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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
22 completed 20 years of creditable service at retirement, ~~or, if earlier, the date of~~

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

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

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

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

1 their salary at retirement. Such additional retirement allowance shall be
2 treated as the normal retirement allowance for all purposes of the retirement
3 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~~
16 ~~to 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
16 the system on or after July 1, 2008, upon normal retirement, shall receive a
17 normal retirement allowance equal to ~~1-2/3~~ 1-2/3 percent of the member's
18 average final compensation times years of membership service. The maximum
19 retirement allowance shall be 60 percent of average final compensation.

20 (c) Early retirement.

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

2 § 460. ORDINARY DISABILITY RETIREMENT

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

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

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

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

15 (A) the member is mentally or physically incapacitated for the
16 further performance of duty; ₂

17 (B) ~~that~~ such incapacity has existed since the time of the member's
18 separation from service and is likely to be permanent; ₂ and

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

20 (b) In evaluating whether the member should be retired under subdivision

21 (a)(3)(C), The the Retirement Board may consider, or may ask the Medical

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

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

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

20 (5) ~~before any individual who is reassigned to another position rather~~
21 ~~than retired on disability may be terminated for performance reasons, the~~

1 ~~individual must first be reconsidered for disability retirement by the~~
2 ~~Retirement Board.~~

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

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

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

1 disability payments, equals 66-2/3 percent of his or her final average
2 compensation at the time of the disability retirement.

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

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

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

13 § 461. ACCIDENTAL AND OCCUPATIONALLY RELATED
14 DISABILITY RETIREMENT

15 * * *

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

20 (1) ~~A~~ a normal retirement allowance payable at normal retirement date,
21 based on the member's average final compensation at disability retirement and
22 the number of years of creditable service the member would have completed

1 had the member remained in service to his or her normal retirement date,
2 multiplied by

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

9 * * *

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

11 § 463. REINSTATEMENT FROM DISABILITY RETIREMENT

12 (a) Should a disability beneficiary be ~~restored~~ reinstated to service ~~or~~
13 ~~should any other beneficiary be restored to service~~, his or her retirement
14 allowance shall cease, and the beneficiary shall again become a member of the
15 Retirement System. Anything in this subchapter to the contrary
16 notwithstanding, upon his or her subsequent retirement, he or she shall be
17 credited with all the service creditable to him or her at the time of his or her
18 former retirement. ~~However, if such beneficiary is restored to membership~~
19 ~~after the attainment of 55 years of age, his or her pension upon subsequent~~
20 ~~retirement shall not exceed the sum of the pension which he or she was~~
21 ~~receiving immediately prior to his or her last restoration to membership and~~
22 ~~the pension that may have accrued on account of membership service since his~~

1 or her last restoration to membership, provided that the rate percent of his or
2 her total pension on his or her subsequent retirement shall not exceed the rate
3 he or she would have received had he or she remained in service during the
4 period of prior retirement.

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

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

14 § 464. ACCIDENTAL AND OCCUPATIONALLY RELATED DEATH
15 BENEFIT

16 * * *

17 (c) The retirement allowance payable to the eligible dependent spouse
18 beneficiary of a deceased member under this section shall be equal to
19 25 percent of the member's average final compensation at the time of his or
20 her death.

21 * * *

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

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

7 § 465. TERMINATION OF SERVICE; ORDINARY DEATH BENEFIT

8 * * *

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

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

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

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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~~

1 Office of Risk Management or its workers' compensation insurance carrier
2 shall notify the State Treasurer of commencement or termination of any
3 workers' compensation payments or awards to an employee who has been
4 reported by the State Treasurer as eligible to receive disability retirement
5 benefits.

6 * * *

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

8 § 468. OPTIONAL BENEFITS

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

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

1 amount payable as a result of the death of the member after retirement shall be
2 payable as follows:

3 (2) [Deleted.]

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

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

8 (C) In the absence of an open estate or Probate Division of the
9 Superior Court decree of distribution, and the deceased member's account is
10 valued at less than \$1,000.00, to the surviving spouse of the deceased owner,
11 or, if there is no surviving spouse, then to the next of kin according to
12 14 V.S.A. § ~~551~~ chapter 42.

