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H.772

Introduced by Representatives Devereux of Mount Holly, Browning of
Arlington, Condon of Colchester, Dickinson of St. Albans
Town, Evans of Essex, Fagan of Rutland City, Myers of Essex,
and Shaw of Pittsford

Referred to Committee on

Date:

Subject: Vermont Employees' Retirement System; State Teachers' Retirement
System of Vermont; Municipal Employees' Retirement System of
Vermont; hybrid pension fund

Statement of purpose of bill as introduced: This bill proposes to create a
hybrid retirement plan incorporating both a defined benefit and a defined
contribution retirement plan for all newly hired employees participating in the
Vermont Employees' Retirement System, the State Teachers' Retirement
System of Vermont, and the Municipal Employees' Retirement System of
Vermont.

An act relating to the Vermont Employees' Retirement System, the State
Teachers' Retirement System of Vermont, and the Municipal Employees'
Retirement System of Vermont

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

2 * * * Vermont State Employees' Retirement System * * *

3 Sec. 1. 3 V.S.A. chapter 16 is amended to read:

4 CHAPTER 16. VERMONT EMPLOYEES' RETIREMENT SYSTEM

5 * * *

6 § 455. DEFINITIONS

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

10 * * *

11 (13) "Normal retirement date" shall mean:

12 * * *

13 (C) with respect to a group D member, the first day of the calendar
14 month next following attainment of age 62 and completion of five years of
15 creditable service; and with respect to a group D member first included in the
16 membership of the system on or after July 1, 2017, the first day of the calendar
17 month next following attainment of age 65 and following completion of five
18 years of creditable service; and

19 (D) with respect to a group F member, the first day of the calendar
20 month next following attainment of age 62, and following completion of five
21 years of creditable service for those members hired on or after July 1, 2004, or

1 completion of 30 years of creditable service, whichever is earlier; and with
2 respect to a group F member first included in the membership of the system on
3 or after July 1, 2008, the first day of the calendar month next following
4 attainment of age 65 and following completion of five years of creditable
5 service, or attainment of 87 points reflecting a combination of the age of the
6 member and number of years of service, whichever is earlier; and with respect
7 to either a group F member first included in the membership of the system on
8 or after July 1, 2017 or a group F member that elects to participate in the
9 hybrid retirement plan pursuant to subdivision 480c(b)(2) of this chapter, the
10 first day of the calendar month next following attainment of age 65 and
11 following completion of five years of creditable service, or attainment of 90
12 points reflecting a combination of the age of the member and the number of
13 years of service, whichever is earlier.

14 * * *

15 (29) “Hybrid retirement plan” means the plan established pursuant to
16 section 480c of this subchapter that provides both a defined benefit component
17 and a defined contribution component which, together, are intended to comply
18 with the provisions of the federal Internal Revenue Code that are applicable to
19 governmental retirement plans.

1 years of membership service on and after January 1, 1991. The maximum
2 retirement allowance shall be 50 percent of average final compensation.

3 (B) A group F member first included in the membership of the
4 system on or after July 1, 2008, upon normal retirement, shall receive a normal
5 retirement allowance equal to 1 2/3 percent of the member's average final
6 compensation times years of membership service. The maximum retirement
7 allowance shall be 60 percent of average final compensation.

8 (C) A group F member first included in the membership of the
9 system on or after July 1, 2017 and any group F member that elects to
10 participate in the hybrid retirement plan pursuant to subdivision 480c(b)(2) of
11 this chapter, upon normal retirement, shall receive a normal retirement
12 allowance equal to one percent of the member's average final compensation
13 times years of membership service. The maximum retirement allowance shall
14 be 40 percent of average final compensation.

15 (c) Early retirement.

16 * * *

17 (3) Group F members.

18 (A) Any group F member hired before July 1, 2008 who has not
19 attained age 62 but who has attained age 55 and has completed five years, but
20 less than 30 years, of creditable service may retire on an early retirement
21 allowance.

