H.518

An act relating to miscellaneous amendments to Vermont retirement laws

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

* * * Vermont State Retirement System * * *

Sec. 1. 3 V.S.A. § 455 is amended to read:

§ 455. DEFINITIONS

(a) Unless a different meaning is plainly required by the context, the following words and phrases as used in this subchapter shall have the following meanings:

* * *

(4) "Average final compensation" shall mean:

(A) for a group A and a group F member, the average annual earnable compensation of a member during the three consecutive fiscal years beginning July 1 and ending June 30 of creditable service affording the highest average, or during all of the years of creditable service if fewer than three years. If the member's highest three years of earnable compensation are the three years prior to separation of service and the member separates prior to the end of a fiscal year, average final compensation shall be determined by adding:

(i) the actual earnable compensation earned through the date of separation and ~~corresponding~~ service credit to correspond with the last paydate;

(ii) the earnable compensation and service credit earned in the preceding two fiscal years; and

(iii) the remaining service credit that is needed to complete the three full years, which shall be factored from the fiscal year preceding the two fiscal years described in subdivision (ii) of this subdivision (A). The earnable compensation associated with this remaining service credit shall be calculated by multiplying the annual earnable compensation reported by the remaining service credit that is needed.

(B) for a group C member, the average annual earnable compensation of a member during the two consecutive fiscal years beginning July 1 and ending June 30 of creditable service affording the highest such average, or during all of the years in the member's creditable service if fewer than two years. If the member's highest two years of earnable compensation are the two years prior to separation of service and the member separates prior to the end of a fiscal year, average final compensation shall be determined by adding:

(i) the actual earnable compensation earned through the date of separation and ~~corresponding~~ service credit to correspond with the last paydate;

(ii) the earnable compensation and service credit earned in the preceding fiscal year; and

(iii) the remaining service credit that is needed to complete the two full years, which shall be factored from the fiscal year preceding the fiscal year described in subdivision (ii) of this subdivision (B). The earnable compensation associated with this remaining service credit shall be calculated by multiplying the annual earnable compensation reported by the remaining service credit that is needed.

* * *

(6) "Creditable service" shall mean service for which credit is allowed under section 458 of this title, plus service transferred under section 495 of this title.

* * *

Sec. 2. 3 V.S.A. § 459 is amended to read:

§ 459. NORMAL AND EARLY RETIREMENT

* * *

(e) Any member who ~~accepts early retirement as provided in subsection (c) of this section~~ retires before age 62 may, at any time prior to the date the first payment on account of his or her retirement allowance becomes normally due, elect to convert the retirement allowance otherwise payable after retirement into an increased retirement allowance that is its actuarial equivalent and is of such amount that, with his or her Social Security payment at age 62, the

member will receive, so far as possible, the same amount each year before and after such Social Security payment commences.

* * *

Sec. 3. 3 V.S.A. § 465 is amended to read:

§ 465. TERMINATION OF SERVICE; ORDINARY DEATH BENEFIT

(a) Upon the withdrawal of a member from service prior to retirement for reasons other than death, the amount of his or her accumulated contributions will be returnable to him or her. In lieu of such return of contributions, any member who has completed five years of creditable service~~,~~ may allow his or her contributions to remain in the system and receive a deferred vested retirement allowance, commencing ~~at normal~~ no earlier than the early retirement date, which shall be equal to:

(1) ~~A~~ An early or normal retirement allowance based on his or her average final compensation at his or her date of termination of service and the number of years of creditable service he or she would have completed had he or she remained in service to his or her normal retirement date, multiplied by

(2) The ratio that the number of his or her years of creditable service at termination of service bears to the number of years of such service he or she would have completed had he or she remained in service to his or her normal retirement date, with early retirement reductions, if applicable.

(b)(1) Upon the death of a member in service who has not reached his or her normal retirement date and who has not completed ~~20~~ 10 years of creditable service, as a result of causes other than those specified in section 464 of this title, the member's accumulated contributions shall be paid to such person as he or she shall have designated for such purpose in a writing duly acknowledged and filed with the ~~board~~ Board. In the absence of a written designation of beneficiary or in the event the designated beneficiary is deceased, the return of accumulated contributions with interest payable as a result of the death of the member prior to retirement shall be payable as follows:

(A) In the case of an open estate, to the administrator or executor.

(B) In the case of a closed estate and the deceased member's account is valued at less than $1,000.00, in accordance with the ~~probate division of the superior court~~ Probate Division of the Superior Court decree of distribution.

(C) In the absence of an open estate or ~~probate division of the superior court~~ Probate Division of the Superior Court decree of distribution, and the deceased member's account is valued at less than $1,000.00 to the surviving spouse of the deceased owner, or, if there is no surviving spouse, to the next of kin according to

14 V.S.A. § 551.

(D) In all other cases, a probate estate shall be opened by the claimant or other interested party in order to determine the appropriate distribution of the proceeds of the deceased member's account. When an estate is opened solely to distribute the proceeds of a deceased member's account under this section, the ~~probate division of the superior court~~ Probate Division of the Superior Court may waive any filing fees.

