, by school system, upon which payment by the participating schools shall be determined.

(c) The State Treasurer and the Secretary of Education shall establish procedures for the collection and deposit of those monies in the State Teachers' Retirement System of Vermont. The Secretary of Education may delay implementation upon review of the federal grant program to permit timely and accurate claims for reimbursement of retirement expenses under a particular federal program in order to receive funding under that program. The Secretary of Education shall provide an annual report to the House and Senate Committees on Appropriations and on Education regarding progress in implementation of this section.

Sec. 4. 16 V.S.A. § 1944d is added to read:

§ 1944d. EMPLOYER ANNUAL CHARGE FOR TEACHER HEALTH

CARE

The employer of teachers who become members of the State Teachers' Retirement System of Vermont on or after July 1, 2015 shall pay an annual assessment for those teachers' health and medical benefits. The assessment shall be the value, as approved annually by the Board of Trustees based on the actuary's recommendation, of the portion of future retired teachers' health and medical benefits attributable to those teachers for each year of service in the State Teachers' Retirement System of Vermont. For the fiscal year starting on July 1, 2015, the assessment for each teacher becoming a member of the State Teachers' Retirement System of Vermont as of or after that date shall be \$1,072.00, which is based on the June 30, 2013 actuarial valuation.

Sec. 5. 16 V.S.A. § 4001(6)(B)(ix) is added to read:

(ix) The assessment paid by the employer of teachers who become members of the State Teachers' Retirement System of Vermont on or after July 1, 2015, pursuant to section 1944d of this title.

Sec. 6. 16 V.S.A. § 4028(d) is added to read:

(d) On or before July 1 of each year, the Joint Fiscal Office shall determine the total amount of new unfunded mandates imposed on supervisory unions and school districts for the coming fiscal year. The Joint Fiscal Office shall present this total to the Joint Fiscal Committee at its July meeting. The Joint Fiscal Committee shall review and approve the total, and that amount shall then be added to the General Fund transfer in subdivision 4025(a)(2) of this

title for that fiscal year and after. As used in this subsection, an “unfunded mandate” means a State statute or State regulation that requires a supervisory union or school district to perform certain actions, but with no money or funding mechanism in place for fulfilling the requirement. “Unfunded mandate” shall not mean the annual assessment pursuant to section 1944d of this title.

Sec. 6 7. EFFECTIVE DATE

This act shall take effect on July 1, 2014.