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H.863

Introduced by Committee on Government Operations

Date:

Subject: Vermont State Employees' Retirement System; Vermont State
Teachers' Retirement System; Vermont Municipal Employees'
Retirement System; miscellaneous amendments

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

An act relating to making miscellaneous amendments to Vermont's
retirement laws

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

Sec. 1. 3 V.S.A. § 462 is amended to read:

§ 462. REEXAMINATION OF DISABILITY BENEFICIARY

* * *

(c) Every recipient of disability benefits who has not reached his or her
normal retirement date shall, annually on a date determined by the Retirement
Board, file with the State Treasurer a statement certifying, under penalty of
perjury and in such form as the Retirement Board shall prescribe, the full
amount of his or her earnings from earned income during the preceding
calendar year. The State Treasurer may request, and the beneficiary shall

1 provide within 60 days of such request, additional financial information and
2 records pertinent to the beneficiary's earned income. The beneficiary's
3 statement and accompanying forms and schedules, and any other financial
4 information and records provided by the beneficiary to the State Treasurer
5 shall be confidential. In the event that a beneficiary fails to submit the
6 certification or any required or requested financial information or records
7 pertinent to the beneficiary's earned income, the beneficiary's retirement
8 allowance shall be suspended until all such information and records have been
9 submitted, and in the event that the failure continues for one year, all the
10 beneficiary's rights in and to his or her pension and any pending reemployment
11 rights under this section may be revoked by the ~~board~~ Board. Notwithstanding
12 any provision of this section to the contrary, if the beneficiary's earned income
13 for the preceding year exceeded the difference between the beneficiary's
14 retirement allowance and his or her average final compensation at retirement,
15 the beneficiary shall refund the portion of the preceding year's retirement
16 allowance that is equal to the amount of the reduction specified in subsection
17 (b) of this section, and the refund amount may be offset against the
18 beneficiary's monthly pension benefits. Prior to suspension or revocation of
19 the beneficiary's retirement allowance, reemployment rights, or inception of
20 any offset under this subsection ~~(e)~~, the Retirement Board shall provide the
21 beneficiary with written notice and an opportunity to be heard.

1 Sec. 2. 3 V.S.A. § 465 is amended to read:

2 § 465. TERMINATION OF SERVICE; ORDINARY DEATH BENEFIT

3 * * *

4 (g) The provisions of subsections ~~(b)~~; (c), (d), (e), and (f), ~~and (g)~~ of this
5 ~~section~~ and subdivision (b)(1) of this section shall not apply if benefits are
6 payable under section 464 of this title. The provisions of subdivision (b)(2) of
7 this section shall not apply if the benefits are paid under subsection 464(d) of
8 this title.

9 * * *

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

11 § 470. POSTRETIREMENT ADJUSTMENTS TO RETIREMENT

12 ALLOWANCES

13 (a) For group A, group C, and group D members, as of June ~~30~~ 30th in
14 each year, commencing June 30, 1972, a determination shall be made of ~~the~~
15 any increase or decrease, to the nearest one-tenth of a percent, in the ratio of
16 the average of the Consumer Price Index for the month ending on that date to
17 the average of said index for the month ending on June 30, 1971, or the month
18 ending on June ~~30~~ 30th of the most recent year subsequent thereto ~~as of which~~
19 ~~an increase or decrease in retirement allowance was made. If the increase or~~
20 ~~decrease, so determined.~~ In the event of an increase, and provided that the net
21 increase following the application of any offset as provided in this subsection

