

1 Introduced by Committee on Government Operations

2 Date:

3 Subject: Executive Branch; retirement systems; Vermont State Employees’

4 Retirement System; Vermont Teachers’ Retirement System; Vermont

5 Municipal Employees’ Retirement System

6 Statement of purpose of bill as introduced: This bill proposes to (1) amend the

7 membership and duties of the Vermont Pension Investment Committee, and (2)

8 create the **Pension Benefits, Design, and Funding Task Force.**

9 **An act relating to the membership and duties of the Vermont Pension**
10 **Investment Committee and the creation of the Pension Benefits and**
11 **Funding Task Force**

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

13 Sec. 1. 3 V.S.A. chapter 17 is amended to read:

14 CHAPTER 17. ~~VERMONT STATE POLICE AND MOTOR VEHICLE~~

15 ~~INSPECTORS’ RETIREMENT SYSTEM~~ VERMONT PENSION

16 INVESTMENT COMMITTEE

17 § 521. DEFINITIONS

18 As used in this chapter:

19 (1) “Committee” means the Vermont Pension Investment Committee.

20 (2) “Financial Expert” means an individual with material expertise and

21 experience in institutional fund management, or other significant pension or

22 other relevant financial expertise.

1 (3) “Independent” means an individual who does not have a direct or
2 indirect material interest in the Plans.

3 (A) An individual has a direct or indirect material interest in the Plan
4 if: (i) the individual or the individual’s spouse, parent, child, sibling, or in-law
5 is a beneficiary of any of the Plans; or (ii) the individual or the individual’s
6 spouse, parent, child, sibling, or in-law is or has been within the past five years
7 an employee, director, officer, consultant, owner, consultant, manager, or had
8 another material role with an entity servicing the Plan.

9 (B) An individual is considered an owner of a publicly traded
10 company if the individual owns, directly or indirectly, five percent or more of a
11 class of the company’s equity securities registered under the Securities
12 Exchange Act of 1934 (15 U.S.C. § 78 et seq.), as amended.

13 (4) “Plans” means the State Teachers’ Retirement System of Vermont,
14 the Vermont State Employees’ Retirement System, and the Vermont Municipal
15 Employees’ Retirement System pursuant to section 472 of this title, 16 V.S.A.
16 § 1943, and 24 V.S.A. § 5063.

17 § 522. VERMONT PENSION INVESTMENT COMMITTEE

18 (a) Members. There is created the Vermont Pension Investment
19 Committee, an independent committee, to comprise ~~seven~~ 10 members as
20 follows:

21 (1) one member and one alternate, who may or may not be trustees of
22 the Board of the Vermont State Employees’ Retirement System, elected by the

1 employee and retiree members of ~~that board~~ the Board of the Vermont State

2 Employees' Retirement System;

3 (2) one member and one alternate, ~~who may or may not be trustees of~~
4 the Board of the State Teachers' Retirement System of Vermont, elected by the
5 employee and retiree members of ~~that~~ the Board of the State Teachers'

6 Retirement System of Vermont;

7 (3) one member and one alternate, ~~who may or may not be trustees of~~
8 the Board of the Vermont Municipal Employees' Retirement System, elected
9 by the municipal employee and municipal official members of ~~that~~ the Board
10 of the Vermont Municipal Employees' Retirement System;

11 (4) two members and one alternate, who shall each be a financial expert
12 and independent, appointed by the Governor;

13 (5) the State Treasurer or designee, an ex-officio voting member; and

14 (6) one member, appointed by the other ~~six voting~~ nine members of the
15 Committee, who shall serve as Chair of the Committee and at the pleasure of
16 the Committee;

17 (7) the Commissioner of Financial Regulation or designee, an ex-officio
18 voting member;

19 (8) one municipal employer, appointed by the Executive Director of the
20 Vermont League of Cities and Towns; and

21 (9) one school employer, appointed by the Vermont School Boards
22 Association.

1 (b) Training. ~~An authority responsible for electing or appointing a member~~
2 ~~or alternate shall consider the experience and knowledge of potential members~~
3 ~~and alternates consistent with the purposes of the Committee, and shall inform~~
4 ~~potential members and alternates that they shall participate in~~ Members and
5 alternates of the Committee shall be required to participate in onboarding and
6 ongoing periodic training in investments, securities, and fiduciary
7 responsibilities as directed by the Committee. The Committee shall provide an
8 annual report to the respective authorities responsible for electing and
9 appointing members and alternates regarding attendance at Committee
10 meetings and relevant educational programs attended.

