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H.922

Introduced by Committee on Government Operations

Date:

Subject: Vermont Employees' Retirement System; Vermont State Teachers' Retirement System; pension; other postemployment benefits; Group membership; contributions; technical corrections

Statement of purpose of bill as introduced: This bill proposes to: (1) make nonsubstantive, technical changes to 3 V.S.A. chapter 16 (Vermont Employees' Retirement System), (2) clarify eligibility of reinstatement and restored benefits, (3) streamline and clarify provisions relating to Group D membership, (4) clarify retiree health insurance eligibility, (5) authorize the investment of the Vermont Employees' Retirement System and the Vermont State Teachers' Retirement System other postemployment benefits funds with the Vermont Pension Investment Committee, and (6) set a five-year time frame for a member of the Vermont State Teachers' Retirement System to receive credit for a leave of absence.

An act relating to miscellaneous amendments to the Vermont State Employees' Retirement System

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

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

3 § 455. DEFINITIONS

4 (a) As used in this subchapter:

5 \* \* \*

6 (6) “Creditable service” ~~shall mean~~ means service for which credit is  
7 allowed under ~~section~~ sections 458, 477, and 477a of this title, plus service  
8 transferred under section 495 of this title.

9 \* \* \*

10 (11) “Member” ~~shall mean~~ means any employee included in the  
11 membership of the Retirement System under section 457 of this title.

12 (A) “Group A members” ~~shall mean~~ means employees classified  
13 under subdivision (A) of subdivision (9) of this subsection who are not  
14 members of Group D or Group F.

15 \* \* \*

16 (20) “Retirement System” ~~shall mean~~ or “Vermont State Employees’  
17 Retirement System” means the Vermont State Retirement System as defined in  
18 section 456 of this title.

19 \* \* \*

20 (25) “Retirement Fund,” “Fund of the Retirement System” or “Vermont  
21 State Employees’ Retirement System Fund” ~~shall mean~~ means the fund created

1 by section 473 of this title, which shall contain the assets of the Retirement  
2 System and from which shall be paid the benefits due to beneficiaries and the  
3 expenses of the Retirement System.

4 \* \* \*

5 (29) “Benefits Fund” or “State Employees’ Postemployment Benefits  
6 Trust Fund” means the fund created by section 479a of this title.

7 Sec. 2. 3 V.S.A. § 458 is amended to read:

8 § 458. CREDITABLE SERVICE; MILITARY SERVICE

9 (a) With respect to service rendered prior to the date of membership, each  
10 employee who, pursuant to subsection 457(a) of this title, became a member of  
11 the retirement system shall have included as prior service hereunder all service  
12 credited to him or her as creditable service under the terms of one or both of  
13 the predecessor systems, provided his or her membership continues unbroken  
14 until his or her retirement.

15 \* \* \*

16 (g) Any member may transfer from a position covered by one group to a  
17 position covered by a different group as defined in section 455 of this title and  
18 shall be entitled to credit for service rendered in all groups within the System.  
19 Benefits shall be based on the accrued value of the credits in the group in  
20 which the creditable service was earned and shall be payable according to the  
21 provisions of each group, unless the member elects to withdraw his or her

1 contributions ~~in accordance with section 480 of this title.~~ Such benefits shall  
2 only be subject to such maximum amounts as are provided for each group and  
3 may be combined to exceed ~~50 percent~~ the maximum percentage of average  
4 final compensation applicable for that group.

5 \* \* \*

6 Sec. 3. 3 V.S.A. § 459 is amended to read:

7 § 459. NORMAL AND EARLY RETIREMENT

8 (a) Normal retirement.

9 \* \* \*

10 (b) Normal retirement allowance.

11 (1) Upon normal retirement, a ~~group~~ Group A member shall receive a  
12 normal retirement allowance ~~which~~ that shall be equal to 50 percent of his or  
13 her average final compensation; provided, however, that if the member has not  
14 completed 30 years of creditable service at retirement, ~~or, if earlier, the date of~~  
15 ~~attainment of such age as may be applicable under the provisions of~~  
16 ~~subdivision (a)(4) of this section,~~ his or her allowance shall be multiplied by  
17 the ratio that the number of his or her years of creditable service at retirement,  
18 or such earlier date, bears to 30.

19 (2) Upon normal retirement, a ~~group~~ Group C member shall receive a  
20 normal retirement allowance ~~which~~ that shall be equal to 50 percent of his or  
21 her average final compensation; provided, however, that if the member has not

1 completed 20 years of creditable service at retirement, ~~or, if earlier, the date of~~  
2 ~~attainment of such age as may be applicable under the provisions of~~  
3 ~~subdivision (a)(4) of this section,~~ the member's allowance shall be multiplied  
4 by the ratio that the number of his or her years of creditable service at  
5 retirement, or such earlier date, bears to 20.

6 (3)(A) Group D members ~~who are Justices of the Supreme Court,~~  
7 ~~Superior judges, Environmental judges, and District judges; additional~~  
8 ~~retirement allowance. Justices of the Supreme Court, Superior judges,~~  
9 ~~Environmental judges, and District judges,~~ upon normal retirement ~~under this~~  
10 ~~section,~~ shall receive a normal retirement allowance equal to 1-2/3 percent of  
11 the member's salary at retirement times the years of Group D membership  
12 service. Group D members shall receive an additional retirement allowance  
13 according to years of service as a ~~Supreme Court Justice, a Superior judge, an~~  
14 ~~Environmental judge, or a District judge or any combination thereof~~ Group D  
15 member as follows:

16 (i) After 12 years of service, an additional retirement allowance of  
17 an amount ~~which~~ that, together with the normal service retirement allowance,  
18 will make the total equal to two-fifths of their salary at retirement.