1 equals or exceeds one percent, the retirement allowance of each beneficiary in
2 receipt of an allowance for at least one year on the next following December
3 31st shall be increased ~~or decreased, as the case may be,~~ by an equal
4 percentage. Such increase ~~or decrease~~ shall commence on the January 1st
5 immediately following such December 31st. Such percentage increase ~~or~~
6 ~~decrease~~ shall also be made in the retirement allowance payable to a
7 beneficiary in receipt of an allowance under an optional election, provided the
8 member on whose account the allowance is payable and such other person
9 shall have received a total of at least 12 monthly payments by such
10 December 31st. ~~The maximum adjustment of any retirement allowance~~
11 ~~resulting from any such determination shall be five percent and the minimum~~
12 ~~shall be one percent, and no retirement allowance shall be reduced below the~~
13 ~~amount payable to the beneficiary without regard to the provisions of this~~
14 ~~section.~~ In the event of a decrease of the Consumer Price Index as of June 30th
15 for the preceding year, the retirement allowance of a beneficiary shall not be
16 subject to any adjustment on the next following January 1st; provided,
17 however, that:
18 (1) such decrease shall be applied as an offset against the first
19 subsequent year's increase of the Consumer Price Index when such increase
20 equals or exceeds one percent, up to the full amount of such increase; and

1 (2) to the extent that such decrease is greater than such subsequent
2 year's increase, such decrease shall be offset in the same manner against two
3 or more years of such increases, for up to but not exceeding five subsequent
4 years of such increases, until fully offset.

5 (b) For group F members, as of June 30 30th in each year, commencing
6 January 1, 1991, a determination shall be made of ~~the~~ any increase or decrease,
7 to the nearest one-tenth of a percent of the Consumer Price Index for the
8 preceding fiscal year. ~~The~~ In the event of an increase, and provided that there
9 exists a net increase following the application of any offset as provided in this
10 subsection, the retirement allowance of each beneficiary in receipt of an
11 allowance for at least one year on the next following December 31st shall be
12 increased ~~or decreased, as the case may be,~~ by an amount equal to one-half of
13 the net 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 amount equal ~~percentage of the Consumer Price Index for the preceding year~~
18 to the net percentage increase. The increase ~~or decrease~~ shall commence on
19 the January 1st immediately following such December 31st. The ~~adjustment~~
20 increase shall apply to group F members receiving an early retirement
21 allowance only in the year following attainment of normal retirement age,

1 provided the member has received benefits for at least 12 months as of
2 December ~~31~~ 31st of the year preceding any January adjustment. ~~The~~
3 ~~maximum adjustment of any retirement allowance resulting from any such~~
4 ~~determination shall be five percent and the minimum shall be one percent, and~~
5 ~~no retirement allowance shall be reduced below the amount payable to the~~
6 ~~beneficiary without regard to the provisions of this section. In the event of a~~
7 ~~decrease of the Consumer Price Index as of June 30th for the preceding year,~~
8 ~~the retirement allowance of a beneficiary shall not be subject to any adjustment~~
9 ~~on the next following January 1st; provided, however, that:~~

10 (1) such decrease shall be applied as an offset against the first
11 subsequent year's increase of the Consumer Price Index, up to the full amount
12 of such increase; and

13 (2) to the extent that such decrease is greater than such subsequent
14 year's increase, such decrease shall be offset in the same manner against two
15 or more years of such increases, for up to but not exceeding five subsequent
16 years of such increases, until fully offset.

17 (c) For purposes of subsection (a) of this section, the maximum amount of
18 any increase or decrease utilized to determine the net percentage increase shall
19 be five percent. For purposes of subsection (b) of this section, the maximum
20 amount of any increase or decrease utilized to determine the net percentage

1 increase shall be five percent, and any increase or decrease of less than one
2 percent shall be assigned a value of one percent.

3 (d) For purposes of this section, Consumer Price Index shall mean the
4 Northeast Region Consumer Price Index for all urban consumers, designated as
5 “CPI-U,” in the northeast region, as published by the U.S. Department of
6 Labor, Bureau of Labor Statistics.

7 ~~(d)~~(e) No ~~adjustment~~ increase shall be made pursuant to this section in a
8 deferred vested allowance payable pursuant to subsection 465(a) of this title
9 prior to its commencement.

10 (e) ~~[Repealed.]~~

11 Sec. 4. 3 V.S.A. § 473 is amended to read:

12 § 473. FUNDS

13 * * *

14 (b) Member contributions.