11 (c) ~~Initially, one appointee and the alternate appointee of the Governor~~
12 ~~shall serve a two-year term, and the second appointee shall serve for a four-~~
13 ~~year term. Thereafter, the Governor's appointees and alternate appointee shall~~
14 ~~serve for four-year terms. Initially, the member and alternate chosen by the~~
15 ~~Vermont Municipal Employees' Retirement Board shall serve for a two-year~~
16 ~~term, the member and alternate chosen by the Vermont State Teachers'~~
17 ~~Retirement Board shall serve for a three-year term and the member and~~
18 ~~alternate chosen by the Vermont State Employees' Retirement Board shall~~
19 ~~serve for a four-year term. Thereafter, all members and alternates shall serve~~
20 ~~for four-year terms.~~ Member terms.

21 (1) Except as provided in subdivision (2) of this section and for the ex-
22 officio members of the Committee, all members of the Committee shall serve
23 staggered four-year terms. A vacancy created before the expiration of a term

1 shall be filled in the same manner as the original appointment for the unexpired
2 portion of the term. A member appointed to fill a vacancy created before the
3 expiration of a term shall not be deemed to have served a term for the purpose
4 of this subsection. Members of the Committee shall be eligible for
5 reappointment and shall serve not more than three terms. **Members of the**
6 **Board may be removed only for cause. The Board shall adopt rules pursuant to**
7 **3 V.S.A. chapter 25 to define the basis and process for removal.**

8 (2) The Chair shall serve not more than 20 years on the Committee as a
9 Chair or Committee member. If the Chair is unable to perform his or her
10 duties, the Committee shall elect an interim Chair who shall be a financial
11 expert or independent.

12 (3) Terms shall end on June 30 with new terms beginning on July 1.

13 (4) Notwithstanding subdivision (3) of this subsection, members shall
14 serve until their successors are appointed subject to the term limits provided in
15 this subsection.

16 (d) Chair and vice chair.

17 (1) The Chair of the Vermont Pension Investment Committee shall be a
18 nonvoting member, except in the case of a tie vote.

19 (2) The Vermont Pension Investment Committee shall elect a vice chair
20 from among its members.

21 **(e) The Vermont Pension Investment Committee shall elect a vice chair**
22 **from among its members Eligibility. No legislator who is currently serving in**
23 **the General Assembly shall serve on the Committee.**

1 (f) ~~Four~~ Meetings.

2 (1) Five members of the Committee shall constitute a quorum.

3 (2) If a member is not in attendance, the alternate of that member shall
4 be eligible to act as a member of the Committee during the absence of the
5 member.

6 (3) ~~Four~~ Five concurring votes shall be necessary for a decision of the
7 Committee at any meeting of the Committee. ~~The Committee shall be attached~~
8 ~~to the Office of the State Treasurer for administrative support, and the~~
9 ~~expenses of the Committee and the Treasurer's office in support of the~~
10 ~~Committee shall be paid proportionately from the funds of the three retirement~~
11 ~~systems and any individual municipalities that have been allowed to invest~~
12 ~~their retirement funds pursuant to subsection 523(a) of this title.~~

13 (g) Leave time. Public employee members and alternates shall be granted
14 reasonable leave time by their employers to attend Committee meetings and
15 Committee-related educational programs.

16 (h) ~~The Committee shall provide an annual report to the respective~~
17 ~~authorities responsible for electing and appointing members and alternates~~
18 ~~regarding attendance at Committee meetings and relevant educational~~
19 ~~programs attended~~ Compensation and reimbursements. Members and
20 alternates of the Committee who are not public employees shall be entitled to
21 compensation as set forth in 32 V.S.A. § 1010 and reimbursement for all
22 necessary expenses that they may incur through service on the Committee from
23 the funds of the retirement systems. The Chair of the Committee may be

1 compensated from the funds at a level not to exceed one-third of the salary of
2 the State Treasurer, as determined by the other members of the Committee.

3 (i) ~~A vacancy of an elected or appointed member or alternate shall be filled~~
4 ~~for the remainder of the term by the authority responsible for electing or~~
5 ~~appointing that member or alternate~~ Assistance and expenses.

6 (1) The Committee shall have the administrative and technical support
7 of the Office of the State Treasurer.

