This act summary is provided for the convenience of the public and members of the General Assembly. It is intended to provide a general summary of the act and may not be exhaustive. It has been prepared by the staff of the Office of Legislative Counsel without input from members of the General Assembly. It is not intended to aid in the interpretation of legislation or to serve as a source of legislative intent.

Act No. 114 (S.286). Executive; education; Vermont State Employees' Retirement System; Vermont Teachers' Retirement System; pensions

An act relating to amending various public pension and other postemployment benefits

This act makes various amendments to public pension benefits and other postemployment benefits, including:

- For the Vermont State Employees' Retirement System (VSERS):
  - Beginning in FY 2023, increasing the contribution rates of active employees.
  - Modifying the cost-of-living-adjustment (COLA) formula.
  - Adding a Group G plan that includes facility employees of the Department of Corrections, Department of Corrections employees who provide direct security and treatment services to offenders under the supervision in the community, employees of a facility for justice-involved youth, and Vermont State Hospital employees or employees of its successor.
  - Increasing the normal retirement age and adding a longevity incentive for Group C members.
  - Increasing the normal retirement age and the retirement allowance formula for certain Group D members.
  - Modifying the cost-of-living adjustment structure.
  - In FY 2022, making a one-time payment of $75 million in general funds towards the unfunded liability using 50 percent of the $150 million reserved in general funds in the FY 2021 Budget.
  - Beginning in FY 2024, annually funding an additional payment to the actuarially determined employer contribution (ADEC) that grows to $15 million in FY 2026 and remains at that level until the fund reaches 90 percent funded.
  - Amending the General Fund year-end surplus construct to reallocate 25 percent to the unfunded liability.
  - Creating a schedule to prefund other postemployment benefits (OPEB).

- For the Teachers' Retirement System:
  - In FY 2023 and FY 2024, increasing the contribution rates for all active members according to a rate calculated by income bracket and in FY 2025 and annually thereafter, implementing a marginal rate schedule.
  - Requiring the Secretary of Digital Services and the State Treasurer to report back on the implementation of a marginal contribution rate schedule for active members beginning in FY 2025.
  - Modifying the COLA formula, including the creation of a postretirement adjustment account to receive 25 percent from the General Fund end-of-year surplus, which may be used for COLA increases as approved by the General Assembly upon recommendation by the Board, after the System is 80 percent funded and the account has sufficient assets to pay for the increase.
  - In FY 2022, making a one-time payment of $75 million in general funds towards the unfunded liability using 50 percent of the $150 million reserved in general funds in the FY 2021 Budget, plus an additional $50 million in general funds towards the unfunded liability.
  - Beginning in FY 2024, annually funding an additional payment to the ADEC that grows to $15 million in FY 2026 and remains at that level until the fund reaches 90 percent funded.
  - In FY 2023, unreserving $13.3 million of Education Fund to begin prefunding other postemployment benefits by making a one-time appropriation into the Retired Teachers' Health and Medical Benefits Fund.
  - Creating a prefunding schedule that charges the OPEB normal cost to the Education Fund.

Multiple effective dates, beginning on May 9, 2022