

H.922

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

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

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

§ 455. DEFINITIONS

(a) As used in this subchapter:

* * *

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

* * *

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

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

* * *

(20) "Retirement System" ~~shall mean~~ or "Vermont State Employees' Retirement System" means the Vermont State Retirement System as defined in section 456 of this title.

* * *

(25) “Retirement Fund,” “Fund of the Retirement System” or “Vermont State Employees’ Retirement System Fund” ~~shall mean~~ means the fund created by section 473 of this title, which shall contain the assets of the Retirement System and from which shall be paid the benefits due to beneficiaries and the expenses of the Retirement System.

* * *

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

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

§ 458. CREDITABLE SERVICE; MILITARY SERVICE

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

* * *

(g) Any member may transfer from a position covered by one group to a position covered by a different group as defined in section 455 of this title and shall be entitled to credit for service rendered in all groups within the System. Benefits shall be based on the accrued value of the credits in the group in

which the creditable service was earned and shall be payable according to the provisions of each group, unless the member elects to withdraw his or her contributions ~~in accordance with section 480 of this title~~. Such benefits shall only be subject to such maximum amounts as are provided for each group and may be combined to exceed ~~50 percent~~ the maximum percentage of average final compensation applicable for that group.

* * *

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

§ 459. NORMAL AND EARLY RETIREMENT

(a) Normal retirement.

* * *

(b) Normal retirement allowance.

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

(2) Upon normal retirement, a ~~group~~ Group C member shall receive a normal retirement allowance ~~which that~~ shall be equal to 50 percent of his or her average final compensation; provided, however, that if the member has not completed 20 years of creditable service at retirement, ~~or, if earlier, the date of attainment of such age as may be applicable under the provisions of subdivision (a)(4) of this section,~~ the member's allowance shall be multiplied by the ratio that the number of his or her years of creditable service at retirement, or such earlier date, bears to 20.

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

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

(ii) For each year of service in excess of 12 years, an amount equal to ~~3-1/3~~ 3-1/3 percent of their salary at retirement shall be added to the retirement allowance as computed in ~~subsection (a)~~ subdivision (b)(3)(A)(i) of this section. However, at no time shall the total retirement allowance exceed their salary at retirement. Such additional retirement allowance shall be treated as the normal retirement allowance for all purposes of the retirement act.

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

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

[Repealed.]

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

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

~~(B) For each additional year of service, an amount equal to 3 1/3 percent of the salary at retirement shall be added to the retirement allowance as computed in subsection (a) of this section. Such additional retirement allowance shall be treated as the normal retirement allowance for all purposes of the retirement act. [Repealed.]~~

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

(B) A ~~group~~ Group F member first included in the membership of the system on or after July 1, 2008, upon normal retirement, shall receive a normal retirement allowance equal to ~~4 2/3~~ 1-2/3 percent of the member's average

final compensation times years of membership service. The maximum retirement allowance shall be 60 percent of average final compensation.

(c) Early retirement.

(1) Group A and ~~group~~ Group D members. Any ~~group~~ Group A or ~~group~~ Group D member who has not reached his or her normal retirement date but who has completed 30 years of creditable service or who has attained ~~age~~ 55 years of age and completed five years of such service, may retire on an early retirement allowance.

(2) Group C members. Any ~~group~~ Group C member who has not reached his or her normal retirement date but who has attained ~~age~~ 50 years of age and completed 20 years of creditable service may retire on an early retirement allowance.

(3) Group F members. Any ~~group~~ Group F member who has not attained ~~age 62~~ his or her normal retirement eligibility but who has attained ~~age~~ 55 years of age and has completed five years, ~~but less than 30 years,~~ of creditable service may retire on an early retirement allowance.

* * *

Sec. 4. 3 V.S.A. § 459a is amended to read:

§ 459a. RESTORATION OF SERVICE

(a) When a beneficiary, other than a beneficiary retired pursuant to sections 460 or 461, resumes service, as defined in subdivision 455(a)(21) of

this title, he or she shall again become a member of the System, shall contribute at the rate established for members of his or her group, and shall not be entitled to receive a retirement allowance.

* * *

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.