8 (2) The Committee may collect proportionally from the funds of the
9 three retirement systems and any individual municipalities that have been
10 allowed to invest their retirement funds pursuant to subsection 523(a) of this
11 title, any expenses incurred that are associated with carrying out its duties, and
12 any expenses incurred by the Treasurer's office in support of the Committee.

13 (3) The Attorney General shall serve as legal advisor to the Committee.

14 § 523. VERMONT PENSION INVESTMENT COMMITTEE; DUTIES

15 (a) General. The Vermont Pension Investment Committee shall be
16 responsible for the investment of the assets of the State Teachers' Retirement
17 System of Vermont, the Vermont State Employees' Retirement System, and
18 the Vermont Municipal Employees' Retirement System pursuant to section
19 472 of this title, 16 V.S.A. § 1943, and 24 V.S.A. § 5063. The Committee
20 shall strive to maximize total return on investment, within acceptable levels of
21 risk for public retirement systems, in accordance with the standards of care
22 established by the prudent investor rule under 14A V.S.A. § 902. The
23 Committee may, in its discretion, subject to approval by the Attorney General,

1 also enter into agreements with municipalities administering their own
2 retirement systems to invest retirement funds for those municipal pension
3 plans. The State Treasurer shall serve as the custodian of the funds of all three
4 retirement systems. The Committee may, in its discretion, also enter into
5 agreements with the State Treasurer to invest the State Employees’
6 Postemployment Benefits Trust Fund, established in 3 V.S.A. § 479a, and the
7 Retired Teachers’ Health and Medical Benefits Fund, established in 16 V.S.A.
8 § 1944b.

9 ~~(b) Members and alternates of the Committee who are not public employees~~
10 ~~shall be entitled to compensation as set forth in 32 V.S.A. § 1010 and~~
11 ~~reimbursement for all necessary expenses that they may incur through service~~
12 ~~on the committee from the funds of the retirement systems. The Chair of the~~
13 ~~Committee may be compensated from the funds at a level not to exceed one-~~
14 ~~third of the salary of the State Treasurer, as determined by the other members~~
15 ~~of the Committee~~ Powers and Duties. The Committee shall have the following
16 duties:

17 (1) Set the following actuarial assumptions:

18 (A) the investment rate of return;

19 (B) the inflation rate; and

20 (C) the smoothing rate method used for the actuarial valuation of
21 assets and returns.

22 (2) **Not more than 180 days after the end of each fiscal year,** conduct an
23 asset allocation study that reviews the expected return of each fund, including a

1 risk analysis using best practices methodologies to estimate potential risks to
2 the fund’s asset values over a five-, 10-, and 20-year period, and the remainder
3 of the statutory amortization period. The study shall be submitted to the
4 General Assembly and the Office of the Governor and made publicly available
5 on the State Treasurer’s website within 10 days of completion.

6 (c) Recordkeeping. The Committee shall keep a record of all its
7 proceedings, which shall be open for public inspection.

8 (d) Policies. The Committee shall formulate policies and procedures
9 deemed necessary and appropriate to carry out its functions, including a
10 written statement of the responsibilities of and expectations for the Chair of the
11 Committee and standards of conduct for members and employees of the
12 Committee in order to maintain and promote public confidence in the integrity
13 of the Board and Committee. The standard of conduct policies shall prohibit
14 members and employees from receiving or soliciting any gift, including meals,
15 alcoholic beverages, travel fare, room and board, or any other thing of value,
16 tangible or intangible, from any vendor or potential vendor of investment
17 services, management services, brokerage services, and other services to the
18 Committee.

19 (e) ~~The Attorney General shall serve as legal advisor to the Committee~~
20 Contracts.

21 (f) Contracts approved by the Committee and related documents may be
22 executed by the Chair, or in the Chair’s absence, the Vice Chair.

1 (f) Asset and liability study. Beginning on July 1, 2022, and every three
2 years thereafter, based on the most recent actuarial valuations of each Plan, the
3 Committee shall study the assets and liabilities of each Plan over a 20-year
4 period. The study shall:

5 (1) project the expected path of the key indicators of each Plan’s
6 financial health based on all current actuarial and investment assumptions,
7 current contribution and benefit policies, including the Plans’ mark to market
8 funded ratio, actuarially required contributions by source, payout ratio, and
9 related liquidity obligations; and

10 (2) project the effect on each Plan’s financial health resulting from:

11 (A) possible material deviations from Plan assumptions in investment
12 assumptions, including returns versus those expected and embedded in the
13 actuary’s estimate of actuarially required contributions and any material
14 changes in capital markets volatility; and

15 (B) possible material deviations from key plan actuarial assumptions,
16 including retiree longevity, potential benefit increases, and inflation.

