

1 S.286

2 Representatives Anthony of Barre City, Colston of Winooski, Copeland
3 Hanzas of Bradford, Gannon of Wilmington, Higley of Lowell, Hooper of
4 Burlington, LaClair of Barre Town, Lefebvre of Orange, McCarthy of St.
5 Albans City, Mrowicki of Putney, and Vyhovsky of Essex move that the
6 House propose to the Senate that the bill be amended by striking out all after
7 the enacting clause and inserting in lieu thereof the following:

8 * * * Intent * * *

9 Sec. 1. 32 V.S.A. § 311a is added to read:

10 § 311a. PUBLIC RETIREMENT BENEFITS; UNFUNDED LIABILITY;
11 FINDINGS; PURPOSE; INTENT

12 (a) Findings. The General Assembly finds:

13 (1) The actuarially determined employer contribution (ADEC) for the
14 Vermont State Employees' Retirement System (VSERS) has increased by an
15 annual growth rate of 12.1 percent between FY 2009 and FY 2023, and the
16 funded ratio of the VSERS has declined from 94.1 percent from FY 2008 to
17 67.6 percent by year-end FY 2021.

18 (2) The ADEC for the Vermont State Teachers' Retirement System
19 (VSTRS) has increased by an annual growth rate of 13 percent between
20 FY 2009 and FY 2023, and the funded ratio of the VSTRS has declined from
21 80.9 percent from FY 2008 to 52.9 percent by year-end FY 2021.

1 (3) The General Assembly has appropriated sufficient funds to fully pay
2 the ADEC for both VSERS and VSTRS at the recommended amounts since
3 FY 2007 and throughout the current amortization period.

4 (4) Since FY 2009, the accrued liabilities of VSERS and VSTRS have
5 grown faster than the assets of each plan, resulting in a gap between the
6 expected payout of future benefits and the assets VSERS and VSTRS have to
7 pay out those benefits to retired State employees and teachers. This gap is also
8 known as the unfunded liabilities for VSERS and VSTRS.

9 (5) In FY 2015, the General Assembly created the Retired Teachers’
10 Health and Medical Benefits Fund, and health care premiums are paid for on a
11 pay-as-you-go basis from this Fund.

12 (6) The FY 2022 State budget expense for retiree health care benefits,
13 known as other postemployment benefits (OPEB), for State employees was
14 approximately \$37.2 million and \$35.1 million for teachers.

15 (7) As of the beginning of FY 2022, the State’s unfunded liabilities for
16 health care benefits for retired State employees and teachers is \$2.75 billion.

17 (b) Purpose. The purpose of this section is to provide economic stability
18 for retired State employees and teachers by maintaining the financial health of
19 VSERS and VSTRS, while also addressing the unfunded liabilities in the
20 State’s pension and OPEB plans and the decline in the funded ratios of those
21 retirement systems.

1 (c) Intent.

2 (1) It is the intent of the General Assembly to address the unfunded
3 liabilities and decline in funded ratios of VSERS and VSTRS by implementing
4 several measures, including:

5 (A) continuing the General Assembly’s policy since FY 2007 to fully
6 fund the actuarially determined employer contributions rates for the VSERS
7 and VSTRS at the amounts recommended by the respective boards of each
8 retirement system to the General Assembly each year; and

9 (B) beginning in FY 2024, annually funding an additional payment to
10 the actuarially recommended unfunded liability amortization payments for
11 VSERS and VSTRS that will increase to not more than \$15,000,000.00 each
12 year to each retirement system and remain until the VSERS plan and the
13 VSTRS plan respectively reach a 90 percent funded ratio.

14 (2) It is also the intent of the General Assembly to prefund other
15 postemployment benefits to create more security and predictability in health
16 care benefits for retired State employees and teachers.

17 * * * Vermont State Employees’ Retirement System * * *

18 * * * Pension Benefits * * *

19 Sec. 2. 3 V.S.A. § 455 is amended to read:

20 § 455. DEFINITIONS

21 (a) As used in this subchapter:

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(4) “Average final compensation” means:

(A) For a Group A ~~and a~~ Group F, or Group G member, the average annual earnable compensation of a member during the three consecutive fiscal years beginning July 1 and ending June 30 of creditable service affording the highest average, or during all of the years of creditable service if fewer than three years. If the member’s highest three years of earnable compensation are the three years prior to separation of service and the member separates prior to the end of a fiscal year, average final compensation shall be determined by adding:

(i) The actual earnable compensation earned in the fiscal year of separation through the date of separation and the service credit to correspond with the last pay date.

(ii) The earnable compensation and service credit earned in the preceding two fiscal years.

(iii) The remaining service credit that is needed to complete the three full years, which shall be factored from the fiscal year preceding the two fiscal years described in subdivision (ii) of this subdivision (A). The earnable compensation associated with this remaining service credit shall be calculated by multiplying the annual earnable compensation reported by the remaining service credit that is needed.

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(C) For purposes of determining average final compensation for Group A or Group C members, a member who has accumulated unused sick leave at retirement shall be deemed to have worked the full normal working time for ~~his or her~~ the member's position for 50 percent of such leave, at ~~his or her~~ her the member's full rate of compensation in effect at the date of ~~his or her~~ the member's retirement. For purposes of determining average final compensation for Group F or Group G members, unused annual or sick leave, termination bonuses, and any other compensation for service not actually performed shall be excluded. The average final compensation for a State's Attorney and the Defender General shall be determined by the State's Attorney's or the Defender General's highest annual compensation earned during ~~his or her~~ the member's creditable service.

(D) For purposes of determining average final compensation for a member who has accrued service in more than one group plan within the System, the highest consecutive years of earnings shall be based on the formulas set forth in subdivision (A) or (B) of this subdivision (4) using the earnable compensation received while a member of the System.

(E) For Group A, C, ~~or F,~~ or G members who retire on or after July 1, 2012, an increase in compensable hours in any year used to calculate average

1 final compensation that exceeds 120 percent of average compensable hours
2 shall be excluded from that year when calculating average final compensation.

