

H.764

Introduced by Committee on Government Operations

Date:

Subject: Education; teachers; retirement

Statement of purpose: This bill proposes to make changes to the state teachers' retirement system of Vermont as follows: (1) adjust the duration of service needed before a teacher qualifies for a normal retirement allowance; (2) increase the employees' share of the costs of the system; (3) increase the percentage of "average final compensation" teachers may be paid in retirement; (4) make available to teachers, upon retirement and in exchange for increased length of service, a health benefit component for their spouses; (5) reduce the state's actuarially determined annual required contribution to the system; (6) strengthen the annual obligation of the state to fund the system to the level actuarially determined to be necessary; and (7) tighten standards for determining average final compensation.

An act relating to the state teachers' retirement system of Vermont

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

Sec. 1. PURPOSE

By this act, the general assembly intends to make changes to the Vermont state teachers' retirement system that provide:

(2) greater long-term stability for the system.

§ 1931. DEFINITIONS

* * *

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VT LEG 254045.1

1 or sick leave, termination bonuses, and any other compensation for service not
2 actually performed shall also be excluded.

3 * * *

4 (20) "Teacher" shall mean any licensed teacher, principal, supervisor,
5 superintendent, or any professional licensed by the Vermont standards board
6 for professional educators regularly employed, or otherwise contracted if
7 following retirement, for the full normal working time for his or her position in
8 a public day school or school district within the state, or in any school or
9 teacher-training institution located within the state, controlled by the state
10 board of education, and supported wholly by the state; or any licensed teacher,
11 principal, supervisor, superintendent, or any professional licensed by the
12 Vermont standards board for professional educators and regularly employed,
13 or otherwise contracted if following retirement, for the full normal working
14 time for his or her position in any nonsectarian independent school which
15 serves as a high school for the town or city in which the same is located,
16 provided such school is not conducted for personal profit. It shall also mean
17 any licensed teacher employed, or otherwise contracted if following retirement,
18 in a teaching capacity and licensed by the Vermont standards board for
19 professional educators in certain public independent schools designated for
20 such purposes by the board of trustees in accordance with section 1935 of this
21 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. 3. 16 V.S.A. § 1937 is amended to read:

§ 1937. SERVICE RETIREMENT

(a) Upon written application to the board not later than 90 days, or longer for good cause shown, after the date upon which the retirement allowance is to begin;

(1) any group A member may retire on a service retirement allowance on the first day of the calendar month next following the member's separation from service, provided that the member shall have attained age 60, and following completion of five years of creditable service for those members hired on or after July 1, 2004, or have completed 30 years of creditable service at the date of the member's retirement. ~~Upon written application to the board not later than 90 days, or longer for good cause shown, after the date upon which the retirement allowance is to begin;~~

(2) any group C member, having attained the age of 57 or completed 25 years of creditable service as of June 30, 2010, may retire on a service retirement allowance on the first day of the calendar month next following the member's separation from service, provided that such member shall have attained age 62, and following completion of five years of creditable service

1 for those members who are hired on or after July 1, 2004, or have completed
2 30 years of creditable service at the date of the member's retirement; and
3 (3) any group C member not having attained the age of 57 or completed
4 25 years of creditable service as of June 30, 2010, may retire on a service
5 retirement allowance on the first day of the calendar month next following the
6 member's separation from service, provided that the member shall have
7 completed five years of creditable service and either has attained the age of 65
8 or has at least 90 years of combined age and years of creditable service at the
9 date of the member's retirement.

10 (b) Upon service retirement, a group A member shall receive a service
11 retirement allowance which shall consist of:

12 * * *

13 (4) Beginning July 1, 1989, the service retirement allowance shall be not
14 less than the larger of \$4,550.00 a year or 50 percent of the member's average
15 final compensation for any member or beneficiary who has completed 30 years
16 or more of creditable service, nor less than a proportionate amount thereof for
17 any member or beneficiary who has completed less than 30 years of creditable
18 service. Beginning March 1, 1998, the service retirement allowance shall be
19 not less than the larger of \$6,600.00 a year or 50 percent of the member's
20 average final compensation for any member or beneficiary who has completed
21 30 years or more of creditable service, nor less than a proportionate amount

