

1 Introduced by Committee on Government Operations

2 Date:

3 Subject: Vermont Employees' Retirement System; Municipal Employees'

4 Retirement System of Vermont; State Teachers' Retirement System

5 of Vermont

6 Statement of purpose of bill as introduced: This bill proposes to make
7 miscellaneous changes to the statutes pertaining to the State employees',
8 municipal employees', and teachers' retirement systems and to set the
9 contribution rates for municipal employees.

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

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

13 * * * Vermont Employees Retirement System * * *

14 Sec. 1. 3 V.S.A. § 455 is amended to read:

15 § 455. DEFINITIONS

16 (a) As used in this subchapter:

17 * * *

18 (4) "Average final compensation" shall mean:

19 (A) For a group A and a group F member, the average annual

20 earnable compensation of a member during the three consecutive fiscal years

1 beginning July 1 and ending June 30 of creditable service affording the highest
2 average, or during all of the years of creditable service if fewer than three
3 years. If the member's highest three years of earnable compensation are the
4 three years prior to separation of service and the member separates prior to the
5 end of a fiscal year, average final compensation shall be determined by adding:

6 (i) The actual earnable compensation earned in the fiscal year of
7 separation through the date of separation and the service credit to correspond
8 with the last ~~paydate~~ pay date.

9 * * *

10 (B) For a group C member, the average annual earnable
11 compensation of a member during the two consecutive fiscal years beginning
12 July 1 and ending June 30 of creditable service affording the highest such
13 average, or during all of the years in the member's creditable service if fewer
14 than two years. If the member's highest two years of earnable compensation
15 are the two years prior to separation of service and the member separates prior
16 to the end of a fiscal year, average final compensation shall be determined by
17 adding:

18 (i) The actual earnable compensation earned in the fiscal year of
19 separation through the date of separation and the service credit to correspond
20 with the last pay date.

21 * * *

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

1 benefits. Prior to suspension or revocation of the beneficiary's retirement
2 allowance, reemployment rights, or inception of any offset under this
3 subsection, the Retirement Board shall provide the beneficiary with written
4 notice and an opportunity to be heard.

5 Sec. 4. 3 V.S.A. § 472a is amended to read:

6 § 472a. COMPLIANCE WITH FEDERAL LAW

7 * * *

8 (k) ~~Mandatory withdrawal. When a member who is not vested in the~~
9 ~~System is required by this chapter to withdraw his or her assets of greater than~~
10 ~~\$1,000.00 from the System and fails to provide distribution directions, the~~
11 ~~System shall directly roll over those assets into an IRA in the member's name.~~

12 [Note: This section is not completed. Once completed, conform similar
13 sections in bill].

14 * * *

15 Sec. 5. 3 V.S.A. § 475 is amended to read:

16 § 475. ERRORS

17 Should any change or error in the records result in any member or
18 beneficiary receiving from the Retirement System more or less than he or she
19 would have been entitled to receive had the records been correct, the
20 Retirement Board shall ~~have the power to~~ correct such change or error, and to
21 shall adjust as far as practicable the future payments in such a manner that the

1 actuarial equivalent of the benefit to which ~~sueh~~ the member or beneficiary
2 was correctly entitled shall be paid, unless the impact on the fund is
3 de minimis.

4 Sec. 6. 3 V.S.A. § 479 is amended to read:

5 § 479. GROUP INSURANCE

6 * * *

7 ~~(f) There is created a medical account to be maintained under the~~
8 ~~Retirement System pursuant to 26 U.S.C. § 401(h), which shall be used to pay~~
9 ~~for health and medical benefits as the Board may arrange pursuant to this~~
10 ~~section. Contributions to the account shall be reasonable and ascertainable.~~
11 ~~The medical account shall be subordinate to the retirement benefits provided~~
12 ~~by the Retirement System. It shall be impossible, at any time before~~
13 ~~satisfaction of all liabilities to provide retiree medical benefits, for any part of~~
14 ~~the corpus or income of the account to be used for, or diverted to, any purpose~~
15 ~~other than providing health and medical benefits. All balances in the account~~
16 ~~at the end of the fiscal year shall be carried forward, and interest earned shall~~
17 ~~remain in the account. Notwithstanding the exclusive benefit rule of~~
18 ~~subsection 472a(b) of this title, in the event of termination of the account on~~
19 ~~satisfaction of all liabilities under the Plan to provide retiree medical benefits,~~
20 ~~any assets remaining in the account shall be returned to the State of Vermont.~~
21 ~~The aggregate actual contributions for medical benefits, when added to the~~

1 ~~actual contributions for life insurance, if any, under the Plan, is limited to~~
2 ~~25 percent of the total actual contributions made to the Plan (other than~~
3 ~~contributions to fund past service credits) after the date on which the Section~~
4 ~~401(h) account is established. [Repealed.]~~

5 * * *

6 * * * State Teachers' Retirement System of Vermont * * *

7 Sec. 7. 16 V.S.A. § 1931 is amended to read:

8 § 1931. DEFINITIONS

9 ~~The following words and phrases as As used in this chapter, unless a~~
10 ~~different meaning is plainly required by the context, shall have the following~~
11 ~~meanings:~~

12 (1) "Accumulated contributions" shall mean the sum of all the amounts
13 deducted from the compensation of a member and credited to his or her
14 individual account in the ~~fund~~ Pension Fund, together with regular interest
15 thereon, as provided in subsection 1944(b) of this title.

16 * * *

17 (4) "Average final compensation" shall mean:

18 (A) The average annual earnable compensation of a member during
19 the three consecutive fiscal years beginning July 1 and ending June 30 of
20 creditable service affording the highest average, or during all of the years of
21 creditable service if fewer than three years. If the member's highest three

1 years of earnable compensation are the three years prior to separation of
2 service and the member separates prior to the end of a fiscal year, the average
3 final compensation shall be determined by adding:

4 (i) the actual earnable compensation earned in the fiscal year of
5 separation through the date of separation and the corresponding service credit;

6 * * *

7 (7) “Creditable service” shall mean membership service, ~~plus prior~~
8 ~~service plus~~ any other service allowable under this chapter and service
9 transferred under 3 V.S.A. § 495.

10 * * *

11 (10) “Member” shall mean any person included in the System pursuant
12 to section 1933 of this chapter.

13 * * *

14 (13) ~~“Prior service” shall mean service rendered in Vermont prior to~~
15 ~~July 1, 1947 for which credit is allowable as provided in subsection 1936(b) or~~
16 ~~1935(d) of this title. [Repealed.]~~

17 * * *

18 (19) “System” or “Retirement System” shall mean the State Teachers’
19 Retirement System of Vermont, as defined in section 1932 of this title.

20 (20) “Teacher” shall mean any licensed teacher, principal, supervisor,
21 superintendent, or any professional licensed by the Vermont Standards Board

1 for ~~professional educators~~ Professional Educators who is regularly employed,
2 or otherwise contracted if following retirement, for the full normal working
3 time for his or her position in a public day school or school district within the
4 State, or in any school or teacher-training institution located within the State,
5 controlled by the State Board of Education, and supported wholly by the State;
6 ~~or any licensed teacher, principal, supervisor, superintendent, or any~~
7 ~~professional licensed by the Vermont Standards Board for Professional~~
8 ~~Educators and regularly employed, or otherwise contracted if following~~
9 ~~retirement, for the full normal working time for his or her position in any~~
10 ~~nonsectarian independent school that serves as a high school for the town or~~
11 ~~city in which the same is located, provided such school is not conducted for~~
12 ~~personal profit. It shall also mean any licensed teacher employed, or otherwise~~
13 ~~contracted if following retirement, in a teaching capacity and licensed by the~~
14 ~~Vermont Standards Board for Professional Educators in certain public~~
15 independent schools designated for such purposes by the Board of Trustees in
16 accordance with section 1935 of this title. In all cases of doubt the Board of
17 Trustees, herein defined, shall determine whether any person is a teacher as
18 defined in this chapter. It shall not mean a person who is teaching with an
19 emergency license.