1 have 20 years of service as facility employees of the Department of
2 Corrections, as Department of Corrections employees who provide direct
3 security and treatment services to offenders under supervision in the
4 community, or as Woodside facility employees, or as Vermont State Hospital
5 employees, or as employees of its successor in interest, who provide direct
6 patient care shall receive an early retirement allowance which shall be equal to
7 the normal retirement allowance at age 55 without reduction; provided the 20
8 years of service occurred in one or more of the following capacities as an
9 employee of the Department of Corrections, Woodside facility, or the Vermont
10 State Hospital, or its successor in interest: facility employee, community
11 service center employee, or court and reparative service unit employee.

12 * * *

13 (C) Upon early retirement, a group F member first included in the
14 membership of the system on or after July 1, 2017 or a group F member that
15 elects to participate in the hybrid retirement plan pursuant to subdivision
16 480c(b)(2) of this chapter, except facility employees of the Department of
17 Corrections and Department of Corrections employees who provide direct
18 security and treatment services to offenders under supervision in the
19 community, and Woodside facility employees shall receive an early retirement
20 allowance equal to the normal retirement allowance reduced by five-ninths of

1 one percent for each month the member is under age 65 at the time of early
2 retirement.

3 * * *

4 § 470. POSTRETIREMENT ADJUSTMENTS TO RETIREMENT
5 ALLOWANCES

6 * * *

7 (b) For group F members, as of June 30 in each year, commencing
8 January 1, 1991, a determination shall be made of the increase or decrease, to
9 the nearest one-tenth of a percent of the Consumer Price Index for the
10 preceding fiscal year. The retirement allowance of each beneficiary in receipt
11 of an allowance for at least one year on the next following December 31st shall
12 be increased or decreased, as the case may be, by an amount equal to one-half
13 of the percentage increase or decrease. Commencing January 1, 2014, the
14 retirement allowance of each beneficiary who was an active contributing
15 member of the group F plan on or after June 30, 2008, and who retires on or
16 after July 1, 2008, shall be increased ~~or decreased, as the case may be,~~ by an
17 equal percentage of the Consumer Price Index for the preceding year. If the
18 Consumer Price Index for the previous year remained the same or decreased,
19 no adjustment shall be made to the retirement allowance of each beneficiary.
20 The increase ~~or decrease~~ shall commence on the January 1st immediately
21 following such December 31st. The adjustment shall apply to group F

1 members receiving an early retirement allowance only in the year following
2 attainment of normal retirement age, provided the member has received
3 benefits for at least 12 months as of December 31 of the year preceding any
4 January adjustment. The maximum adjustment of any retirement allowance
5 resulting from any such determination shall be ~~five~~ three percent and the
6 minimum shall be one percent, and no retirement allowance shall be reduced
7 below the amount payable to the beneficiary without regard to the provisions
8 of this section.

9 * * *

10 § 473. FUNDS

11 * * *

12 (b) Member contributions.

13 * * *

14 (2) Contributions shall be made on and after the date of establishment at
15 the rate of 6.3 percent of compensation for each group A, D, and F member
16 and at a rate of 8.18 percent of compensation for each group C member. For
17 the period of July 1, 2011 through June 30, 2016, should the annual value of
18 the total increased contributions of group C, D, and F member contributions
19 exceed \$5,300,000.00 on an aggregate basis, any amount in excess of
20 \$5,300,000.00 shall remain in the Retirement System and the State's
21 contribution shall not be reduced by the amount in excess of \$5,300,000.00.

1 Commencing July 1, 2016 or when the State Employees' Retirement System
2 has been determined by the actuary to have assets at least equal to its accrued
3 liability, whichever occurs first, contributions shall be five percent of
4 compensation for group A, D, and F members and 6.88 percent of
5 compensation for group C members. Commencing July 1, 2019, the rate of
6 contribution applicable to all active group F members shall be 4.75 percent of
7 compensation. For either a group F member first included in the membership
8 of the system on or after July 1, 2017 or a group F member that elects to
9 participate in the hybrid retirement plan pursuant to subdivision 480c(b)(2) of
10 this chapter, contributions shall be five percent. In determining the amount
11 earnable by a member in a payroll period, the Retirement Board may consider
12 the annual or other periodic rate of earnable compensation payable to such
13 member on the first day of the payroll period as continuing throughout such
14 payroll period, and it may omit deduction from compensation for any period
15 less than a full payroll period if an employee was not a member on the first day
16 of the payroll period, and to facilitate the making of deductions it may modify
17 the deduction required of any member by such an amount as, on an annual
18 basis, shall not exceed one-tenth of one percent of the annual earnable
19 compensation upon the basis of which such deduction is to be made. Each of
20 the amounts shall be deducted until the member retires or otherwise withdraws
21 from service, and when deducted shall be paid into the Annuity Savings Fund,

1 and shall be credited to the individual account of the member from whose
2 compensation the deduction was made.