1 thereof for any member or beneficiary who has completed at least five years,
2 but less than 30 years, of creditable service. For this purpose, any annuity
3 derived from the member's contributions transferred from the existing system
4 under subsection 1934(c) of this title and from additional contributions made
5 under subdivisions 1944(b)(5) and (6) of this title shall not be included as part
6 of the retirement allowance. Beginning September 1, 2006, the service
7 retirement allowance shall be not less than the larger of \$9,000.00 per year or
8 50 percent of the member's average final compensation for any member or
9 beneficiary who has completed 30 years or more of creditable service nor less
10 than a proportionate amount thereof for any member or beneficiary who has
11 completed at least five years but less than 30 years of creditable service. For a
12 member who has attained the age of 57 or completed at least 25 years of
13 creditable service as of June 30, 2010, the service retirement allowance shall
14 be not less than the larger of \$9,000.00 or the amount provided in subdivision
15 (c)(1) of this section, nor less than a proportionate share thereof a member or
16 beneficiary who has completed at least five years of creditable service but has
17 not attained the age of 62 or completed at least 30 years of creditable service.
18 For a member who has not attained the age of 57 or completed at least 25 years
19 of creditable service as of June 30, 2010, the service retirement allowance shall
20 be not less than the larger of \$9,000.00 or the amount provided in subdivision
21 (c)(2) of this section, nor less than a proportionate share thereof for a member

1 or beneficiary who has completed at least five years of creditable service but
2 neither has attained the age of 65 nor has at least 90 years of combined age and
3 years of creditable service. Beginning September 1, 2011, and on September 1
4 of every fifth year thereafter, the minimum service retirement allowance shall
5 be increased by \$1,000.00.

6 (c) Upon service retirement, a group C member shall receive a service
7 retirement allowance ~~equal to~~ as follows:

8 (1) for a member having attained the age of 57 or completed 25 years of
9 creditable service as of June 30, 2010, the sum of:

10 (A) 1-1/4 percent of the member's average final compensation times
11 multiplied by years of membership creditable service prior to July 1, 1990 plus
12 a pension which when added to an annuity shall be equal to;

13 (B) 1-2/3 percent of the member's average final compensation times
14 multiplied by years of membership creditable service on and after July 1, 1990-
15 The through June 30, 2010, to a maximum of 50 percent of average final
16 compensation; and

17 (C) 1-2/3 percent of the member's average final compensation
18 multiplied by years of creditable service on or after July 1, 2010, to a
19 maximum retirement allowance shall be 50 of 53.34 percent of average final
20 compensation;

1 (2) for a member having neither attained the age of 57 nor completed 25
2 years of creditable service as of July 1, 2010, the sum of:

3 (A) 1-1/4 percent of the member's average final compensation
4 multiplied by years of creditable service prior to July 1, 1990;

5 (B) 1-2/3 percent of the member's average final compensation
6 multiplied by the member's years of creditable service between July 1, 1990
7 and June 30, 2010; and

8 (C) 1-2/3 percent of the member's average final compensation times
9 the member's creditable service on or after July 1, 2010 until attainment of 20
10 years of creditable service, and two percent of the member's average final
11 compensation multiplied by the member's years of creditable service in excess
12 of 20 years, to a maximum of 60 percent of average final compensation.

13 * * *

14 (f) Upon written application to the board,;

15 (1) any group C member who has attained the age of 57 or completed at
16 least 25 years of creditable service as of June 30, 2010, has not attained the age
17 of 62 but who has attained the age of 55 and has completed between five and
18 30 years, but less than 30 years, of membership of creditable service may retire
19 on an early retirement allowance on the first day of the calendar month next
20 following the filing of the application or the member's separation from service,
21 whichever date is later, ~~provided that the applicant has notified the~~

1 ~~superintendent of schools in writing 30 calendar days prior to the effective date~~
2 ~~of the application;~~

3 (2) any group C member who has not attained the age of 57 or
4 completed at least 25 years of creditable service as of June 30, 2010, and
5 neither has attained the age of 65 nor has at least 90 years of combined age and
6 years of creditable service, but who has attained age 55 and completed five
7 years of creditable service, may retire on an early retirement allowance on the
8 first day of the calendar month next following the filing of the application or
9 the member's separation from service, whichever date is later.

10 (g) Upon early retirement, a group C member:

11 (1) who has attained the age of 57 or completed at least 25 years of
12 creditable service as of June 30, 2010 shall receive an early retirement
13 allowance equal to the service retirement allowance reduced by one-half of one
14 percent for each month the member is under age 62 at the time of early
15 retirement;

16 (2) who has not attained the age of 57 or completed at least 25 years of
17 creditable service as of June 30, 2010, and neither has attained the age of 65
18 nor has at least 90 years of combined age and years of creditable service, shall
19 receive an early retirement allowance which shall be the actuarial equivalent of
20 the normal retirement allowance computed under subsection (b) of this section,

1 based on the average final compensation and years of creditable service at the
2 date of early retirement.