20 (21) “Pension Fund” or “Vermont Teachers’ Retirement Fund” ~~as used~~
21 ~~in this chapter~~ shall mean the ~~Fund~~ fund created by section 1944 of this title;

1 ~~which shall contain the assets of the Retirement System and from which shall~~
2 ~~be paid the benefits due to beneficiaries and the expenses of the Retirement~~
3 ~~System.~~

4 (22) “Benefits Fund” or “Retired Teachers’ Health and Medical Benefits
5 Fund” shall mean the fund created pursuant to section 1944b of this title.

6 Sec. 8. 16 V.S.A. § 1933 is amended to read:

7 § 1933. MEMBERS GENERALLY

8 * * *

9 (d) Should any Group A or Group C member who has less than five years
10 of creditable service in any period of seven consecutive years after last
11 becoming a member be absent from service more than six years; or should a
12 member withdraw the member’s accumulated contributions or die or retire
13 under the provisions of this chapter, the member shall thereupon cease to be a
14 member. However, the membership of any teacher granted leave of absence
15 by the member’s school board for the purpose of professional study or for the
16 acceptance of an exchange position, shall be continued during such leave of
17 absence subject to Board rules relating thereto, if the member does not
18 withdraw the member’s contributions, if any, and such member shall be
19 considered in the service of the State for the purposes of the ~~system~~ System
20 during such leave of absence. In the case of leaves of absence granted by a
21 member’s school board for purposes other than for professional study or for an

1 exchange position, service credit shall be granted upon a contribution by the
2 member or the member's school board. Such contribution shall be made at the
3 member's current rate multiplied by the member's earnable compensation for
4 the year preceding the leave of absence.

5 ~~(e) Notwithstanding subsection (a) of this section, any member who taught~~
6 ~~before July 1, 1947 in Vermont schools currently covered under the Teachers'~~
7 ~~Retirement System, and who did not teach, except as a substitute, in Vermont~~
8 ~~schools currently covered under the Teachers' Retirement System during the~~
9 ~~period beginning July 1, 1947 and ending June 30, 1948, and who~~
10 ~~subsequently became a member of the Teachers' Retirement System and~~
11 ~~rendered five years of creditable service, shall receive credit for those years of~~
12 ~~regular teaching prior to July 1, 1947 in Vermont schools currently covered~~
13 ~~under the Teachers' Retirement System. [Repealed.]~~

14 Sec. 9. 16 V.S.A. § 1935 is amended to read:

15 § 1935. TEACHERS IN CERTAIN PUBLIC OR INDEPENDENT
16 SCHOOLS

17 * * *

18 ~~(c) The provisions of section 1933 of this title notwithstanding, any person~~
19 ~~who becomes a teacher by virtue of his or her employment in a teaching~~
20 ~~capacity by such institution after such date of designation who at the time of~~
21 ~~such employment is a member of the Vermont Employees' Retirement System~~

1 may within 75 days following the date of such employment file with the Board
2 of Trustees, on a form prescribed by the Board, a notice of his or her election
3 not to be covered in a membership of the System and a duly executed waiver
4 of all present and prospective benefits that would otherwise inure to him or her
5 as a member. [Repealed.]

6 (d) Each teacher who becomes a member under the provisions of
7 subsection (b) of this section shall file a detailed statement of all service as a
8 teacher rendered by him or her prior to the date of such membership for which
9 he or she claims credit. The total period of such service creditable shall be
10 determined and certified in accordance with the procedure established in
11 subsection 1936(b) of this title, for the crediting of prior service but the portion
12 of such service rendered subsequent to July 1, 1947 shall be credited to the
13 member as membership service. [Repealed.]

14 (e) Should a member of the Vermont Employees' Retirement System
15 become a member of this System under the provisions of this section, the
16 amount of the member's accumulated contributions shall be transferred from
17 his or her account in the Vermont Employees' Retirement System and credited
18 to his or her account in the Fund, the amount of prior and membership service
19 standing to his or her credit under said Employees' System not creditable
20 under subsection (d) of this section shall be credited to him or her in like

1 ~~manner under this System whereupon his or her membership in said~~
2 ~~Employees' System shall cease. [Repealed.]~~

3 (f) [Repealed.]

4 Sec. 10. 16 V.S.A. § 1936 is amended to read:

5 § 1936. CREDITABLE SERVICE; MILITARY SERVICE

6 (a) Each member shall receive membership service credit for all service
7 rendered while a member of the System since he or she became a member, or
8 since he or she last became a member in the event of a break in his or her
9 membership.

10 (b) ~~Each teacher who becomes a member on or before June 30, 1948, shall~~
11 ~~file a detailed statement of all service as a teacher rendered by him or her prior~~
12 ~~to July 1, 1947 for which he or she claims credit, including military or naval~~
13 ~~service rendered in a period of national emergency that interrupted his or her~~
14 ~~period of prior service, and of such other facts as the Board may require for the~~
15 ~~proper operation of the System. The Board shall fix and determine by~~
16 ~~appropriate rules and regulations how much service in any year is equivalent to~~
17 ~~a year of service, but in no case shall more than one year of service be~~
18 ~~creditable for all service in one calendar year. The Board shall verify, as soon~~
19 ~~as practicable after the filing of such statements of service, the service therein~~
20 ~~claimed, and shall issue prior service certificates certifying to each member the~~
21 ~~number of years of prior service with which the member is credited. As long~~

1 ~~as membership continues, a prior service certificate shall be final and~~
2 ~~conclusive for retirement purposes as to such prior service credit; provided,~~
3 ~~however, that any member may, within one year after the date of issuance or~~
4 ~~modification of such certificate, request the Board to modify or correct his or~~
5 ~~her prior service certificate. When membership ceases, a prior service~~
6 ~~certificate shall become void, and should the teacher again become a member,~~
7 ~~he or she shall enter the System as a teacher not entitled to prior service credit~~
8 ~~except as provided in subdivision 1944(b)(6)(B) of this title. [Repealed.]~~

9 (c) Creditable service shall consist of membership service credit, ~~and also,~~
10 ~~if the member has a prior service certificate that is in full force and effect, the~~
11 ~~years of service certified on the member's prior service certificate.~~

12 * * *

13 Sec. 11. 16 V.S.A. § 1937 is amended to read:

14 § 1937. SERVICE RETIREMENT

15 * * *

16 (b) Upon service retirement, a Group A member shall receive a service
17 retirement allowance that shall consist of:

18 (1) an annuity, which shall be the actuarial equivalent of the member's
19 accumulated contributions at the time of retirement except as subdivisions
20 1937(b)(4) and 1944(b)(2) of this title increase the annuity; and

1 (2) a pension, which shall be equal to one-120th of the member's
2 average final compensation multiplied by the number of years of the member's
3 membership service; and

4 (3) ~~if any member or beneficiary has a prior service certificate in full~~
5 ~~force and effect, an additional pension, which shall be equal to one 60th of the~~
6 ~~member's average final compensation not less than \$2,600.00 multiplied by~~
7 ~~the number of years of the member's prior service not exceeding the number of~~
8 ~~years that, when added to the member's years of membership service, shall~~
9 ~~equal 30 years; provided, however, no member of the Existing System shall~~
10 ~~receive a retirement allowance of less than the member would have received~~
11 ~~under the Existing System. [Repealed.]~~

12 (4) Beginning July 1, 1989, the service retirement allowance shall be not
13 less than the larger of \$4,550.00 a year or 50 percent of the member's average
14 final compensation for any member or beneficiary who has completed 30 years
15 or more of creditable service, nor less than a proportionate amount thereof for
16 any member or beneficiary who has completed less than 30 years of creditable
17 service. Beginning March 1, 1998, the service retirement allowance shall be
18 not less than the larger of \$6,600.00 a year or 50 percent of the member's
19 average final compensation for any member or beneficiary who has completed
20 30 years or more of creditable service, nor less than a proportionate amount
21 thereof for any member or beneficiary who has completed at least five years,