15 * * *

16 (2) ~~Contributions shall be made on and after the date of establishment at~~
17 ~~the rate of 6.3 percent of compensation for each group A, D, and F member~~
18 ~~and at a rate of 8.18 percent of compensation for each group C member. For~~
19 ~~the period of July 1, 2011 through June 30, 2016, should the annual value of~~
20 ~~the total increased contributions of group C, D, and F member contributions~~
21 ~~exceed \$5,300,000.00 on an aggregate basis, any amount in excess of~~

1 ~~\$5,300,000.00 shall remain in the Retirement System and the State's~~
2 ~~contribution shall not be reduced by the amount in excess of \$5,300,000.00.~~
3 Commencing on July 1, 2016 or when, contributions shall be 6.55 percent of
4 compensation for group A, D, and F members and 8.43 percent of
5 compensation for group C members. When the State Employees' Retirement
6 System has been determined by the actuary to have assets at least equal to its
7 accrued liability, ~~whichever occurs first, contributions shall be five percent of~~
8 ~~compensation for group A, D, and F members and 6.88 percent of~~
9 ~~compensation for group C members. Commencing July 1, 2019, the rate of~~
10 ~~contribution applicable to all active group F members shall be 4.75 percent of~~
11 ~~compensation~~ contribution rates will be reevaluated by the actuary with a
12 subsequent recommendation to the General Assembly. In determining the
13 amount earnable by a member in a payroll period, the Retirement Board may
14 consider the annual or other periodic rate of earnable compensation payable to
15 such member on the first day of the payroll period as continuing throughout
16 such payroll period, and it may omit deduction from compensation for any
17 period less than a full payroll period if an employee was not a member on the
18 first day of the payroll period, and to facilitate the making of deductions it may
19 modify the deduction required of any member by such an amount as, on an
20 annual basis, shall not exceed one-tenth of one percent of the annual earnable
21 compensation upon the basis of which such deduction is to be made. Each of

1 the amounts shall be deducted until the member retires or otherwise withdraws
2 from service, and when deducted shall be paid into the Annuity Savings Fund,
3 and shall be credited to the individual account of the member from whose
4 compensation the deduction was made.

5 * * *

6 Sec. 5. 3 V.S.A. § 635 is amended to read:

7 § 635. COVERAGE; BENEFICIARIES OF DECEASED RETIREES

8 * * *

9 (c)(1) Notwithstanding any other provision of this chapter concerning
10 eligibility for health insurance, the surviving spouse and surviving dependents
11 of an active State employee who dies prior to retirement shall be entitled to
12 continue group health insurance coverage if the Board of Trustees of the
13 Vermont State Employees' Retirement System finds on the basis of such
14 evidence as may come before it that:

15 (A) the employee died as a result of the willful or reckless act of a
16 third party which was motivated by the employee's status as a governmental
17 employee or by the employee's performance of official duties;

18 (B) the employee was participating in either the Vermont State
19 Employees' Retirement System or the State of Vermont Defined Contribution
20 Retirement Plan at the time of the employee's death; and

1 (C) the surviving spouse or surviving dependents were covered by
2 the State group health insurance plan at the time of the employee's death.

3 (2) The terms of continuing coverage, including the calculation of
4 premiums to be paid by the surviving spouse and surviving dependents and the
5 termination of coverage, shall be in accordance with the provisions of
6 subsection (b) of this section; provided, however, that eligibility for a
7 dependent child shall terminate when the child has attained 18 years of age, or
8 23 years of age in the case of a dependent student, or such later age as may be
9 required by federal law.

10 Sec. 6. 16 V.S.A. § 1944b is amended to read:

11 § 1944b. RETIRED TEACHERS' HEALTH AND MEDICAL BENEFITS

12 FUND

13 * * *

14 (f) It is the intent of the General Assembly to appropriate the required
15 contributions necessary to pay retired teacher health and medical benefits by
16 combining annual increases in base appropriations, but not from the Education
17 Fund, and surplus revenues as they become available, so that the full cost of
18 retired teacher health and medical benefits payments shall be met in base
19 appropriations by fiscal year 2024. To the extent that other revenue sources
20 are identified, the General Fund obligation shall not be reduced, until all
21 annual disbursements to repay the interfund loan in subsection (e) of this

1 section are satisfied. Contributions to the Benefits Fund shall be irrevocable
2 and it shall be impossible at any time prior to the satisfaction of all liabilities,
3 with respect to employees and their beneficiaries, for any part of the corpus or
4 income of the Benefits Fund to be used for, or diverted to, purposes other than
5 the payment of retiree postemployment benefits to members and their
6 beneficiaries and reasonable expenses of administering the Benefits Fund and
7 related benefit plans.