17 (g) Changes to actuarial rate of return. Notwithstanding any other
18 provision of law to the contrary, Any changes to the actuarial rate of return
19 shall be made at a joint meeting of by the Committee and the appropriate
20 Retirement Board. The Board and Committee shall review the
21 recommendations of the actuary and the investment consultant. A change to an
22 actuarial rate of return shall be by joint resolution of the Board and Committee.
23 Each body shall vote according to its own procedures. In the event that the

1 Board and Committee are unable to agree on an actuarial rate of return, the
2 existing assumed rate of return shall remain in effect.

3 (h) Annual reports.

4 (1) Beginning on January 15, 2022, and every year thereafter, the
5 Committee shall submit to the House and Senate Committees on Government
6 Operations:

7 (A) a report on the performance of each Plan versus its demographic
8 investment and other actuarial assumptions over three-, five-, seven-, and ten-
9 year period, and the funding ratio of each plan to each plan beneficiary at the
10 end of each fiscal year; and

11 (B) a report on the status of the funding and investment performance
12 of each Plan and any relevant information from the asset liability and scenario
13 testing completed during the prior fiscal year.

14 (2) The Committee shall send a written copy of the report described in
15 subdivision (1) of this subsection to the participants and beneficiaries of each
16 Plan.

17 Sec. 2. VERMONT PENSION INVESTMENT COMMITTEE;

18 TRANSITION OF MEMBER TERMS

19 The transition of the member terms of the Vermont Pension Investment
20 Committee, created in Sec. 1 of this act, are as follows:

21 (1) Beginning on July 1, 2021, members shall be appointed to fill the
22 new member seats established in 3 V.S.A. § 522(a)(7)–(9) in Sec. 1 of this act.
23 The member appointed pursuant to 3 V.S.A. § 522(a)(8) in Sec. 1 of this act

1 shall serve an initial term of one year, and the member appointed pursuant to 3
2 V.S.A. § 522(a)(9) in Sec. 1 of this act shall serve an initial term of two years.

3 (2) Members and alternates serving on the Committee as of the date of
4 enactment of this act shall serve until the June 30 in the year prior to the
5 expiration of their current terms or June 30, 2023, whichever is
6 earlier. Current members and alternates may be reappointed if they meet the
7 eligibility, qualification, and term limit requirements of 3 V.S.A. § 522 in
8 Sec. 1 of this act.

9 Sec. 3. VERMONT PENSION INVESTMENT COMMITTEE; FISCAL
10 YEAR 2023 REPORTS

11 (a) On or before January 15, 2022, the Committee shall develop a written
12 policy for implementing the asset allocation study and the asset and liability
13 study required by 3 V.S.A. § 523 and shall make the policy publicly available
14 on the Committee’s website.

15 (b) On or before July 1, 2021, the Committee shall hire an independent
16 third party to review and report on the operations of the Committee and the
17 Retirement Division of the Treasurer’s Office and make recommendations on
18 best practices and necessary actions to transfer the Committee to a standalone
19 entity. The report shall include a review of budgetary authority, frequency of
20 trainings, transfer or hiring of personnel, and compensation. On or before
21 January 15, 2022, the Committee shall submit a copy of the report to the House
22 and Senate Committees on Government Operations.

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

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

3 * * *

4 (j) The Retirement Board shall designate an actuary who shall be the
5 technical advisor of the Board on matters regarding the operation of the Fund
6 of the Retirement System, and shall perform such other duties as are required
7 in connection therewith. Immediately after the establishment of the Retirement
8 System, the Retirement Board shall adopt for the Retirement System such
9 mortality and service tables as shall be deemed necessary and shall certify the
10 rates of contribution payable under the provisions of this subchapter. At least
11 once in each ~~five-year~~ three-year period following the establishment of the
12 System, the actuary shall make an actuarial investigation into the mortality,
13 service, and compensation experience of the members and beneficiaries of the
14 Retirement System, and taking into account the results of such investigation,
15 the Retirement Board shall adopt for the Retirement System such mortality,
16 service, and other tables as shall be deemed necessary and shall certify the
17 rates of contribution payable under the provisions of this subchapter.