* * *

Sec. 4. 3 V.S.A. § 470 is amended to read:

§ 470. POSTRETIREMENT ADJUSTMENTS TO RETIREMENT ALLOWANCES

* * *

(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 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~~ normal retirement age, 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. 5. 3 V.S.A. § 479 is amended to read:

§ 479. GROUP INSURANCE

* * *

(d) After January 1, 2007, the ~~state treasurer~~ State Treasurer may offer and administer a dental benefit plan for retired members, beneficiaries, eligible dependents, and eligible retirees of special affiliated groups and the dependents of members of those groups who are eligible for coverage in the state employee group medical benefit plan. The plan shall be separate and apart from any dental benefit plan offered to Vermont state employees. The original plan of benefits, and any changes thereto, shall be determined by the ~~state~~

~~treasurer~~ State Treasurer with due consideration of recommendations from the retired employees' committee on insurance established in section 636 of this title.

* * *

(4) ~~Each retired member shall have a one-time option at the time of retirement to elect dental benefit plan coverage. Once a retired member, beneficiary, or any other covered member of the dental benefit plan elects not to take coverage or drops coverage, he or she may not subsequently join the dental benefit plan. Retired members and beneficiaries of members retired prior to December 31, 2006, shall have a one-time option to elect dental benefit plan coverage for themselves and their eligible dependents. This election shall be made no later than December 31, 2006.~~ [Repealed.]

* * *

Sec. 6. 3 V.S.A. § 481 is amended to read:

§ 481. DEFINITIONS

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

(1) "Employee" shall mean any regular officer or employee who is employed for not less than ~~forty~~ 40 calendar weeks in a year, other than a person engaged under retainer or special agreement~~, but shall not include~~

~~members of the state teachers' retirement system, municipal employees' retirement system, or any other retirement system to which any contributions are made by the state or its political subdivisions~~. In all cases of doubt, the ~~retirement board~~ Retirement Board shall determine whether any person is an employee as defined in this subchapter.

* * *

Sec. 7. 3 V.S.A. § 485 is amended to read:

§ 485. COMPULSORY MEMBERSHIP

Membership in the Vermont ~~state retirement system~~ State Retirement System shall be compulsory for all employees entering the service of such employer after the date participation becomes effective, and shall be effective upon the ~~completion of three consecutive years of service~~ date of hire.

Sec. 8. 3 V.S.A. § 489 is amended to read:

§ 489. BENEFITS

Persons who become members of the Vermont ~~state retirement system~~ State Retirement System under this subchapter and on behalf of whom contributions are paid as provided in this subchapter shall be entitled to benefits under the Vermont ~~state retirement system~~ State Retirement System as though they were employees of the ~~state~~ State of Vermont. These employees shall be considered "Group ~~A~~ F members" as defined in subdivision 455(a)(11)~~(A)~~(E) of this title,

except that elected municipal employees shall not be subject to mandatory retirement requirements.

Sec. 9. 3 V.S.A. § 635 is amended to read:

§ 635. COVERAGE; BENEFICIARIES OF DECEASED RETIREES

(a) The surviving spouse of a retired employee who elected option 3 or option 4 under 3 V.S.A. § 468 shall be eligible to participate in the group health insurance program provided in this chapter. Premiums shall be paid at the full actuarial rate by the eligible spouse with no contribution from the ~~state~~ State, except as specified in subsection (b) of this section and subsection 479(e) of this title, and shall be deducted from the eligible spouse's retirement check.

* * *

* * * Vermont State Teachers' Retirement System * * *

Sec. 10. 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:

* * *

(7) "Creditable service" shall mean membership service plus prior service, plus service transferred under 3 V.S.A. § 495.

* * *

Sec. 11. 16 V.S.A. § 1933 is amended to read:

§ 1933. MEMBERS GENERALLY

(a) Membership in the system shall be a condition of employment for all teachers. ~~No~~ A person shall not join the system as a group A member. ~~No~~ A person shall not join the system as a group B member after June 30, 1990. ~~No~~ A service shall not be included in the creditable service of any member unless the member was a member at the time the service was performed or is entitled to credit under section 1936 or 1944 of this title or was transferred under 3 V.S.A. § 495.

* * *

Sec. 12. 16 V.S.A. § 1940 is amended to read:

§ 1940. TERMINATION OF SERVICE; DEATH; REFUND; PENSION

(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~~ Board, will be returnable to the member. In lieu of the return of contributions:

(A) a member who 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~~ as early as age 55;

(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~~ as early as age 55 or when the combination of the member's age and years of creditable service totals 90, whichever comes first.