8 Sec. 7. 16 V.S.A. § 1949 is amended to read:

9 § 1949. POSTRETIREMENT ADJUSTMENTS TO RETIREMENT

10 ALLOWANCES

11 (a) For all Group A members, as of June ~~30~~ 30th in each year, beginning
12 June 30, 1972, the Board shall determine ~~the~~ any increase or decrease, to the
13 nearest one-tenth of one percent, in the ratio of the average of the Consumer
14 Price Index for the month ending on that date to the average of the Index for
15 the month ending on June 30, 1971, or the month ending on June ~~30~~ 30th of
16 the most recent year subsequent thereto ~~as to which an increase or decrease in~~
17 ~~retirement allowance was made. If the increase or decrease, so determined,~~ In
18 the event of an increase, and provided that the net increase following the
19 application of any offset as provided in this subsection equals or exceeds one
20 percent, the retirement allowance of each beneficiary in receipt of an
21 allowance for at least one year on the next following December ~~31~~ 31st shall

1 be increased ~~or decreased, as the case may be,~~ by an equal percentage. ~~The~~
2 Such increase ~~or decrease~~ shall begin on the January ~~1~~ 1st immediately
3 following that December ~~31~~ 31st. An equivalent percentage increase ~~or~~
4 ~~decrease~~ shall also be made in the retirement allowance payable to a
5 beneficiary in receipt of an allowance under an optional election, provided the
6 member on whose account the allowance is payable and such other person
7 shall have received a total of at least 12 monthly payments by such
8 December ~~31~~ 31st. ~~The maximum adjustment of any retirement allowance in~~
9 ~~any calendar year resulting from any determination under this section shall be~~
10 ~~five percent and the minimum shall be one percent, and no retirement~~
11 ~~allowance shall be reduced below the amount payable to the beneficiary~~
12 ~~without regard to the provisions of this section.~~ In the event of a decrease of
13 the Consumer Price Index as of June 30th for the preceding year, the
14 retirement allowance of a beneficiary shall not be subject to any adjustment on
15 the next following January 1st; provided, however, that:

16 (1) such decrease shall be applied as an offset against the first
17 subsequent year's increase of the Consumer Price Index when such increase
18 equals or exceeds one percent, up to the full amount of such increase; and

19 (2) to the extent that such decrease is greater than such subsequent
20 year's increase, such decrease shall be offset in the same manner against two

1 or more years of such increases, for up to but not exceeding five subsequent
2 years of such increases, until fully offset.

3 (b) For Group C members, as of June ~~30~~ 30th in each year, commencing
4 June 30, 1981, a determination shall be made of ~~the~~ any increase or decrease,
5 to the nearest one-tenth of a percent of the Consumer Price Index for the
6 preceding fiscal year. ~~The~~ In the event of an increase, and provided that there
7 exists a net increase following the application of any offset as provided in this
8 subsection, the retirement allowance of each beneficiary in receipt of an
9 allowance for at least one year on the next following December ~~31~~ 31st shall
10 be increased ~~or decreased, as the case may be,~~ by an amount equal to one-half
11 of the net percentage increase ~~or decrease~~. The increase ~~or decrease~~ shall
12 commence on the January ~~1~~ 1st immediately following that December ~~31~~ 31st.
13 The ~~adjustment~~ increase shall apply to Group C members having attained ~~the~~
14 ~~age of 57 years of age~~ or completed at least 25 years of creditable service as of
15 June 30, 2010, and receiving an early retirement allowance only in the year
16 following attainment of age 62, and shall apply to Group C members not
17 having attained ~~the age of 57 years of age~~ or having completed at least 25 years
18 of creditable service as of June 30, 2010, and receiving an early retirement
19 allowance only in the year following the member's attainment of age 65 years
20 of age, provided the member has received benefits for at least 12 months as of
21 December ~~31~~ 31st of the year preceding any January adjustment. ~~The~~