3 (F) For a Group D member:

4 (i) Who retires on or before June 30, 2022, the member's final
5 salary.

6 (ii) Who retires on or after July 1, 2022, but who, on or before
7 June 30, 2022, has five years or more of service as a Supreme Court Justice, a
8 Superior judge, an Environmental judge, a District judge, or a Probate judge,
9 or any combination thereof, and has attained 57 years of age or older, or is a
10 Group D member on or before June 30, 2022 and has 15 years or more of
11 creditable service, the member's final salary.

12 (iii) Who retires on or after July 1, 2022 and who does not meet
13 the requirements set forth in subdivisions (i) and (ii) of this subdivision (F), the
14 average annual earnable compensation of a member during the two
15 consecutive fiscal years beginning on July 1 and ending on June 30 of
16 creditable service affording the highest such average, or during all of the years
17 in the member's creditable service if fewer than two years. If the member
18 separates prior to the end of a fiscal year, average final compensation shall be
19 determined by adding:

1 Group B member on June 30, 1998, who was in service on that date, and any
2 person who was a Group B member on June 30, 1998, who was absent from
3 service on that date who returns to service on or after July 1, 1998.

4 (D) “Group D members” ~~shall mean~~ means Justices of the Supreme
5 Court, Superior judges, district judges, environmental judges, and probate
6 judges.

7 (E) “Group F member” ~~shall mean~~ means any person who is first
8 included in the membership of the System on or after January 1, 1991, any
9 person who was a Group E member on December 31, 1990, who was in
10 service on that date, and any person who was a Group E member on December
11 31, 1990, who was absent from service on that date who returns to service on
12 or after January 1, 1991.

13 (F) “Group G member” means the following employees who are first
14 employed in the positions listed in this subdivision (F) on or after [July 1,
15 2022], or who are members of the System as of [June 30, 2022] and make an
16 irrevocable election to prospectively join Group G on or before [June 30,
17 2023], pursuant to the terms set by the Board: facility employees of the
18 Department of Corrections, as Department of Corrections employees who
19 provide direct security and treatment services to offenders under supervision in
20 the community, as employees of a facility for justice-involved youth, or as

1 Vermont State Hospital employees or as employees of its successor in interest,
2 who provide direct patient care.

3 * * *

4 (13) “Normal retirement date” ~~shall mean~~ means:

5 (A) with respect to a Group A member, the first day of the calendar
6 month next following (i) attainment of ~~age 65 years of age~~, and following
7 completion of five years of creditable service for those members hired on or
8 after July 1, 2004, or (ii) attainment of age 62 and completion of 20 years of
9 creditable service, whichever is earlier;

10 (B) with respect to a Group C member, the first day of the calendar
11 month next following attainment of ~~age 55 years of age~~, and following
12 completion of five years of creditable service for those members hired on or
13 after July 1, 2004, or completion of 30 years of service, whichever is earlier;

14 (C) with respect to a Group D member,;

15 (i) for those members first appointed or elected on or before
16 June 30, 2022, the first day of the calendar month next following attainment of
17 age 62 years of age and completion of five years of creditable service; or

18 (ii) for those members first appointed or elected on or after July 1,
19 2022, the first day of the calendar month next following attainment of 65 years
20 of age and completion of five years of creditable service; and

1 (D) with respect to a Group F member, the first day of the calendar
2 month next following attainment of ~~age~~ 62 years of age, and following
3 completion of five years of creditable service for those members hired on or
4 after July 1, 2004, or completion of 30 years of creditable service, whichever is
5 earlier; and with respect to a Group F member first included in the membership
6 of the system on or after July 1, 2008, the first day of the calendar month next
7 following attainment of ~~age~~ 65 years of age and following completion of five
8 years of creditable service, or attainment of 87 points reflecting a combination
9 of the age of the member and number of years of service, whichever is earlier.

10 (E) with respect to a Group G member:

11 (i) for facility employees of the Department of Corrections,
12 Department of Corrections employees who provide direct security and
13 treatment services to offenders under supervision in the community, employees
14 of a facility for justice-involved youth, or employees of the Vermont State
15 Hospital or its successor in interest, who provide direct patient care, who were
16 first included in the membership of the System on or before June 30, 2008,
17 who were employed as of [June 30, 2022], and who made an irrevocable
18 election to prospectively join Group G on or before [July 1, 2023], pursuant to
19 the terms set by the Board, the first day of the calendar month next following
20 the earlier of (I) 62 years of age and following completion of five years of

1 creditable service, (II) completion of 30 years of creditable service, or (III) 55
2 years of age and following completion of 20 years of creditable service; or
3 (ii) for facility employees of the Department of Corrections,
4 Department of Corrections employees who provide direct security and
5 treatment services to offenders under supervision in the community, as
6 employees of a facility for justice-involved youth, or employees of the
7 Vermont State Hospital or its successor in interest, who provide direct patient
8 care, who were first included in the membership of the System on or after July
9 1, 2008, who were employed as of [June 30, 2022], and who made an
10 irrevocable election to prospectively join Group G on or before [July 1, 2023],
11 pursuant to the terms set by the Board, the first day of the calendar month next
12 following the earlier of (I) 65 years of age and following completion of five
13 years of creditable service, (II) attainment of 87 points reflecting a
14 combination of the age of the member and number of years of service, or (III)
15 55 years of age and following completion of 20 years of creditable service; or
16 (iii) for facility employees of the Department of Corrections,
17 Department of Corrections employees who provide direct security and
18 treatment services to offenders under supervision in the community, employees
19 of a facility for justice-involved youth, or employees of the Vermont State
20 Hospital or its successor in interest, who provide direct patient care, who first
21 become a Group G member on or after [July 1, 2023], the first day of the

1 calendar month next following attainment of 55 years of age and following
2 completion of 20 years of creditable service.