3 * * *

4 § 477a. ELECTIONS

5 * * *

6 (i) For either a group F member first included in the membership of the
7 system on or after July 1, 2017 or a group F member that elects to participate
8 in the hybrid retirement plan pursuant to subdivision 480c(b)(2) of this chapter
9 that has a minimum of 25 years of creditable service, he or she may elect to
10 purchase up to five years of additional service credit. A member who makes
11 an election under this subsection shall deposit in the Fund by a single
12 contribution an amount computed at regular interest to be sufficient to provide
13 at normal retirement an annuity equal to one percent of the member's average
14 final compensation multiplied by the number of years purchased.

15 * * *

16 § 480c. HYBRID RETIREMENT PLAN

17 (a) There is established within the Vermont State Retirement System a
18 hybrid retirement plan. The hybrid retirement plan shall consist of the defined
19 benefit plan established pursuant to sections 455–480a of this chapter, and the
20 defined contribution plan established pursuant to section 480d of this chapter.

1 (b) The following members of the Vermont State Retirement System shall
2 participate in the hybrid retirement plan established pursuant to this section:

3 (1) a group F member first included in the membership of the system on
4 or after July 1, 2017; and

5 (2) members of group F that were first included in the membership of
6 the system before July 1, 2017 that make an irrevocable election to participate
7 in the hybrid retirement plan on or before September 30, 2017.

8 (c) The retirement allowance for the defined benefit component of any
9 member of the Vermont Retirement System that elects to participate in the
10 hybrid retirement plan pursuant to subdivision (b)(2) of this section shall
11 consist of the member's applicable retirement allowance for his or her years of
12 creditable service prior to his or her election to participate in the hybrid
13 retirement plan in addition to the member's retirement allowance for his or her
14 years of creditable service in the hybrid retirement plan.

15 (d) The Board shall adopt rules necessary for the administration of the
16 hybrid retirement plan.

17 § 480d. DEFINED CONTRIBUTION COMPONENT

18 (a) There is established a defined contribution component of the hybrid
19 retirement plan that shall qualify as a defined contribution plan under the
20 U.S. Internal Revenue Code, as amended.

1 (b) All participants in the hybrid retirement plan shall participate in the
2 defined contribution component.

3 (c)(1) Participants in the hybrid retirement plan shall contribute to his or
4 her account under the defined contribution component at a minimum rate of
5 five percent of his or her compensation for each payroll period. A participant
6 may make additional contributions to his or her account within the plan,
7 provided that his or her total annual contributions shall not exceed the
8 maximum permitted for a defined contribution plan in a calendar year under
9 the federal Internal Revenue Code.

10 (2) The State shall contribute to each participant's account at a rate of
11 two percent of the participant's compensation for each payroll period.

12 (3) Contributions shall not be subject to taxation until distribution is
13 actually made or made available to the employee.

14 (d) The State Treasurer shall certify to the Governor or Governor-elect a
15 statement of the percentage of the payroll of all participants sufficient to fund
16 all operating expenses of the defined contribution component and all
17 contributions of the State that will become due and payable during the next
18 biennium. Contributions by the State to the defined contribution component
19 shall be charged to the departmental appropriation from which each
20 participant's wages are paid and shall be included in each departmental budget
21 request.

1 (f) Upon written application to the Board:

2 * * *

3 (3) any Group C member first included in the membership of the system
4 on or after July 1, 2017 or any Group C member that elects to participate in the
5 hybrid retirement plan pursuant to subdivision 1954(b)(2) of this chapter who
6 has not attained the age of 65 nor at least 90 combined years of age and of
7 creditable service, but who has attained age 60 and has at least five years of
8 creditable service may retire on an early retirement allowance.

