

1 TO THE HOUSE OF REPRESENTATIVES:

2 The Committee on Government Operations to which was referred House
3 Bill No. 673 entitled “An act relating to retirement and pension amendments”
4 respectfully reports that it has considered the same and recommends that the
5 bill be amended by striking out all after the enacting clause and inserting in
6 lieu thereof the following:

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

8 § 1944b. RETIRED TEACHERS’ HEALTH AND MEDICAL BENEFITS

9 FUND

10 (a) There is established a Retired Teachers’ Health and Medical Benefits
11 Fund (Benefits Fund) to pay retired teacher health and medical benefits,
12 including prescription drug benefits, when due in accordance with the terms
13 established by the Board of Trustees of the State Teachers’ Retirement System
14 of Vermont pursuant to subsection 1942(p) and subdivision 1944(c)(12) of this
15 title. The Benefits Fund shall be administered by the Treasurer.

16 (b) The Benefits Fund shall consist of:

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

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

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

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

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

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

10 (d) Interest earned shall remain in the Benefits Fund, and all balances
11 remaining at the end of a fiscal year shall be carried over to the following year;
12 provided, however, that any amounts received in repayment of interfund loans
13 established under subsection (e) of this section may be reinvested by the State
14 Treasurer.

15 (e) Notwithstanding any provision to the contrary, the State Treasurer is
16 authorized to use interfund loans from the General Fund for payment into the
17 Benefits Fund, which monies shall be identified exclusively for the purposes of
18 payments of retired teacher health and medical benefits pursuant to this
19 section. Any monies borrowed through an interfund loan pursuant to this
20 section shall be paid from monies in the Benefits Fund or from other funds
21 legally available for this purpose. It is the intent of the General Assembly to

1 appropriate sufficient General Fund revenue, after consideration of all other
2 revenue and disbursements, such that the interfund loan may be paid in full on
3 or before June 30, 2023. The Governor shall include in the annual budget
4 request an amount sufficient to repay any interfund borrowing according to a
5 schedule developed by the State Treasurer. The State Treasurer shall pay the
6 interest and principal as due in accordance with authority granted under 32
7 V.S.A. § 902(b). The State Treasurer shall assess a rate of interest on the
8 outstanding balance of the interfund loan comparable to the rate paid by
9 private depositories of the State’s monies, or to the yield available on
10 investments made pursuant to 32 V.S.A. § 433.

11 (f) It is the intent of the General Assembly to appropriate the required
12 contributions necessary to pay retired teacher health and medical benefits by
13 combining annual increases in base spending and surplus revenues as they
14 become available, so that the full cost of retired teacher health and medical
15 benefits payments may be met in base appropriations by fiscal year 2024. To
16 the extent that other revenue sources are identified, the General Fund
17 obligation may be reduced, but only after all annual disbursements to repay the
18 interfund loan in subsection (e) of this section are satisfied.

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

20 § 1944. VERMONT TEACHERS’ RETIREMENT FUND

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

3 (b) Member contributions.

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

6 (2) The proper authority or officer responsible for making up each
7 employer payroll shall cause to be deducted from the compensation of each
8 group A member five and one-half percent of the member's earnable
9 compensation ~~and~~; from each group C member with at least five years of
10 membership service as of July 1, 2014, five percent of the member's earnable
11 compensation; and from each group C member with less than five years of
12 membership service as of July 1, 2014, six percent of the member's earnable
13 compensation, including compensation paid for absence as provided by
14 subsection 1933(d) of this title. In determining the amount earnable by a
15 member in a payroll period, the ~~board~~ Board may consider the rate of
16 compensation payable to such member on the first day of a payroll period as
17 continuing throughout the payroll period, and it may omit deduction from
18 compensation for any period less than a full payroll period if a teacher was not
19 a member on the first day of the payroll period, and to facilitate the making of
20 deductions it may modify the deduction required of any member by such an
21 amount as shall not exceed one-tenth of one percent of the annual earnable

1 compensation upon the basis of which such deduction is made. The actuary
2 shall make annual valuations of the reduction to the recommended State
3 contribution attributable to the increase from five to six percent, and the Board
4 shall include the amount of this reduction in its written report pursuant to
5 subsection 1942(r) of this title.

6 * * *

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

8 § 1944c. EMPLOYER CHARGES FOR FEDERAL GRANTS OR
9 REIMBURSEMENTS

10 (a) Notwithstanding any provision of law to the contrary, effective July 1,
11 2016, the employer retirement costs and administrative operating expenses
12 related to the retirement plans applicable to those teachers whose funding is
13 provided from federal grants or through federal reimbursement shall be paid by
14 local school systems or educational entities that participate in the Vermont
15 Teachers' Retirement Fund from those federal monies.

16 (b) The percentage rates to be applied shall be determined by an actuary
17 approved by the Board of Trustees of the State Teachers' Retirement System
18 of Vermont and shall be applied to the total earnable compensation of
19 members prepared by the actuary in compliance with subsection 1942(r) of this
20 title. The Secretary of Education shall annually provide an accounting of

1 federal grants and federal reimbursements, by school system, upon which
2 payment by the participating schools shall be determined.

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

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

13 § 1944d. EMPLOYER ANNUAL CHARGE FOR TEACHER HEALTH
14 CARE

15 The employer of teachers who become members of the State Teachers'
16 Retirement System of Vermont on or after July 1, 2015 shall pay an annual
17 assessment for those teachers' health and medical benefits. The assessment
18 shall be the value, as approved annually by the Board of Trustees based on the
19 actuary's recommendation, of the portion of future retired teachers' health and
20 medical benefits attributable to those teachers for each year of service in the
21 State Teachers' Retirement System of Vermont. For the year starting on

1 July 1, 2015, the assessment for each teacher becoming a member of the State
2 Teachers' Retirement System of Vermont as of or after that date shall be
3 \$1,072.00, which is based on the June 30, 2013 actuarial valuation.

4 Sec. 5. RETIRED TEACHERS' HEALTH AND MEDICAL BENEFITS

5 TRANSITION COMMITTEE

6 There is established a Retired Teachers' Health and Medical Benefits
7 Transition Committee. The Committee shall consist of representatives of the
8 State Treasurer, the Governor, the Vermont Retired Teachers' Association, and
9 Vermont-National Education Association. Its purpose is to develop
10 recommendations regarding how the retired teachers' health and medical
11 benefit will make the transition when the State implements Green Mountain
12 Care.

13 Sec. 6. EFFECTIVE DATE

14 This act shall take effect on July 1, 2014.

15 and that after passage the title of the bill be amended to read: "An act relating
16 to retired teachers' health care costs"

17
18 (Committee vote: _____)

19 _____

20 Representative _____

21 FOR THE COMMITTEE