3 * * *

4 Sec. 3. 3 V.S.A. § 457 is amended to read:

5 § 457. MEMBERS

6 * * *

7 (d) Should any Group A, C, D, ~~or F, or G~~ member who has less than five
8 years of creditable service in any period of five consecutive years after last
9 becoming a member be absent from service more than three years or should ~~he~~
10 ~~or she~~ the member withdraw his or her contributions, or become a beneficiary
11 or die, ~~he or she~~ the member shall thereupon cease to be a member. However,
12 the membership of any employee entering such classes of military or naval
13 service of the United States as may be approved by resolution of the
14 Retirement Board, shall be continued during such military or naval service if
15 ~~he or she~~ the member does not withdraw his or her contributions, but no such
16 member shall be considered in the service of the State for the purpose of the
17 Retirement System during such military or naval service, except as provided in
18 subsection 458(e) of this title.

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20 Sec. 4. 3 V.S.A. § 458 is amended to read:

21 § 458. CREDITABLE SERVICE; MILITARY SERVICE

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(b) All service of a ~~group~~ Group A, ~~group~~ Group C, ~~group~~ Group D, ~~or~~ ~~group~~ Group F, or Group G member since ~~he or she~~ the member last became a member on account of which contributions are made shall be credited as membership service.

* * *

Sec. 5. 3 V.S.A. § 459 is amended to read:

§ 459. NORMAL AND EARLY RETIREMENT

(a) Normal retirement.

(1) Group A, ~~group~~ Group D, ~~and~~ ~~group~~ Group F, and Group G members. Any ~~group~~ Group A, ~~group~~ Group D, ~~or~~ ~~group~~ Group F, or Group G member who has reached ~~his or her~~ the member's normal retirement date may retire on a normal retirement allowance on the first day of any month after ~~his~~ ~~or her~~ the member's separation from service by filing an application in the manner outlined in subdivision (3) of this subsection.

(2) Group C members. Any ~~group~~ Group C member who is an officer or employee of the Department of Public Safety assigned to police and law enforcement duties, including the Commissioner of Public Safety appointed before July 1, 2000, and who has reached his or her normal retirement date may retire on a normal retirement allowance, on the first day of any month after ~~he or she~~ the member may have separated from service, by filing an

1 application in the manner outlined in subdivision (3) of this subsection. Any
2 ~~group~~ Group C member in service shall be retired on a normal retirement
3 allowance on the first day of the calendar month next following attainment of
4 ~~age 55~~ 57 years of age. Notwithstanding, it is provided that any such member
5 who is an official appointed for a term of years may remain in service until the
6 end of ~~his or her~~ the member's term of office or any extension thereto,
7 resulting from reappointment.

8 * * *

9 (b) Normal retirement allowance.

10 (1) Upon normal retirement, a ~~group~~ Group A member shall receive a
11 normal retirement allowance ~~which that~~ shall be equal to 50 percent of ~~his or~~
12 ~~her~~ the member's average final compensation; provided, however, that if the
13 member has not completed 30 years of creditable service at retirement, or, if
14 earlier, the date of attainment of such age as may be applicable under the
15 provisions of subdivision (a)(4) of this section, ~~his or her~~ the member's
16 allowance shall be multiplied by the ratio that the number of ~~his or her~~ the
17 member's years of creditable service at retirement, or such earlier date, bears
18 to 30.

19 (2)(A) Upon normal retirement, a ~~group~~ Group C member shall receive
20 a normal retirement allowance ~~which that~~ shall be equal to 50 percent of ~~his or~~
21 ~~her~~ the member's average final compensation; provided, however, that if the

1 member has not completed 20 years of creditable service at retirement, or, if
2 earlier, the date of attainment of such age as may be applicable under the
3 provisions of subdivision (a)(4) of this section, the member's allowance shall
4 be multiplied by the ratio that the number of ~~his or her~~ the member's years of
5 creditable service at retirement, or such earlier date, bears to 20.

6 (B) For a Group C member, for each year of service that is completed
7 on or after July 1, 2022 after attaining the later of 50 years of age or
8 completing 20 years of service, a member's maximum normal retirement
9 allowance shall increase by an amount equal to one and one-half percent of the
10 member's average final compensation.

11 (3)(A) Group D members ~~who are Justices of the Supreme Court,~~
12 ~~Superior judges, Environmental judges, and District judges; additional~~
13 ~~retirement allowance. Justices of the Supreme Court, Superior judges,~~
14 ~~Environmental judges, and District judges, upon normal retirement under this~~
15 ~~section, shall receive a normal retirement allowance equal to one and two-~~
16 ~~thirds percent of the member's average final compensation times the years of~~
17 Group D membership service up to 12 years. Group D members shall receive
18 an additional retirement allowance according to years of service as a Supreme
19 Court Justice, a Superior judge, an Environmental judge, ~~or~~ a District judge, or
20 a Probate judge, or any combination thereof, as follows:

1 (i) After 12 years of service, an additional retirement allowance of
2 an amount ~~which~~ that, together with the normal service retirement allowance
3 for the first 12 years, will make the total equal to two-fifths of their ~~salary at~~
4 ~~retirement~~ average final compensation.

5 (ii) For each year of service in excess of 12 years, an amount
6 equal to ~~3 1/3~~ three and one-third percent of their ~~salary at retirement~~ average
7 final compensation shall be added to the retirement allowance as computed in
8 ~~subsection (a) subdivision (i) of this section~~ subdivision (b)(3)(A). However,
9 at no time shall the total retirement allowance exceed their salary at retirement.
10 ~~Such~~ In addition to the normal retirement allowance, such additional retirement
11 allowance shall be treated as the normal retirement allowance ~~for all purposes~~
12 ~~of the retirement act~~.