9 (g) Upon early retirement, a Group C member:

10 * * *

11 (3) first included in the membership of the system on or after July 1,
12 2017 or that elects to participate in the hybrid retirement plan pursuant to
13 subdivision 1954(b)(2) of this chapter and who has not attained the age of 65
14 nor at least 90 combined years of age and of creditable service, but who has
15 attained age 60 and has at least five years of creditable service, shall receive an
16 early retirement allowance equal to the service retirement allowance reduced
17 by five-ninths of one percent for each month the member is under the age of 65
18 at the time of early retirement.

19 * * *

20 (i) When a member has a minimum of 25 years of creditable service, he or
21 she may elect to purchase up to five years of additional service credit. A

1 member who has attained the age of 57 and completed at least 25 years of
2 creditable service as of June 30, 2010 and makes an election under this
3 subsection shall deposit in the Fund by a single contribution, an amount
4 computed at regular interest to be sufficient to provide at normal retirement an
5 annuity equal to one and two-thirds percent of the member's average final
6 compensation multiplied by the number of years purchased. A member who
7 has not attained the age of 57 or completed at least 25 years of creditable
8 service as of June 30, 2010 and makes an election under this subsection shall
9 deposit in the Fund by a single contribution an amount computed at regular
10 interest to be sufficient to provide at normal retirement an annuity equal to one
11 and two-thirds percent of the member's average final compensation for each
12 year up to 20 years of service and two percent of the member's average final
13 compensation for each year thereafter. For a Group C member first included in
14 the membership of the system on or after July 1, 2017 or a group C member
15 that elects to participate in the hybrid retirement plan pursuant to subdivision
16 1954(b)(2) of this chapter that has a minimum of 25 years of creditable service,
17 he or she may elect to purchase up to five years of additional service credit. A
18 member who makes an election under this subsection shall deposit in the Fund
19 by a single contribution an amount computed at regular interest to be sufficient
20 to provide at normal retirement an annuity equal to one percent of the
21 member's average final compensation multiplied by the number of years

1 purchased. If through a negotiated agreement or binding contract, a school
2 district or supervisory union is required to purchase the whole or part of the
3 additional years of service credit necessary to enable the member to take
4 normal retirement, the school district or supervisory union may deposit a single
5 contribution into the Fund or make the contribution in four equal annual
6 payments on dates established by the State Treasurer. If a school district or
7 supervisory union elects to make the contribution in four equal annual
8 payments it shall, in addition, pay interest at the actuarially assumed interest
9 rate at the time of each annual payment. Any payment not received within 30
10 days of the date it is due shall be considered delinquent and the delinquent
11 payment and interest may be recovered by action in a court of competent
12 jurisdiction against the school district or supervisory union liable therefor or
13 may be deducted by the State Treasurer from any other monies payable to such
14 school district or supervisory union by the State or any department or agency
15 thereof.

16 * * *

17 § 1940. TERMINATION OF SERVICE; DEATH; REFUND; PENSION

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

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* * *

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

(C) a member first included in the membership of the system on or after July 1, 2017 or a member that elects to participate in the hybrid retirement plan pursuant to subdivision 1954(b)(2) of this chapter who has not attained the age of 60 nor at least 90 combined years of age and of creditable service, but who has at least five years of creditable service may allow his or her contributions to remain in the System and receive a retirement allowance commencing as early as age 60 or when the combination of the member's age and years of creditable service totals 90, whichever comes first.

(2) In ~~either~~ any instance set forth in subdivisions (1)(A) ~~and~~, (B), and (C) of this subsection, the retirement allowance shall consist of the annuity provided by his or her accumulated contributions with interest to the date on which the allowance commences, and a pension equal to a service retirement pension computed on the basis of the member's compensation and creditable service to his or her date of withdrawal from service.

* * *

1 § 1944. VERMONT TEACHERS' RETIREMENT FUND

2 * * *

3 (b) Member contributions.