13 * * *

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

15 § 469. ~~MINIMUM BENEFIT-GROUP C~~

16 ~~Anything contained in this title to the contrary notwithstanding, the benefit~~
17 ~~payable to or on account of a group C member hereunder, inclusive of any~~
18 ~~benefit provided by his additional contributions as specified in subsection~~
19 ~~473(b) of this title together with the Social Security benefit or survivor's~~
20 ~~insurance benefit, as the case may be, shall not be less than the benefit which~~
21 ~~would have been payable to him or her or on his or her account under the~~

1 ~~provisions of the Vermont State Police and Motor Vehicle Inspectors'~~
2 ~~Retirement System as in effect on June 30, 1972 had said System continued in~~
3 ~~effect unamended. [Repealed.]~~

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

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

7 * * *

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

11 * * *

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

15 (l) The Committee shall designate from time to time a depository for the
16 securities and evidences of indebtedness held in the Fund of the Retirement
17 System and may contract for the safekeeping of securities and evidences of
18 indebtedness within and without the State of Vermont in such banks, trust
19 companies, and safe-deposit facilities as it shall from time to time determine.
20 The necessary and incidental expenses of such safekeeping and for service
21 rendered, including advisory services in investment matters, shall be paid from

1 the operation expenses of the System as hereinafter provided. Any agreement
2 for the safekeeping of securities or evidences of indebtedness shall provide for
3 the access to such securities and evidences of indebtedness, except securities
4 loaned pursuant to a securities lending agreement as authorized by subsection
5 (m) of this section, at any time by the custodian or any authorized agent of the
6 State for audit or other purposes.

7 * * *

8 (n) The Board shall review annually the amount of State contribution
9 recommended by the actuary of the Retirement System as necessary to achieve
10 and preserve the financial integrity of the ~~fund~~ Retirement Fund established
11 pursuant to section 473 of this title. Based on this review, the Board shall
12 recommend the amount of State contribution that should be appropriated for
13 the next fiscal year to achieve and preserve the financial integrity of the ~~fund~~
14 Retirement Fund. On or before November 1 of each year, the Board shall
15 submit this recommendation to the Governor and the House and Senate
16 Committees on Government Operations and on Appropriations. The
17 provisions of 2 V.S.A. § 20(d) (expiration of required reports) shall not apply
18 to the report to be made under this subsection.

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

20 § 472. INVESTMENTS; INTEREST RATE; DISBURSEMENTS

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

3 (b) Member contributions.

4 (1) ~~Contributions deducted from the compensation of members together~~
5 ~~with any member contributions transferred thereto from the predecessor~~
6 ~~systems shall be accumulated in the Fund and separately recorded for each~~
7 ~~member. The amounts so transferred on account of Group A members shall be~~
8 ~~allocated between regular and additional contributions. The amounts so~~
9 ~~allocated as regular contributions shall be determined as if the rate of~~
10 ~~contribution of four percent has been continuously in effect in the predecessor~~
11 ~~system from which such amounts were transferred and the balance of any~~
12 ~~amount so transferred on account of any Group A member shall be deemed~~
13 ~~additional contributions. In the case of Group C members who were members~~
14 ~~as of the date of establishment and Group D members, all contributions~~
15 ~~transferred from predecessor systems shall be deemed regular contributions.~~
16 ~~Those members who, prior to the date of establishment of this system, had~~
17 ~~been contributing at a rate less than four percent shall have any benefit~~
18 ~~otherwise payable on their behalf actuarially reduced to reflect such prior~~
19 ~~contribution rate of less than four percent. Upon a member's retirement or~~
20 ~~other withdrawal from service on the basis of which a retirement allowance is~~
21 ~~payable, the member's additional contributions, with interest thereon, shall be~~

1 ~~paid as an additional allowance equal to an annuity which is the actuarial~~
2 ~~equivalent of such amount, in the same manner as the benefit otherwise~~
3 ~~payable under the System. [Repealed.]~~

4 (2) Commencing on July 1, 2016, contributions shall be 6.55 percent of
5 compensation for Group A, D, and F members and 8.43 percent of
6 compensation for Group C members. When the State Employees' Retirement
7 System has been determined by the actuary to have assets at least equal to its
8 accrued liability, contribution rates will be reevaluated by the actuary with a
9 subsequent recommendation to the General Assembly. In determining the
10 amount earnable by a member in a payroll period, the Retirement Board may
11 consider the annual or other periodic rate of earnable compensation payable to
12 such member on the first day of the payroll period as continuing throughout
13 such payroll period, and it may omit deduction from compensation for any
14 period less than a full payroll period if an employee was not a member on the
15 first day of the payroll period, and to facilitate the making of deductions it may
16 modify the deduction required of any member by such an amount as, on an
17 annual basis, shall not exceed one-tenth of one percent of the annual earnable
18 compensation upon the basis of which such deduction is to be made. Each of
19 the amounts shall be deducted until the member retires or otherwise withdraws
20 from service, and when deducted shall be paid into the ~~Annuity Savings~~

1 Retirement Fund, and shall be credited to the individual account of the
2 member from whose compensation the deduction was made.

