

1 H.447

2 Introduced by Representatives Browning of Arlington and Sullivan of Dorset

3 Referred to Committee on

4 Date:

5 Subject: Taxation; pension; unfunded liability

6 Statement of purpose of bill as introduced: This bill proposes to impose a one
7 percent tax on the retirement allowance of members of the Vermont
8 Employees' Retirement System and the Vermont Teachers' Retirement
9 System, and any premiums paid for postemployee benefits for retirees who do
10 not receive a retirement allowance from the Vermont Employees' Retirement
11 System. The revenues from the tax will be used to support the State's
12 unfunded liability in the Vermont Employees' Retirement System and the
13 Vermont Teachers' Retirement System.

14 An act relating to funding the Vermont Employees' Retirement System and
15 the Vermont Teachers' Retirement System

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

17 Sec. 1. FINDINGS

18 The General Assembly finds that:

19 (1) The level of unfunded liabilities for certain retirement programs has
20 grown to the point that making the required payments is affecting the capacity

1 of the State of Vermont to serve the people of Vermont through services
2 provided through the General Fund and investments achieved through the
3 Capital Construction Act.

4 (2) Therefore, it is necessary to take extraordinary measures to ensure
5 both that the retirement systems can provide required benefits and that the total
6 liabilities of the State are reduced.

7 (3) Such a reduction in total net State liability for the unfunded pension
8 liabilities could be achieved by imposing a surcharge on certain streams of
9 relevant compensation and retirement benefits, and using the proceeds of this
10 surcharge to reduce liabilities.

11 Sec. 2. 3 V.S.A. § 492 is added to read:

12 § 492. TAX; RETIREMENT ALLOWANCE; POSTEMPLOYEE BENEFITS

13 (a) There is imposed in each calendar year a tax at the rate of one percent
14 on the following:

15 (1) the retirement allowance, as calculated pursuant to section 455 of
16 this title, of a member of the Vermont Employees' Retirement System;

17 (2) any premiums paid for postemployee benefits for retirees who do not
18 receive a retirement allowance from the Vermont Employees' Retirement
19 System;

20 (3) any taxable income received from the State of Vermont, in addition
21 to any income tax imposed pursuant to 32 V.S.A. § 5822, by a member of the

1 Vermont Employees' Retirement System who also receives a retirement
2 allowance.

3 (b)(1) The tax described in subsection (a) of this section shall be used to
4 pay any unfunded liability in the Vermont Employees' Retirement System, as
5 calculated by the State Treasurer for the prior calendar year using the actuarial
6 value of assets.

7 (2) When the State Treasurer determines that the Vermont Employees'
8 Retirement System reaches an 80 percent funding level, then the tax shall be
9 suspended beginning January 1 of the following calendar year.

10 (c) The tax shall be administered by the Commissioner of Taxes, and all
11 receipts shall be deposited by the Commissioner into the Vermont State
12 Retirement Fund. All of the administrative provisions of 32 V.S.A. chapter
13 151 shall apply to the tax imposed by this chapter as if it were an income
14 tax. In addition, the provisions of 32 V.S.A. chapter 103 related to penalties
15 and interest shall apply to the tax imposed by this chapter.

16 Sec. 3. 16 V.S.A. § 1954 is added to read:

17 § 1954. TAX; RETIREMENT ALLOWANCE

18 (a) There is imposed in each calendar year a tax at the rate of one percent
19 on:

1 (1) the retirement allowance, as calculated pursuant to section 1931 of
2 this title, of a member of the State Teachers' Retirement System of Vermont;
3 and

4 (2) any taxable income received from the State of Vermont, in addition
5 to any income tax imposed pursuant to 32 V.S.A. § 5822, by a member of the
6 Vermont Teachers' Retirement System who also receives a retirement
7 allowance.

8 (b)(1) The tax described in subsection (a) of this section shall be used to
9 pay any unfunded liability in the Vermont Teacher's Retirement System, as
10 calculated by the State Treasurer for the prior calendar year using the actuarial
11 value of assets.

12 (2) When the State Treasurer determines that the Vermont Teacher's
13 Retirement System reaches an 80 percent funding level, then the tax shall be
14 suspended beginning January 1 of the following calendar year.

15 (c) The tax shall be administered by the Commissioner of Taxes, and all
16 receipts shall be deposited by the Commissioner into the Vermont Teachers'
17 Retirement Fund established in section 1944 of this title. All of the
18 administrative provisions of 32 V.S.A. chapter 151 shall apply to the tax
19 imposed by this chapter as if it were an income tax. In addition, the provisions
20 of 32 V.S.A. chapter 103 related to penalties and interest shall apply to the tax
21 imposed by this chapter.

1 Sec. 4. EFFECTIVE DATE

2 This act shall take effect on July 1, 2019 and apply to the calendar year
3 beginning January 1, 2020.