

Overview of Miscellaneous Retirement Bill (2018 Session)

The Miscellaneous Retirement Bill reflects changes to the three retirement statutes: State (Title 3, Chapter 16), Teachers (Title 16, Chapter 55) and Municipal (Title 24, Chapter 125). The majority of the proposed changes are in the Teachers system, as they are the result of a comprehensive review of that system by Treasurer's Office staff to identify outdated sections and other sections that should be revised to ensure clarity and consistency in practice. Outside tax counsel has reviewed the proposed statutory changes to ensure that they, as well as any possible intervening changes in federal law, do not affect the plan's compliance with section 401(a) of the Internal Revenue Code.

With respect to the State and Municipal systems, more modest changes are proposed, primarily to maintain consistency with proposed changes in the Teachers system. Additionally, there is proposed session law language for the Municipal system that adjusts the employee contribution rates (discussed below).

The proposed changes have been approved for submission to the Legislature by the respective Boards of Trustees.

Proposed changes to the Teacher System

The following is a summary of the proposed changes in the Teachers system. While it does not address each and every proposed change, it is generally intended to provide an overview of the types of changes proposed in the Teachers system, and to provide the general rationale for the proposed change.

- **Remove outdated language.**
 - The Teachers statutes refer to the prior retirement system that existed before 1947. The proposed changes remove these sections. This change is proposed to reduce the potential for confusion between outdated statutes with no continued relevance and the current statutes.
 - E.g., Deletion of sections 1933(e), 1934, 1936(b), 1937(b)(3)
- **Remove language that is inconsistent with other statutes and/or current practice**
 - Certain sections of the Teachers statutes address transferring among the three State retirement systems. This issue is generally addressed in 3 V.S.A. § 495. Accordingly, potentially inconsistent language from the Teachers statutes is proposed for deletion.
 - E.g., section 1935(c) and (e)
 - Certain sections appear to mix up Group A and Group C requirements. Accordingly, the language is proposed for deletion.
 - E.g., section 1937(b)(4)
 - Certain sections provide for options that are inconsistent with other sections and which have not been practiced, e.g., the purchase of airtime. Accordingly, the language is proposed for deletion.
 - E.g., section 1944(b)(5)
- **Revise the disability retirement section in a manner similar to the State system**
 - For disability retirees, the proposed changes would allow for medical reviews up until the retiree reaches normal retirement age (rather than age 60, which is the current requirement).
 - Where the Medical Board believes that a disability retiree has residual functional capacity, the proposed changes would allow for a reduction in the retirement allowance, in a manner generally consistent with the State system.

An act relating to pensions, retirement, and setting the contribution rates for municipal employees

- The proposed changes provide an income verification requirement, in a manner generally consistent with the State system.
 - E.g., section 1938

Clearly distinguish between the Pension Fund (which pays out retirement allowances) and the Benefits Fund (which is used to cover health and medical benefits)

- Language establishing a subordinate medical account within the Pension Fund still exists in section 1944(i), even though medical benefits are now funded by the RTHMB. Proposed to delete the medical account language as no longer necessary.
 - The health and medical benefits are set forth in the statute governing the Pension Fund, even though they are funded by the RTHMB. The proposal is to move to a standalone section 1944e.
 - Clarify references to the Pension and Benefits Fund throughout.
- **Miscellaneous Changes**
 - Eliminate section about the taxability of retirement allowances from other states. This section (1946a) is not related to the Teachers system and likely already repealed by implication
 - Allow for errors to be corrected where they have a de minimus impact on the Fund in section 1948.
 - Clean up definitions in section 1931.

Proposed changes to the Municipal System contribution rates

As noted above, the Miscellaneous Retirement Bill also includes proposed session law language for the Municipal system that adjusts the employee contribution rates.

- This language reflects a 4-year plan to incrementally increase the employee contribution rates. The proposed employee contribution rate increases are identical to employer contribution rates recently approved by the Municipal Board. The proposed increases are as follows:
 - Year 1 – 0.125% employee contribution increase
 - Year 2 – 0.125% employee contribution increase
 - Year 3 – 0.25% employee contribution increase
 - Year 4 – 0.25% employee contribution increase
- At the end of the four-year period, employee contributions will have increased by 0.75%. The approved employer contribution rates would increase at the same rate, resulting in an overall increase of 1.5% in contributions to the Fund

Contacts

For additional information and/or questions about the proposed changes, please feel free to contact the following staff at the Treasurer's office:

- Laurie Lanphear, Director of Retirement Operations – 828-5987, Laurie.Lanphear@vermont.gov
- Erika Wolffing, Director of Retirement Policy & Outreach – 828-1266, Erika.Wolffing@vermont.gov
- Tim Duggan, Legal Director – 828-7190, Tim.Duggan@vermont.gov