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

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

- (1) the individual will retain his or her existing retirement accrual status;
- (2) the State shall provide any necessary retraining;

(3) there shall be no loss in pay; and

(4) involuntary geographical moves beyond normal commuting distance are not permitted; and

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

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

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

(2) Employees who are not eligible for representation by the Vermont State Employees' Association, including managerial, confidential, elected, and appointed officials, judicial, legislative, and exempt employees, who are

employed on February 1, 1997, and whose application for the State's long-term disability plan is denied solely because of a preexisting condition, shall, if they are otherwise eligible for ordinary disability retirement, be entitled to a retirement allowance ~~which~~ that, when added to Social Security and/or other disability payments, equals 66-2/3 percent of his or her final average compensation at the time of the disability retirement.

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

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

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

§ 461. ACCIDENTAL AND OCCUPATIONALLY RELATED

DISABILITY RETIREMENT

* * *

(b) Upon accidental disability retirement, a member shall receive a normal retirement allowance if he or she shall have reached his or her normal

retirement date; otherwise such a member shall receive a retirement allowance ~~which~~ that shall be equal to:

(1) ~~A~~ a normal retirement allowance payable at normal retirement date, based on the member's average final compensation at disability retirement and the number of years of creditable service the member would have completed had the member remained in service to his or her normal retirement date, multiplied by

(2) ~~The~~ the ratio that the number of the member's years of creditable service at disability bears to the number of years of such service the member would have completed had the member remained in service to his or her normal retirement date; provided, however, that such allowance shall not be less than 25 percent of the member's average final compensation at the time of the member's disability retirement.

* * *

Sec. 7. 3 V.S.A. § 463 is amended to read:

§ 463. REINSTATEMENT FROM DISABILITY RETIREMENT

(a) Should a disability beneficiary be ~~restored~~ reinstated to service ~~or~~ ~~should any other beneficiary be restored to service~~, his or her retirement allowance shall cease, and the beneficiary shall again become a member of the Retirement System. Anything in this subchapter to the contrary notwithstanding, upon his or her subsequent retirement, he or she shall be

~~credited with all the service creditable to him or her at the time of his or her former retirement. However, if such beneficiary is restored to membership after the attainment of 55 years of age, his or her pension upon subsequent retirement shall not exceed the sum of the pension which he or she was receiving immediately prior to his or her last restoration to membership and the pension that may have accrued on account of membership service since his or her last restoration to membership, provided that the rate percent of his or her total pension on his or her subsequent retirement shall not exceed the rate he or she would have received had he or she remained in service during the period of prior retirement.~~

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

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

§ 464. ACCIDENTAL AND OCCUPATIONALLY RELATED DEATH
BENEFIT

* * *

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

* * *

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

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

§ 465. TERMINATION OF SERVICE; ORDINARY DEATH BENEFIT

* * *

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

deceased, the return of accumulated contributions with interest payable as a result of the death of the member prior to retirement shall be payable as follows:

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

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

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

* * *

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

~~(i) Any reduced retirement allowance payable during the life of the retired member, with a provision that it shall continue after his or her death for the life of the member's beneficiary, shall be determined as actuarial equivalents of the retirement allowance under subdivision (a)(1) of this section. Any member who elects to receive such a retirement allowance may elect to receive a~~

~~benefit further reduced actuarially as prescribed by the Board with the added provision that, should the retired member survive his or her nominated beneficiary, the retirement allowance which would have been payable under subdivision (a)(1) shall be paid to the retired member during the remainder of his or her lifetime. If a member does not make an election as to the form of his or her retirement allowance, he or she shall receive his or her retirement allowance under the provisions of subdivision (a)(1). [Repealed.]~~

* * *

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

§ 466. COORDINATION OF DISABILITY RETIREMENT BENEFITS
WITH WORKERS' COMPENSATION BENEFITS

* * *

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

under 21 V.S.A. § 642 or 646 against the employer or the employer's workers' compensation insurance carrier shall, after deducting expenses of recovery, reimburse the Vermont State Retirement System for disability retirement pension and annuity benefits for all retroactive periods of time included in the recovery. The State Treasurer shall notify the ~~Department of Buildings and General Services~~ Office of Risk Management when a disability retirement application is approved for an employee who has filed a workers' compensation claim. The ~~Department of Buildings and General Services~~ Office of Risk Management or its workers' compensation insurance carrier shall notify the State Treasurer of commencement or termination of any workers' compensation payments or awards to an employee who has been reported by the State Treasurer as eligible to receive disability retirement benefits.