13 (B) ~~In order to qualify for the benefits provided by this title each~~
14 ~~Justice or judge shall have the maximum employee contribution in accordance~~
15 ~~with the requirements of the State Employees' Retirement System. These~~
16 ~~provisions shall apply to surviving Justices and judges retired before its~~
17 ~~enactment, but only from the effective date of its enactment, and not~~
18 ~~retroactively.~~ The total retirement allowance for Group D members shall be as
19 follows:

1 (i) For a Group D member who retires on or before June 30, 2022,
2 the total retirement allowance shall not exceed the member’s salary at
3 retirement.

4 (ii) For a Group D member who, on or before June 30, 2022, has
5 five years or more of service as a Supreme Court Justice, a Superior judge, an
6 Environmental judge, a District judge, or a Probate judge, or any combination
7 thereof, and has attained 57 years of age or older, or is a Group D member on
8 or before June 30, 2022 and has 15 years or more of creditable service, the
9 total retirement allowance shall not exceed the member’s salary at retirement.

10 (iii) For a Group D member who retires on or after July 1, 2022,
11 and who does not meet the requirements set forth in subdivision (i) or (ii) of
12 this subdivision (B), the member’s total retirement allowance shall not exceed
13 80 percent of the member’s average final compensation.

14 ~~(C) For the purposes of this section, years of service as a municipal~~
15 ~~judge are to be counted as years of service in determining the additional~~
16 ~~retirement allowance, insofar as they represent years of membership service.~~

17 [Repealed.]

18 ~~(4) Group D members who are Probate judges; additional retirement~~
19 ~~allowance. Probate judges, having retired under this section, shall be entitled~~
20 ~~to an additional retirement allowance according to their years in service as~~
21 ~~follows:~~

1 July 1, 2008, and who elected to transfer into Group G on July 1, 2023
2 pursuant to the terms set by the Board, shall receive an early retirement
3 allowance that shall be equal to the normal retirement allowance reduced by
4 the lesser of (i) five-ninths of one percent for each month equal to the
5 difference between the 240 months and the member's months of creditable
6 service, or (ii) an amount that shall be the actuarial equivalent of the normal
7 retirement allowance computed under subsection (b) of this section.

8 (C) Upon early retirement, all Group G members other than those
9 specified in subdivision (d)(4)(A) of this section shall receive an early
10 retirement allowance that shall be equal to the normal retirement allowance
11 reduced by an amount that shall be the actuarial equivalent of the normal
12 retirement allowance computed under subsection (b) of this section.

13 ~~(4)~~(5) Notwithstanding subdivisions (1) and (2) of this subsection, an
14 employee of the Department of Fish and Wildlife assigned to law enforcement
15 duties, an employee of the Military Department assigned to airport firefighting
16 duties, or a ~~group~~ Group C member shall, upon early retirement, receive an
17 early retirement allowance ~~which~~ that shall be equal to ~~his or her~~ the normal
18 retirement allowance computed under subsection (b) of this section.

19 ~~(5)~~(6) Notwithstanding subdivisions (1) and (2) of this subsection, a
20 State's Attorney, the Defender General, or sheriff who has completed 20 years
21 of creditable service, of which 15 years has been as a State's Attorney, the

1 Defender General, or sheriff, shall receive an early retirement allowance equal
2 to the normal retirement allowance, at ~~age~~ 55 years of age, without reductions.

3 * * *

4 Sec. 6. 3 V.S.A. § 459a is amended to read:

5 § 459a. RESTORATION OF SERVICE

6 * * *

7 (b)(1) Upon the subsequent retirement of an employee who once again
8 became a member under subsection (a) of this section, the employee shall once
9 again become a beneficiary whose former retirement allowance shall be
10 restored under the same plan provisions applicable at the time of the initial
11 retirement, but the beneficiary shall not be entitled to cost of living adjustments
12 for the period during which ~~he or she~~ the beneficiary was restored to service.

13 In addition to the former retirement allowance, a beneficiary shall be entitled to
14 a retirement allowance separately computed for the period beginning with ~~his~~
15 ~~or her~~ the beneficiary's last restoration to service for which the member has
16 made a contribution. If the beneficiary is not vested in the system since ~~he or~~
17 ~~she~~ the beneficiary was last restored to service, the member's contributions
18 plus accumulated interest shall be returned to ~~him or her~~ the beneficiary.

19 (2) Notwithstanding subdivision (1) of this subsection, for a Group C
20 member who has attained the later of 50 years of age and has completed 20 or
21 more years of service, in no event shall the member's separately computed

1 retirement allowance increase by an amount equal to more than one and one-
2 half percent of the member's average final compensation per year of service
3 actually performed during the period beginning with the member's last
4 restoration to service.

5 Sec. 7. 3 V.S.A. § 460 is amended to read:

6 § 460. ORDINARY DISABILITY RETIREMENT

7 (a) Upon the application of a member or of ~~his or her~~ the member's
8 department head not later than 90 days, or longer for cause shown, after the
9 date the member may have separated from service, any ~~group~~ Group A, group
10 Group C, group Group D, or group Group F, or Group G member who has had
11 five or more years of creditable service may be retired by the retirement board
12 on an ordinary disability retirement allowance, not less than 30 nor more than
13 90 days after filing such application; provided ~~he or she~~ the member is not
14 eligible for accidental disability retirement; provided ~~he or she~~ the member has
15 requested application prior to death; and provided that the Medical Board, after
16 a medical examination of such member, shall certify that the member is
17 mentally or physically incapacitated for the further performance of duty, that
18 such incapacity has existed since the time of the member's separation from
19 service and is likely to be permanent, and that he or she should be retired. The
20 Retirement Board may consider, or may ask the Medical Board or a certified
21 vocational rehabilitation counselor to consider whether the individual is

1 disabled from performing other types of suitable work. However, if disability
2 is denied because the individual is found to be suitable for other work, the
3 member shall be advised at the time of denial of the following provisions
4 ~~which~~ that shall apply:

5 (1) the individual will retain ~~his or her~~ the individual's existing
6 retirement accrual status;

7 (2) the State shall provide any necessary retraining;

8 (3) there shall be no loss in pay;

9 (4) involuntary geographical moves beyond normal commuting distance
10 are not permitted; and

11 (5) before any individual who is reassigned to another position rather
12 than retired on disability may be terminated for performance reasons, the
13 individual must first be reconsidered for disability retirement by the
14 Retirement Board.