1 but less than 30 years, of creditable service. For this purpose, any annuity
2 derived from the member's contributions transferred from the existing system
3 under subsection 1934(c) of this title and from additional contributions made
4 under subdivisions 1944(b)(5) and (6) of this title shall not be included as part
5 of the retirement allowance. Beginning September 1, 2006, the service
6 retirement allowance shall be not less than the larger of \$9,000.00 per year or
7 50 percent of the member's average final compensation for any member or
8 beneficiary who has completed 30 years or more of creditable service nor less
9 than a proportionate amount thereof for any member or beneficiary who has
10 completed at least five years but less than 30 years of creditable service. ~~For a~~
11 ~~member who has attained the age of 57 or completed at least 25 years of~~
12 ~~creditable service as of June 30, 2010, the service retirement allowance shall~~
13 ~~be not less than the larger of \$9,000.00 or the amount provided in subdivision~~
14 ~~(e)(1) of this section, nor less than a proportionate share thereof for a member~~
15 ~~or beneficiary who has completed at least five years of creditable service but~~
16 ~~has not attained the age of 62 or completed at least 30 years of creditable~~
17 ~~service. For a member who has not attained the age of 57 or completed at least~~
18 ~~25 years of creditable service as of June 30, 2010, the service retirement~~
19 ~~allowance shall be not less than the larger of \$9,000.00 or the amount provided~~
20 ~~in subdivision (e)(2) of this section, nor less than a proportionate share thereof~~
21 ~~for a member or beneficiary who has completed at least five years of creditable~~

1 ~~service but neither has attained the age of 65 nor has at least 90 years of~~
2 ~~combined age and years of creditable service.~~ Beginning September 1, 2011,
3 and on September 1 of every fifth year thereafter, the minimum service
4 retirement allowance shall be increased by \$1,000.00.

5 * * *

6 (i) When a member has a minimum of 25 years of creditable service, he or
7 she may elect to purchase up to five years of additional service credit. A
8 member who has attained the age of 57 and completed at least 25 years of
9 creditable service as of June 30, 2010 and makes an election under this
10 subsection shall deposit in the Pension Fund by a single contribution, an
11 amount computed at regular interest to be sufficient to provide at normal
12 retirement an annuity equal to one and two-thirds percent of the member's
13 average final compensation multiplied by the number of years purchased. A
14 member who has not attained the age of 57 or completed at least 25 years of
15 creditable service as of June 30, 2010 and makes an election under this
16 subsection shall deposit in the Pension Fund by a single contribution an
17 amount computed at regular interest to be sufficient to provide at normal
18 retirement an annuity equal to one and two-thirds percent of the member's
19 average final compensation for each year up to 20 years of service and two
20 percent of the member's average final compensation for each year thereafter.
21 If through a negotiated agreement or binding contract, a school district or

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

15 Sec. 12. 16 V.S.A. § 1938 is amended to read:

16 § 1938. DISABILITY RETIREMENT [This section has not been reviewed
17 yet]

18 * * *

19 (d) Once each year during the first five years following the retirement of a
20 member on a disability retirement allowance, and once in every three-year
21 period thereafter, the Board of Trustees may, and upon his or her application

1 shall, require any disability beneficiary who has not ~~attained age 60~~ reached his
2 or her normal retirement date to undergo a medical examination, by a Medical
3 Board or by a physician or physicians designated by the Medical Board, such
4 examination to be made at the place of residence of such beneficiary or other
5 place mutually agreed upon. Should any disability beneficiary who has not
6 ~~attained age 60~~ reached his or her normal retirement date refuse to submit to
7 such medical examination, his or her allowance may be discontinued until his
8 or her withdrawal of such refusal, and should his or her refusal continue for
9 one year, all his or her rights in and to his or her pension may be revoked by
10 the Board of Trustees.

11 (e) Should the Medical Board report and certify to the Board of Trustees
12 that any disability beneficiary has a residual functional capacity which might
13 enable the beneficiary to return to work, and should the Board of Trustees
14 reasonably conclude that the beneficiary is engaged in or is, as a result of
15 specific findings made by a certified vocational counselor, able to engage in a
16 gainful occupation paying more than the difference between the beneficiary's
17 retirement allowance and his or her average final compensation at retirement,
18 the beneficiary's pension may be reduced to an amount which, together with
19 his or her annuity and the amount earnable by him or her, shall equal the
20 beneficiary's average final compensation at retirement, adjusted for inflation
21 each year following retirement provided that:

1 (1) The Board of Trustees shall provide written notice and an
2 opportunity to be heard to the beneficiary prior to any reduction of the
3 beneficiary’s pension under this subsection (e).

4 (2) If the beneficiary has engaged in a gainful occupation subsequent to
5 receiving disability retirement, the Board of Trustees in its discretion may
6 reject in whole or in part a vocational assessment of the beneficiary’s ability to
7 engage in a more gainful occupation and may rely in whole or in part on
8 evidence of the beneficiary’s actual earnings in determining the amount
9 earnable by the beneficiary. In addition, if the Board of Trustees’
10 determination is based in whole or in part on a vocational assessment of ability
11 to engage in a gainful occupation, the beneficiary shall be given a reasonable
12 opportunity, not to exceed two years, to seek gainful occupation prior to any
13 change in his or her retirement allowance. No later than 60 days before the
14 change in retirement allowance is to occur, at the conclusion of the reasonable
15 opportunity to seek gainful occupation period, the beneficiary may petition the
16 Board of Trustees for an extension of that period. An extension will be granted
17 only where the beneficiary can demonstrate reasonable diligence in seeking
18 gainful employment and that a substantial hardship will result from a change in
19 the retirement allowance. The Board of Trustees shall render a decision at
20 least 5 days before the change in retirement allowance is set to occur. In the
21 event that the beneficiary is subsequently restored to service as a teacher as set

1 forth in section 1939(a) of this chapter, the beneficiary's retirement allowance
2 shall cease, effective on the date when reemployment commences.

3 (f) Every recipient of disability benefits who has not reached his or her
4 normal retirement date shall, annually on a date determined by the Board of
5 Trustees, file with the State Treasurer a statement certifying, under penalty of
6 perjury and in such form as the Board of Trustees shall prescribe, the full
7 amount of his or her earnings from earned income during the preceding
8 calendar year. The State Treasurer may request, and the beneficiary shall
9 provide within 60 days of such request, additional financial information and
10 records pertinent to the beneficiary's earned income. The beneficiary's
11 statement and accompanying forms and schedules and any other financial
12 information and records provided by the beneficiary to the State Treasurer
13 shall be confidential. In the event that a beneficiary fails to submit the
14 certification or any required or requested financial information or records
15 pertinent to the beneficiary's earned income, the beneficiary's retirement
16 allowance shall be suspended until all such information and records have been
17 submitted, and in the event that the failure continues for one year, all the
18 beneficiary's rights in and to his or her pension. Notwithstanding any
19 provision of this section to the contrary, if the beneficiary's earned income for
20 the preceding year exceeded the difference between the beneficiary's
21 retirement allowance and his or her average final compensation at retirement,

1 adjusted for inflation each year following retirement, the beneficiary shall
2 refund the portion of the preceding year's retirement allowance that is equal to
3 the amount of the reduction specified in subsection (e) of this section, and the
4 refund amount may be offset against the beneficiary's monthly pension
5 benefits. Prior to suspension or revocation of the beneficiary's retirement
6 allowance, reemployment rights, or inception of any offset under this
7 subsection, the Board of Trustees shall provide the beneficiary with written
8 notice and an opportunity to be heard.

9 (g) If a disability beneficiary engages in gainful occupation paying more
10 than the difference between his or her retirement allowance and his or her
11 average final compensation at retirement, the Board of Trustees may, under
12 uniform standards of economic need, reduce and from time to time adjust his
13 or her pension to an amount which, together with his or her annuity and the
14 amount earnable by him or her, equals his or her average final compensation at
15 retirement. For the purposes of this subsection, "retirement allowance" means
16 the allowance payable without optional modification as provided in section
17 1941 of this title, and does not include any part of the annuity not provided by
18 the regular contributions of the member at the rate provided under subdivision
19 1944(b)(2) of this title.

