

H.764

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:

(1) a balance of benefit enhancements to members of the retirement system, adjustments to members' eligibility for benefits, and payments to the system; and

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

Sec. 2. 16 V.S.A. § 1931 is amended to read:

§1931. DEFINITIONS

The following words and phrases as used in this chapter, unless a different meaning is plainly required by the context, shall have the following meanings:

* * *

(4) "Average final compensation" shall mean:

* * *

(C) An increase in compensation in excess of 10 percent in any of the years used to calculate average final compensation ~~shall be deemed to be~~

~~designed to unjustifiably inflate the member's retirement benefits and shall be excluded unless the board determines that such compensation was paid for significant additional duties. For purposes of this subdivision, "senior teacher programs" and similar arrangements do not constitute significant additional~~ duties. For purposes of calculating average final compensation for any member, payments made in lieu of benefits ~~as defined by the board~~ shall not be considered part of a member's average final compensation. For purposes of determining average final compensation for group C members, unused annual or sick leave, termination bonuses, and any other compensation for service not actually performed shall also be excluded.

* * *

(20) "Teacher" shall mean any licensed teacher, principal, supervisor, superintendent, or any professional licensed by the Vermont standards board for professional educators regularly employed, or otherwise contracted if following retirement, for the full normal working time for his or her position in a public day school or school district 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, or otherwise contracted if following retirement, 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 licensed teacher employed, or otherwise contracted if following retirement, 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. 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 for those members who are hired on or after July 1, 2004, or have completed 30 years of creditable service at the date of the member's retirement; and

(3) any group C member not 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 the member shall have completed five years of creditable service and either has attained the age of 65 or has at least 90 years of combined age and years of creditable service at the date of the member's retirement.

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

* * *

(4) Beginning July 1, 1989, the service retirement allowance shall be not less than the larger of \$4,550.00 a year or 50 percent of the member's average final compensation for any member or beneficiary who has completed 30 years or more of creditable service, nor less than a proportionate amount thereof for any member or beneficiary who has completed less than 30 years of creditable service. Beginning March 1, 1998, the service retirement allowance shall be not less than the larger of \$6,600.00 a year or 50 percent of the member's average final compensation for any member or beneficiary who has completed 30 years or more of creditable service, nor less than a proportionate amount thereof for any member or beneficiary who has completed at least five years, but less than 30 years, of creditable service. For this purpose, any annuity derived from the member's contributions transferred from the existing system under subsection 1934(c) of this title and from additional contributions made under subdivisions 1944(b)(5) and (6) of this title shall not be included as part of the retirement allowance. Beginning September 1, 2006, the service retirement allowance shall be not less than the larger of \$9,000.00 per year or 50 percent of the member's average final compensation for any member or beneficiary who has completed 30 years or more of creditable service nor less than a proportionate amount thereof for any member or beneficiary who has completed at least five years but less than 30 years of creditable service. For a member who has attained the age of 57 or completed at least 25 years of

creditable service as of June 30, 2010, the service retirement allowance shall be not less than the larger of \$9,000.00 or the amount provided in subdivision (c)(1) of this section, nor less than a proportionate share thereof a member or beneficiary who has completed at least five years of creditable service but has not attained the age of 62 or completed at least 30 years of creditable service. For a member who has not attained the age of 57 or completed at least 25 years of creditable service as of June 30, 2010, the service retirement allowance shall be not less than the larger of \$9,000.00 or the amount provided in subdivision (c)(2) of this section, nor less than a proportionate share thereof for a member or beneficiary who has completed at least five years of creditable service but neither has attained the age of 65 nor has at least 90 years of combined age and years of creditable service. Beginning September 1, 2011, and on September 1 of every fifth year thereafter, the minimum service retirement allowance shall be increased by \$1,000.00.