15 (b)(1) Upon ordinary disability retirement, a ~~group~~ Group A, ~~group~~
16 Group D, ~~or group~~ Group F, or Group G member shall receive a normal
17 retirement allowance equal to the normal retirement benefit accrued to the
18 effective date of the disability retirement; provided, however, that such
19 allowance shall not be less than 25 percent of ~~his or her~~ the member's average
20 final compensation at the time of ~~his or her~~ the member's disability retirement.

1 ~~her~~ the member's designated dependent beneficiary during ~~his or her~~ the
2 member's life.

3 * * *

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

5 § 465. TERMINATION OF SERVICE; ORDINARY DEATH BENEFIT

6 * * *

7 (c) If a Group A, Group D, ~~or Group F,~~ or Group G member dies in service
8 after becoming eligible for early retirement or after completing 10 years of
9 creditable service, a retirement allowance will be payable to the member's
10 designated dependent beneficiary during ~~his or her~~ the member's life. If the
11 designated dependent beneficiary so elects, however, the return of the
12 member's accumulated contributions shall be made in lieu thereof.

13 * * *

14 Sec. 10. 3 V.S.A. § 470 is amended to read:

15 § 470. POSTRETIREMENT ADJUSTMENTS TO RETIREMENT

16 ALLOWANCES

17 (a) ~~For Group A, Group C, and Group D members, as of June 30th in each~~
18 ~~year, commencing June 30, 1972, a determination shall be made of any~~
19 ~~increase or decrease, to the nearest one-tenth of a percent, in the ratio of the~~
20 ~~average of the Consumer Price Index for the month ending on that date to the~~
21 ~~average of said index for the month ending on June 30, 1971, or the month~~

1 ending on June 30th of the most recent year subsequent thereto. In the event of
2 an increase, and provided that the net increase following the application of any
3 offset as provided in this subsection equals or exceeds one percent, the
4 retirement allowance of each beneficiary in receipt of an allowance for at least
5 one year on the next following December 31st shall be increased by an equal
6 percentage. Such increase shall commence on the January 1st immediately
7 following such December 31st. Such percentage increase shall also be made in
8 the retirement allowance payable to a beneficiary in receipt of an allowance
9 under an optional election, provided the member on whose account the
10 allowance is payable and such other person shall have received a total of at
11 least 12 monthly payments by such December 31st. In the event of a decrease
12 of the Consumer Price Index as of June 30th for the preceding year, the
13 retirement allowance of a beneficiary shall not be subject to any adjustment on
14 the next following January 1st; provided, however, that:

15 (1) such decrease shall be applied as an offset against the first
16 subsequent year's increase of the Consumer Price Index when such increase
17 equals or exceeds one percent, up to the full amount of such increase; and

18 (2) to the extent that such decrease is greater than such subsequent
19 year's increase, such decrease shall be offset in the same manner against two
20 or more years of such increases, for up to but not exceeding five subsequent
21 years of such increases, until fully offset. Postretirement adjustments to

1 retirement allowance. Beginning January 1, 2023 and each year thereafter, the
2 retirement allowance of each beneficiary of the System who is in receipt of a
3 retirement allowance and who meets the eligibility criteria set forth in this
4 section shall be adjusted by the amount described in subsection (d) of this
5 section. In no event shall a beneficiary receive a negative adjustment to the
6 beneficiary's retirement allowance.

7 (b) ~~For Group F members, as of June 30th in each year, commencing~~
8 ~~January 1, 1991, a determination shall be made of any increase or decrease, to~~
9 ~~the nearest one-tenth of a percent of the Consumer Price Index for the~~
10 ~~preceding fiscal year. In the event of an increase, and provided that there~~
11 ~~exists a net increase following the application of any offset as provided in this~~
12 ~~subsection, the retirement allowance of each beneficiary in receipt of an~~
13 ~~allowance for at least one year on the next following December 31st shall be~~
14 ~~increased by an amount equal to one-half of the net percentage increase.~~
15 ~~Commencing January 1, 2014, the retirement allowance of each beneficiary~~
16 ~~who was an active contributing member of the Group F plan on or after~~
17 ~~June 30, 2008, and who retires on or after July 1, 2008, shall be increased by~~
18 ~~an amount equal to the net percentage increase. The increase shall commence~~
19 ~~on the January 1st immediately following such December 31st. The increase~~
20 ~~shall apply to Group F members receiving an early retirement allowance only~~
21 ~~in the year following attainment of normal retirement age, provided the~~

1 ~~member has received benefits for at least 12 months as of December 31st of~~
2 ~~the year preceding any January adjustment. In the event of a decrease of the~~
3 ~~Consumer Price Index as of June 30th for the preceding year, the retirement~~
4 ~~allowance of a beneficiary shall not be subject to any adjustment on the next~~
5 ~~following January 1st; provided, however, that:~~

6 ~~(1) such decrease shall be applied as an offset against the first~~
7 ~~subsequent year's increase of the Consumer Price Index, up to the full amount~~
8 ~~of such increase; and~~

9 ~~(2) to the extent that such decrease is greater than such subsequent~~
10 ~~year's increase, such decrease shall be offset in the same manner against two~~
11 ~~or more years of such increases, for up to but not exceeding five subsequent~~
12 ~~years of such increases, until fully offset. Calculation of net percentage~~
13 ~~increase.~~

14 (1) Consumer Price Index; maximum and minimum amounts. Prior to
15 October 1 of each year, a determination shall be made of any increase or
16 decrease, to the nearest one-tenth of a percent, in the Consumer Price Index for
17 the month ending on June 30 of that year to the average of said index for the
18 month ending on June 30 of the previous year. Any increase or decrease in the
19 Consumer Price Index shall be subject to adjustment so as to remain within the
20 following maximum and minimum amounts:

1 (A) For Group A members, the maximum amount of any increase or
2 decrease used to determine the net percentage increase shall be five percent.