20 Sec. 13. 16 V.S.A. § 1940 is amended to read:

21 § 1940. TERMINATION OF SERVICE; DEATH; REFUND; PENSION

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

5 (A) a member who has attained the age of 57 and completed at least
6 five years of creditable service or completed 25 years of creditable service as
7 of June 30, 2010, may allow his or her contributions to remain in the System
8 and receive a retirement allowance, commencing as early as age 55;

9 (B) a member who has not attained the age of 57 or completed 25
10 years of creditable service as of June 30, 2010, but who has five or more years
11 of credible service, may allow his or her contributions to remain in the System
12 and receive a retirement allowance commencing as early as age 55 or when the
13 combination of the member's age and years of creditable service totals 90,
14 whichever comes first.

15 * * *

16 Sec. 14. 16 V.S.A. § 1941 is amended to read:

17 § 1941. OPTIONAL BENEFITS

18 * * *

19 (b)(1) A retirement allowance shall be payable to the eligible surviving
20 beneficiary, if any, following the death of a:

1 (A) Group A member who had attained age 60 or had completed
2 30 years of creditable service; or had not attained age 60 and had completed
3 10 years (but less than 30 years) of creditable service and was in service at the
4 time of the member's death.

5 (B) Group C member who had attained age 55 and completed five
6 years of creditable service; or had not attained age 55 and completed 10 years
7 of creditable service and was in service at the time of the member's death.

8 (2) In order to be eligible to receive the retirement allowance, the
9 surviving beneficiary must be nominated by the member by written
10 designation duly acknowledged and filed with the Board and if the beneficiary
11 is other than the spouse of the member, the beneficiary must be dependent
12 upon the member at the time of the member's death, provided that no person
13 entitled to a pension under subsection 1940(b) of this title may be eligible for a
14 retirement allowance under this section. The Board shall from time to time
15 adopt uniform rules for determining whether a designated beneficiary was
16 dependent upon a member; if, in the judgment of the Board, a surviving
17 beneficiary in receipt of a retirement allowance would have ceased to be
18 dependent upon the member had the member survived, the Board may
19 discontinue the retirement allowance payable to such surviving beneficiary.
20 The retirement allowance payable to the surviving beneficiary shall be equal to
21 the benefit that would have been payable had the member elected option 5 and

1 retired on the member's date of death, computed in the case of a member who
2 has not attained normal retirement age ~~60~~ on the basis of a disability retirement
3 allowance or an early retirement allowance, as provided in subsection 1937(c)
4 of this title; without regard to whether the member has completed the
5 eligibility requirements for early retirement, whichever provides the greater
6 benefit to the surviving beneficiary. Such retirement allowance to the
7 surviving beneficiary shall be in lieu of the payment of the member's
8 accumulated contributions provided under subsection 1940(b) of this title;
9 provided, however, that the surviving beneficiary may elect to receive payment
10 of the member's accumulated contributions in lieu of such retirement
11 allowance or may elect to convert the retirement allowance otherwise payable
12 to the member into an actuarial equivalent under the provisions of option 2 of
13 this section. Failing an eligible surviving beneficiary, the member's
14 accumulated contributions shall be payable in accordance with the provisions
15 of subsection 1940(b) of this title.

16 (c) ~~Effective as of July 1, 1967, any surviving spouse or designated~~
17 ~~beneficiary who shall have been in receipt of a benefit pursuant to this section~~
18 ~~prior to July 1, 1967, shall receive a benefit determined as if the provisions of~~
19 ~~sections 1937 and 1938 as amended as of July 1, 1967, had been in effect on~~
20 ~~the day preceding the date of death of the deceased member or retired member.~~

21 [Repealed.]

1 Sec. 15. 16 V.S.A. § 1942 is amended to read:

2 § 1942. BOARD OF TRUSTEES; MEDICAL BOARD; ACTUARY; RATE
3 OF CONTRIBUTION; SAFEKEEPING OF SECURITIES

4 * * *

5 (o) The Vermont Pension Investment Committee shall designate from time
6 to time a depository for the securities and evidences of indebtedness held in the
7 Fund of the System and may contract for the safe-keeping of securities and
8 evidences of indebtedness within and without the State of Vermont in such
9 banks, trust companies, and safe-deposit facilities as it shall from time to time
10 determine, and the necessary and incidental expenses of such safe-keeping and
11 for service rendered, including advisory services in investment matters, shall
12 be paid from ~~the Fund~~ these funds. Any agreement for the safe-keeping of
13 securities or evidences of indebtedness, except securities loaned pursuant to a
14 securities lending agreement as authorized by subsection (q) of this section,
15 shall provide for the access to such securities and evidences of indebtedness at
16 any time by the custodian or any authorized agent of the State for audit or other
17 purposes.

18 * * *

19 Sec 16. 16 V.S.A. § 1943 is amended to read:

20 § 1943. INVESTMENTS; INTEREST RATE; DISBURSEMENTS

1 (a) The members of the Vermont Pension Investment Committee
2 established in 3 V.S.A. chapter 17 shall be the trustees of the Pension Fund
3 created by this chapter, and with respect to them may invest and reinvest the
4 assets of the Pension Fund, and hold, purchase, sell, assign, transfer, and
5 dispose of the securities and investments in which the assets of the Pension
6 Fund have been invested and reinvested. Investments shall be made in
7 accordance with the standard of care established by the prudent investor rule
8 under 14A V.S.A. chapter 9.

9 (b) The Board from time to time shall set rates of regular interest at such
10 percentages compounded annually as it determines to be equitable both to
11 members and to taxpayers of the State, but not less than three percent nor more
12 than five percent.

13 (c) The State Treasurer shall be the custodian of the assets of the Pension
14 Fund of the System. All payment from the Pension Fund shall be made by the
15 Treasurer or by a deputy treasurer, only upon vouchers signed by two persons
16 designated by the Board. A duly attested copy of a resolution of the Board
17 designating such persons and bearing on its face specimen signatures of such
18 persons shall be filed with the State Treasurer as authority for making
19 payments upon such vouchers. No vouchers shall be drawn unless it has
20 previously been authorized by resolution of the Board.

21 * * *

1 Sec. 17. 16 V.S.A. § 1943a is amended to read:

2 § 1943a. COMPLIANCE WITH FEDERAL LAW

3 * * *

4 (k) ~~Mandatory withdrawal. When a member who is not vested in the~~
5 ~~System is required by this chapter to withdraw his or her assets of greater than~~
6 ~~\$1,000.00 from the System and the member fails to provide distribution~~
7 ~~directions, the System shall directly roll over those assets into an IRA in the~~
8 ~~member's name. [Conform to similar T.3 provision] An individual who is no~~
9 ~~longer a member of the System and who has not yet reached the later of normal~~
10 ~~retirement age or age 62, must consent to any withdrawal of his or her assets of~~
11 ~~greater than \$1,000.00. For individuals who have reached the later of normal~~
12 ~~retirement age or age 62, amounts greater than \$1,000.00 may be paid out~~
13 ~~without the individual's consent. In all cases, amounts of \$1,000.00 or less~~
14 ~~may be paid out without the individual's consent.~~

15 * * *

16 Sec. 18. 16 V.S.A. § 1944 is amended to read:

17 § 1944. VERMONT TEACHERS' RETIREMENT FUND

18 (a) Fund. All of the assets of the system shall be credited to the Vermont
19 Teachers' Retirement Fund.

20 (b) Member contributions.