19 (ii) For each year of service in excess of 12 years, an amount  
20 equal to ~~3-1/3~~ 3-1/3 percent of their salary at retirement shall be added to the  
21 retirement allowance as computed in ~~subsection (a)~~ subdivision (b)(3)(A)(i) of

1 this section. However, at no time shall the total retirement allowance exceed  
2 their salary at retirement. Such additional retirement allowance shall be treated  
3 as the normal retirement allowance for all purposes of the retirement act.

4 (B) ~~In order to qualify for the benefits provided by this title each~~  
5 ~~Justice or judge shall have the maximum employee contribution in accordance~~  
6 ~~with the requirements of the State Employees' Retirement System. These~~  
7 provisions shall apply to surviving Justices and judges retired before its  
8 enactment, but only from the effective date of its enactment, and not  
9 retroactively.

10 (C) ~~For the purposes of this section, years of service as a municipal~~  
11 ~~judge are to be counted as years of service in determining the additional~~  
12 ~~retirement allowance, insofar as they represent years of membership service.~~

13 [Repealed.]

14 (4) ~~Group D members who are Probate judges; additional retirement~~  
15 ~~allowance. Probate judges, having retired under this section, shall be entitled to~~  
16 ~~an additional retirement allowance according to their years in service as~~  
17 ~~follows:~~

18 (A) ~~Upon completion of 12 years of service an amount which with~~  
19 ~~service retirement allowance will equal two fifths of the salary at retirement.~~

20 (B) ~~For each additional year of service, an amount equal to 3 1/3~~  
21 ~~percent of the salary at retirement shall be added to the retirement allowance as~~

1 ~~computed in subsection (a) of this section. Such additional retirement~~  
2 ~~allowance shall be treated as the normal retirement allowance for all purposes~~  
3 ~~of the retirement act. [Repealed.]~~

4 (5)(A) Until January 1, 1995, upon normal retirement, a ~~group~~ Group F  
5 member shall receive a normal retirement allowance ~~which~~ that shall be equal  
6 to ~~1-1/4~~ 1-1/4 percent of his or her average final compensation times years of  
7 creditable service. On and after January 1, 1995, upon normal retirement, a  
8 ~~group~~ Group F member shall receive a normal retirement allowance equal to  
9 ~~1-1/4~~ 1-1/4 percent of the member's average final compensation times years of  
10 membership service prior to January 1, 1991 plus a pension ~~which~~ that when  
11 added to an annuity shall be equal to ~~1-2/3~~ 1-2/3 percent of the member's  
12 average final compensation times years of membership service on and after  
13 January 1, 1991. The maximum retirement allowance shall be 50 percent of  
14 average final compensation.

15 (B) A ~~group~~ Group F member first included in the membership of the  
16 system on or after July 1, 2008, upon normal retirement, shall receive a normal  
17 retirement allowance equal to ~~1-2/3~~ 1-2/3 percent of the member's average  
18 final compensation times years of membership service. The maximum  
19 retirement allowance shall be 60 percent of average final compensation.

20 (c) Early retirement.





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\* \* \*

Sec. 5. 3 V.S.A. § 460 is amended to read:

§ 460. ORDINARY DISABILITY RETIREMENT

(a) Upon the application of a member or of his or her department head not later than 90 days, or longer for cause shown, after the date the member may have separated from service, any ~~group A, group C, group D, or group F~~ member who has had five or more years of creditable service may be retired by the retirement board on an ordinary disability retirement allowance, not less than 30 nor more than 90 days after filing such application; provided the following conditions are met:

(1) the member is not eligible for accidental disability retirement;

(2) the member ~~provided he or she~~ has requested application prior to death;

(3) and provided that the Medical Board, after a medical examination of such member, shall certify that:

(A) the member is mentally or physically incapacitated for the further performance of duty; ;

(B) ~~that~~ such incapacity has existed since the time of the member's separation from service and is likely to be permanent; ; and

(C) ~~that he or she~~ the member should be retired.

1        (b) In evaluating whether the member should be retired under subdivision  
2        (a)(3)(C), The the Retirement Board may consider, or may ask the Medical  
3        Board or a certified vocational rehabilitation counselor to consider, whether the  
4        individual is disabled from performing other types of suitable work as an  
5        employee of the State, both inside and outside of the member's agency or  
6        department. The Board may consider whether the member has sought a  
7        reasonable accommodation in his or her current position, whether any such  
8        accommodations were offered, and whether the member was separated from  
9        service involuntarily. However, if disability is denied because the individual is  
10       found to be suitable for other work, the member shall be advised at the time of  
11       denial of the following provisions which shall apply:

12       (c) If the Retirement Board determines that the member is able to perform  
13       other types of suitable work, the member's request for ordinary disability  
14       retirement shall be held in abeyance for a period of 60 days, during which time  
15       the State shall have the right to make an offer of suitable employment to the  
16       member, subject to the following conditions:

- 17            (1) the individual will retain his or her existing retirement accrual status;
- 18            (2) the State shall provide any necessary retraining;
- 19            (3) there shall be no loss in pay; and
- 20            (4) involuntary geographical moves beyond normal commuting distance
- 21        are not permitted; and.

1           ~~(5) before any individual who is reassigned to another position rather~~  
2           ~~than retired on disability may be terminated for performance reasons, the~~  
3           ~~individual must first be reconsidered for disability retirement by the~~  
4           ~~Retirement Board.~~

5           (d) Once a written offer of suitable employment is made within the 60-day  
6           period set forth in subsection (c), the member's request for a disability  
7           retirement allowance shall be denied. If no offer of suitable employment is  
8           made within the 60-day period, and the member is otherwise found to have met  
9           the criteria set forth in subsection (a), the member's request for disability  
10           retirement allowance shall be granted.