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

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

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

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

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

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

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

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

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

* * *

(f) Upon written application to the board;

(1) any group C member who has attained the age of 57 or completed at least 25 years of creditable service as of June 30, 2010, has not attained the age of 62 but who has attained the age of 55 and has completed between five and 30 years, but less than 30 years, of membership of creditable service may retire on an early retirement allowance on the first day of the calendar month next following the filing of the application or the member's separation from service, whichever date is later, provided that the applicant has notified the superintendent of schools in writing 30 calendar days prior to the effective date of the application;

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

(g) Upon early retirement, a group C member;

(1) who has attained the age of 57 or completed at least 25 years of creditable service as of June 30, 2010 shall receive an early retirement allowance equal to the service retirement allowance reduced by one-half of one

percent for each month the member is under age 62 at the time of early retirement;

(2) who has not attained the age of 57 or completed at least 25 years of creditable service as of June 30, 2010, and neither has attained the age of 65 nor has at least 90 years of combined age and years of creditable service, shall receive an early retirement allowance which shall be the actuarial equivalent of the normal retirement allowance computed under subsection (b) of this section, based on the average final compensation and years of creditable service at the date of early retirement.

* * *

(i) When a member has a minimum of 25 years of creditable service, he or she may elect to purchase up to five years of additional service credit. A member who has attained the age of 57 and completed at least 25 years of creditable service as of June 30, 2010 and makes an election under this subsection shall deposit in the fund by a single contribution, an amount computed at regular interest to be sufficient to provide at normal retirement an annuity equal to 1-2/3 percent of the member's average final compensation multiplied by the number of years purchased. A member who has not attained the age of 57 or completed at least 25 years of creditable service as of June 30, 2010 and makes an election under this subsection shall deposit in the fund by a single contribution an amount computed at regular interest to be sufficient to

provide at normal retirement an annuity equal to 1-2/3 percent of the member's average final compensation for each year up to 20 years of service and two percent of the member's average final compensation for each year thereafter.

If through a negotiated agreement or binding contract, a school district or supervisory union is required to purchase the whole or part of the additional years of service credit necessary to enable the member to take normal retirement, the school district or supervisory union may deposit a single contribution into the fund or make the contribution in four equal annual payments on dates established by the state treasurer. If a school district or supervisory union elects to make the contribution in four equal annual payments it shall, in addition, pay interest at the actuarially assumed interest rate at the time of each annual payment. Any payment not received within 30 days of the date it is due shall be considered delinquent and the delinquent payment and interest may be recovered by action in a court of competent jurisdiction against the school district or supervisory union liable therefor or may be deducted by the state treasurer from any other monies payable to such school district or supervisory union by the state or any department or agency thereof.

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

(a)(1) Upon the withdrawal of a member from service prior to retirement, the amount of the member's accumulated contributions, less not more than

one-third of the regular interest credited thereon as determined by the board, will be returnable to the member. In lieu of the return of contributions;

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

(B) a member who has not attained the age of 57 or completed 25 years of creditable service as of June 30, 2010, may allow his or her contributions to remain in the system and receive a retirement allowance commencing at age 65 or when the combination of the member's age and years of creditable service totals 90, whichever comes first.

(2) In either instance set forth in subdivisions (1)(A) and (B) of this subsection, the retirement allowance shall consist of the annuity provided by his or her accumulated contributions with interest to the date on which the allowance commences, and a pension equal to a service retirement pension computed on the basis of the member's compensation and creditable service to his or her date of withdrawal from service.

Sec. 5. 16 V.S.A. § 1942 is amended to read:

§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.

* * *

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

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

§1944. VERMONT TEACHERS' RETIREMENT FUND

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(b) Member contributions.

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(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 ~~three and four tenths~~ five 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 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.