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

11 ~~(4) Subject to the approval of the Retirement Board, in addition to the~~
12 ~~contributions deducted from compensation as hereinbefore provided, any~~
13 ~~member may redeposit in the Fund by a single payment or by an increased rate~~
14 ~~of contribution an amount equal to the total amount which the member~~
15 ~~previously withdrew from this System or one of the predecessor systems; or~~
16 ~~any member may deposit therein by a single payment or by an increased rate~~
17 ~~of contribution an amount computed to be sufficient to purchase an additional~~
18 ~~annuity which, together with prospective retirement allowance, will provide~~
19 ~~for the member a total retirement allowance not in excess of one-half of~~
20 ~~average final compensation at normal retirement date, with the exception of~~
21 ~~Group D members for whom creditable service shall be restored upon~~

1 ~~redeposits of amounts previously withdrawn from the System, or for whom~~
2 ~~creditable service shall be granted upon deposit of amounts equal to what~~
3 ~~would have been paid if payment had been made during any period of service~~
4 ~~during which such a member did not contribute. Such additional amounts so~~
5 ~~deposited shall become a part of the member's accumulated contributions as~~
6 ~~additional contributions. [Repealed.]~~

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

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

13 (7) [Repealed.]

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

15 (1) Employer contributions and the reserves for the payment of all
16 pensions ~~and other benefits~~, including all interest and dividends earned on the
17 assets of the Retirement System, shall be accumulated in the Retirement Fund,
18 ~~and all~~ All expenses of the System and benefits payable under the System,
19 except for retired employees' health and medical benefits, and the expenses of
20 ~~the System~~ shall be paid from the Retirement Fund. Annually, the Retirement
21 Board shall allow regular interest on the individual accounts of members in the

1 Retirement Fund ~~which~~ that shall be credited to each member's account within
2 the Retirement Fund.

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

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

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

1 unfunded accrued liability is liquidated, the basic accrued liability contribution
2 shall be the annual payment required to liquidate the unfunded accrued
3 liability over a closed period of 30 years ending on June 30, 2038, provided
4 that:

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

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

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

18 (5)–(7) [Repealed.]

19 (d) Contributions of State. As provided by law, the Retirement Board shall
20 certify to the Governor or Governor-Elect a statement of the percentage of the
21 payroll of all members sufficient to pay for all operating expenses of the

1 Vermont State Employees Retirement System and all contributions of the State
2 that will become due and payable during the next biennium. The contributions
3 of the State shall be charged to the departmental appropriation from which
4 members' salaries are paid and shall be included in each departmental
5 budgetary request.

6 (e) [Repealed.]

7 (f) Contributions paid by State. Notwithstanding the provisions of
8 subdivision (b)(2) of this section to the contrary and pursuant to the provisions
9 of Section 414(h) of the Internal Revenue Code, the State shall pick up and
10 pay the contributions required to be paid by members with respect to service
11 rendered on and after March 1, 1998. Contributions picked up by the State
12 shall be designated for all purposes as member contributions, except that they
13 shall be treated as State contributions in determining tax treatment of a
14 distribution. Each member's compensation shall be reduced by an amount
15 equal to the amount picked up by the State. This reduction, however, shall not
16 be used to determine annual earnable compensation for purposes of
17 determining average final compensation. Contributions picked up under this
18 subsection shall be credited to the Retirement Fund. To ensure that the
19 provisions of this subsection are cost neutral to the State, the contributions
20 rates established under subdivision 473(b)(2) of this title shall be increased by
21 one-tenth of one percent of compensation.

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

2 § 474. PREDECESSOR SYSTEMS

3 Any beneficiary of a predecessor system who is in receipt of a benefit on
4 the date of establishment shall become a beneficiary hereunder and shall
5 continue to receive the benefit being paid from the Retirement Fund of this
6 System, under the conditions of the predecessor system as in effect at the time
7 of the member's retirement, subject to such adjustment as provided for in
8 section 470 of this title. Any former member of a predecessor system who,
9 upon termination of service, was eligible for a deferred benefit under the
10 provisions of that System, the payment of which has not commenced as of the
11 date of establishment, shall continue to be so eligible, and shall receive such
12 benefit from the System subject to the conditions of the predecessor system as
13 in effect at the time the member's service was terminated. The cash and
14 securities to the credit of the predecessor systems on the date of establishment
15 shall be transferred to this Retirement System, the amount of each member's
16 accumulated contributions included in such transfer shall be credited to the
17 member's individual account in the ~~fund~~ Retirement Fund to become a part of
18 the member's accumulated contributions, and the balance shall be credited to
19 the Retirement Fund.