11           ~~(b)(c)~~(1) Upon ordinary disability retirement, a ~~group A, group D, or group~~  
12           ~~F~~ member shall receive a normal retirement allowance equal to the normal  
13           retirement benefit accrued to the effective date of the disability retirement;  
14           provided, however, that such allowance shall not be less than 25 percent of his  
15           or her average final compensation at the time of his or her disability retirement.

16           (2) Employees who are not eligible for representation by the Vermont  
17           State Employees' Association, including managerial, confidential, elected, and  
18           appointed officials, judicial, legislative, and exempt employees, who are  
19           employed on February 1, 1997, and whose application for the State's long-term  
20           disability plan is denied solely because of a preexisting condition, shall, if they  
21           are otherwise eligible for ordinary disability retirement, be entitled to a

1 retirement allowance ~~which~~ that, when added to Social Security and/or other  
2 disability payments, equals 66-2/3 percent of his or her final average  
3 compensation at the time of the disability retirement.

4 ~~(e)~~(f) Notwithstanding subsection ~~(b)~~(e) of this section, a ~~group~~ Group C  
5 member, upon ordinary disability retirement, shall receive an additional  
6 allowance ~~which~~ that will, when added to his or her Social Security benefit, be  
7 equal to 10 percent of his or her average final compensation for each  
8 dependent child, not in excess of three, who has not attained ~~age~~ 18 years of  
9 age or, if a dependent student, has not attained ~~age~~ 23 years of age.

10 ~~(d)~~(g) Notwithstanding subsection ~~(b) or (e)~~ (e) or (f) of this section, a  
11 member may not receive more than 50 percent of his or her average final  
12 compensation at the time of his or her disability retirement.

13 Sec. 6. 3 V.S.A. § 461 is amended to read:

14 § 461. ACCIDENTAL AND OCCUPATIONALLY RELATED

15 DISABILITY RETIREMENT

16 \* \* \*

17 (b) Upon accidental disability retirement, a member shall receive a normal  
18 retirement allowance if he or she shall have reached his or her normal  
19 retirement date; otherwise such a member shall receive a retirement allowance  
20 ~~which~~ that shall be equal to:



1 after the attainment of 55 years of age, his or her pension upon subsequent  
2 retirement shall not exceed the sum of the pension which he or she was  
3 receiving immediately prior to his or her last restoration to membership and the  
4 pension that may have accrued on account of membership service since his or  
5 her last restoration to membership, provided that the rate percent of his or her  
6 total pension on his or her subsequent retirement shall not exceed the rate he or  
7 she would have received had he or she remained in service during the period of  
8 prior retirement.

9 (b) A member who has been reemployed is entitled to prior service credit  
10 upon depositing in the fund the contributions which would have been deducted  
11 from the member's compensation had he or she remained a member with  
12 interest as set forth in subdivision 473(c)(1) of this title. The member in order  
13 to qualify for the prior service credit must also deposit in the fund a sum equal  
14 to the contributions which would have been contributed by the State had he or  
15 she remained a member with interest as set forth in subdivision 473(c)(1) of  
16 this title. [Repealed.]

17 Sec. 8. 3 V.S.A. § 464 is amended to read:

18 § 464. ACCIDENTAL AND OCCUPATIONALLY RELATED DEATH

19 BENEFIT

20 \* \* \*

1 (c) The retirement allowance payable to the eligible dependent ~~spouse~~  
2 beneficiary of a deceased member under this section shall be equal to  
3 25 percent of the member's average final compensation at the time of his or  
4 her death.

5 \* \* \*

6 (e) The retirement allowance payable to ~~a~~ an eligible dependent ~~spouse~~  
7 beneficiary under this section who also qualifies for an ordinary death benefit  
8 under section 465 of this title shall in no event be less than the death benefit  
9 ~~which~~ that would otherwise be payable to such ~~spouse~~ beneficiary under  
10 section 465 of this title.

11 Sec. 9. 3 V.S.A. § 465 is amended to read:

12 § 465. TERMINATION OF SERVICE; ORDINARY DEATH BENEFIT

13 \* \* \*

14 (b)(1) Upon the death of a member in service who has not reached his or  
15 her normal retirement date and who has not completed 10 years of creditable  
16 service, as a result of causes other than those specified in section 464 of this  
17 title, the member's accumulated contributions shall be paid to such person as  
18 he or she shall have designated for such purpose in a writing duly  
19 acknowledged and filed with the Board. In the absence of a written  
20 designation of beneficiary or in the event the designated beneficiary is  
21 deceased, the return of accumulated contributions with interest payable as a

1 result of the death of the member prior to retirement shall be payable as  
2 follows:

3 (A) In the case of an open estate, to the administrator or executor.

4 (B) In the case of a closed estate and the deceased member's account  
5 is valued at less than \$1,000.00, in accordance with the Probate Division of the  
6 Superior Court decree of distribution.

7 (C) In the absence of an open estate or Probate Division of the  
8 Superior Court decree of distribution, and the deceased member's account is  
9 valued at less than \$1,000.00, to the surviving spouse of the deceased owner;  
10 or, if there is no surviving spouse, to the next of kin according to 14 V.S.A.  
11 ~~§ 551~~ chapter 42.