1 ~~retirement allowance not to exceed one half of the member's average final~~
2 ~~compensation at age 62. In addition to contributions hereinbefore provided,~~
3 ~~any Group A or Group C member may make further contributions at a rate not~~
4 ~~to exceed five percent of the member's earnable compensation. Interest at such~~
5 ~~rates as may be set from time to time by the Board shall be allowed on such~~
6 ~~contributions and shall be used in determining the benefits payable from such~~
7 ~~contributions. In other respects such additional amounts so deposited shall~~
8 ~~become a part of the member's accumulated contributions. [Repealed.]~~

9 (6) Any Group A member who has rendered service outside the State in
10 the capacity of a teacher as herein defined and as approved by the Board, or
11 who was a teacher in Vermont on July 1, 1947 and elected not to join the
12 System but who has subsequently joined, may:

13 (A) Elect to have included in the member's creditable service all or
14 part of any period of service outside the State. Any Group A member who so
15 elects shall deposit in the Pension Fund by a single contribution an amount
16 computed at regular interest to be sufficient to provide at age 60 an annuity
17 equal to one-120th of the member's average final compensation multiplied by
18 the number of years of service rendered outside the State for which the
19 member elects to receive credit. No application may be accepted for the
20 purchase of credit for service outside the State, however, if at the time of

1 application the member has a vested right to retirement benefits in another
2 retirement system based upon that service.

3 (B) Elect to have included in the member's creditable service all or
4 part of any service with which the member was credited immediately prior to
5 any refund of the member's accumulated contributions, including prior service,
6 as defined in section 1931 of this title, which shall be restored upon full
7 restoration of previous membership service as provided herein. Any Group A
8 member who so elects shall deposit in the Pension Fund by a single
9 contribution an amount equal to the amount of accumulated contributions
10 previously withdrawn together with regular interest thereon from the date of
11 the refund to the date of repayment, or a proportionate part of that amount if
12 less than the full period of previous service is to be included in the member's
13 creditable service. If a member has received a refund of the member's
14 accumulated contributions more than once, the member may elect the period or
15 periods of previous service on account of which the member will make
16 contributions under this subdivision (b)(6) subject to the aforesaid limitation.
17 Any Group A member who elects to repay any amount previously refunded
18 shall continue thereafter to contribute to the system the proportion of earnable
19 compensation determined on the basis of the member's age on the date on
20 which the member shall have last become a member.

1 (C) Elect to have included in the member's creditable service those
2 years of teaching in Vermont rendered between July 1, 1947 and July 1, 1972
3 for which no contributions to the System have been made. Any Group A
4 member who so elects shall deposit in the Pension Fund by a single
5 contribution an amount computed at regular interest to be sufficient to provide
6 at age 60 an annuity equal to one-120th of the member's average final
7 compensation multiplied by the number of years of service for which the
8 member elects to receive credit.

9 (7) The contributions of a member, and such interest as may be allowed
10 thereon, paid upon the member's death or withdrawn by the member as
11 provided in this chapter, shall be paid from the Pension Fund.

12 (8) Any Group A or Group C member who has rendered 15 years of
13 creditable teaching service and who has, prior to becoming a member of the
14 System, served a minimum of one full year of full-time service in the military,
15 one full year of full-time service as a member of the Cadet Nurse Corps in
16 World War II, the Peace Corps, VISTA, or AmeriCorps for which the member
17 has derived no military or other pension benefits, may elect to have included in
18 the member's creditable service all or any part of the member's military, Cadet
19 Nurse Corps, Peace Corps, VISTA, or AmeriCorps service not exceeding five
20 years. Any Group A member who elects credit under this subdivision shall
21 deposit in the Pension Fund by a single contribution an amount computed at

1 regular interest to be sufficient to provide at age 60 an annuity equal to one-
2 120th of the member's average final compensation multiplied by the number of
3 years of the service rendered for which the member elects to receive credit.
4 Any Group A member who elects credit for service in the Cadet Nurse Corps
5 under this subdivision and any Group C member who elects credit under this
6 subdivision shall deposit in the Pension Fund by a single contribution an
7 amount computed at regular interest to be sufficient to provide at normal
8 retirement an annuity equal to one and two-thirds or two percent, whichever is
9 applicable pursuant to section 1937 of this title, of the member's average final
10 compensation multiplied by the number of years of the service for which the
11 member elects to receive credit. Notwithstanding the provisions of this
12 subdivision, any Group C member who was a Group B member and any Group
13 A member shall, upon application, be granted up to three years of credit for
14 military service during the periods June 25, 1950 through January 31, 1955,
15 February 28, 1961 through August 4, 1964 if service was performed while in
16 what is now the Republic of Vietnam, and August 5, 1964 through May 7,
17 1975 and shall not be required to make a contribution, provided the member
18 has rendered 15 years of creditable teaching service and prior to becoming a
19 member served a minimum of one full year of full-time service in the military
20 for which he or she has derived no military pension benefits. Notwithstanding
21 the foregoing, in the event of a conflict between the provisions of this

1 subsection and the provisions of 10 U.S.C. § 12736 concerning the counting of
2 the same full-time military service toward both military and State pensions, the
3 provisions of the United States Code shall control.

4 (9) Contributions required under this subsection shall be limited to
5 contributions from Group A and Group C members.

6 (10) [Repealed.]

7 (11) Any Group A or Group C member who rendered service in the
8 capacity of a teacher, as defined by the Board, in an approved public or
9 independent school that was not a part of the System may elect to have
10 included in the member's creditable service, all or part of any period of service
11 in such approved school. Any member who so elects shall deposit in the
12 Pension Fund by a single contribution an amount computed at regular interest
13 to be sufficient to provide at normal retirement an annuity equal to one and
14 two-thirds or two percent, whichever is applicable pursuant to section 1937 of
15 this title, of the member's average compensation multiplied by the number of
16 years of service for which the member elects to receive credit. No application
17 for credit under this subdivision shall be granted if at the time of application,
18 the member has a vested right to retirement benefits in another Retirement
19 System based upon that service.

20 (12) Any Group A or Group C member may elect to have included in
21 the member's creditable service, years of service during which the member

1 exercised his or her option not to be a member of the System. Any member
2 who so elects shall deposit in the Pension Fund by a single contribution an
3 amount computed at regular interest to be sufficient to provide at normal
4 retirement an annuity equal to one and two-thirds or two percent, whichever is
5 applicable pursuant to section 1937 of this title, of the member's average
6 compensation multiplied by the number of years of service for which the
7 member elects to receive credit.

8 (13) Any Group A or Group C member may elect to have included in
9 the member's creditable service all or any part of the member's service in the
10 capacity of a teacher in a school that was a part of the system for which the
11 member has no credit. Any member who so elects shall deposit in the Pension
12 Fund by a single contribution an amount computed at regular interest to be
13 sufficient to provide at normal retirement an annuity equal to one and two-
14 thirds or two percent, whichever is applicable pursuant to section 1937 of this
15 title, of the member's average final compensation multiplied by the number of
16 years of the service for which the member elects to receive credit.

17 (14) Any Group C member may elect to increase his or her retirement
18 allowance for years of service as a Group B member prior to July 1, 1990 from
19 one and one-quarter percent of average final compensation to one and two-
20 thirds percent of average final compensation. A member making an election
21 under this subdivision shall deposit in the Pension Fund by a single

1 contribution an amount computed at regular interest to be sufficient to provide
2 at normal retirement an annuity equal to one and two-thirds percent of the
3 member's average final compensation multiplied by the number of years of
4 service for which the member elects to increase his or her retirement
5 allowance.

6 (15) Notwithstanding any provision to the contrary and except for
7 military credit elected under subdivision (8) of this subsection, a member may
8 not elect more than a total of 10 years of creditable service under the
9 provisions of this subsection.

10 (16) ~~Except as provided in subdivision (5) of this subsection, any~~ Any
11 time a member is required to make a single contribution in connection with an
12 election under this subsection, a member may, with the approval of the Board,
13 contribute over a maximum of five years in installments of equal value ~~or~~
14 ~~apply contributions previously made under subdivision (5) of this subsection~~
15 toward the purchase of service. Those contributions shall become a part of the
16 member's accumulated contribution and shall be treated for all purposes in the
17 same manner as the contributions made under subdivision (2) of this
18 subsection. Any member who retires before completing payment as approved
19 by the Board for the purchase of service under subdivisions (6) through
20 ~~(13)~~(14) of this subsection shall receive pro rata credit for service purchased
21 before the date of retirement, but if the member so elects at the time of

1 retirement, the member may pay as much in a single sum as is necessary to
2 provide full credit at that time.