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

21 § 477. PRIOR SERVICE CREDIT

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

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

11 § 477a. ELECTIONS

12 (a) Any member who has rendered 15 years of creditable service and who
13 has, prior to becoming a member of the System, served a minimum of one full
14 year of full-time service in the military or one full year of full-time service as a
15 member of the Cadet Nurse Corps in World War II, the Peace Corps, VISTA,
16 or AmeriCorps for which the member has derived no military pension benefits,
17 may elect to have included in the member's creditable service all or any part of
18 the member's military, Cadet Nurse Corps, Peace Corps, VISTA, or
19 AmeriCorps service not exceeding five years. Any member who so elects
20 shall deposit in the Retirement Fund by a single contribution the amount or
21 amounts determined by the System's actuary to be cost neutral to the System.

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

17 (b) Any member who rendered service in the capacity of an employee for
18 another state, as defined by the Board, may elect to have included in the
19 member's creditable service, all or part of any period of such service. Any
20 member who so elects shall deposit in the Retirement Fund by a single

1 contribution the amount or amounts determined by the System's actuary to be
2 cost neutral to the System.

3 (c) Any member may elect to have included in the member's creditable
4 service, years of service as a municipal employee or as a teacher in a public or
5 private school, as defined by the Board. 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. No
8 application for credit under this subsection shall be granted if at the time of
9 application, the member has a vested right to retirement benefits in another
10 Retirement System based upon that service.

11 (d) Any member may elect to have included in the member's creditable
12 service all or any part of the member's service as a permanent State employee
13 for which the member received no credit. Any member who so elects shall
14 deposit in the Retirement Fund by a single contribution the amount or amounts
15 determined by the System's actuary to be cost neutral to the System. Any
16 ~~group~~ Group F member may elect to increase his or her retirement allowance
17 for years of service as a ~~group~~ Group E member prior to January 1, 1991, for
18 1-1/4 percent of average final compensation to 1-2/3 percent of average final
19 compensation. A member making an election under this subdivision shall
20 deposit in the ~~Annuity Savings~~ Retirement Fund by a single contribution an
21 amount computed at regular interest to be sufficient to provide at normal

1 retirement an annuity equal to 1-2/3 percent of the member's average final
2 compensation multiplied by the number of years of service for which the
3 member elects to increase his or her retirement allowance. Any ~~group~~
4 Group F member who is actively employed on June 30, 2007, and who was a
5 member of the ~~group~~ Group B plan prior to June 30, 1998, may elect to
6 convert some or all of his or her ~~group~~ Group B service to ~~group~~ Group C
7 service. A member making an election to convert shall deposit in the
8 Retirement Fund by a single contribution an amount computed by the actuary
9 to pay for the additional liability incurred by the increase in benefits between
10 the ~~group~~ Group B and the ~~group~~ Group C plan multiplied by the number of
11 years of service ~~which~~ that the member elects to convert.

12 * * *

13 (h) When a member has a minimum of 25 years of creditable service, he or
14 she may elect to purchase up to five years of additional service credit. A
15 member who makes an election under this subsection shall deposit in the ~~fund~~
16 Retirement Fund by a single contribution, an amount computed at regular
17 interest to be sufficient to provide at normal retirement an annuity equal to 1-
18 2/3 percent of the member's average final compensation multiplied by the
19 number of years purchased.

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

21 § 479. GROUP INSURANCE

1 (f) [Repealed.]

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

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

14 § 479a. STATE EMPLOYEES' POSTEMPLOYMENT BENEFITS TRUST
15 FUND

16 (a) A "State Employees' Postemployment Benefits Trust Fund" (Benefits
17 Fund) is hereby created for the purpose of accumulating and providing
18 reserves to support retiree postemployment benefits for members, and to make
19 distributions from the Benefits Fund for current and future postemployment
20 benefits for retirees of the Vermont State Employees' Retirement System,
21 excluding pensions and benefits otherwise appropriated by statute and for the

1 payment of reasonable and proper expenses of administering the Benefits Fund
2 and related benefit plans. The Benefits Fund shall not be part of the
3 Retirement System, but is intended to comply with and be a tax exempt
4 governmental trust under Section 115 of the Internal Revenue Code of 1986,
5 as amended.