4 * * *

5 (2) The proper authority or officer responsible for making up each
6 employer payroll shall cause to be deducted from the compensation of each
7 Group A member five and one-half percent of the member's earnable
8 compensation; from each Group C member with at least five years of
9 membership service as of July 1, 2014, five percent of the member's earnable
10 compensation; and from each Group C member with less than five years of
11 membership service as of July 1, 2014, six percent of the member's earnable
12 compensation, ~~including compensation paid for absence as provided by~~
13 ~~subsection 1933(d) of this title~~ or six percent of the member's earnable
14 compensation during the year prior to a leave of absence as provided by
15 subsection 1933(d) of this chapter, and for each Group C member first
16 included in the membership of the system on or after July 1, 2017 or a Group C
17 member that elects to participate in the hybrid retirement plan pursuant to
18 subdivision 1954(b)(2) of this chapter, five percent of the member's earnable
19 compensation, or five percent of the member's earnable compensation during
20 the year prior to a leave of absence as provided by subsection 1933(d) of this
21 chapter. In determining the amount earnable by a member in a payroll period,

1 the Board may consider the rate of compensation payable to such member on
2 the first day of a payroll period as continuing throughout the payroll period,
3 and it may omit deduction from compensation for any period less than a full
4 payroll period if a teacher was not a member on the first day of the payroll
5 period, and to facilitate the making of deductions it may modify the deduction
6 required of any member by such an amount as shall not exceed one-tenth of
7 one percent of the annual earnable compensation upon the basis of which such
8 deduction is made. The actuary shall make annual valuations of the reduction
9 to the recommended State contribution attributable to the increase from five to
10 six percent, and the Board shall include the amount of this reduction in its
11 written report pursuant to subsection 1942(r) of this title.

12 * * *

13 § 1949. POSTRETIREMENT ADJUSTMENTS TO RETIREMENT
14 ALLOWANCES.

15 * * *

16 (b) For Group C members, as of June 30 in each year, commencing
17 June 30, 1981, a determination shall be made of the increase or decrease, to the
18 nearest one-tenth of a percent of the Consumer Price Index for the preceding
19 fiscal year. The retirement allowance of each beneficiary in receipt of an
20 allowance for at least one year on the next following December 31 shall be
21 increased ~~or decreased, as the case may be,~~ by an amount equal to one-half of

1 the percentage increase ~~or decrease~~. If the Consumer Price Index for the
2 previous year remained the same or decreased, no adjustment shall be made to
3 the retirement allowance of each beneficiary. The increase ~~or decrease~~ shall
4 commence on the January 1 immediately following that December 31. The
5 adjustment shall apply to Group C members having attained the age of 57 or
6 completed at least 25 years of creditable service as of June 30, 2010, and
7 receiving an early retirement allowance only in the year following attainment
8 of age 62, and shall apply to Group C members not having attained the age of
9 57 or having completed at least 25 years of creditable service as of June 30,
10 2010, and receiving an early retirement allowance only in the year following
11 the member's attainment of age 65, provided the member has received benefits
12 for at least 12 months as of December 31 of the year preceding any January
13 adjustment. The maximum adjustment of any retirement allowance resulting
14 from any such determination shall be ~~five~~ three percent and the minimum shall
15 be one percent, and no retirement allowance shall be reduced below the
16 amount payable to the beneficiary without regard to the provisions of this
17 section.

18 * * *

19 § 1954. HYBRID RETIREMENT PLAN

20 (a) There is established within the State Teachers' Retirement System of
21 Vermont a hybrid retirement plan. The hybrid retirement plan shall consist of

1 the defined benefit plan established pursuant to sections 1932–1953 of this
2 chapter, and the defined contribution component established pursuant to
3 section 1955 of this chapter.

4 (b) The following members of the System shall participate in the hybrid
5 retirement plan established pursuant to this section:

6 (1) a group C member first included in the membership of the system on
7 or after July 1, 2017; and

8 (2) members of Group C that were first included in the membership of
9 the system before July 1, 2017 that make an irrevocable election to participate
10 in the hybrid retirement plan on or before September 30, 2017.

11 (c) The retirement allowance for the defined benefit component of any
12 member of the System that elects to participate in the hybrid retirement plan
13 pursuant to subdivision (b)(2) of this section shall consist of the member’s
14 applicable retirement allowance for his or her years of creditable service prior
15 to his or her election to participate in the hybrid retirement plan in addition to
16 the member’s retirement allowance for his or her years of creditable service in
17 the hybrid retirement plan.