3 (17) Any member may elect to have included in the member's creditable
4 service, years of service as a State or municipal employee. Any member who
5 so elects shall deposit in the Pension Fund by a single contribution an amount
6 computed at regular interest to be sufficient to provide at normal retirement an
7 annuity equal to one and two-thirds or two percent, whichever is applicable
8 pursuant to section 1937 of this title, of the member's average compensation
9 multiplied by the number of years of service for which the member elects to
10 receive credit. No application for credit under this subdivision shall be granted
11 if at the time of application, the member has a vested right to retirement
12 benefits in another retirement system based upon that service.

13 (c) State contributions, earnings, and payments.

14 (1) All State appropriations and all reserves for the payment for all
15 pensions ~~and other benefits~~, including all interest and dividends earned on the
16 assets of the Retirement System shall be accumulated in the Pension Fund. All
17 benefits payable under the System, except for retired teacher health and
18 medical benefits, shall be paid from the Pension Fund. Annually, the
19 Retirement Board shall allow regular interest on the individual accounts of
20 members in the Pension Fund which shall be credited to each member's
21 account.

1 (2) Beginning with the actuarial valuation as of June 30, 2006, the
2 contributions to be made to the Pension Fund by the State shall be determined
3 on the basis of the actuarial cost method known as “entry age normal.” On
4 account of each member, there shall be paid annually by the State into the
5 Pension Fund a percentage of the earnable compensation of each member to be
6 known as the “normal contribution” and an additional percentage of the
7 member’s earnable compensation to be known as the “accrued liability
8 contribution.” The percentage rate of such contributions shall be fixed on the
9 basis of the liabilities of the System as shown by actuarial valuation. “Normal
10 contributions” and “accrued liability contributions” shall be by separate
11 appropriation in the annual budget enacted by the General Assembly.

12 (3) The normal contribution shall be the uniform percentage of the total
13 compensation of members that, if contributed over each member’s prospective
14 period of service and added to such member’s prospective contributions, if
15 any, will be sufficient to provide for the payment of all future pension benefits
16 after subtracting the sum of the unfunded accrued liability and the total assets
17 of the Pension Fund ~~of the Retirement System~~.

18 (4) It is the policy of the State of Vermont to liquidate fully the
19 unfunded accrued liability to the System. Beginning on July 1, 2008, until the
20 unfunded accrued liability is liquidated, the accrued liability contribution shall

1 be the annual payment required to liquidate the unfunded accrued liability over
2 a closed period of 30 years ending on June 30, 2038, provided that:

3 (A) From July 1, 2009 to June 30, 2019, the amount of each annual
4 basic accrued liability contribution shall be determined by amortization of the
5 unfunded liability over the remainder of the closed 30-year period in
6 installments increasing at a rate of five percent per year.

7 (B) Beginning on July 1, 2019 and annually thereafter, the amount of
8 each annual basic accrued liability contribution shall be determined by
9 amortization of the unfunded liability over the remainder of the closed 30-year
10 period in installments increasing at a rate of three percent per year.

11 (C) Any variation in the contribution of normal or unfunded accrued
12 liability contributions from those recommended by the actuary and any
13 actuarial gains and losses shall be added or subtracted to the unfunded accrued
14 liability and amortized over the remainder of the closed 30-year period.

15 (5)-(11) [Repealed.]

16 ~~(12)(A) Payment of a portion of the cost of health and medical benefits~~
17 ~~provided by subsection 1942(p) of this title for retired members shall be made~~
18 ~~from the medical account created by subsection (i) of this section. The Board~~
19 ~~shall determine the total costs of the applicable standard plan for a retired~~
20 ~~member and of the applicable standard plan for a retired member and spouse,~~
21 ~~and the Board shall pay the following portion of those costs:~~

1 ~~(i) 80 percent of the cost for a retired member who has at least~~
2 ~~10 years of creditable service as of July 1, 2010, and fewer than 25 years of~~
3 ~~creditable service at the time of retirement;~~

4 ~~(ii) 80 percent of the cost for a retired member and spouse if the~~
5 ~~retired member has at least 10 years of creditable service as of July 1, 2010,~~
6 ~~and at least 25 years of creditable service at the time of retirement;~~

7 ~~(iii) 60 percent of the cost for a retired member who has fewer~~
8 ~~than 10 years of creditable service as of July 1, 2010, and 15 or more but fewer~~
9 ~~than 20 years of creditable service at the time of retirement;~~

10 ~~(iv) 70 percent of the cost for a retired member who has fewer~~
11 ~~than 10 years of creditable service as of July 1, 2010, and 20 or more but fewer~~
12 ~~than 25 years of creditable service at the time of retirement; and~~

13 ~~(v) 80 percent of the cost for a retired member and spouse if:~~

14 ~~(I) the retired member has 10 or more but fewer than 15 years~~
15 ~~of creditable service as of July 1, 2010, and at least 25 years of creditable~~
16 ~~service at the time of retirement; or~~

17 ~~(II) the retired member has 15 or more but fewer than 25 years~~
18 ~~of creditable service as of July 10, 2010, and at least 10 additional years of~~
19 ~~creditable service at the time of retirement; or~~

1 ~~(III) the retired member has 25 or more but fewer than 30 years~~
2 ~~of creditable service as of July 1, 2010, and at least 35 years of creditable~~
3 ~~service at the time of retirement; or~~

4 ~~(IV) the retired member has at least 30 years of creditable~~
5 ~~service as of July 1, 2010, and at least five additional years of creditable~~
6 ~~service at the time of retirement; and~~

7 ~~(V) the service was not purchased, restored, granted, or~~
8 ~~transferred on or after July 1, 2010.~~

9 ~~(B) The Board shall pay an equal dollar amount for eligible retirees~~
10 ~~regardless of the plan selected. All eligible retirees may select health plan~~
11 ~~coverage from a range of plans approved by the Board. Retired members may~~
12 ~~authorize deductions to be made from their monthly retirement allowance for~~
13 ~~the balance of the cost of such benefits for the retired members and their~~
14 ~~dependents. Periodically, the Board shall approve the following:~~

15 ~~(i) a standard plan for retirees who are not yet eligible for~~
16 ~~Medicare, which plan shall provide first dollar coverage for subscribers;~~

17 ~~(ii) a standard plan for retirees who are eligible for Medicare,~~
18 ~~which plan shall provide first dollar coverage for subscribers;~~

19 ~~(iii) a range of plans that may be selected by retirees, including the~~
20 ~~standard applicable plans;~~

1 ~~(iv) for fiscal year 2002, the applicable standard plan shall not~~
2 ~~exceed the cost of the \$250.00 comprehensive plan offered by the Board;~~

3 ~~(v) for fiscal year 2003, the applicable standard plan shall not~~
4 ~~exceed the cost of the \$250.00 comprehensive plan offered by the Board; and~~

5 ~~(vi) for fiscal years 2004 and thereafter, the cost of the applicable~~
6 ~~standard plan determined under this subsection shall not exceed the cost of the~~
7 ~~\$250.00 comprehensive plan offered in fiscal year 2003, adjusted for the~~
8 ~~appropriate fiscal year. In the event of the discontinuance of the \$250.00~~
9 ~~comprehensive plan, a plan with a comparable expenditure profile shall be~~
10 ~~used as a benchmark.~~

11 ~~(vii) As of January 1, 2007 and thereafter, upon retirement,~~
12 ~~members entitled to prorated Group medical benefit plan premium payments~~
13 ~~from the Retirement System under the terms of this section shall have a one-~~
14 ~~time option to reduce the percentage of premium payments from the Fund~~
15 ~~during the member's life, with the provision that the Fund shall continue~~
16 ~~making an equal percentage of premium payments after the member's death~~
17 ~~for the life of the dependent beneficiary nominated by the member under~~
18 ~~section 1941 of this title, should such dependent beneficiary survive the~~
19 ~~member. The Retirement Board, after consultation with its actuary, shall~~
20 ~~establish reduced premium payment percentages that are as cost neutral to the~~
21 ~~Fund as possible. [Repealed.]~~

1 (d), (e) [Repealed.]