3 (B) For Group C members who are first eligible for normal
4 retirement or unreduced early retirement on or before June 30, 2022, or who
5 are vested deferred members as of June 30, 2022, the maximum amount of any
6 increase or decrease used to determine the net percentage increase shall be five
7 percent.

8 (C) For Group C members who are first eligible for normal
9 retirement or unreduced early retirement on or after July 1, 2022, the
10 maximum amount of any increase or decrease used to determine the net
11 percentage increase shall be four percent.

12 (D) For Group D members, the maximum amount of any increase or
13 decrease used to determine the net percentage increase shall be five percent.

14 (E) For Group F members who are first eligible for normal retirement
15 or unreduced early retirement on or before June 30, 2022, or who are vested
16 deferred members as of June 30, 2022, the maximum amount of any increase
17 or decrease used to determine the net percentage increase shall be five percent.
18 In the event that there is an increase or decrease of less than one percent, the
19 net percentage increase shall be assigned a value of one percent and shall not
20 be subject to further adjustment pursuant to subsection (d) of this section.

1 (F) For Group F and Group G members who are first eligible for
2 normal retirement or unreduced early retirement on or after July 1, 2022, the
3 maximum amount of any increase or decrease used to determine the net
4 percentage increase shall be four percent.

5 (2) Consumer Price Index; decreases. In the event of a decrease in the
6 Consumer Price Index, there shall be no adjustment to retirement allowances
7 for the subsequent year beginning January 1; provided, however, that:

8 (A) such decrease shall be applied as an offset against the first
9 subsequent year's increase of the Consumer Price Index, up to the full amount
10 of such increase; and

11 (B) to the extent that such decrease is greater than such subsequent
12 year's increase, such decrease shall be offset in the same manner against two
13 or more years of such increases, for up to but not exceeding five subsequent
14 years of such increases, until fully offset.

15 (3) Consumer Price Index; increases. In the event of an increase in the
16 Consumer Price Index, and provided there remains an increase following the
17 application of any offset as in subdivision (2) of this subsection, that amount
18 shall be identified as the net percentage increase and used to determine the
19 members' postretirement adjustment as described herein.

20 ~~(c) For purposes of subsection (a) of this section, the maximum amount of~~
21 ~~any increase or decrease utilized to determine the net percentage increase shall~~

1 ~~be five percent. For purposes of subsection (b) of this section, the maximum~~
2 ~~amount of any increase or decrease utilized to determine the net percentage~~
3 ~~increase shall be five percent, and any increase or decrease of less than one~~
4 ~~percent shall be assigned a value of one percent. Eligibility for postretirement~~
5 ~~adjustment. In order for a beneficiary to receive a postretirement adjustment to~~
6 ~~the beneficiary's retirement allowance, the beneficiary must meet the~~
7 ~~following eligibility requirements:~~

8 (1) Retired and vested deferred on or before June 30, 2022. For all
9 members who are retired or vested deferred on or before June 30, 2022, other
10 than those Group F members on an early retirement allowance who have not
11 reached normal retirement age, as specified in subdivision (4) of this
12 subsection, the member must be in receipt of a retirement allowance for at least
13 12 months prior to the January 1 effective date of any postretirement
14 adjustment.

15 (2) In service on or before June 30, 2022. For all Group A, C, and F
16 members who are first eligible for normal retirement or unreduced early
17 retirement on or before June 30, 2022, and for Group D members first
18 appointed or elected on or before June 30, 2022, the member must be in receipt
19 of a retirement allowance for at least 12 months prior to the January 1 effective
20 date of any postretirement adjustment.

1 (3) In service on or after July 1, 2022. For all Group A, C, F, and G
2 members who are first eligible for normal retirement or unreduced early
3 retirement on or after July 1, 2022, and for Group D members first appointed
4 or elected on or after July 1, 2022, the member must be in receipt of a
5 retirement allowance for at least 24 months prior to the January 1 effective date
6 of any postretirement adjustment.

7 (4) Special rule for Group F and Group G early retirement. A Group F
8 or Group G member in receipt of an early retirement allowance shall not
9 receive a postretirement adjustment to the member’s retirement allowance until
10 such time as the member has reached normal retirement age, provided the
11 member has also met the other eligibility criteria set forth in this subsection.

12 ~~(d) For purposed of this section, Consumer Price Index shall mean the~~
13 ~~Northeast Region Consumer Price Index for all urban consumers, designated as~~
14 ~~“CPI-U,” in the northeast region, as published by the U.S. Department of~~
15 ~~Labor, Bureau of Labor Statistics.~~ Amount of postretirement adjustment. The
16 postretirement adjustment for each member who meets the eligibility criteria
17 set forth in subsection (c) of this section shall be as follows:

18 (1) the full amount of the net percentage increase calculated in
19 subsection (b) of this section for the following:

1 (A) Group A and C members, provided that the net increase
2 following the application of any offset as provided in this section equals or
3 exceeds one percent;

4 (B) Group D members first appointed or elected on or before
5 June 30, 2022, provided that the net increase following the application of any
6 offset as provided in this section equals or exceeds one percent; and

7 (C) commencing January 1, 2014, any active contributing member of
8 the Group F or Group G plan on or after June 30, 2008, and who retires as a
9 Group F or Group G member on or after July 1, 2008;

10 (2) one-half of the net percentage increase calculated in subsection (b)
11 of this section for Group F members who retired on or before June 30, 2008;

12 (3) for Group D members first appointed or elected on or after
13 July 1, 2022, provided that the net increase following the application of any
14 offset as provided in this section equals or exceeds one percent, the full amount
15 of the net percentage increase calculated in subsection (b) of this section for
16 amounts equal to or less than \$75,000.00 of annual retirement allowance and
17 one-half the net percentage increase calculated in subsection (b) of this section
18 for amounts \$75,000.01 or greater of annual retirement allowance.

