

1 H.518

2 Introduced by Committee on Government Operations

3 Date:

4 Subject: Vermont State Retirement System; Vermont State Teachers'

5 Retirement System; Vermont Municipal Employees' Retirement

6 System; miscellaneous amendments

7 Statement of purpose of bill as introduced: This bill proposes miscellaneous
8 amendments to Vermont's retirement laws.

9 An act relating to miscellaneous amendments to Vermont retirement laws

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

11 * * * Vermont State Retirement System * * *

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

13 § 455. DEFINITIONS

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

17 * * *

18 (4) "Average final compensation" shall mean:

19 (A) for a group A and a group F member, the average annual
20 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

1 years prior to separation of service and the member separates prior to the end
2 of a fiscal year, average final compensation shall be determined by adding:

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

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

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

14 * * *

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

18 * * *

2 § 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.

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

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

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

9 (b)(1) Upon the death of a member in service who has not reached his or
10 her normal retirement date and who has not completed ~~20~~ 10 years of
11 creditable service, as a result of causes other than those specified in section
12 464 of this title, the member's accumulated contributions shall be paid to such
13 person as he or she shall have designated for such purpose in a writing duly
14 acknowledged and filed with the ~~board~~ Board. In the absence of a written
15 designation of beneficiary or in the event the designated beneficiary is
16 deceased, the return of accumulated contributions with interest payable as a
17 result of the death of the member prior to retirement shall be payable as
18 follows:

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

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

4 (C) In the absence of an open estate or ~~probate division of the~~
5 ~~superior court~~ Probate Division of the Superior Court decree of distribution,
6 and the deceased member's account is valued at less than \$1,000.00 to the
7 surviving spouse of the deceased owner, or, if there is no surviving spouse, to
8 the next of kin according to
9 14 V.S.A. § 551.

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

16 * * *

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

18 § 470. POSTRETIREMENT ADJUSTMENTS TO RETIREMENT

19 ALLOWANCES

20 * * *

(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.

* * *

2 § 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~~

1 ~~plan coverage for themselves and their eligible dependents. This election shall~~
2 ~~be made no later than December 31, 2006. [Repealed.]~~

3 * * *

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

5 § 481. DEFINITIONS

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

9 (1) "Employee" shall mean any regular officer or employee who is
10 employed for not less than ~~forty~~ 40 calendar weeks in a year, other than a
11 person engaged under retainer or special agreement, ~~but shall not include~~
12 ~~members of the state teachers' retirement system, municipal employees'~~
13 ~~retirement system, or any other retirement system to which any contributions~~
14 ~~are made by the state or its political subdivisions.~~ In all cases of doubt, the
15 ~~retirement board~~ Retirement Board shall determine whether any person is an
16 employee as defined in this subchapter.

17 * * *

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

19 § 485. COMPULSORY MEMBERSHIP

20 Membership in the Vermont ~~state retirement system~~ State Retirement
21 System shall be compulsory for all employees entering the service of such

1 employer after the date participation becomes effective, and shall be effective
2 upon the ~~completion of three consecutive years of service~~ date of hire.

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

4 § 489. BENEFITS

5 Persons who become members of the Vermont ~~state retirement system~~ State
6 Retirement System under this subchapter and on behalf of whom contributions
7 are paid as provided in this subchapter shall be entitled to benefits under the
8 Vermont ~~state retirement system~~ State Retirement System as though they were
9 employees of the ~~state~~ State of Vermont. These employees shall be considered
10 “Group A ~~E~~ members” as defined in subdivision 455(a)(11)(~~A~~)(E) of this title,
11 except that elected municipal employees shall not be subject to mandatory
12 retirement requirements.

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

14 § 635. COVERAGE; BENEFICIARIES OF DECEASED RETIREES

15 (a) The surviving spouse of a retired employee who elected option 3 or
16 option 4 under 3 V.S.A. § 468 shall be eligible to participate in the group
17 health insurance program provided in this chapter. Premiums shall be paid at
18 the full actuarial rate by the eligible spouse with no contribution from the ~~state~~
19 State, except as specified in subsection (b) of this section and subsection
20 479(e) of this title, and shall be deducted from the eligible spouse’s retirement
21 check.