18 * * *

19 Sec. 5. 3 V.S.A. § 472 is amended to read:

20 § 472. INVESTMENTS; INTEREST RATE; DISBURSEMENTS

21 * * *

22 (d) Except as otherwise herein provided, no trustee and no employee of the
23 Board or member of the Committee shall have any direct interest in the gains

1 or profits of any investment made by the Committee; nor shall any trustee or
2 employee of the Board or the Committee, directly or indirectly, for himself or
3 herself or as an agent, in any manner use the same except to make such current
4 and necessary payments as are authorized by the Board or Committee; nor
5 shall any trustee or employee of the Board or the Committee become an
6 endorser or surety, or in any manner an obligor, for the monies loaned to or
7 borrowed from the Board. The Treasurer, with the approval of the Board and
8 the Committee, shall adopt by rule standards of conduct for trustees, ~~members~~
9 ~~of the Committee~~, and employees of the Board and ~~Committee~~ in order to
10 maintain and promote public confidence in the integrity of the Board and
11 ~~Committee~~. Such rules shall prohibit trustees and employees from receiving or
12 soliciting any gift, including meals, alcoholic beverages, travel fare, room and
13 board, or any other thing of value, tangible or intangible, from any vendor or
14 potential vendor of investment services, management services, brokerage
15 services, and other services to the Board or Committee. **[FOR COMMITTEE**

16 **DISCUSSION]**

17 Sec. 6. 16 V.S.A. § 1942 is amended to read:

18 § 1942. BOARD OF TRUSTEES; MEDICAL BOARD; ACTUARY; RATE
19 OF CONTRIBUTION; SAFEKEEPING OF SECURITIES

20 * * *

21 (m) Immediately after the establishment of the System, the actuary shall
22 make such investigation of the mortality, service, and compensation experience
23 of the members of the System, as the actuary shall recommend and the Board

1 shall authorize, for the purpose of determining the proper mortality and service
2 tables to be prepared and submitted to the Board for adoption. Having regard
3 to such investigation and recommendation, the Board shall adopt for the
4 System such mortality and service tables as shall be deemed necessary, and
5 shall certify the rates of contribution payable under the provisions of this
6 chapter. At least once in each ~~five-year~~ three-year period following the
7 establishment of the ~~system~~ System, the actuary shall make an actuarial
8 investigation into the mortality, service, and compensation experience of the
9 members and beneficiaries of the System, and taking into account the results of
10 such investigation, the Board shall adopt for the System such mortality,
11 service, and other tables as shall be deemed necessary and shall certify the
12 rates of contribution payable under the provisions of this chapter.

13 * * *

14 Sec. 7. 16 V.S.A. § 1943 is amended to read:

15 § 1943. INVESTMENTS; INTEREST RATE; DISBURSEMENTS

16 * * *

17 (d) Except as otherwise provided in this section, no trustee and no
18 employee of the Board or member of the Vermont Pension Investment
19 Committee shall have any direct interest in the gains or profits of any
20 investment made by the Committee; nor shall any trustee or employee of the
21 Board or Committee, directly or indirectly, for himself or herself or as an
22 agent, in any manner use the same except to make such current and necessary
23 payments as are authorized by the Board or Committee; nor shall any trustee or

1 employee of the Board or Committee become an endorser or surety, or in any
2 manner an obligor, for the monies loaned to or borrowed from the Board. The
3 State Treasurer, with the approval of the Board and the Committee, shall adopt
4 by rule standards of conduct for trustees and employees of the Board in order
5 to maintain and promote public confidence in the integrity of the Board. Such
6 rules shall prohibit trustees, members of the Committee, and employees from
7 receiving or soliciting any gift, including meals, alcoholic beverages, travel
8 fare, room and board, or any other thing of value, tangible or intangible, from
9 any vendor or potential vendor of investment services, management services,
10 brokerage services, and other services to the Board. **[FOR COMMITTEE**

11 **DISCUSSION]**

12 Sec. 8. 24 V.S.A. § 5062 is amended to read:

13 § 5062. RETIREMENT BOARD; MEDICAL BOARD; ACTUARY; RATES
14 OF CONTRIBUTION; SAFEKEEPING OF SECURITIES

15 * * *

16 (k) Immediately after the establishment of the Retirement System, the
17 Retirement Board shall adopt for the Retirement System such mortality and
18 service tables as shall be deemed necessary and shall certify the rates of
19 contribution payable under the provisions of this chapter. At least once in each
20 ~~five-year~~ three-year period following the establishment of the System, the
21 actuary shall make an actuarial investigation into the mortality, service, and
22 compensation experience of the members and beneficiaries of the Retirement
23 System, and taking into account the results of such investigation, the

1 Retirement Board shall adopt for the Retirement System such mortality,
2 service, and other tables as shall be deemed necessary and shall certify the
3 rates of contribution payable under the provisions of this chapter.