18 (d) The Board shall adopt rules necessary for the administration of the
19 hybrid retirement plan.

1 § 1955. DEFINED CONTRIBUTION COMPONENT

2 (a) There is established a defined contribution component of the hybrid
3 retirement plan established pursuant to section 1954 of this chapter that shall
4 qualify as a defined contribution plan under the U.S. Internal Revenue Code, as
5 amended.

6 (b) All participants in the hybrid retirement plan established pursuant to
7 section 1954 of this chapter shall participate in the defined contribution
8 component.

9 (c)(1) A participant in the hybrid retirement plan shall contribute to his or
10 her account under the defined contribution component at a minimum rate of
11 five percent of his or her compensation for each payroll period. A participant
12 may make additional contributions to his or her account within the plan,
13 provided that his or her total annual contributions shall not exceed the
14 maximum permitted for a defined contribution plan in a calendar year under
15 the U.S. Internal Revenue Code.

16 (2) The State shall contribute to each participant's account at a rate of
17 two percent of the participant's compensation for each payroll period.

18 (3) Contributions shall not be subject to taxation until distribution is
19 actually made or made available to the employee.

20 (d) The State Treasurer shall certify to the Governor or Governor-elect a
21 statement of the percentage of the payroll of all participants sufficient to fund

1 all operating expenses of the defined contribution component and all
2 contributions of the State that will become due and payable during the next
3 biennium. Contributions by the State to the defined contribution component
4 shall be charged to the departmental appropriation from which each
5 participant's wages are paid and shall be included in each departmental budget
6 request.

7 (e) The defined contribution component shall be administered by the
8 Treasurer in consultation with the Board, which shall adopt rules necessary to
9 implement and administer the provisions of this section.

10 (f) A participant in the hybrid retirement plan shall become vested in the
11 defined contribution component of the plan after the completion of one year
12 and 11 months of creditable service as a participant in the hybrid retirement
13 plan.

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

15 Sec. 3. 24 V.S.A. chapter 125 is amended to read:

16 CHAPTER 125. MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
17 OF VERMONT

18 § 5051. DEFINITIONS

19 As used in this chapter:

20 * * *

21 (15) "Normal retirement date."

1 (A) “Normal retirement date” for group A members means:

2 (i) for members who were first included in the membership of the
3 system before July 1, 2017, the first day of the calendar month next following
4 the attainment of age 65 and the completion of five years of creditable service
5 or age 55 and completion of 35 years of creditable service; and

6 (ii) for members who were first included in the membership of the
7 system on or after July 1, 2017 or members that elect to participate in the
8 hybrid retirement plan pursuant to subdivision 5071(b)(3) of this chapter, the
9 first day of the calendar month next following the attainment of age 65 and the
10 completion of five years of creditable service or age 60 and completion of
11 30 years of creditable service.

12 (B) “Normal retirement date” for group B members means:

13 (i) for members who were first included in the membership of the
14 system before July 1, 2017, the first day of the calendar month next following
15 the attainment of age 62 and the completion of five years of creditable service
16 or age 55 and completion of 30 years of creditable service; and

17 (ii) for either members who were first included in the membership
18 of the system on or after July 1, 2017 or members that elect to participate in the
19 hybrid retirement plan pursuant to subdivision 5071(b)(3) of this chapter, the
20 first day of the calendar month next following the attainment of age 65 and the

1 completion of five years of creditable service or the attainment of a
2 combination of years of age and service that is equal to 90.

3 * * *

4 (24) “Hybrid retirement plan” means the plan established pursuant to
5 section 5071 of this chapter that provides both a defined benefit component
6 and a defined contribution component which, together, are intended to comply
7 with the provisions of the federal Internal Revenue Code that are applicable to
8 governmental retirement plans.

9 (25) “Defined benefit component” means the portion of the hybrid
10 retirement plan that provides a defined benefit plan within the Municipal
11 Employees’ Retirement System of Vermont established pursuant to this
12 chapter.

