

1 [Note: This draft prepared for House Ways and Means 4/30/14 showing
2 potential changes to Gov. Ops. version]

3 TO THE HOUSE OF REPRESENTATIVES:

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

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

10 § 1944b. RETIRED TEACHERS’ HEALTH AND MEDICAL BENEFITS

11 FUND

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

18 (b) The Benefits Fund shall consist of:

19 (1) all monies remitted to the State on behalf of the members of the
20 State Teachers’ Retirement System of Vermont for prescription drug plans

1 pursuant to the Employer Group Waiver Plan with Wrap pursuant to the
2 Medicare Prescription Drug Improvement and Modernization Act of 2003;

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

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

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

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

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

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

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

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

13 (f) It is the intent of the General Assembly to appropriate the required
14 contributions necessary to pay retired teacher health and medical benefits by
15 combining annual increases in **base General Fund** **spending appropriations** and
16 surplus revenues as they become available, so that the full cost of retired
17 teacher health and medical benefits payments may be met in **base General**
18 **Fund** appropriations by fiscal year 2024. To the extent that other revenue
19 sources are identified, the General Fund obligation may be reduced, but only
20 after all annual disbursements to repay the interfund loan in subsection (e) of
21 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 2015, 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, 2014 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 fiscal year starting on
2 July 1, 2014, 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, 2014, pursuant to section 1944d of this title.

9 Sec. 6. EFFECTIVE DATE

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

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

13

14

15 (Committee vote: _____)

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18

Representative _____

FOR THE COMMITTEE