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

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

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

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

20 (c) The ~~State Employees' Postemployment Benefits Trust~~ Fund shall be
21 administered by the State Treasurer. The Treasurer may invest monies in the

1 ~~State Employees' Postemployment~~ Benefits Trust Fund in accordance with the
2 provisions of 32 V.S.A. § 434 or, in the alternative, may enter into an
3 agreement with the Committee to invest such monies in accordance with the
4 standards of care established by the prudent investor rule under 14A V.S.A.
5 § 902, in a manner similar to the Committee's investment of retirements
6 system monies. All balances in the ~~State Employees' Postemployment~~
7 Benefits Trust Fund at the end of the fiscal year shall be carried forward.
8 Interest earned shall remain in the ~~State Employees' Postemployment~~ Benefits
9 Trust Fund. The Treasurer's annual financial report to the Governor and the
10 General Assembly shall contain an accounting of receipts, disbursements, and
11 earnings of the ~~State Employees' Postemployment~~ Benefits Trust Fund.

12 (d) All funds of the ~~State Employees' Postemployment~~ Benefits Trust Fund
13 shall be held in one or more trusts, custodial accounts treated as trusts, or a
14 combination thereof. Contributions to the Benefits Fund shall be irrevocable
15 and it shall be impossible at any time prior to the satisfaction of all liabilities,
16 with respect to employees and their beneficiaries, for any part of the corpus or
17 income of the Benefits Fund to be used for, or diverted to, purposes other than
18 the payment of retiree postemployment benefits to members and their
19 beneficiaries and reasonable expenses of administering the Benefits Fund and
20 related benefit plans.

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

2 § 523. VERMONT PENSION INVESTMENT COMMITTEE; DUTIES

3 (a) The Vermont Pension Investment Committee shall be responsible for
4 the investment of the assets of the State Teachers' Retirement System of
5 Vermont, the Vermont State Employees' Retirement System, and the Vermont
6 Municipal Employees' Retirement System pursuant to section 472 of this title,
7 16 V.S.A. § 1943, and 24 V.S.A. § 5063. The Committee shall strive to
8 maximize total return on investment, within acceptable levels of risk for public
9 retirement systems, in accordance with the standards of care established by the
10 prudent investor rule under 14A V.S.A. § 902. The Committee may, in its
11 discretion, subject to approval by the Attorney General, also enter into
12 agreements with municipalities administering their own retirement systems to
13 invest retirement funds for those municipal pension plans. The State Treasurer
14 shall serve as the custodian of the funds of all three retirement systems. The
15 Committee may, in its discretion, also enter into agreements with the State
16 Treasurer to invest the State Employees' Postemployment Benefits Trust Fund,
17 established in 3 V.S.A. § 479a, and the Retired Teachers' Health and Medical
18 Benefits Fund, established in 16 V.S.A. § 1944b.

19 * * *

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

2 § 632. CHARGE AGAINST DEPARTMENT APPROPRIATIONS

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

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

11 § 635. COVERAGE; BENEFICIARIES OF DECEASED RETIREES

12 (a) The surviving spouse of a retired employee who elected option 3 or
13 option 4 under section 468 of this title shall be eligible to participate in the
14 group health insurance program provided in this chapter. Premiums shall be
15 paid at the full actuarial rate by the eligible spouse with no contribution from
16 the State, except as specified in subsection (b) of this section and subsection
17 479(e) of this title, and shall be deducted from the eligible spouse's retirement
18 check.

19 (b) Premiums paid by the surviving spouse of a retired employee who
20 retired due to disability after January 1, 1998 and died prior to age 65 years of
21 age, and the surviving dependents of an employee who died in service after

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

15 * * *

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

17 § 1933. MEMBERS GENERALLY

18 * * *

19 (d) Should any Group A or Group C member who has less than five years
20 of creditable service in any period of seven consecutive years after last
21 becoming a member be absent from service more than six years, or should a

1 member withdraw the member's accumulated contributions or die or retire
2 under the provisions of this chapter, the member shall thereupon cease to be a
3 member. However, the membership of any teacher granted leave of absence
4 by the member's school board for the purpose of professional study or for the
5 acceptance of an exchange position shall be continued during such leave of
6 absence subject to Board rules relating thereto, if the member does not
7 withdraw the member's contributions, if any, and such member shall be
8 considered in the service of the State for the purposes of the System during
9 such leave of absence. In the case of leaves of absence granted by a member's
10 school board for purposes other than for professional study or for an exchange
11 position, service credit shall be granted upon a contribution by the member or
12 the member's school board. Such contribution shall be made at the member's
13 current contribution rate multiplied by the member's earnable compensation
14 for the year preceding the leave of absence. Beginning on July 1, 2021, such
15 contribution shall be made within five years of the granted leave of absence.

16 * * *

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

18 § 1944b. RETIRED TEACHERS' HEALTH AND MEDICAL BENEFITS

19 FUND

20 * * *