13 (26) “Defined contribution component” means the portion of the hybrid
14 retirement plan established pursuant to section 5072 of this chapter that
15 provides a defined contribution plan pursuant to the U.S. Internal Revenue
16 Code, as amended.

17 * * *

18 § 5055. NORMAL AND EARLY RETIREMENT

19 * * *

20 (b)(1) Normal retirement allowance. Upon normal retirement, a group A
21 member who was first included in the membership of the system before July 1,

1 2017 shall receive a normal retirement allowance which shall be equal to one
2 and four-tenths percent of his or her average final compensation multiplied by
3 the number of years of creditable service as a group A member up to a
4 maximum of 60 percent of average final compensation; a group A member
5 who was first included in the membership of the system on or after July 1,
6 2017 or a member that elected to participate in the hybrid retirement plan
7 pursuant to subdivision 5071(b)(3) of this chapter shall receive a normal
8 retirement allowance which shall be equal to one percent of his or her average
9 final compensation multiplied by the number of years of creditable service as a
10 group A member up to a maximum of 40 percent of average final
11 compensation; a group B member who was first included in the membership of
12 the system before July 1, 2017 shall receive a normal retirement allowance
13 which shall be equal to the normal retirement allowance earned as a member of
14 group A, if any, up to a maximum of 60 percent of average final compensation,
15 plus one and seven-tenths percent of his or her average final compensation
16 multiplied by the number of years of creditable service as a group B member,
17 up to a maximum of 60 percent of average final compensation; and a group C
18 or group D member who retires prior to July 1, 1995 shall receive a normal
19 retirement allowance which shall be equal to the normal retirement allowance
20 earned as a member of group A, if any, up to a maximum of 60 percent of
21 average final compensation, and that earned as a member of group B, if any, up

1 to a maximum of 60 percent of average final compensation, plus two and
2 one-half percent of his or her average final compensation multiplied by the
3 number of years of creditable service as a member of group C, up to a
4 maximum of 50 percent of average final compensation. The normal retirement
5 allowance for a group B member who is hired on or after July 1, 1999 shall be
6 equal to the early retirement allowance earned as a member of group A,
7 including reductions set forth in subsection (d) or (e) of this section as
8 appropriate, if any, plus the normal retirement allowance earned as a member
9 of group B. The normal retirement allowance for a group B member who is
10 hired on or after July 1, 2017 or a group B member that elects to participate in
11 the hybrid retirement plan pursuant to subdivision 5071(b)(3) of this chapter
12 shall be equal to the early retirement allowance earned as a member of group
13 A, including reductions set forth in subsection (d) or (e) of this section, plus
14 one and three-tenths percent of his or her average final compensation
15 multiplied by the number of years of creditable service as a group B member,
16 up to a maximum of 40 percent of average final compensation. The normal
17 retirement allowance for a group C or group D member who retires on or after
18 July 1, 1995 shall be equal to the early retirement allowance earned as a
19 member of group A including reductions set forth in subsection (d) or (e) of
20 this section as appropriate, if any, up to a maximum of 60 percent of average
21 final compensation, plus the early retirement allowance earned as a member of

1 group B including reductions set forth in subsection (d) or (e) of this section as
2 appropriate, if any, up to a maximum of 60 percent of average final
3 compensation, plus the normal retirement allowance earned as a member of
4 group C or group D, up to a maximum of 50 percent of average final
5 compensation.

6 * * *

7 (c) Early retirement.

8 (1) Any member who was hired before July 1, 2017 and who has not
9 reached his or her normal retirement date but who has completed five years of
10 creditable service, at least two and one-half of which have been as a
11 contributor subsequent to joining the System, and who has attained age 55 may
12 retire on an early retirement allowance.

13 (2) Any member of Group A or B who was hired on or after July 1,
14 2017 or who elected to participate in the hybrid retirement plan pursuant to
15 subdivision 5071(b)(3) of this chapter, and who has not reached his or her
16 normal retirement date but who has completed five years of creditable service
17 as a contributor subsequent to joining the system and who has attained age 60
18 may retire on an early retirement allowance.