* * *

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

§ 468. OPTIONAL BENEFITS

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

(1) Option 1. A reduced retirement allowance payable during the member's life, with the provision that at the member's death a lump sum equal in amount to the difference between the member's accumulated contributions at the time of retirement and the sum of the annuity payments actually made to the member during his or her lifetime shall be paid to such person, if any, as the member has nominated by written designation duly acknowledged and filed with the Retirement Board; or, in the absence of a written designation of beneficiary or when the designated beneficiary is deceased, the residual amount payable as a result of the death of the member after retirement shall be payable as follows:

(2) [Deleted.]

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

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

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

* * *

Sec. 12. 3 V.S.A. § 469 is amended to read:

§ 469. ~~MINIMUM BENEFIT GROUP C~~

~~Anything contained in this title to the contrary notwithstanding, the benefit payable to or on account of a group C member hereunder, inclusive of any benefit provided by his additional contributions as specified in subsection 473(b) of this title together with the Social Security benefit or survivor's insurance benefit, as the case may be, shall not be less than the benefit which would have been payable to him or her or on his or her account under the provisions of the Vermont State Police and Motor Vehicle Inspectors' Retirement System as in effect on June 30, 1972 had said System continued in effect unamended. [Repealed.]~~

Sec. 13. 3 V.S.A. § 471 is amended to read:

§ 471. RETIREMENT BOARD; MEDICAL BOARD; ACTUARY; RATES
OF CONTRIBUTION; SAFEKEEPING OF SECURITIES

* * *

(f) The Retirement Board shall keep in convenient form such data as shall be necessary for actuarial valuation of the ~~fund~~ Fund of the Retirement System, and for checking the experience of the System.

* * *

(k) On the basis of such mortality and service tables as the Retirement Board shall adopt, the actuary shall make annual valuations of the assets and liabilities of the ~~fund~~ Fund of the Retirement System.

(l) The Committee shall designate from time to time a depository for the securities and evidences of indebtedness held in the Fund of the Retirement System and may contract for the safekeeping of securities and evidences of indebtedness within and without the State of Vermont in such banks, trust companies, and safe-deposit facilities as it shall from time to time determine. The necessary and incidental expenses of such safekeeping and for service rendered, including advisory services in investment matters, shall be paid from the operation expenses of the System as hereinafter provided. Any agreement for the safekeeping of securities or evidences of indebtedness shall provide for the access to such securities and evidences of indebtedness, except securities loaned pursuant to a securities lending agreement as authorized by subsection (m) of this section, at any time by the custodian or any authorized agent of the State for audit or other purposes.

* * *

(n) The Board shall review annually the amount of State contribution recommended by the actuary of the Retirement System as necessary to achieve and preserve the financial integrity of the ~~fund~~ Retirement Fund established pursuant to section 473 of this title. Based on this review, the Board shall

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

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

§ 472. INVESTMENTS; INTEREST RATE; DISBURSEMENTS

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

* * *

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

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

* * *

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

§ 473. FUNDS

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

(b) Member contributions.

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

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

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

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

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

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

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

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

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

(7) [Repealed.]

(c) Employer contributions, earnings, and payments.

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

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

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

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

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

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

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

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

(5)–(7) [Repealed.]

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

(e) [Repealed.]

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

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

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

§ 474. PREDECESSOR SYSTEMS

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

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

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

§ 477. PRIOR SERVICE CREDIT

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

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

§ 477a. ELECTIONS

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

member of the Cadet Nurse Corps in World War II, the Peace Corps, VISTA, or AmeriCorps for which the member has derived no military pension benefits, may elect to have included in the member's creditable service all or any part of the member's military, Cadet Nurse Corps, Peace Corps, VISTA, or AmeriCorps service not exceeding five years. Any member who so elects shall deposit in the Retirement Fund by a single contribution the amount or amounts determined by the System's actuary to be cost neutral to the System.