4 * * *

5 Sec. 9. 24 V.S.A. § 5063 is amended to read:

6 § 5063. INVESTMENTS; INTEREST RATE; DISBURSEMENTS

7 * * *

8 (e) Except as otherwise herein provided, no trustee and no employee of the
9 Retirement Board or Vermont Pension Investment Committee shall have any
10 direct interest in the gains or profits of any investment made by the Committee,
11 nor shall any trustee, member of the Committee, or employee of the Board or
12 Committee, directly or indirectly, for himself or herself or as an agent, in any
13 manner use the same except to make such current and necessary payments as
14 are authorized by the Board or Committee; nor shall any trustee or employee of
15 the Board or Committee become an endorser or surety, or in any manner an
16 obligor, for monies loaned to or borrowed from the Board. **[FOR**

17 **COMMITTEE DISCUSSION]**

18 Sec. 10. **PENSION BENEFIT, DESIGN, AND FUNDING TASK FORCE;**

19 STATE EMPLOYEES' RETIREMENT SYSTEM; STATE

20 TEACHERS' RETIREMENT SYSTEM; REPORT

21 (a) Creation. There is created the Pension Benefit, Design, and Funding
22 Task Force to review and report on the benefits, design, and funding of

1 retirement and retiree health benefit plans for the Vermont State Employees'
2 Retirement System and the Vermont State Teachers' Retirement System.

3 (b) Membership.

4 (1) The Task Force shall be composed of the following members:

5 (A) three current members of the House of Representatives, not all
6 from the same political party, who shall be appointed by the Speaker of the
7 House;

8 (B) three current members of the Senate, not all from the same
9 political party, who shall be appointed by the Committee on Committees;

10 (C) the Director of the Retirement Division, Office of the State
11 Treasurer or designee;

12 (D) the Commissioner of Financial Regulation or designee;

13 (E) the Commissioner of Human Resources or designee;

14 (F) three members, who shall be appointed by the president of the
15 Vermont-NEA;

16 (G) two members, who shall be appointed by the president of the
17 Vermont State Employees Association; and

18 (H) one member of the Vermont Troopers' Association, who shall be
19 appointed by the president of the Vermont Troopers' Association.

20 (2)(A) The members appointed pursuant to subdivisions (1)(A) and (B)
21 of this subsection (b) shall not be direct or indirect beneficiaries of the
22 Vermont State Employees' Retirement System or the Vermont State Teachers'
23 Retirement System.

1 (B) The members appointed pursuant to subdivisions (1)(F)–(I) of
2 this subsection (b) shall not be currently serving as a legislator or the spouse or
3 partner of an individual currently serving as a legislator.

4 (C) Upon designation and approval, any members appointed pursuant
5 to subdivisions (1)(D) and (E) of this subsection (b) shall be the only
6 representative of the designator to participate in Task Force proceedings.

7 (c) Powers and duties.

8 (1) The Task Force shall make recommendations about benefit
9 provisions and appropriate funding sources along with other recommendations
10 it deems appropriate for consideration, consistent with actuarial and
11 governmental accounting standards, as well as demographic and workforce
12 trends and the long-term sustainability of the benefit programs, including the
13 following:

14 (A) setting a pension stabilization target number for the State
15 Employees' Retirement System and the State Teachers' Retirement System
16 that:

17 (i) reduces the actuarial accrued liability based on actuarial value
18 of assets by a sum equivalent to the amount of the increase from fiscal year
19 2021 to fiscal year 2022, as reported in the Vermont State Employees'
20 Retirement System Actuarial Valuation and Review, dated June 30, 2020
21 and the Vermont State Teachers' Retirement System Actuarial Valuation
22 and Review, dated June 30, 2020.