19 (e) Definition. For purposes of this section:

20 (1) “Consumer Price Index” means the Northeast Region Consumer
21 Price Index for all urban consumers, designated as “CPI-U,” in the northeast

1 region, as published by the U.S. Department of Labor, Bureau of Labor
2 Statistics.

3 (2) “Vested deferred” means a member who receives a vested deferred
4 allowance payable pursuant to subsection 465(a) of this title.

5 (f) Deferred vested allowance. No increase shall be made pursuant to this
6 section in a deferred vested allowance payable pursuant to subsection 465(a) of
7 this title prior to its commencement.

8 Sec. 11. 3 V.S.A. § 473 is amended to read:

9 § 473. FUNDS

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

12 (b) Member contributions.

13 (1)(A) Allocations. Contributions deducted from the compensation of
14 members together with any member contributions transferred thereto from the
15 predecessor systems shall be accumulated in the Fund and separately recorded
16 for each member. The amounts so transferred on account of Group A
17 members shall be allocated between regular and additional contributions. The
18 amounts so allocated as regular contributions shall be determined as if the rate
19 of contribution of four percent has been continuously in effect in the
20 predecessor system from which such amounts were transferred and the balance
21 of any amount so transferred on account of any Group A member shall be

1 deemed additional contributions. In the case of Group C members who were
2 members as of the date of establishment and Group D members, all
3 contributions transferred from predecessor systems shall be deemed regular
4 contributions. Those members who, prior to the date of establishment of this
5 system, had been contributing at a rate less than four percent shall have any
6 benefit otherwise payable on their behalf actuarially reduced to reflect such
7 prior contribution rate of less than four percent. Upon a member's retirement
8 or other withdrawal from service on the basis of which a retirement allowance
9 is payable, the member's additional contributions, with interest thereon, shall
10 be paid as an additional allowance equal to an annuity ~~which~~ that is the
11 actuarial equivalent of such amount, in the same manner as the benefit
12 otherwise payable under the System.

13 (B) Periodic review. When the State Employees' Retirement System
14 has been determined by the actuary to have assets at least equal to its accrued
15 liability, contribution rates will be reevaluated by the actuary with a
16 subsequent recommendation to the General Assembly. In determining the
17 amount earnable by a member in a payroll period, the Retirement Board may
18 consider the annual or other periodic rate of earnable compensation payable to
19 such member on the first day of the payroll period as continuing throughout
20 such payroll period, and it may omit deduction from compensation for any
21 period less than a full payroll period if an employee was not a member on the

1 first day of the payroll period, and to facilitate the making of deductions it may
2 modify the deduction required of any member by such an amount as, on an
3 annual basis, shall not exceed one-tenth of one percent of the annual earnable
4 compensation upon the basis of which such deduction is to be made. Each of
5 the amounts shall be deducted until the member retires or otherwise withdraws
6 from service and when deducted shall be paid into the Annuity Savings Fund
7 and shall be credited to the individual account of the member from whose
8 compensation the deduction was made.

9 (2)(A) Group A members. Commencing on July 1, 2016, contributions
10 shall be 6.55 percent of compensation for Group A, ~~D, and F~~ members ~~and~~
11 ~~8.43 percent of compensation for Group C members.~~ ~~When the State~~
12 ~~Employees' Retirement System has been determined by the actuary to have~~
13 ~~assets at least equal to its accrued liability, contribution rates will be~~
14 ~~reevaluated by the actuary with a subsequent recommendation to the General~~
15 ~~Assembly. In determining the amount earnable by a member in a payroll~~
16 ~~period, the Retirement Board may consider the annual or other periodic rate of~~
17 ~~earnable compensation payable to such member on the first day of the payroll~~
18 ~~period as continuing throughout such payroll period, and it may omit deduction~~
19 ~~from compensation for any period less than a full payroll period if an employee~~
20 ~~was not a member on the first day of the payroll period, and to facilitate the~~
21 ~~making of deductions it may modify the deduction required of any member by~~

1 ~~such an amount as, on an annual basis, shall not exceed one-tenth of one~~
2 ~~percent of the annual earnable compensation upon the basis of which such~~
3 ~~deduction is to be made. Each of the amounts shall be deducted until the~~
4 ~~member retires or otherwise withdraws from service, and when deducted shall~~
5 ~~be paid into the Annuity Savings Fund, and shall be credited to the individual~~
6 ~~account of the member from whose compensation the deduction was made.~~

7 (B) Group C members.

8 (i) Commencing the first full pay period in fiscal year 2023, the
9 contribution rate for Group C members shall be 8.93 percent of compensation.

10 (ii) Commencing the first full pay period in fiscal year 2024, the
11 contribution rate for Group C members shall be 9.43 percent of compensation.

12 (iii) Commencing the first full pay period in fiscal year 2025 and
13 annually thereafter, the contribution rate for Group C members shall be 9.93
14 percent of compensation.

15 (C) Group D members. Commencing on July 1, 2022, the
16 contribution rate for Group D members shall be based on the quartile in which
17 a member's hourly rate of pay falls. Quartiles shall be determined annually in
18 the first full pay period of each fiscal year by the Department of Human
19 Resources based on the hourly rate of pay by all Group D members. The
20 contribution rates shall be based on the schedule set forth below:

1 (i) Based on the quartiles for the first full pay period of each fiscal
2 year and effective the first full pay period in that fiscal year, for members who
3 have an hourly rate of pay in any pay period below the 25th percentile of
4 Group D member hourly rates of pay, the contribution rate shall be 6.55
5 percent of compensation.

6 (ii) Based on the quartiles for the first full pay period of each
7 fiscal year and effective the first full pay period in that fiscal year, for members
8 who have an hourly rate of pay in any pay period at the 25th percentile and
9 below the 50th percentile of Group D member hourly rates of pay, the
10 contribution rate shall be as follows:

11 (I) commencing in fiscal year 2023, 7.05 percent of
12 compensation;

13 (II) commencing in fiscal year 2024, 7.55 percent of
14 compensation; and

15 (III) commencing in fiscal year 2025 and annually thereafter,
16 8.05 percent of compensation.