* * *

* * * Vermont Municipal Employees' Retirement System * * *

Sec. 13. 24 V.S.A. § 5051 is amended to read:

§ 5051. DEFINITIONS

As used in this chapter:

* * *

(8) "Creditable service" means that period of continuous service subsequent to an employee joining the system and prior to his or her termination of service, during which an employee makes contributions. For those employees who join when first eligible, and whose employer joins on the effective date of this system, there shall be included as creditable service that period of continuous service as an employee prior to such effective date up to a maximum of 20 years with such employer. For those employees of employers who join on the effective date of the system, and who elect to join the system subsequent to the effective date, only the three years of continuous service immediately prior to joining the system shall be included as credited service.

For those employees of employers who elect to purchase prior service credit in accordance with subsection 5054(e) of this title, there shall be included as creditable service that period of continuous service as an employee prior to the effective date of participation and allowed in accordance with the prior service purchase agreement but not in excess of 20 years. Creditable service shall also include that transferred under 3 V.S.A. § 495.

* * *

Sec. 14. 24 V.S.A. § 5059 is amended to read:

§ 5059. TERMINATION OF SERVICE; PRERETIREMENT DEATH BENEFIT

(a) Upon the withdrawal of a member from service prior to retirement for reasons other than death, the amount of the member's accumulated contributions with interest will be returnable to the member. In lieu of a return of contributions, any member who has completed five years of credited service, and at least two and one-half years of which have been as a contributing member, may allow his or her contributions to remain in the system and receive a deferred vested retirement allowance, commencing ~~at normal retirement date~~ as early as the eligibility date for early retirement, which shall be equal to an early or a normal retirement allowance accrued to the member's date of termination of continuous service. The average final compensation used to calculate the normal retirement allowance under this

section shall be increased or decreased annually by a cost of living adjustment equal to one-half of the percentage increase or decrease, calculated to the nearest one-tenth of a percent in the Consumer Price Index, as defined in section 5067 of this title, for the preceding fiscal year. The increase or decrease shall commence on the January 1 immediately following separation from service. The maximum annual adjustment of any retirement allowance resulting from any cost of living adjustment under this subsection shall be two percent for group A members and three percent for group B, group C, or group D members.

* * *

Sec. 15. ONE-TIME ELECTION TO TRANSFER FROM DEFINED CONTRIBUTION TO DEFINED BENEFIT PLAN FOR MEMBERS OF THE VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

(a) Any defined contribution Vermont Municipal Retirement System member who is employed by an employer also offering a defined benefit plan to its employment group shall have a one-time option to become a member as of January 1, 2014 of the applicable defined benefit plan offered by his or her employer; or if a defined contribution member has been on a leave of absence from municipal service for a period exceeding six months on that date, then within 60 days following return to service.

(b) The procedure for election to transfer to the defined benefit plan member shall be established by the Vermont Municipal Employees' Retirement Board. The Board shall establish the date of election and provide all members with at least 30 days' advance notice of the election period together with a general written explanation of the election and its consequences, including an individual comparison of projected benefits at no cost to the member.

(c) All defined contribution members electing to become members of the defined benefit plan shall be deemed to be an inactive participant in the defined contribution plan and cease to be eligible to make contributions to and receive allocations of contributions from the plan. An inactive participant in the defined contribution plan shall not be eligible to take a distribution from his or her accrued municipal service into the defined benefit plan at the time of transfer.

(d) Membership in the defined benefit plan will begin effective January 1, 2014, with no credit for prior municipal service accrued as a participant of the defined contribution plan unless purchased at the time of transfer.

(e) Election to transfer to the defined benefit plan under this section is irrevocable.

(f) Defined contribution members who wish to transfer to or purchase credit for the defined benefit plan under this section shall notify the State Treasurer's Office no later than September 1, 2013.

Sec. 16. VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM RATES FOR FISCAL YEAR 2014

Notwithstanding the provisions of 24 V.S.A. § 5064(b), for the period July 1, 2013 through June 30, 2014, contributions shall be made by group A members at the rate of 2.5 percent of earnable compensation; by group B members at the rate of 4.625 percent; and by group D members at a rate of 11.125 percent. For the period July 1, 2013 through December 31, 2013, contributions shall be made by group C members at the rate of 9.375 percent of earnable compensation. For the period January 1, 2014 through June 30, 2014, contributions shall be made by group C members at the rate of 9.5 percent.

Sec. 17. REPEAL

3 V.S.A. §§ 480 (group B members; withdrawal of contributions) and 480b (election to group E membership) and 16 V.S.A. § 1952 (election to group B membership) are repealed.

Sec. 18. EFFECTIVE DATES

This act shall take effect on July 1, 2013, except Secs. 15 (one-time election to transfer from defined contribution to defined benefit plan for members of the Vermont Municipal Employees' Retirement System) and 16 (Vermont

Municipal Employees' Retirement System rates for Fiscal Year 2014) of this act, which shall take effect on passage.