12 \* \* \*

13 ~~(h) The provisions of subsections (e) and (g) of this section shall be~~  
14 ~~retroactive to November 5, 1969 only for the account of George R. Dearborn,~~  
15 ~~deceased. [Repealed.]~~

16 ~~(i) Any reduced retirement allowance payable during the life of the retired~~  
17 ~~member, with a provision that it shall continue after his or her death for the life~~  
18 ~~of the member's beneficiary, shall be determined as actuarial equivalents of the~~  
19 ~~retirement allowance under subdivision (a)(1) of this section. Any member~~  
20 ~~who elects to receive such a retirement allowance may elect to receive a~~  
21 ~~benefit further reduced actuarially as prescribed by the Board with the added~~



1 ~~provision that, should the retired member survive his or her nominated~~  
2 ~~beneficiary, the retirement allowance which would have been payable under~~  
3 ~~subdivision (a)(1) shall be paid to the retired member during the remainder of~~  
4 ~~his or her lifetime. If a member does not make an election as to the form of his~~  
5 ~~or her retirement allowance, he or she shall receive his or her retirement~~  
6 ~~allowance under the provisions of subdivision (a)(1). [Repealed.]~~

7 \* \* \*

8 Sec. 10. 3 V.S.A. § 466 is amended to read:

9 § 466. COORDINATION OF DISABILITY RETIREMENT BENEFITS

10 WITH WORKERS' COMPENSATION BENEFITS

11 \* \* \*

12 (c) No employee shall concurrently receive both disability retirement  
13 benefits payable under this chapter and workers' compensation benefits  
14 payable under section 21 V.S.A. § 642 or 646. If an employee receives  
15 disability retirement pension and annuity benefits and later receives an award  
16 for temporary disability workers' compensation benefits for the same period,  
17 the Vermont State Retirement System shall have a lien against any retroactive  
18 workers' compensation award under 21 V.S.A. § 642 or 646 for the same  
19 period that the employee received disability retirement benefits in the amount  
20 of the disability retirement pension and annuity benefits paid. Any recovery  
21 under 21 V.S.A. § 642 or 646 against the employer or the employer's workers'

1 compensation insurance carrier shall, after deducting expenses of recovery,  
2 reimburse the Vermont State Retirement System for disability retirement  
3 pension and annuity benefits for all retroactive periods of time included in the  
4 recovery. The State Treasurer shall notify the ~~Department of Buildings and~~  
5 ~~General Services~~ Office of Risk Management when a disability retirement  
6 application is approved for an employee who has filed a workers'  
7 compensation claim. The ~~Department of Buildings and General Services~~  
8 Office of Risk Management or its workers' compensation insurance carrier  
9 shall notify the State Treasurer of commencement or termination of any  
10 workers' compensation payments or awards to an employee who has been  
11 reported by the State Treasurer as eligible to receive disability retirement  
12 benefits.

13 \* \* \*

14 Sec. 11. 3 V.S.A. § 468 is amended to read:

15 § 468. OPTIONAL BENEFITS

16 (a) Until the first payment on account of a retirement allowance becomes  
17 normally due, any member may elect to convert the retirement allowance  
18 otherwise payable to the member after retirement into a retirement allowance  
19 that is its actuarial equivalent, in accordance with one of the optional forms  
20 described in this section.







1 recommend the amount of State contribution that should be appropriated for  
2 the next fiscal year to achieve and preserve the financial integrity of the ~~fund~~  
3 Retirement Fund. On or before November 1 of each year, the Board shall  
4 submit this recommendation to the Governor and the House and Senate  
5 Committees on Government Operations and on Appropriations. The  
6 provisions of 2 V.S.A. § 20(d) (expiration of required reports) shall not apply  
7 to the report to be made under this subsection.

8 Sec. 14. 3 V.S.A. § 472 is amended to read:

9 § 472. INVESTMENTS; INTEREST RATE; DISBURSEMENTS

10 (a) The members of the Vermont Pension Investment Committee  
11 established in chapter 17 of this title shall be the trustees of the Retirement  
12 Funds created by this subchapter, 16 V.S.A. chapter 55, and 24 V.S.A.  
13 chapter 125, and with respect to them may invest and reinvest the assets of the  
14 Retirement Fund, and hold, purchase, sell, assign, transfer, and dispose of the  
15 securities and investments in which the assets of the Retirement Fund have  
16 been invested and reinvested. Investments shall be made in accordance with  
17 the standard of care established by the prudent investor rule under 9 V.S.A.  
18 chapter 147.

19 \* \* \*

20 (c) The State Treasurer shall be the custodian of the assets of the  
21 Retirement Fund ~~of the Retirement System~~. All payments from the Retirement

1 Fund shall be made by the State Treasurer or his or her deputy, with approval  
2 of the Retirement Board. A duly attested copy of a resolution of the  
3 Retirement Board designating such persons and bearing on its face specimen  
4 signatures of such persons shall be filed with the State Treasurer as his or her  
5 authority for making payments upon such vouchers.

6 \* \* \*

7 Sec. 15. 3 V.S.A. 473 is amended to read:

8 § 473. FUNDS

9 (a) Assets. All of the assets of the Retirement System shall be credited to  
10 the Vermont State Retirement System Fund (Retirement Fund).

11 (b) Member contributions.

