



**STATE OF VERMONT**  
GENERAL ASSEMBLY  
HOUSE COMMITTEE ON GOVERNMENT  
OPERATIONS

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**MEMORANDUM**

To: Members, House Committee on Appropriations

From: Members, House Committee on Government Operations

Date: February 19, 2021

Subject: Proposal to prefund other post-employment benefits (OPEB) for the Vermont State Employees' Retirement System and the Vermont State Teachers' Retirement System

The House Committee on Government Operations (Committee) has taken testimony on the State Treasurer's proposal to prefund other post-employment benefits (OPEB) for the Vermont State Employees' Retirement System and the Vermont State Teachers' Retirement System.

The Committee recommends to the House Committee on Appropriations draft language to: (1) amend statute to prefund the Retired Teachers' Health and Medical Benefits Fund on a funding schedule to remain in effect until July 1, 2033, and (2) create a study committee to evaluate and make recommendations on prefunding other postemployment benefits for the Vermont State Employees' Retirement System and the Vermont State Teachers' Retirement System.

The draft language is set forth in the Attachment A below.

## Attachment A

### Draft Language on Proposal to Prefund OPEB

Sec. 1. 16 V.S.A § 1944b is amended to read:

§ 1944b. Retired Teachers' Health and Medical Benefits Fund

(a) There is established the Retired Teachers' Health and Medical Benefits Fund (Benefits Fund) to pay retired teacher health and medical benefits, including prescription drug benefits, when due in accordance with the terms established by the Board of Trustees of the State Teachers' Retirement System of Vermont pursuant to subsection 1942(p) and section 1944e of this title. The Benefits Fund is intended to comply with and be a tax exempt governmental trust under Section 115 of the Internal Revenue Code of 1986, as amended. The Benefits Fund shall be administered by the Treasurer.

(b) The Benefits Fund shall consist of:

(1) all monies remitted to the State on behalf of the members of the State Teachers' Retirement System of Vermont for prescription drug plans pursuant to the Employer Group Waiver Plan with Wrap pursuant to the Medicare Prescription Drug Improvement and Modernization Act of 2003;

(2) any monies appropriated by the General Assembly for the purpose of paying the health and medical benefits for retired members and their dependents provided by subsection 1942(p) and section 1944e of this title;

(3) any monies pursuant to subsection ~~(e)~~ (g) of this section; and

(4) [Repealed.]

(5) any monies pursuant to section 1944d of this title.

(c) No employee contributions shall be deposited in the Benefits Fund.

\* \* \*

(h) Beginning on July 1, 2021, and annually thereafter, the annual contributions to be made to the Benefits Fund by the State shall be determined on the basis of the funding schedule set forth in subdivision (2) of this subsection.

(1) Purpose. It is the purpose of the funding schedule and the policy of the State of Vermont to liquidate fully the net other post-employment benefit liability to the Benefits Fund.

(2) Funding schedule.

(A) The State contribution for the year beginning on July 1, 2021 shall be \$41,818,509.00.

(B) Beginning on July 1, 2022, and until the net other post-employment benefit liability to the Benefits Fund is liquidated, the annual State contribution shall be equal to the prior year's annual State contribution adjusted by the percentage increase set forth below:

(i) From July 1, 2022 to June 30, 2025, the percentage increase over the prior year's annual State contribution shall be 10.0 percent.

(ii) From July 1, 2025 and annually thereafter until such time as the net other post-employment benefit liability is fully liquidated, the percentage increase over the prior year's annual State contribution shall be 3.0 percent.

Sec. 2. 16 V.S.A § 1944d is amended to read:

§ 1944d. Employer annual charge for teacher health care

\* \* \*

(c) On or before January 15, 2033, the State Treasurer shall report on options for extension or repeal of this section, as well as other alternatives to ensure the financial stability of the Benefits Fund. The provisions of 2 V.S.A. § 20(d) regarding expiration of required reports shall not apply to the report required by this subsection.

(d) This section shall remain in effect until June 30, 2033.