3 * * *

4 (i) When a member has a minimum of 25 years of creditable service, he or
5 she may elect to purchase up to five years of additional service credit. A
6 member who has attained the age of 57 and completed at least 25 years of
7 creditable service as of June 30, 2010 and makes an election under this
8 subsection shall deposit in the fund by a single contribution, an amount
9 computed at regular interest to be sufficient to provide at normal retirement an
10 annuity equal to 1-2/3 percent of the member's average final compensation
11 multiplied by the number of years purchased. A member who has not attained
12 the age of 57 or completed at least 25 years of creditable service as of June 30,
13 2010 and makes an election under this subsection shall deposit in the fund by a
14 single contribution an amount computed at regular interest to be sufficient to
15 provide at normal retirement an annuity equal to 1-2/3 percent of the member's
16 average final compensation for each year up to 20 years of service and two
17 percent of the member's average final compensation for each year thereafter.
18 If through a negotiated agreement or binding contract, a school district or
19 supervisory union is required to purchase the whole or part of the additional
20 years of service credit necessary to enable the member to take normal
21 retirement, the school district or supervisory union may deposit a single

1 contribution into the fund or make the contribution in four equal annual
2 payments on dates established by the state treasurer. If a school district or
3 supervisory union elects to make the contribution in four equal annual
4 payments it shall, in addition, pay interest at the actuarially assumed interest
5 rate at the time of each annual payment. Any payment not received within 30
6 days of the date it is due shall be considered delinquent and the delinquent
7 payment and interest may be recovered by action in a court of competent
8 jurisdiction against the school district or supervisory union liable therefor or
9 may be deducted by the state treasurer from any other monies payable to such
10 school district or supervisory union by the state or any department or agency
11 thereof.

12 Sec. 4. 16 V.S.A. § 1940(a) is amended to read:

13 (a)(1) Upon the withdrawal of a member from service prior to retirement,
14 the amount of the member's accumulated contributions, less not more than
15 one-third of the regular interest credited thereon as determined by the board,
16 will be returnable to the member. In lieu of the return of contributions;

17 (A) a member who completes five or more years of creditable service
18 has attained the age of 57 and completed at least five years of creditable
19 service or completed 25 years of creditable service as of June 30, 2010, may
20 allow his or her contributions to remain in the system and receive a retirement
21 allowance, commencing at age 62, consisting;

§ 1942. BOARD OF TRUSTEES; MEDICAL BOARD; ACTUARY; RATE
OF CONTRIBUTION; SAFEKEEPING OF SECURITIES

* * *

(p) The board ~~may~~ shall 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 state or the system has no legal obligation to pay any portion of the dental benefit premiums.

* * *

1 (r) The board shall review annually the amount of state contribution
2 recommended by the actuary of the retirement system as necessary to achieve
3 and preserve the financial integrity of the fund established pursuant to section
4 1944 of this title. Based on this review, the board shall ~~recommend~~ determine
5 the amount of state contribution ~~that should be appropriated~~ necessary for the
6 next fiscal year to achieve and preserve the financial integrity of the funds. On
7 or before November 1 of each year, the board shall ~~submit this~~
8 ~~recommendation to~~ inform the governor and the house and senate committees
9 on government operations and on appropriations in writing about the amount
10 needed.

11 Sec. 6. 16 V.S.A. § 1944 is amended to read:

12 § 1944. VERMONT TEACHERS' RETIREMENT FUND

13 * * *

14 (b) Member contributions.

15 * * *

16 (2) The proper authority or officer responsible for making up each
17 employer payroll shall cause to be deducted from the compensation of each
18 group A member five and one-half percent of the member's earnable
19 compensation and from each group C member ~~three and four-tenths five~~
20 percent of the member's earnable compensation, including compensation paid
21 for absence as provided by subsection 1933(d) of this title. In determining the

1 amount earnable by a member in a payroll period, the board may consider the
2 rate of compensation payable to such member on the first day of a payroll
3 period as continuing throughout the payroll period, and it may omit deduction
4 from compensation for any period less than a full payroll period if a teacher
5 was not a member on the first day of the payroll period, and to facilitate the
6 making of deductions it may modify the deduction required of any member by
7 such an amount as shall not exceed one-tenth of one percent of the annual
8 earnable compensation upon the basis of which such deduction is made.