* * *

(8) Any group A or group C member who has rendered 15 years of creditable teaching service and who has, prior to becoming a member of the system, served a minimum of one full year of full-time service in the military, one full year of full-time service as a member of the Cadet Nurse Corps in World War II, the Peace Corps, or VISTA for which the member has derived no military or other pension benefits, may elect to have included in the member's creditable service all or any part of the member's military or Cadet Nurse Corps or Peace Corps or VISTA service not exceeding five years. Any group A member who elects credit under this subdivision shall deposit in the fund by a single contribution an amount computed at regular interest to be sufficient to provide at age 60 an annuity equal to one-one hundred and twentieth of the member's average final compensation multiplied by the number of years of he service rendered for which the member elects to receive credit. Any group A member who elects credit for service in the Cadet Nurse Corps under this subdivision and any group C member who elects credit under this subdivision shall deposit in the fund by a single contribution an amount computed at regular interest to be sufficient to provide at normal retirement an annuity equal to 1-2/3 or two percent, whichever is applicable pursuant to section 1937 of this title, of the member's average final compensation multiplied by the number of years of the service for which the member elects to receive credit. Notwithstanding the provisions of this subdivision, any

group C member who was a group B member and any group A member shall, upon application, be granted up to three years of credit for military service during the periods June 25, 1950 through January 31, 1955, February 28, 1961 through August 4, 1964 if service was performed while in what is now the Republic of Vietnam, and August 5, 1964 through May 7, 1975 and shall not be required to make a contribution, provided the member has rendered 15 years of creditable teaching service and prior to becoming a member served a minimum of one full year of full-time service in the military for which he or she has derived no military pension benefits. Notwithstanding the foregoing, in the event of a conflict between the provisions of this subsection and the provisions of 10 U.S.C. §12736 concerning the counting of the same full-time military service toward both military and state pensions, the provisions of the United States Code shall control.

* * *

(11) Any group A or group C member who rendered service in the capacity of a teacher, as defined by the board, in an approved public or independent school which was not a part of the system may elect to have included in the member's creditable service, all or part of any period of service in such approved school. Any member who so elects shall deposit in the fund by a single contribution an amount computed at regular interest to be sufficient to provide at normal retirement an annuity equal to 1-2/3 or two percent.

whichever is applicable pursuant to section 1937 of this title, of the member's average compensation multiplied by the number of years of service for which the member elects to receive credit. No application for credit under this subdivision shall be granted if at the time of application, the member has a vested right to retirement benefits in another retirement system based upon that service.

(12) Any group A or group C member may elect to have included in the member's creditable service, years of service during which the member exercised his or her option not to be a member of the system. Any member who so elects shall deposit in the fund by a single contribution an amount computed at regular interest to be sufficient to provide at normal retirement an annuity equal to 1-2/3 or two percent, whichever is applicable pursuant to section 1937 of this title, of the member's average compensation multiplied by the number of years of service for which the member elects to receive credit.

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

average final compensation multiplied by the number of years of the service for which the member elects to receive credit.

* * *

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

(c) State contributions, earnings, and payments.

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(4) It is the policy of the state of Vermont to liquidate fully the unfunded accrued liability to the system. 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, 2008, provided that the amount of each annual accrued liability contribution after June 30, 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.

* * *

(12)(A) Payment of a portion of the cost of health and medical benefits provided by subsection 1942(p) of this title for retired members shall be made from the medical account created by subsection (i) of this section. The board shall ~~pay up to the amount determined by the board to be equal to 80 percent of the cost~~ determine the total costs of the applicable standard plan for ~~a retired members provided they had ten years of creditable service at the time of their retirement~~ member and of the applicable standard plan for a retired member and spouse, and the board shall pay the following portion of those costs:

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

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

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

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

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

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

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

(III) the retired member has 25 or more but fewer than 30 years of creditable service as of July 1, 2010, and at least 35 years of creditable service at the time of retirement; or

(IV) the retired member has at least 30 years of creditable service as of July 1, 2010, and at least five additional years of creditable 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:

* * *

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

(b) For group C members, as of June 30 in each year, commencing June 30, 1981, 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. The increase or decrease shall commence on the January 1st immediately following ~~such~~ that December 31st. The adjustment shall apply to group C members having attained the age of 57 or completed at least 25 years of creditable service as of June 30, 2010, and receiving an early retirement allowance only in the year following attainment

of age 62, and shall apply to group C members not having attained the age of 57 or having completed at least 25 years of creditable service as of June 30, 2010, and receiving an early retirement allowance only in the year following the member's attainment of age 65 or when the combination of the member's age and years of creditable service totals 90, 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.