

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.

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

2 § 1944. VERMONT TEACHERS' RETIREMENT FUND

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

5 (b) Member contributions.

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

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

1 deductions it may modify the deduction required of any member by such an  
2 amount as shall not exceed one-tenth of one percent of the annual earnable  
3 compensation upon the basis of which such deduction is made. The actuary  
4 shall make annual valuations of the reduction to the recommended State  
5 contribution attributable to the increase from five to six percent, and the Board  
6 shall include the amount of this reduction in its written report pursuant to  
7 subsection 1942(r) of this title.

8 \* \* \*

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

10 § 1944c. EMPLOYER CHARGES FOR FEDERAL GRANTS OR  
11 REIMBURSEMENTS

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

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

1 title. The Secretary of Education shall annually provide an accounting of  
2 federal grants and federal reimbursements, by school system, upon which  
3 payment by the participating schools shall be determined.

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

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

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

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

1 State Teachers' Retirement System of Vermont. For the year starting on  
2 July 1, 2015, the assessment for each teacher becoming a member of the State  
3 Teachers' Retirement System of Vermont as of or after that date shall be  
4 \$1,072.00, which is based on the June 30, 2013 actuarial valuation.

5 Sec. 5. 16 V.S.A. § 4001(6)(B)(ix) is added to read:

6 (ix) The assessment paid by the employer of teachers who become  
7 members of the State Teachers' Retirement System of Vermont on or after  
8 July 1, 2015, pursuant to section 1944d of this title.

9 Sec. 6. RETIRED TEACHERS' HEALTH AND MEDICAL BENEFITS

10 TRANSITION COMMITTEE

11 There is established a Retired Teachers' Health and Medical Benefits  
12 Transition Committee to develop recommendations regarding how retired  
13 teachers' health and medical benefits will make the transition when the State  
14 implements Green Mountain Care. The Committee shall consist of:

15 (1) the State Treasurer or designee;

16 (2) the Governor or designee;

17 (3) the Secretary of Education or designee;

18 (4) the Attorney General or designee;

19 (5) a representative of the Vermont Retired Teachers' Association;

20 (6) a representative of the Vermont School Boards Association; and

21 (7) a representative of the Vermont-National Education Association.

1 **Sec. 7.** EFFECTIVE DATE

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

3 and that after passage the title of the bill be amended to read: “An act relating  
4 to retired teachers’ health care costs”

5

6

7 (Committee vote: \_\_\_\_\_)

8

\_\_\_\_\_

9

Representative \_\_\_\_\_

10

FOR THE COMMITTEE