2 (f) Expenses. The expenses of the System, including all the expenses
3 necessary in connection with the administration and operation of the System,
4 shall be paid from the ~~Fund~~ Pension and Benefits Funds.

5 (g) Collection of contributions.

6 (1) The proper authority or officer responsible for making up the payroll
7 shall draw his or her warrant, at such intervals as may be agreed upon with the
8 Board but at least semiannually, payable to the System for all contributions
9 deducted from the compensation of members, and shall transmit the same to
10 the Board, together with such schedule of the contributions included therein as
11 the Board may require.

12 (2) The Board shall certify to the Governor-Elect, as required by
13 32 V.S.A. § 301, an estimate of the contributions of the State that will become
14 due and payable during the two years next following to meet the requirements
15 of the Pension Fund of the System, and shall certify the percentage of payroll
16 of all members that is equivalent to such amount. The amounts so certified
17 shall be included in the budget submitted to the General Assembly. When
18 appropriated, the Commissioner of Finance and Management shall issue his or
19 her warrant in favor of the system for the amount certified by the Board to be
20 necessary to carry out the provisions of this section.

1 (h) Notwithstanding the provisions of subdivision 1944(b)(2) of this title to
2 the contrary and pursuant to the provisions of Section 414(h) of the Internal
3 Revenue Code, the State or political subdivisions employing such members
4 shall pick up and pay the contributions required to be paid by Group A and
5 Group C members with respect to service rendered on and after July 1, 1992.
6 Contributions picked up by the State or political subdivisions employing such
7 members shall be designated for all purposes as member contribution, except
8 that they shall be treated as State contributions in determining tax treatment of
9 a distribution. Each member's compensation shall be reduced by an amount
10 equal to the amount picked up by the State or political subdivisions employing
11 such members. This reduction, however, shall not be used to determine annual
12 earnable compensation for purposes of determining average final
13 compensation. Contributions picked up under this subdivision shall be
14 credited to the Pension Fund.

15 ~~(i) There is created a medical account to be maintained under the~~
16 ~~Retirement System pursuant to 26 U.S.C. § 401(h), which shall be used to pay~~
17 ~~for health and medical benefits as the Board may arrange pursuant to~~
18 ~~subsection 1942(p) of this title. Contributions to the account shall be~~
19 ~~reasonable and ascertainable. The medical account shall be subordinate to the~~
20 ~~retirement benefits provided by the Retirement System. It shall be impossible,~~
21 ~~at any time before satisfaction of all liabilities to provide retiree medical~~

1 ~~benefits, for any part of the corpus or income of the account to be used for, or~~
2 ~~diverted to, any purpose other than providing health and medical benefits. All~~
3 ~~balances in the account at the end of the fiscal year shall be carried forward,~~
4 ~~and interest earned shall remain in the account. Notwithstanding the exclusive~~
5 ~~benefit rule of subsection 1943a(b) of this title, in the event of termination of~~
6 ~~the account on satisfaction of all liabilities under the plan to provide retiree~~
7 ~~medical benefits, any amount remaining in the account shall be returned to the~~
8 ~~State of Vermont. The aggregate actual contributions for medical benefits,~~
9 ~~when added to the actual contributions for life insurance, if any, under the~~
10 ~~Plan, are limited to 25 percent of the total actual contributions made to the Plan~~
11 ~~(other than contributions to fund past service credits) after the date on which~~
12 ~~the Section 401(h) account is established. [Repealed.]~~

13 Sec. 19. 16 V.S.A. § 1944b is amended to read:

14 § 1944b. RETIRED TEACHERS' HEALTH AND MEDICAL BENEFITS

15 FUND

16 (a) There is established the Retired Teachers' Health and Medical Benefits
17 Fund (Benefits Fund) to pay retired teacher health and medical benefits,
18 including prescription drug benefits, when due in accordance with the terms
19 established by the Board of Trustees of the State Teachers' Retirement System
20 of Vermont pursuant to **subsection 1942(p) and subdivision 1944(c)(12)** of this
21 title. **The Benefits Fund shall not be part of the Retirement System, but is**

1 intended to comply with and be a tax exempt governmental trust under Section
2 115 of the Internal Revenue Code of 1986, as amended. The Benefits Fund
3 shall be administered by the Treasurer.

4 (b) The Benefits Fund shall consist of:

5 (1) all monies remitted to the State on behalf of the members of the
6 State Teachers' Retirement System of Vermont for prescription drug plans
7 pursuant to the Employer Group Waiver Plan with Wrap pursuant to the
8 Medicare Prescription Drug Improvement and Modernization Act of 2003;

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

13 * * *

14 Sec. 20. 16 V.S.A. § 1944d is amended to read:

15 § 1944d. EMPLOYER ANNUAL CHARGE FOR TEACHER HEALTH

16 CARE

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

1 medical benefits attributable to those teachers for each year of service in the
2 State Teachers' Retirement System of Vermont. ~~The equivalent number for~~
3 ~~the June 30, 2013 valuation is \$1,072.00.~~

4 Sec. 21. 16 V.S.A. § 1944e is added to read: [This section has not been
5 completed yet]

6 § 1944e. RETIRED TEACHERS HEALTH AND MEDICAL BENEFITS

7 (a) Payment of a portion of the cost of health and medical benefits provided
8 by subsection 1942(p) of this title for retired members and their dependents
9 shall be made from the medical account created by subsection (i) of this
10 section. The Board shall determine the total costs of the applicable standard
11 plan for a retired member and of the applicable standard plan for a retired
12 member and spouse, and the Board shall pay the following portion of those
13 costs:

14 (1) 80 percent of the cost for a retired member who has at least 10 years
15 of creditable service as of July 1, 2010, and fewer than 25 years of creditable
16 service at the time of retirement;

17 (2) 80 percent of the cost for a retired member and spouse if the retired
18 member has at least 10 years of creditable service as of July 1, 2010, and at
19 least 25 years of creditable service at the time of retirement;

1 (3) 60 percent of the cost for a retired member who has fewer than
2 10 years of creditable service as of July 1, 2010, and 15 or more but fewer than
3 20 years of creditable service at the time of retirement;

4 (4) 70 percent of the cost for a retired member who has fewer than
5 10 years of creditable service as of July 1, 2010, and 20 or more but fewer than
6 25 years of creditable service at the time of retirement; and

7 (5) 80 percent of the cost for a retired member and spouse if:

8 (A) the retired member has 10 or more but fewer than 15 years of
9 creditable service as of July 1, 2010, and at least 25 years of creditable service
10 at the time of retirement; or

11 (B) the retired member has 15 or more but fewer than 25 years of
12 creditable service as of July 10, 2010, and at least 10 additional years of
13 creditable service at the time of retirement; or

14 (C) the retired member has 25 or more but fewer than 30 years of
15 creditable service as of July 1, 2010, and at least 35 years of creditable service
16 at the time of retirement; or

17 (D) the retired member has at least 30 years of creditable service as
18 of July 1, 2010, and at least five additional years of creditable service at the
19 time of retirement; and

20 (E) the service was not purchased, restored, granted, or transferred on
21 or after July 1, 2010.