Notwithstanding the provisions of this subsection, any member shall, upon application, be granted up to three years of credit for military service during the periods June 25, 1950, through January 31, 1955, February 28, 1961, through August 4, 1964, if service was performed in what is now the Republic of Vietnam, and August 5, 1964, through May 7, 1975, and shall not be required to make a contribution, provided the member has rendered 15 years of creditable service and, prior to becoming a member, served a minimum of one full year of full-time service in the military for which he or she has derived no military pension benefits. The provisions of this subsection shall also be available to State employees who are not members of the classified system and who elect to participate in the defined Contribution Retirement Plan under chapter 16A of this title. Notwithstanding the foregoing, in the event of a conflict between the provisions of this subsection and the provisions of 10 U.S.C. § 12736 concerning the counting of the same full-time military

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

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

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

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

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

* * *

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

Retirement Fund by a single contribution, an amount computed at regular interest to be sufficient to provide at normal retirement an annuity equal to 1-2/3 percent of the member's average final compensation multiplied by the number of years purchased.

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

§ 479. GROUP INSURANCE

* * *

(c) Premiums for coverage of retired members of the Group C plan and their dependents in the group medical benefit plan shall be prorated on the same basis as is provided for active employees by the current collective bargaining agreement for the nonmanagement unit. The amounts designated as the State's share of premium for the medical benefit plan and the total premium for group life insurance provided under subdivision (a)(2) of this section shall be paid by the Benefits Fund ~~as an operating expense in accordance with subsection 473(d) of this title.~~

* * *

(e) As of January 1, 2007, and thereafter, upon retirement, members entitled to prorated group medical benefit plan premium payments from the Retirement System under the terms of this section shall have a one-time option to reduce the percentage of premium payments from the Retirement System during the member's life, with the provision that the Benefits Fund shall

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

(f) [Repealed.]

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

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

§ 479a. STATE EMPLOYEES' POSTEMPLOYMENT BENEFITS TRUST
FUND

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

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

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

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

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

(c) The ~~State Employees' Postemployment Benefits Trust~~ Fund shall be administered by the State Treasurer. The Treasurer may invest monies in the ~~State Employees' Postemployment Benefits Trust~~ 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 retirements system monies. All balances in the ~~State Employees' Postemployment Benefits Trust~~ Fund at the end of the fiscal year shall be carried forward. Interest earned shall remain in the ~~State Employees' Postemployment Benefits Trust~~ Fund. The Treasurer's annual financial report to the Governor and the General Assembly shall contain an accounting of receipts, disbursements, and earnings of the ~~State Employees' Postemployment Benefits Trust~~ Fund.

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

combination thereof. Contributions to the Benefits Fund shall be irrevocable and it shall be impossible at any time prior to the satisfaction of all liabilities, with respect to employees and their beneficiaries, for any part of the corpus or income of the Benefits Fund to be used for, or diverted to, purposes other than the payment of retiree postemployment benefits to members and their beneficiaries and reasonable expenses of administering the Benefits Fund and related benefit plans.

Sec. 21. 3 V.S.A. § 523 is amended to read:

§ 523. VERMONT PENSION INVESTMENT COMMITTEE; DUTIES

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

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

* * *

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

§ 632. CHARGE AGAINST DEPARTMENT APPROPRIATIONS

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

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

§ 635. COVERAGE; BENEFICIARIES OF DECEASED RETIREES

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

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

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

* * *

Sec. 24. 16 V.S.A. § 1933 is amended to read:

§ 1933. MEMBERS GENERALLY

* * *

(d) Should any Group A or Group C member who has less than five years of creditable service in any period of seven consecutive years after last becoming a member be absent from service more than six years, or should a member withdraw the member's accumulated contributions or die or retire under the provisions of this chapter, the member shall thereupon cease to be a member. However, the membership of any teacher granted leave of absence by the member's school board for the purpose of professional study or for the acceptance of an exchange position shall be continued during such leave of absence subject to Board rules relating thereto, if the member does not withdraw the member's contributions, if any, and such member shall be considered in the service of the State for the purposes of the System during such leave of absence. In the case of leaves of absence granted by a member's school board for purposes other than for professional study or for an exchange position, service credit shall be granted upon a contribution by the member or the member's school board. Such contribution shall be made at the member's current contribution rate multiplied by the member's earnable compensation for the year preceding the leave of absence. Beginning on July 1, 2021, such contribution shall be made within five years of the granted leave of absence.

* * *

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.