12 ~~(1) Contributions deducted from the compensation of members together~~  
13 ~~with any member contributions transferred thereto from the predecessor~~  
14 ~~systems shall be accumulated in the Fund and separately recorded for each~~  
15 ~~member. The amounts so transferred on account of Group A members shall be~~  
16 ~~allocated between regular and additional contributions. The amounts so~~  
17 ~~allocated as regular contributions shall be determined as if the rate of~~  
18 ~~contribution of four percent has been continuously in effect in the predecessor~~  
19 ~~system from which such amounts were transferred and the balance of any~~  
20 ~~amount so transferred on account of any Group A member shall be deemed~~  
21 ~~additional contributions. In the case of Group C members who were members~~

1 ~~as of the date of establishment and Group D members, all contributions~~  
2 ~~transferred from predecessor systems shall be deemed regular contributions.~~  
3 ~~Those members who, prior to the date of establishment of this system, had~~  
4 ~~been contributing at a rate less than four percent shall have any benefit~~  
5 ~~otherwise payable on their behalf actuarially reduced to reflect such prior~~  
6 ~~contribution rate of less than four percent. Upon a member's retirement or~~  
7 ~~other withdrawal from service on the basis of which a retirement allowance is~~  
8 ~~payable, the member's additional contributions, with interest thereon, shall be~~  
9 ~~paid as an additional allowance equal to an annuity which is the actuarial~~  
10 ~~equivalent of such amount, in the same manner as the benefit otherwise~~  
11 ~~payable under the System. [Repealed.]~~

12 (2) Commencing on July 1, 2016, contributions shall be 6.55 percent of  
13 compensation for Group A, D, and F members and 8.43 percent of  
14 compensation for Group C members. When the State Employees' Retirement  
15 System has been determined by the actuary to have assets at least equal to its  
16 accrued liability, contribution rates will be reevaluated by the actuary with a  
17 subsequent recommendation to the General Assembly. In determining the  
18 amount earnable by a member in a payroll period, the Retirement Board may  
19 consider the annual or other periodic rate of earnable compensation payable to  
20 such member on the first day of the payroll period as continuing throughout  
21 such payroll period, and it may omit deduction from compensation for any



1 period less than a full payroll period if an employee was not a member on the  
2 first day of the payroll period, and to facilitate the making of deductions it may  
3 modify the deduction required of any member by such an amount as, on an  
4 annual basis, shall not exceed one-tenth of one percent of the annual earnable  
5 compensation upon the basis of which such deduction is to be made. Each of  
6 the amounts shall be deducted until the member retires or otherwise withdraws  
7 from service, and when deducted shall be paid into the ~~Annuity Savings~~  
8 Retirement Fund, and shall be credited to the individual account of the member  
9 from whose compensation the deduction was made.

10 (3) The deductions provided for herein shall be made notwithstanding  
11 that the minimum compensation provided for by law for any member shall be  
12 reduced thereby. Every member shall be deemed to consent and agree to the  
13 deductions made and provided herein and shall receipt for full compensation,  
14 and payment of compensation less such deduction shall be a full and complete  
15 discharge and acquittance of all claims and demands whatsoever for the  
16 services rendered by such person during the period covered by such payment,  
17 except as to the benefits provided under this subchapter.

18 (4) ~~Subject to the approval of the Retirement Board, in addition to the~~  
19 ~~contributions deducted from compensation as hereinbefore provided, any~~  
20 ~~member may redeposit in the Fund by a single payment or by an increased rate~~  
21 ~~of contribution an amount equal to the total amount which the member~~

1 ~~previously withdrew from this System or one of the predecessor systems; or~~  
2 ~~any member may deposit therein by a single payment or by an increased rate of~~  
3 ~~contribution an amount computed to be sufficient to purchase an additional~~  
4 ~~annuity which, together with prospective retirement allowance, will provide for~~  
5 ~~the member a total retirement allowance not in excess of one half of average~~  
6 ~~final compensation at normal retirement date, with the exception of Group D~~  
7 ~~members for whom creditable service shall be restored upon redeposits of~~  
8 ~~amounts previously withdrawn from the System, or for whom creditable~~  
9 ~~service shall be granted upon deposit of amounts equal to what would have~~  
10 ~~been paid if payment had been made during any period of service during which~~  
11 ~~such a member did not contribute. Such additional amounts so deposited shall~~  
12 ~~become a part of the member's accumulated contributions as additional~~  
13 ~~contributions. [Repealed.]~~

14 (5) The contributions of a member and such interest as may be allowed  
15 thereon ~~which~~ that are withdrawn by the member, or paid to the member estate  
16 or to a designated beneficiary in event of the member's death, shall be paid  
17 from the Retirement Fund.

18 (6) Contributions required under this subsection shall be limited to  
19 contributions from Group A, Group C, Group D, and Group F members.

20 (7) [Repealed.]

21 (c) Employer contributions, earnings, and payments.

1           (1) Employer contributions and the reserves for the payment of all  
2           pensions ~~and other benefits~~, including all interest and dividends earned on the  
3           assets of the Retirement System, shall be accumulated in the Retirement Fund,  
4           ~~and all~~ All expenses of the System and benefits payable under the System,  
5           except for retired employees' health and medical benefits, and the expenses of  
6           ~~the System~~ shall be paid from the Retirement Fund. Annually, the Retirement  
7           Board shall allow regular interest on the individual accounts of members in the  
8           Retirement Fund ~~which~~ that shall be credited to each member's account within  
9           the Retirement Fund.

10           (2) Beginning with the actuarial valuation as of June 30, 2006, the  
11           contributions to be made to the Retirement Fund by the State shall be  
12           determined on the basis of the actuarial cost method known as "entry age  
13           normal." On account of each member, there shall be paid annually into the  
14           Retirement Fund by the State an amount equal to certain percentages of the  
15           annual earnable compensation of such member, to be known as the "normal  
16           contribution," and additional amounts equal to a certain percentage of the  
17           member's annual earnable compensation, to be known as the "basic accrued  
18           liability" and "additional accrued liability" contributions. The percentage rates  
19           of the contributions shall be fixed on the basis of the liabilities of the  
20           Retirement System as shown by actuarial valuation.

1           (3) The normal contribution shall be the uniform percentage of the total  
2           compensation of members ~~which~~ that, if contributed over each member's  
3           prospective period of service and added to such member's prospective  
4           contributions, if any, will be sufficient to provide for the payment of all future  
5           retirement benefits after subtracting the sum of the unfunded accrued liability  
6           and the total assets of the Retirement Fund ~~of the Retirement System~~.