1 (b) The Board shall pay an equal dollar amount for eligible retirees
2 regardless of the plan selected. All eligible retirees may select health plan
3 coverage from a range of plans approved by the Board. Retired members may
4 authorize deductions to be made from their monthly retirement allowance for
5 the balance of the cost of such benefits for the retired members and their
6 dependents. Periodically, the Board shall approve the following:

7 (1) a standard plan for retirees who are not yet eligible for Medicare,
8 which plan shall provide first dollar coverage for subscribers;

9 (2) a standard plan for retirees who are eligible for Medicare, which plan
10 shall provide first dollar coverage for subscribers;

11 (3) a range of plans that may be selected by retirees, including the
12 standard applicable plans;

13 (4) for fiscal year 2002, the applicable standard plan shall not exceed the
14 cost of the \$250.00 comprehensive plan offered by the Board;

15 (5) for fiscal year 2003, the applicable standard plan shall not exceed the
16 cost of the \$250.00 comprehensive plan offered by the Board; and

17 (6) for fiscal years 2004 and thereafter, the cost of the applicable
18 standard plan determined under this subsection shall not exceed the cost of the
19 \$250.00 comprehensive plan offered in fiscal year 2003, adjusted for the
20 appropriate fiscal year. In the event of the discontinuance of the \$250.00

1 comprehensive plan, a plan with a comparable expenditure profile shall be
2 used as a benchmark.

3 (7) As of January 1, 2007 and thereafter, upon retirement, members
4 entitled to prorated Group medical benefit plan premium payments from the
5 Retirement System under the terms of this section shall have a one-time option
6 to reduce the percentage of premium payments from the Fund during the
7 member's life, with the provision that the Fund shall continue making an equal
8 percentage of premium payments after the member's death for the life of the
9 dependent beneficiary nominated by the member under section 1941 of this
10 title, should such dependent beneficiary survive the member. The Retirement
11 Board, after consultation with its actuary, shall establish reduced premium
12 payment percentages that are as cost neutral to the Fund as possible.

13 Sec. 22. 16 V.S.A. § 1948 is amended to read:

14 § 1948. ERRORS

15 ~~Should any mistake be made, or should any change or error in the records~~
16 ~~result in any member or beneficiary receiving from the System more or less~~
17 ~~than he or she would have been entitled to receive had the records been correct,~~
18 ~~the Board shall have the power, in its discretion, to correct such mistake or~~
19 ~~such error, and as far as practicable, to adjust the payments in such a manner~~
20 ~~that the actuarial equivalent of the benefit to which such member or~~
21 ~~beneficiary was correctly entitled shall be paid~~ Should any change or error in

1 the records result in any member or beneficiary receiving from the Retirement
2 System more or less than he or she would have been entitled to receive had the
3 records been correct, the Retirement Board shall correct such change or error,
4 and shall adjust future payments in such a manner that the actuarial equivalent
5 of the benefit to which the member or beneficiary was correctly entitled shall
6 be paid, unless the impact on the fund is de minimis.

7 Sec. 23. 16 V.S.A. § 1951 is amended to read:

8 § 1951. GROUP A MEMBERS; LIMIT ON CONTRIBUTIONS

9 Contributions in the form of a deduction from compensation under section
10 1944 of this title shall cease for any Group A member who attains 25 years of
11 creditable service and the member shall continue to accrue creditable service,
12 without such a contribution, at the rate of one and two-thirds percent until the
13 member retires. ~~Any Group A member in service on July 1, 1990 who, as of~~
14 ~~that date, has made contributions for more than 25 years but less than 30 years~~
15 ~~shall, upon normal retirement, be granted up to five years of additional~~
16 ~~creditable service at the rate of one and two thirds percent for each year or part~~
17 ~~of a year in which contributions were made in excess of 25 years. Any Group~~
18 ~~A member in service on July 1, 1990 who, as of that date, has made~~
19 ~~contributions for more than 30 years shall, upon normal retirement, receive~~
20 ~~credit for contributions in excess of 25 years and in addition shall be granted,~~

1 ~~upon normal retirement, five years of additional creditable service at the rate of~~
2 ~~one and two thirds percent.~~

3 Sec. 24. 16 V.S.A. § 1953 is amended to read:

4 § 1953. PRIOR SERVICE CREDIT

5 A teacher who has ceased being a member upon reemployment is entitled to
6 prior service credit upon depositing in the Pension Fund the contributions that
7 would have been deducted from the teacher's compensation had he or she
8 remained a member with interest as set forth in section 1944 of this title. The
9 teacher, in order to qualify for the prior service credit, shall also deposit in the
10 fund a sum equal to the contributions that would have been contributed by the
11 State had the teacher remained a member with interest as set forth in section
12 1944 of this title.

13 * * * Vermont Municipal Employees Retirement System * * *

14 Sec. 25. 24 V.S.A. § 5051 is amended to read:

15 § 5051. DEFINITIONS

16 As used in this chapter:

17 * * *

18 (4) "Average final compensation" (AFC) means:

19 (A) For a group A member, the average annual earnable
20 compensation of a member during the five consecutive fiscal years beginning
21 July 1 and ending June 30 of creditable service affording the highest average,

1 or during all of the years of creditable service if fewer than five years. If the
2 member's highest five years of earnable compensation are the five years prior
3 to separation of service and the member separates prior to the end of a fiscal
4 year, the AFC shall be determined by adding:

5 (i) The actual earnable compensation earned in the fiscal year of
6 separation through the date of separation and ~~corresponding~~ the service credit
7 to correspond with the last pay date;

8 * * *

9 (B) For a group B or C member, the term means the average annual
10 earnable compensation of a member during the three consecutive fiscal years
11 beginning July 1 and ending June 30 of creditable service affording the highest
12 average, or during all of the years in his or her creditable service if fewer than
13 three years. If the member's highest three years of earnable compensation are
14 the three years prior to separation of service and the member separates prior to
15 the end of a fiscal year, the AFC shall be determined by adding:

16 (i) The actual earnable compensation earned in the fiscal year of
17 separation through the date of separation and ~~corresponding~~ the service credit
18 to correspond with the last pay date;

19 * * *

20 Sec. 26. 24 V.S.A. § 5063a is amended to read:

21 § 5063a. COMPLIANCE WITH FEDERAL LAW

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(k) ~~Mandatory withdrawal. When a member who is not vested in the System is required by this chapter to withdraw his or her assets of greater than \$1,000.00 from the System and the member fails to provide distribution directions, the System shall directly roll over those assets into an IRA in the member's name.~~ [Conform to T.3 language].

* * *

Sec. 27. 24 V.S.A. § 5065 is amended to read:

§ 5065. ERRORS

Should any change or error in the records result in any member or beneficiary receiving from the ~~retirement system~~ Retirement System more or less than he or she would have been entitled to receive had the records been correct, the retirement board shall ~~have the power to~~ correct such change or error, and ~~to shall~~ adjust as far as practicable the future payments in such a manner that the actuarial equivalent of the benefit to which such member or beneficiary was correctly entitled shall be paid, unless the impact on the fund is de minimis.

* * * Vermont Municipal Employees Retirement System;

Contribution Rates * * *

Sec. 28. VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
RATES FOR FISCAL YEARS 2019–2022

1 Notwithstanding the provisions of 24 V.S.A. § 5064(b):

2 (1) For the period July 1, 2018, through June 30, 2019, contributions
3 shall be made by:

4 (A) Group A members at the rate of 2.625 percent of earnable
5 compensation;

6 (B) Group B members at the rate of 5.0 percent of earnable
7 compensation;

8 (C) Group C members at the rate of 10.125 percent of earnable
9 compensation; and

10 (D) Group D members at the rate of 11.475 percent of earnable
11 compensation.

12 (2) For the period July 1, 2019, through June 30, 2020, contributions
13 shall be made by:

14 (A) Group A members at the rate of 2.75 percent of earnable
15 compensation;

16 (B) Group B members at the rate of 5.125 percent of earnable
17 compensation;

18 (C) Group C members at the rate of 10.25 percent of earnable
19 compensation; and

20 (D) Group D members at the rate of 11.6 percent of earnable
21 compensation.

1 Sec. 29. REPEAL

2 16 V.S.A. § 1934 (members Vermont State Teachers Retirement System) is
3 repealed.

4 * * * Effective Date * * *

5 Sec. 30. EFFECTIVE DATE

6 This act shall take effect on July 1, 2018.

Draft for discussion