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

§ 1931. DEFINITIONS

§ 1933. MEMBERS GENERALLY

* * *

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

2 § 1940. TERMINATION OF SERVICE; DEATH; REFUND; PENSION

3 (a)(1) Upon the withdrawal of a member from service prior to retirement,
4 the amount of the member's accumulated contributions, less not more than
5 one-third of the regular interest credited thereon as determined by the ~~board~~
6 Board, will be returnable to the member. In lieu of the return of contributions:

7 (A) a member who has attained the age of 57 and completed at least
8 five years of creditable service or completed 25 years of creditable service as
9 of June 30, 2010, may allow his or her contributions to remain in the system
10 and receive a retirement allowance, commencing ~~at age 62~~ as early as age 55;

11 (B) a member who has not attained the age of 57 or completed 25
12 years of creditable service as of June 30, 2010, may allow his or her
13 contributions to remain in the system and receive a retirement allowance
14 commencing ~~at age 65~~ as early as age 55 or when the combination of the
15 member's age and years of creditable service totals 90, whichever comes first.

16 * * *

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

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

19 § 5051. DEFINITIONS

20 As used in this chapter:

21 * * *

17 * * *

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

2 § 5059. TERMINATION OF SERVICE; PRERETIREMENT DEATH
3 BENEFIT

4 (a) Upon the withdrawal of a member from service prior to retirement for
5 reasons other than death, the amount of the member's accumulated
6 contributions with interest will be returnable to the member. In lieu of a return
7 of contributions, any member who has completed five years of credited
8 service, and at least two and one-half years of which have been as a
9 contributing member, may allow his or her contributions to remain in the
10 system and receive a deferred vested retirement allowance, commencing at
11 ~~normal retirement date~~ as early as the eligibility date for early retirement,
12 which shall be equal to an early or a normal retirement allowance accrued to
13 the member's date of termination of continuous service. The average final
14 compensation used to calculate the normal retirement allowance under this
15 section shall be increased or decreased annually by a cost of living adjustment
16 equal to one-half of the percentage increase or decrease, calculated to the
17 nearest one-tenth of a percent in the Consumer Price Index, as defined in
18 section 5067 of this title, for the preceding fiscal year. The increase or
19 decrease shall commence on the January 1 immediately following separation
20 from service. The maximum annual adjustment of any retirement allowance
21 resulting from any cost of living adjustment under this subsection shall be two

1 percent for group A members and three percent for group B, group C, or group
2 D members.

3 * * *

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

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

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

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

8 (d) Membership in the defined benefit plan will begin effective January 1,
9 2014, with no credit for prior municipal service accrued as a participant of the
10 defined contribution plan unless purchased at the time of transfer.

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

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

16 Sec. 16. VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

17 RATES FOR FISCAL YEAR 2014

18 Notwithstanding the provisions of 24 V.S.A. § 5064(b), for the period
19 July 1, 2013 through June 30, 2014, contributions shall be made by group A
20 members at the rate of 2.5 percent of earnable compensation; by group B
21 members at the rate of 4.625 percent; and by group D members at a rate of

1 11.125 percent. For the period July 1, 2013 through December 31, 2013,
2 contributions shall be made by group C members at the rate of 9.375 percent of
3 earnable compensation. For the period January 1, 2014 through June 30, 2014,
4 contributions shall be made by group C members at the rate of 9.5 percent.

5 Sec. 17. REPEAL

6 3 V.S.A. §§ 480 (group B members; withdrawal of contributions) and 480b
7 (election to group E membership) and 16 V.S.A. § 1952 (election to group B
8 membership) are repealed.

9 Sec. 18. EFFECTIVE DATES

10 This act shall take effect on July 1, 2013, except Secs. 15 (one-time election
11 to transfer from defined contribution to defined benefit plan for members of
12 the Vermont Municipal Employees' Retirement System) and 16 (Vermont
13 Municipal Employees' Retirement System rates for Fiscal Year 2014) of this
14 act, which shall take effect on passage.