7           (4) It is the policy of the State of Vermont to liquidate fully the  
8           unfunded accrued liability to the System. Beginning on July 1, 2008, until the  
9           unfunded accrued liability is liquidated, the basic accrued liability contribution  
10          shall be the annual payment required to liquidate the unfunded accrued liability  
11          over a closed period of 30 years ending on June 30, 2038, provided that:

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

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

20                 (C) Any variation in the contribution of normal, basic, unfunded  
21                 accrued liability or additional unfunded accrued liability contributions from

1 those recommended by the actuary and any actuarial gains and losses shall be  
2 added or subtracted to the unfunded accrued liability and amortized over the  
3 remainder of the closed 30-year period.

4 (5)–(7) [Repealed.]

5 (d) Contributions of State. As provided by law, the Retirement Board shall  
6 certify to the Governor or Governor-Elect a statement of the percentage of the  
7 payroll of all members sufficient to pay for all operating expenses of the  
8 Vermont State Employees Retirement System and all contributions of the State  
9 that will become due and payable during the next biennium. The contributions  
10 of the State shall be charged to the departmental appropriation from which  
11 members' salaries are paid and shall be included in each departmental  
12 budgetary request.

13 (e) [Repealed.]

14 (f) Contributions paid by State. Notwithstanding the provisions of  
15 subdivision (b)(2) of this section to the contrary and pursuant to the provisions  
16 of Section 414(h) of the Internal Revenue Code, the State shall pick up and pay  
17 the contributions required to be paid by members with respect to service  
18 rendered on and after March 1, 1998. Contributions picked up by the State  
19 shall be designated for all purposes as member contributions, except that they  
20 shall be treated as State contributions in determining tax treatment of a  
21 distribution. Each member's compensation shall be reduced by an amount

1 equal to the amount picked up by the State. This reduction, however, shall not  
2 be used to determine annual earnable compensation for purposes of  
3 determining average final compensation. Contributions picked up under this  
4 subsection shall be credited to the Retirement Fund. To ensure that the  
5 provisions of this subsection are cost neutral to the State, the contributions  
6 rates established under subdivision 473(b)(2) of this title shall be increased by  
7 one-tenth of one percent of compensation.

8 Sec. 16. 3 V.S.A. § 474 is amended to read:

9 § 474. PREDECESSOR SYSTEMS

10 Any beneficiary of a predecessor system who is in receipt of a benefit on  
11 the date of establishment shall become a beneficiary hereunder and shall  
12 continue to receive the benefit being paid from the Retirement Fund of this  
13 System, under the conditions of the predecessor system as in effect at the time  
14 of the member's retirement, subject to such adjustment as provided for in  
15 section 470 of this title. Any former member of a predecessor system who,  
16 upon termination of service, was eligible for a deferred benefit under the  
17 provisions of that System, the payment of which has not commenced as of the  
18 date of establishment, shall continue to be so eligible; and shall receive such  
19 benefit from the System subject to the conditions of the predecessor system as  
20 in effect at the time the member's service was terminated. The cash and  
21 securities to the credit of the predecessor systems on the date of establishment

1 shall be transferred to this Retirement System, the amount of each member's  
2 accumulated contributions included in such transfer shall be credited to the  
3 member's individual account in the ~~fund~~ Retirement Fund to become a part of  
4 the member's accumulated contributions, and the balance shall be credited to  
5 the Retirement Fund.

6 Sec. 17. 3 V.S.A. § 477 is amended to read:

7 § 477. PRIOR SERVICE CREDIT

8 An employee who has ceased being a member upon reemployment is  
9 entitled to prior service credit upon depositing in the Retirement Fund an  
10 amount equivalent to the contributions ~~which would have~~ that had been  
11 deducted from the employee's compensation ~~had he or she remained a member~~  
12 during the period of prior employment with interest as set forth in section 473  
13 of this title. The employee in order to qualify for the prior service credit must  
14 also deposit in the Retirement Fund a sum equal to the contributions ~~which that~~  
15 would have been contributed by the State had the employee remained a  
16 member with interest as set forth in section 473 of this title.

17 Sec. 18. 3 V.S.A. § 477a is amended to read:

18 § 477a. ELECTIONS

19 (a) Any member who has rendered 15 years of creditable service and who  
20 has, prior to becoming a member of the System, served a minimum of one full  
21 year of full-time service in the military or one full year of full-time service as a

1 member of the Cadet Nurse Corps in World War II, the Peace Corps, VISTA,  
2 or AmeriCorps for which the member has derived no military pension benefits,  
3 may elect to have included in the member's creditable service all or any part of  
4 the member's military, Cadet Nurse Corps, Peace Corps, VISTA, or  
5 AmeriCorps service not exceeding five years. Any member who so elects shall  
6 deposit in the Retirement Fund by a single contribution the amount or amounts  
7 determined by the System's actuary to be cost neutral to the System.  
8 Notwithstanding the provisions of this subsection, any member shall, upon  
9 application, be granted up to three years of credit for military service during  
10 the periods June 25, 1950, through January 31, 1955, February 28, 1961,  
11 through August 4, 1964, if service was performed in what is now the Republic  
12 of Vietnam, and August 5, 1964, through May 7, 1975, and shall not be  
13 required to make a contribution, provided the member has rendered 15 years of  
14 creditable service and, prior to becoming a member, served a minimum of one  
15 full year of full-time service in the military for which he or she has derived no  
16 military pension benefits. The provisions of this subsection shall also be  
17 available to State employees who are not members of the classified system and  
18 who elect to participate in the defined Contribution Retirement Plan under  
19 chapter 16A of this title. Notwithstanding the foregoing, in the event of a  
20 conflict between the provisions of this subsection and the provisions of  
21 10 U.S.C. § 12736 concerning the counting of the same full-time military



1 service toward both military and State pensions, the provisions of the  
2 U.S. Code shall control.