1 ~~maximum adjustment of any retirement allowance resulting from any such~~
2 ~~determination shall be five percent and the minimum shall be one percent, and~~
3 ~~no retirement allowance shall be reduced below the amount payable to the~~
4 ~~beneficiary without regard to the provisions of this section. In the event of a~~
5 ~~decrease of the Consumer Price Index as of June 30th for the preceding year,~~
6 ~~the retirement allowance of a beneficiary shall not be subject to any adjustment~~
7 ~~on the next following January 1st; provided, however, that:~~

8 (1) such decrease shall be applied as an offset against the first
9 subsequent year's increase of the Consumer Price Index, up to the full amount
10 of such increase; and

11 (2) to the extent that such decrease is greater than such subsequent
12 year's increase, such decrease shall be offset in the same manner against two
13 or more years of such increases, for up to but not exceeding five subsequent
14 years of such increases, until fully offset.

15 (c) For purposes of subsection (a) of this section, the maximum amount of
16 any increase or decrease utilized to determine the net percentage increase shall
17 be five percent. For purposes of subsection (b) of this section, the maximum
18 amount of any increase or decrease utilized to determine the net percentage
19 increase shall be five percent, and any increase or decrease less than one
20 percent shall be assigned a value of one percent.

1 (d) As used in this section, “Consumer Price Index” shall mean the
2 Northeast Region Consumer Price Index for all urban consumers, designated as
3 “CPI-U,” in the northeast region, as published by the ~~United States~~ U.S.
4 Department of Labor, Bureau of Labor Statistics.

5 ~~(d) [Repealed.]~~

6 Sec. 8. 24 V.S.A. § 5054 is amended to read:

7 § 5054. CREDITABLE SERVICE

8 * * *

9 (f) The ~~board~~ Board may enter into a prior service purchase agreement with
10 any member who has participated in a public retirement system other than this
11 system. A member who desires to purchase creditable service for service with
12 a public retirement system outside this system must make application to the
13 ~~board~~ Board to purchase such creditable service. Upon approval by the ~~board~~
14 Board, a member who desires to purchase additional creditable service must
15 deposit in the fund, a lump sum equal to the accrued liability (based on the
16 assumptions and methodology adopted by the ~~board~~ Board) for such additional
17 creditable service. In lieu of a single payment, a member may, subject to the
18 approval of the ~~board~~ Board, contribute in installments of equal monthly
19 payments (over a period not to exceed ~~36~~ 60 months) the actuarial equivalent
20 value (based on assumptions adopted by the ~~board~~ Board) of the lump sum
21 payment described in this section. Any member who terminates prior to

1 completing all required installment payments as approved by the ~~board~~ Board
2 shall receive pro rata credit for service purchased before the member's date of
3 termination, but if so elected at the time of termination, the member may pay
4 as much in a single sum as is necessary to provide full credit at this time. The
5 payments made by the member pursuant to this subsection shall be treated for
6 all purposes as member contributions. No application may be accepted for
7 purchase of credit for prior service in a public retirement system if at the time
8 of application the member has a vested right to retirement benefits in such
9 public retirement system.

10 * * *

11 Sec. 9. VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
12 RATES FOR FISCAL YEAR 2017

13 Notwithstanding the provisions of 24 V.S.A. § 5064(b), for the period
14 July 1, 2016 through June 30, 2017, contributions shall be made by Group A
15 members at the rate of 2.5 percent of earnable compensation, by Group B
16 members at the rate of 4.875 percent of earnable compensation, and by Group
17 D members at the rate of 11.350 percent of earnable compensation. For the
18 period July 1, 2016 through June 30, 2017, contributions shall be made by
19 Group C members at the rate of 10 percent of earnable compensation.

20 Sec. 10. EFFECTIVE DATE

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