9 * * *

10 (8) Any group A or group C member who has rendered 15 years of
11 creditable teaching service and who has, prior to becoming a member of the
12 system, served a minimum of one full year of full-time service in the military,
13 one full year of full-time service as a member of the Cadet Nurse Corps in
14 World War II, the Peace Corps, or VISTA for which the member has derived
15 no military or other pension benefits, may elect to have included in the
16 member's creditable service all or any part of the member's military or Cadet
17 Nurse Corps or Peace Corps or VISTA service not exceeding five years. Any
18 group A member who elects credit under this subdivision shall deposit in the
19 fund by a single contribution an amount computed at regular interest to be
20 sufficient to provide at age 60 an annuity equal to one-one hundred and
21 twentieth of the member's average final compensation multiplied by the

1 number of years of he service rendered for which the member elects to receive
2 credit. Any group A member who elects credit for service in the Cadet Nurse
3 Corps under this subdivision and any group C member who elects credit under
4 this subdivision shall deposit in the fund by a single contribution an amount
5 computed at regular interest to be sufficient to provide at normal retirement an
6 annuity equal to 1-2/3 or two percent, whichever is applicable pursuant to
7 section 1937 of this title, of the member's average final compensation
8 multiplied by the number of years of the service for which the member elects
9 to receive credit. Notwithstanding the provisions of this subdivision, any
10 group C member who was a group B member and any group A member shall,
11 upon application, be granted up to three years of credit for military service
12 during the periods June 25, 1950 through January 31, 1955, February 28, 1961
13 through August 4, 1964 if service was performed while in what is now the
14 Republic of Vietnam, and August 5, 1964 through May 7, 1975 and shall not
15 be required to make a contribution, provided the member has rendered 15 years
16 of creditable teaching service and prior to becoming a member served a
17 minimum of one full year of full-time service in the military for which he or
18 she has derived no military pension benefits. Notwithstanding the foregoing,
19 in the event of a conflict between the provisions of this subsection and the
20 provisions of 10 U.S.C. § 12736 concerning the counting of the same full-time

1 military service toward both military and state pensions, the provisions of the
2 United States Code shall control.

3 * * *

4 (11) Any group A or group C member who rendered service in the
5 capacity of a teacher, as defined by the board, in an approved public or
6 independent school which was not a part of the system may elect to have
7 included in the member's creditable service, all or part of any period of service
8 in such approved school. Any member who so elects shall deposit in the fund
9 by a single contribution an amount computed at regular interest to be sufficient
10 to provide at normal retirement an annuity equal to 1-2/3 or two percent,
11 whichever is applicable pursuant to section 1937 of this title, of the member's
12 average compensation multiplied by the number of years of service for which
13 the member elects to receive credit. No application for credit under this
14 subdivision shall be granted if at the time of application, the member has a
15 vested right to retirement benefits in another retirement system based upon that
16 service.

17 (12) Any group A or group C member may elect to have included in the
18 member's creditable service, years of service during which the member
19 exercised his or her option not to be a member of the system. Any member
20 who so elects shall deposit in the fund by a single contribution an amount
21 computed at regular interest to be sufficient to provide at normal retirement an

1 annuity equal to 1-2/3 or two percent, whichever is applicable pursuant to
2 section 1937 of this title, of the member's average compensation multiplied by
3 the number of years of service for which the member elects to receive credit.

4 (13) Any group A or group C member may elect to have included in the
5 member's creditable service all or any part of the member's service in the
6 capacity of a teacher in a school which was a part of the system for which the
7 member has no credit. Any member who so elects shall deposit in the fund by
8 a single contribution an amount computed at regular interest to be sufficient to
9 provide at normal retirement an annuity equal to 1-2/3 or two percent,
10 whichever is applicable pursuant to section 1937 of this title, of the member's
11 average final compensation multiplied by the number of years of the service
12 for which the member elects to receive credit.

13 * * *

14 (17) Any member may elect to have included in the member's creditable
15 service, years of service as a state or municipal employee. Any member who
16 so elects shall deposit in the fund by a single contribution an amount computed
17 at regular interest to be sufficient to provide at normal retirement an annuity
18 equal to 1-2/3 or two percent, whichever is applicable pursuant to section 1937
19 of this title, of the member's average compensation multiplied by the number
20 of years of service for which the member elects to receive credit. No
21 application for credit under this subdivision shall be granted if at the time of

1 application, the member has a vested right to retirement benefits in another
2 retirement system based upon that service.