3 (b) Any member who rendered service in the capacity of an employee for  
4 another state, as defined by the Board, may elect to have included in the  
5 member's creditable service, all or part of any period of such service. Any  
6 member who so elects shall deposit in the Retirement Fund by a single  
7 contribution the amount or amounts determined by the System's actuary to be  
8 cost neutral to the System.

9 (c) Any member may elect to have included in the member's creditable  
10 service, years of service as a municipal employee or as a teacher in a public or  
11 private school, as defined by the Board. Any member who so elects shall  
12 deposit in the Retirement Fund by a single contribution the amount or amounts  
13 determined by the System's actuary to be cost neutral to the System. No  
14 application for credit under this subsection shall be granted if at the time of  
15 application, the member has a vested right to retirement benefits in another  
16 Retirement System based upon that service.

17 (d) Any member may elect to have included in the member's creditable  
18 service all or any part of the member's service as a permanent State employee  
19 for which the member received no credit. Any member who so elects shall  
20 deposit in the Retirement Fund by a single contribution the amount or amounts  
21 determined by the System's actuary to be cost neutral to the System. Any

1 ~~group~~ Group F member may elect to increase his or her retirement allowance  
2 for years of service as a ~~group~~ Group E member prior to January 1, 1991; for  
3 1-1/4 percent of average final compensation to 1-2/3 percent of average final  
4 compensation. A member making an election under this subdivision shall  
5 deposit in the ~~Annuity Savings~~ Retirement Fund by a single contribution an  
6 amount computed at regular interest to be sufficient to provide at normal  
7 retirement an annuity equal to 1-2/3 percent of the member's average final  
8 compensation multiplied by the number of years of service for which the  
9 member elects to increase his or her retirement allowance. Any ~~group~~ Group F  
10 member who is actively employed on June 30, 2007, and who was a member  
11 of the ~~group~~ Group B plan prior to June 30, 1998, may elect to convert some or  
12 all of his or her ~~group~~ Group B service to ~~group~~ Group C service. A member  
13 making an election to convert shall deposit in the Retirement Fund by a single  
14 contribution an amount computed by the actuary to pay for the additional  
15 liability incurred by the increase in benefits between the ~~group~~ Group B and  
16 the ~~group~~ Group C plan multiplied by the number of years of service ~~which~~  
17 that the member elects to convert.

18 \* \* \*

19 (h) When a member has a minimum of 25 years of creditable service, he or  
20 she may elect to purchase up to five years of additional service credit. A  
21 member who makes an election under this subsection shall deposit in the ~~fund~~



1 continue making an equal percentage of premium payments after the member's  
2 death for the life of the dependent beneficiary nominated by the member under  
3 section 468 of this title, should such dependent beneficiary survive the  
4 member. The Retirement Board, after consultation with its actuary, shall  
5 establish reduced premium payment percentages that are as cost neutral to the  
6 Benefits Fund as possible.

7 (f) [Repealed.]

8 (g) A member of the Group F plan who is first included in the membership  
9 of the System on or after July 1, 2008, who separates from service ~~prior to~~  
10 ~~being eligible for retirement benefits under this chapter~~ in a manner other than  
11 through retirement, who has at least 20 years of creditable service, and who  
12 participated in the group medical benefit plan at the time of separation from  
13 service shall have a one-time option at the time retirement benefits commence  
14 to reinstate the same level of coverage, in the group medical benefit plan  
15 provided by the State of Vermont for active State employees, that existed at the  
16 date of separation from service. Premiums for the plan shall be prorated  
17 between the retired member and the Retirement System pursuant to subsection  
18 479(a) of this title.

19 Sec. 20. 3 V.S.A. § 479a is amended to read:

20 § 479a. STATE EMPLOYEES' POSTEMPLOYMENT BENEFITS TRUST

21 FUND

1           (a) A “State Employees’ Postemployment Benefits Trust Fund” (Benefits  
2           Fund) is hereby created for the purpose of accumulating and providing reserves  
3           to support retiree postemployment benefits for members, and to make  
4           distributions from the Benefits Fund for current and future postemployment  
5           benefits for retirees of the Vermont State Employees’ Retirement System,  
6           excluding pensions and benefits otherwise appropriated by statute and for the  
7           payment of reasonable and proper expenses of administering the Benefits Fund  
8           and related benefit plans. The Benefits Fund shall not be part of the  
9           Retirement System, but is intended to comply with and be a tax exempt  
10          governmental trust under Section 115 of the Internal Revenue Code of 1986, as  
11          amended.

12          (b) Into the ~~State Employees’ Postemployment Benefits Trust~~ Fund shall be  
13          deposited:

14               (1) ~~All~~ all assets remitted to the State as a subsidy on behalf of the  
15               members of the Vermont State Employees’ Retirement System for employer-  
16               sponsored qualified prescription drug plans pursuant to the Medicare  
17               Prescription Drug Improvement and Modernization Act of 2003, except that  
18               any subsidy received from an Employer Group Waiver Program is not subject  
19               to this requirement-;

1           (2) ~~Any~~ any appropriations by the General Assembly for the purposes of  
2           paying current and future retiree postemployment benefits for members of the  
3           Vermont State Employees' Retirement System-; and

4           (3) ~~Amounts~~ amounts contributed or otherwise made available by  
5           members of the System or their beneficiaries for the purpose of paying current  
6           or future postemployment benefits costs.

