

Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

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H.523 An act relating to miscellaneous changes to the State's retirement systems – As passed House and Senate Government Operation

Summary: The Bill has no ongoing fiscal impact. \$65,000 in general funds is appropriated in Section 4(e) but the money is also appropriated in the budget in section B.1101(a)(1) as passed by the House so the appropriation in this bill should be deleted. The bill makes technical changes to bring the law in line with federal requirements and current practice and understanding:

Section 1: No Fiscal Impact: Makes Vermont law consistent with Federal tax requirements. It allows pretax voluntary contributions but not after tax contributions. Those can still be made through the States Deferred Comp program.

From Treasurer:

Per federal tax requirements, voluntary employee contributions can be made to a defined contribution plan only on an after-tax basis. The statute as written states that such voluntary employee contributions are not taxed until distribution. The proposed change removes this statement and will allow the Plan to accept voluntary employee contributions in a manner consistent with federal tax requirements.

Section 2: No Fiscal Impact: Corrects current transition language that enabled teacher's spouses to receive health care by addressing a lack of clarity for a group of teachers that had less than 10 years' experience in 2010. Section 2(a)(A) addresses that. Other changes were made for greater clarity in the language.

From Treasurer:

Retiree Spousal Health Care in the Teachers Systems: In 2010, changes were made to the Teachers System to, among other things, increase employee contributions and provide for a new subsidized health coverage for retired teachers' spouses. To access this new benefit, teachers had to work for defined time periods before and after the date of the change in 2010. The statute appears to have inadvertently left out teachers who have less than 10 years as of 2010 from accessing this benefit, which is inconsistent with the intent of the statute at the time. The proposed change keeps the requirements for the benefit the same, and it corrects the error regarding newer teachers

Section 3: No Fiscal Impact: Corrects technical error in language related to municipality elections to join the municipal retirement system.

From Treasurer:

The proposed change here simply corrects a typo and includes an internal cross reference that seems to have been omitted.

Section 4: Fiscal Impact \$65,000 general funds for legal experts and actuarial services and staff time for the study: Proposal provides for study of law enforcement retirement benefits. The \$65,000 general fund estimate was based on discussions with the treasurer after an initial request for \$75,000. Estimates have ranged from \$50,000 to \$100,000. The Treasurer expects to absorb \$10,000 in her budget for per diems.

From Treasurer:

Law Enforcement Retirement Benefits Study Committee: This section creates a new study committee comprised a wide group of stakeholders to evaluate the requirements for membership in Group C of the Vermont State Employees Retirement System and make recommendations to the General Assembly. Key tasks include: Review current employee positions in Group C and evaluating whether the requirements for membership in Group C are tailored to provide the appropriate retirement benefit to the appropriate group of employees Review whether applicable federal requirements, e.g., the Age Discrimination in Employment Act, merit any changes to the requirements of Group C Make recommendations about membership in Group C and or benefit adjustments for Group C members. This section provides for a \$65,000 in general funds appropriation to allow for the retention of expert legal and actuarial services in support of the Study Committee.