Sec. 3. 2018 (Sp. Sess.) Acts and Resolves No. 11, Secs. E. 515.3 and E.515.4 are amended to read:

Sec. E.515.3 EVALUATION OF EMPLOYER ANNUAL CHARGE FOR  
TEACHER HEALTH CARE; REPORT

(a) ~~On or before January 15, 2023, the State Treasurer, in consultation with representatives from the Vermont National Education Association and Vermont Association of School Business Officers, shall evaluate and prepare a report on the impact of repealing the employer annual charge for teacher health care. [Repealed.]~~

(b) ~~The State Treasurer shall submit the report described in subsection (a) of this section to the House and Senate Committees on Appropriations. [Repealed.]~~

Sec. E.515.4 REPEAL OF EMPLOYER ANNUAL CHARGE FOR  
TEACHER HEALTH CARE

(a) ~~The employer annual charge for teacher health care, established in 16 V.S.A. § 1944d, is repealed on July 1, 2023. [Repealed.]~~

Sec. 4. OTHER POST-EMPLOYMENT BENEFITS STUDY COMMITTEE;  
VERMONT STATE EMPLOYEES RETIREMENT SYSTEM;  
VERMONT STATE TEACHERS' RETIREMENT SYSTEM

(a) Creation. There is created the Other Post-Employment Benefits Study Committee to evaluate the other post-employment benefits (OPEB) in the Vermont State Employees Retirement System (VSERS) and the Vermont State Teachers' Retirement System (VSTRS).

(b) Membership. The Committee shall be composed of the following members:

(1) the Chairs of the House and Senate Committees on Government Operations or designees;

(2) the Chairs of the House and Senate Committees on Appropriations or designees;

(3) the State Treasurer or designee, who shall serve as Co-chair of the Committee;

(4) the Secretary of Administration or designee, who shall serve as Co-chair of the Committee;

(5) the Commissioner of Finance and Management or designee;

(6) one member of the Vermont State Employees' Association;

(7) one member of the Vermont Troopers Association; and

(8) one member of the Vermont National Education Association.

(c) Powers and duties.

(1) The Committee shall review and perform an analysis on the other post-employment benefits for the VSERS and VSTRS and make recommendations as to the following:

(A) whether the General Assembly should consider any revisions or enhancements to the other post-employment benefits for the VSERS and the VSTRS;

(B) whether alternative health insurance structures can reduce costs in the VSERS and the VSTRS; and

(C) whether changes to formulas or contracts can reduce costs.

(2) The Committee shall review the actuarial and legal analyses provided by the Treasurer as it deems appropriate in light of the financial impact of the other post-employment benefits on the VSERS and the VSTRS.

(d) Assistance.

(1) The Committee shall have the administrative, technical, and legal assistance of the Office of Legislative Counsel and the Joint Fiscal Office.

(2) The Committee shall also be entitled to seek financial and technical assistance or services from the Office of the State Treasurer, the Agency of Administration, the Department of Financial Management, and the Department of Human Resources.

(3) The State Treasurer, in consultation with the Attorney General's Office, shall be authorized to retain outside counsel to:

(A) assist in the evaluation required under subdivision (c)(1) of this section; and

(B) provide a legal opinion as to any recommendation proposed pursuant to subdivision (c)(1) of this section.

(4) The State Treasurer shall consult with an actuary in order to determine any financial impact on the VSERS and the VSTRS as a result of changes recommended under subdivision (c)(1) of this section made to other post-employment benefits.

(e) Report. On or before January 15, 2022, the Committee shall submit a written report, including recommendations described in subdivision (c)(1) of this section to the House and Senate Committees on Government Operations and on Appropriations with its findings and any recommendations for legislative action.

(f) Meetings.

(1) The State Treasurer and Secretary of Administration shall call the first meeting of the Committee to occur on or before July 15, 2021.

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

(3) The Committee shall cease to exist on June 30, 2022.

(g) Compensation and reimbursement.

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

(2) Other members of the Committee shall be entitled to both per diem compensation and reimbursement of expenses as permitted under 32 V.S.A. § 1010 for

not more than nine meetings. These payments shall be made from monies appropriated to the State Treasurer.

Sec. 5. EFFECTIVE DATE

This act shall take effect on July 1, 2021, except that Sec. 4 shall take effect on passage.