7           (c) The ~~State Employees' Postemployment Benefits Trust~~ Fund shall be  
8           administered by the State Treasurer. The Treasurer may invest monies in the  
9           ~~State Employees' Postemployment Benefits Trust~~ Fund in accordance with the  
10          provisions of 32 V.S.A. § 434 or, in the alternative, may enter into an  
11          agreement with the Committee to invest such monies in accordance with the  
12          standards of care established by the prudent investor rule under 14A V.S.A.  
13          § 902, in a manner similar to the Committee's investment of retirements  
14          system monies. All balances in the ~~State Employees' Postemployment~~  
15          ~~Benefits Trust~~ Fund at the end of the fiscal year shall be carried forward.  
16          Interest earned shall remain in the ~~State Employees' Postemployment~~ Benefits  
17          ~~Trust~~ Fund. The Treasurer's annual financial report to the Governor and the  
18          General Assembly shall contain an accounting of receipts, disbursements, and  
19          earnings of the ~~State Employees' Postemployment~~ Benefits ~~Trust~~ Fund.

20          (d) All funds of the ~~State Employees' Postemployment~~ Benefits ~~Trust~~ Fund  
21          shall be held in one or more trusts, custodial accounts treated as trusts, or a

1 combination thereof. 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. 21. 3 V.S.A. § 523 is amended to read:

9 § 523. VERMONT PENSION INVESTMENT COMMITTEE; DUTIES

10 (a) The Vermont Pension Investment Committee shall be responsible for  
11 the investment of the assets of the State Teachers' Retirement System of  
12 Vermont, the Vermont State Employees' Retirement System, and the Vermont  
13 Municipal Employees' Retirement System pursuant to section 472 of this title,  
14 16 V.S.A. § 1943, and 24 V.S.A. § 5063. The Committee shall strive to  
15 maximize total return on investment, within acceptable levels of risk for public  
16 retirement systems, in accordance with the standards of care established by the  
17 prudent investor rule under 14A V.S.A. § 902. The Committee may, in its  
18 discretion, subject to approval by the Attorney General, also enter into  
19 agreements with municipalities administering their own retirement systems to  
20 invest retirement funds for those municipal pension plans. The State Treasurer  
21 shall serve as the custodian of the funds of all three retirement systems. The

1 Committee may, in its discretion, also enter into agreements with the State  
2 Treasurer to invest the State Employees' Postemployment Benefits Trust Fund,  
3 established in 3 V.S.A. § 479a, and the Retired Teachers' Health and Medical  
4 Benefits Fund, established in 16 V.S.A. § 1944b.

5 \* \* \*

6 Sec. 22. 3 V.S.A. § 632 is amended to read:

7 § 632. CHARGE AGAINST DEPARTMENT APPROPRIATIONS

8 The Commissioner of Finance and Management is directed to charge back  
9 against the individual departmental appropriations in all funds the amount  
10 certified by voucher of the Commissioner of Human Resources to be necessary  
11 to pay the State's share of the employees' group life and group hospital-  
12 surgical medical insurance. In the case of retired employees, the State's share  
13 shall be paid from the ~~respective Retirement Systems~~ State Employees'  
14 Postemployment Benefits Trust Fund established in 3 V.S.A. § 479a.

15 Sec. 23. 3 V.S.A. § 635 is amended to read:

16 § 635. COVERAGE; BENEFICIARIES OF DECEASED RETIREES

17 (a) The surviving spouse of a retired employee who elected option 3 or  
18 option 4 under section 468 of this title shall be eligible to participate in the  
19 group health insurance program provided in this chapter. Premiums shall be  
20 paid at the full actuarial rate by the eligible spouse with no contribution from  
21 the State, except as specified in subsection (b) of this section and subsection



1 479(e) of this title, and shall be deducted from the eligible spouse's retirement  
2 check.

3 (b) Premiums paid by the surviving spouse of a retired employee who  
4 retired due to disability after January 1, 1998 and died prior to ~~age~~ 65 years of  
5 age, and the surviving dependents of an employee who died in service after  
6 January 1, 1998 who are eligible for ~~continued medical~~ benefits pursuant to  
7 sections 464 and 465 of this title and subsection (a) of this section, shall be  
8 prorated on the same basis as is provided for active employees by the current  
9 collective bargaining agreement for the nonmanagement unit. The covered  
10 survivors may continue coverage subject to the rules of the medical plan, by  
11 paying this prorated share, until the survivor becomes eligible for coverage  
12 under another group medical plan, or another plan offered by the State or  
13 federal government becomes eligible for Medicare or adds a spouse to the  
14 coverage. If the survivor becomes eligible for coverage under another group  
15 medical plan, coverage shall terminate. If the surviving spouse becomes  
16 eligible for Medicare or adds a spouse to the coverage, he or she may continue  
17 coverage by paying the full actuarial rate with no contribution from the State,  
18 in the same manner as surviving spouses of nondisability retirees pursuant to  
19 subsection (a) of this section.

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Sec. 25. 16 V.S.A. § 1944b is amended to read:

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

\* \* \*

(d) The Benefits Fund shall be administered by the State Treasurer. The Treasurer may invest monies in the Benefits Fund in accordance with the provisions of 32 V.S.A. § 434 or, in the alternative, may enter into an agreement with the Committee to invest such monies in accordance with the standards of care established by the prudent investor rule under 14A V.S.A. § 902, in a manner similar to the Committee's investment of retirement system monies. Interest earned shall remain in the Benefits Fund, and all balances remaining at the end of a fiscal year shall be carried over to the following year. The Treasurer's annual financial report to the Governor and the General Assembly shall contain an accounting of receipts, disbursements, and earnings of the Benefits Fund.

\* \* \*

Sec. 26. EFFECTIVE DATE

This act shall take effect on passage.