1 (ii) reduces the actuarially determined employer contributions by a
2 sum equivalent to the amount of the increase from fiscal year 2021 to fiscal
3 year 2022, as reported in the Vermont State Employees' Retirement System
4 Actuarial Valuation and Review, dated June 30, 2020 and the Vermont
5 State Teachers' Retirement System Actuarial Valuation and Review, dated
6 June 30, 2020.

7 (B) a five-year review of benefit expenditure levels as well as
8 employer and employee contribution levels and growth rates and a three-,
9 five-, and ten-year projection of these levels and rates;

10 (C) based on benefit and funding benchmarks:

11 (i) proposed new benefit structures with the objective of adequate
12 benefits within the established cost containment benchmarks, including an
13 evaluation of a shared-risk model for employee contributions and cost-of-
14 living adjustments; and

15 (ii) an estimate of the cost of current and any proposed benefit
16 structures on a budgetary, pay-as-you-go, and full actuarial accrual basis;

17 (D) evaluating the intermediate and long-term economic impacts to
18 the State and local economics of proposed changes to benefits or
19 contributions and their potential impact on retiree spending.

20 (E) evaluating any cross-subsidization between all groups within the
21 Vermont State Employees' Retirement System and adjusting contribution
22 amounts to eliminate any cross-subsidization;

1 (G) evaluating alternative plan designs, such as hybrid or defined
2 contribution plan options or a combination of a defined benefit plan and a
3 defined contribution plan.

4 (H) examining permanent and temporary revenue streams to fund the
5 Vermont State Employees’ Retirement System and the State Teachers’
6 Retirement System, [KEEP THIS LANGUAGE? “including
7 contributions from the State and employees, to achieve benefit and
8 funding benchmarks”];

9 (I) a plan for prefunding other postemployment benefits, with an
10 evaluation of using federal funds to the extent permissible; and

11 (J) a plan to lower other postemployment benefits healthcare costs,
12 including reviewing health benefit design innovations, State regulatory
13 measures, and alternative methods of providing pooled healthcare benefits.

14 (2) The Task Force shall not make recommendations on adjusting the
15 assumed rates of return.

16 (d) Stakeholder input. During the course of its deliberations, and prior to
17 any final recommendations being made, the Task Force shall:

18 (1) solicit input, including through public hearings, from affected
19 stakeholders; and

20 (2) consult with Group D members of the State Employees’ Retirement
21 System and members of the State Employees’ Retirement System employed as
22 State correctional officers.

23 (e) Assistance.

1 (1) The Task Force shall have:

2 (A) administrative, technical, and legal assistance from the Office of
3 the State Treasurer;

4 (B) fiscal assistance from the Joint Fiscal Office; and

5 (C) committee support services from the Office of Legislative
6 Operations.

7 (2) The Task Force may contract for advisory services from an
8 independent benefits expert and legal expert, as necessary. The sum of not
9 more than \$200,000.00 in general funds shall be appropriated for this purpose.

10 (f) Report. On or before September 1, 2021, the Task Force shall submit a
11 written report to the Governor and to the House and Senate Committees on
12 Government Operations with its findings and any recommendations for
13 legislative action. The Task Force shall also provide the report to the Board of
14 Trustees of the State Employees’ and Teachers’ Retirement Systems for their
15 consideration and comment to the General Assembly.

16 (g) Meetings.

17 (1) The members appointed pursuant to subsection (b)(1)(A) and (B) of
18 this section shall appoint a House and Senate member as co-chairs, who shall
19 call the first meeting of the Task Force to occur on or before June 15, 2021.

20 (2) A majority of the membership shall constitute a quorum.

21 (3) The Task Force shall cease to exist on June 30, 2022.

22 (h) Compensation and reimbursement.

1 (1) For attendance at meetings during adjournment of the General
2 Assembly, a legislative member of the Task Force serving in his or her
3 capacity as a legislator shall be entitled to per diem compensation and
4 reimbursement of expenses pursuant to 2 V.S.A. § 23 for not more than
5 six meetings. These payments shall be made from monies appropriated to the
6 General Assembly.

7 (2) Other member of the Task Force shall who are not State employees
8 shall be entitled to per diem compensation and reimbursement of expenses as
9 permitted under 32 V.S.A. § 1010 for not more than six meetings. These
10 payments shall be made from monies appropriated to the State Treasurer.

11 Sec. 11. EFFECTIVE DATE

12 This act shall take effect on passage.