19 * * *

1 § 5064. FUNDS

2 * * *

3 (b) Member savings. Contributions deducted from the compensation of
4 members together with any member contributions transferred from a
5 predecessor system shall be accumulated in the Fund and separately recorded
6 for each member. Contributions shall be made by group A members at the rate
7 of three percent of earnable compensation, or if the group A member was hired
8 on or after July 1, 2017 or elected to participate in the hybrid retirement plan
9 pursuant to subdivision 5071(b)(3) of this chapter, at the rate of two percent of
10 earnable compensation. Contributions shall be made by group B members at
11 the rate of five percent of earnable compensation, or if the group B member
12 was hired on or after July 1, 2017 or elected to participate in the hybrid
13 retirement plan pursuant to subdivision 5071(b)(3) of this chapter, at the rate of
14 four percent of earnable compensation. Contributions shall be made by group
15 C and group D members at a rate of 11 percent of earnable compensation.
16 Additionally, if an employee remains in group C and is employed by an
17 employer who elects to revoke its group C membership in accordance with
18 subsection 5068(f) of this title, the rate established in this subsection will be
19 adjusted. This adjustment shall be determined by subtracting the group B rate,
20 or if not applicable, the group A rate determined in subdivision (c)(1) of this
21 section from the group C rate determined in subdivision (c)(1) of this section.

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(c) Employer contributions, earnings, and payments. All employer contributions and all reserves for the payment of all pensions and other benefits, including all interest and dividends earned on the assets of the Retirement System shall be accumulated in the Fund, and all benefits payable under the system and expenses of the System shall be paid from the fund.

* * *

§ 5071. HYBRID RETIREMENT PLAN

(a) There is established within the Municipal Employees' Retirement System of Vermont a hybrid retirement plan. The hybrid retirement plan shall consist of the defined benefit plan established pursuant to sections 5051–5070 of this chapter, and the defined contribution component established pursuant to section 5072 of this chapter.

(b) The following members of the System shall participate in the hybrid retirement plan established pursuant to this section:

(1) a group A member who is hired on or after July 1, 2017;

(2) a group B member who is hired on or after July 1, 2017; and

(3) members of group A or B that were hired before July 1, 2017 that make an irrevocable election to participate in the hybrid retirement plan on or before September 30, 2017.

1 (c) The retirement allowance for the defined benefit component of any
2 member of the System that elects to participate in the hybrid retirement plan
3 pursuant to subdivision (b)(3) of this section shall consist of the member's
4 applicable retirement allowance for his or her years of creditable service prior
5 to his or her election to participate in the hybrid retirement plan in addition to
6 the member's retirement allowance for his or her years of creditable service in
7 the hybrid retirement plan.

8 (d) The Board shall adopt rules necessary for the administration of the
9 hybrid retirement plan.

10 § 5072. DEFINED CONTRIBUTION COMPONENT

11 (a) There is established a defined contribution component of the hybrid
12 retirement plan established pursuant to section 1954 of this chapter that shall
13 qualify as a defined contribution plan under the U.S. Internal Revenue Code, as
14 amended.

15 (b) All participants in the hybrid retirement plan established pursuant to
16 section 5071 of this chapter shall participate in the defined contribution
17 component.

18 (c)(1) A participant in the hybrid retirement plan shall contribute to his or
19 her account under the defined contribution component at a minimum rate of
20 two percent of his or her compensation for each payroll period. A participant
21 may make additional contributions to his or her plan, provided that his or her

1 total annual contributions shall not exceed the maximum permitted for a
2 defined contribution plan in a calendar year under the U.S. Internal Revenue
3 Code.

4 (2) Each employer shall contribute to each participant's account at a
5 minimum rate of two percent of the participant's compensation for each
6 payroll period.

7 (3) Contributions shall not be subject to taxation until distribution is
8 actually made or made available to the employee.

9 (d) The defined contribution component shall be administered by the
10 Treasurer in consultation with the Board, which shall adopt rules necessary to
11 implement and administer the provisions of this section.

12 (e) A participant in the hybrid retirement plan shall become vested in the
13 defined contribution component of the plan after the completion of one year
14 and 11 months of creditable service as a participant in the hybrid retirement
15 plan.

16 Sec. 4. EFFECTIVE DATE

17 This act shall take effect on July 1, 2016.