3 (c) State contributions, earnings, and payments.

4 * * *

5 (4) It is the policy of the state of Vermont to liquidate fully the unfunded
6 accrued liability to the system. Until the unfunded accrued liability is
7 liquidated, the accrued liability contribution shall be the annual payment
8 required to liquidate the unfunded accrued liability over a period of 30 years
9 from July 1, 2008, provided that the amount of each annual accrued liability
10 contribution after June 30, 2009 shall be five percent greater than the preceding
11 annual accrued liability contribution. Any variation in the contribution of
12 normal or unfunded accrued liability contributions from those recommended
13 by the actuary and any actuarial gains and losses shall be added or subtracted
14 to the unfunded accrued liability and amortized over the remainder of the
15 30-year period.

16 * * *

17 (12)(A) Payment of a portion of the cost of health and medical benefits
18 provided by subsection 1942(p) of this title for retired members shall be made
19 from the medical account created by subsection (i) of this section. The board
20 shall pay up to the amount determined by the board to be equal to 80 percent of
21 the cost determine the total costs of the applicable standard plan for a retired

1 ~~members provided they had ten years of creditable service at the time of their~~
2 ~~retirement~~ member and of the applicable standard plan for a retired member
3 and spouse, and the board shall pay the following portion of those costs:

4 (i) 80 percent of the cost for a retired member who has at least 10
5 years of creditable service as of July 1, 2010, and fewer than 25 years of
6 creditable service at the time of retirement;

7 (ii) 80 percent of the cost for a retired member and spouse if the
8 retired member has at least 10 years of creditable service as of July 1, 2010,
9 and at least 25 years of creditable service at the time of retirement;

10 (iii) 60 percent of the cost for a retired member who has fewer
11 than 10 years of creditable service as of July 1, 2010, and 15 or more but fewer
12 than 20 years of creditable service at the time of retirement;

13 (iv) 70 percent of the cost for a retired member who has fewer
14 than 10 years of creditable service as of July 1, 2010, and 20 or more but fewer
15 than 25 years of creditable service at the time of retirement; and

16 (v) 80 percent of the cost for a retired member and spouse if:

17 (I) the retired member has 10 or more but fewer than 15 years
18 of creditable service as of July 1, 2010, and at least 25 years of creditable
19 service at the time of retirement;

(B) The board shall pay an equal dollar amount for eligible retirees regardless of the plan selected. All eligible retirees may select health plan coverage from a range of plans approved by the board. Retired members may authorize deductions to be made from their monthly retirement allowance for the balance of the cost of such benefits for the retired members and their dependents. ~~The board shall determine annually that part of the cost of the applicable standard plan in excess of 50 percent of the cost for retirees, allocate 41 and one-half percent of that amount to active members, and adjust the members' contribution rate accordingly.~~ Periodically, the board shall approve the following:

VT LEG 254045.1

1 Sec. 7. 16 V.S.A. § 1949(b) is amended to read:

2 (b) For group C members, as of June 30 in each year, commencing June 30,
3 1981, a determination shall be made of the increase or decrease, to the nearest
4 one-tenth of a percent of the consumer price index for the preceding fiscal
5 year. The retirement allowance of each beneficiary in receipt of an allowance
6 for at least one year on the next following December 31st shall be increased or
7 decreased, as the case may be, by an amount equal to one-half of the
8 percentage increase or decrease. The increase or decrease shall commence on
9 the January 1st immediately following ~~such~~ that December 31st. The
10 adjustment shall apply to group C members having attained the age of 57 or
11 completed at least 25 years of creditable service as of June 30, 2010, and
12 receiving an early retirement allowance only in the year following attainment
13 of age 62, and shall apply to group C members not having attained the age of
14 57 or having completed at least 25 years of creditable service as of June 30,
15 2010, and receiving an early retirement allowance only in the year following
16 the member's attainment of age 65 or when the combination of the member's
17 age and years of creditable service totals 90, provided the member has received
18 benefits for at least 12 months as of December 31 of the year preceding any
19 January adjustment. The maximum adjustment of any retirement allowance
20 resulting from any such determination shall be five percent and the minimum
21 shall be one percent, and no retirement allowance shall be reduced below the

- 1 amount payable to the beneficiary without regard to the provisions of this
- 2 section.