17 (iii) Based on the quartiles for the first full pay period of each
18 fiscal year and effective the first full pay period in that fiscal year, for members
19 who have an hourly rate of pay in any pay period at the 50th percentile and
20 below the 75th percentile of Group D member hourly rates of pay, the
21 contribution rate shall be as follows:

1 (I) commencing in fiscal year 2023, 7.05 percent of
2 compensation;

3 (II) commencing in fiscal year 2024, 7.55 percent of
4 compensation;

5 (III) commencing in fiscal year 2025, 8.05 percent of
6 compensation; and

7 (IV) commencing in fiscal year 2026 and annually thereafter,
8 8.55 percent of compensation.

9 (iv) Based on the quartiles for the first full pay period of each
10 fiscal year and effective the first full pay period in that fiscal year, for members
11 who have an hourly rate of pay in any pay period at or above the 75th
12 percentile of Group D member hourly rates of pay, the contribution rate shall
13 be as follows:

14 (I) commencing in fiscal year 2023, 7.05 percent of
15 compensation;

16 (II) commencing in fiscal year 2024, 7.55 percent of
17 compensation;

18 (III) commencing in fiscal year 2025, 8.05 percent of
19 compensation;

20 (IV) commencing in fiscal year 2026, 8.55 percent of
21 compensation; and

1 (V) commencing in fiscal year 2027 and annually thereafter,
2 9.05 percent of compensation.

3 (D) Group F members. Commencing on July 1, 2022, the
4 contribution rate for Group F members shall be based on the quartile in which
5 a member’s hourly rate of pay falls. Quartiles shall be determined annually in
6 the first full pay period of each fiscal year by the Department of Human
7 Resources based on the hourly rate of pay of all Group F members. The
8 contribution rates shall be based on the schedule set forth below:

9 (i) Based on the quartiles for the first full pay period of each fiscal
10 year and effective the first full pay period in that fiscal year, for members who
11 have an hourly rate of pay in any pay period below the 25th percentile of
12 Group F member hourly rates of pay, the contribution rate shall be 6.55 percent
13 of compensation.

14 (ii) Based on the quartiles for the first full pay period of each
15 fiscal year and effective the first full pay period in that fiscal year, for members
16 who have an hourly rate of pay in any pay period at the 25th percentile and
17 below the 50th percentile of Group F member hourly rates of pay, the
18 contribution rate shall be as follows:

19 (I) commencing in fiscal year 2023, 7.05 percent of
20 compensation;

1 (II) commencing in fiscal year 2024, 7.55 percent of
2 compensation; and

3 (III) commencing in fiscal year 2025 and annually thereafter,
4 8.05 percent of compensation.

5 (iii) Based on the quartiles for the first full pay period of each
6 fiscal year and effective the first full pay period in that fiscal year, for members
7 who have an hourly rate of pay in any pay period at the 50th percentile and
8 below the 75th percentile of Group F member hourly rates of pay, the
9 contribution rate shall be as follows:

10 (I) commencing in fiscal year 2023, 7.05 percent of
11 compensation;

12 (II) commencing in fiscal year 2024, 7.55 percent of
13 compensation;

14 (III) commencing in fiscal year 2025, 8.05 percent of
15 compensation; and

16 (IV) commencing in fiscal year 2026 and annually thereafter,
17 8.55 percent of compensation.

18 (iv) Based on the quartiles for the first full pay period of each
19 fiscal year and effective the first full pay period in that fiscal year, for members
20 who have an hourly rate of pay in any pay period at or above the 75th

1 percentile of Group F member hourly rates of pay, the contribution rate shall
2 be as follows:

3 (I) commencing in fiscal year 2023, 7.05 percent of
4 compensation;

5 (II) commencing in fiscal year 2024, 7.55 percent of
6 compensation;

7 (III) commencing in fiscal year 2025, 8.05 percent of
8 compensation;

9 (IV) commencing in fiscal year 2026, 8.55 percent of
10 compensation; and

11 (V) commencing in fiscal year 2027 and annually thereafter,
12 9.05 percent of compensation.

13 (E) Group G members. Commencing on July 1, 2023, the
14 contribution rate for Group G members shall be based on the quartile in which
15 a member's hourly rate of pay falls. Quartiles shall be determined annually in
16 the first full pay period of each fiscal year by the Department of Human
17 Resources based on the hourly rate of pay of all Group G members. The
18 contribution rates shall be based on the schedule set forth below:

19 (i) Based on the quartiles for the first full pay period of each fiscal
20 year and effective the first full pay period in that fiscal year, for members who
21 have an hourly rate of pay in any pay period below the 25th percentile of

1 Group G member hourly rates of pay, the contribution rate shall be 11.23
2 percent of compensation.

3 (ii) Based on the quartiles for the first full pay period of each
4 fiscal year and effective the first full pay period in that fiscal year, for members
5 who have an hourly rate of pay in any pay period at the 25th percentile and
6 below the 50th percentile of Group G member hourly rates of pay, the
7 contribution rate shall be as follows:

8 (I) commencing in fiscal year 2024, 12.23 percent of
9 compensation; and

10 (II) commencing in fiscal year 2025 and annually thereafter,
11 12.73 percent of compensation.

12 (iii) Based on the quartiles for the first full pay period of each
13 fiscal year and effective the first full pay period in that fiscal year, for members
14 who have an hourly rate of pay in any pay period at the 50th percentile and
15 below the 75th percentile of Group G member hourly rates of pay, the
16 contribution rate shall be as follows:

17 (I) commencing in fiscal year 2024, 12.23 percent of
18 compensation;

19 (II) commencing in fiscal year 2025, 12.73 percent of
20 compensation; and

1 (III) commencing in fiscal year 2026 and annually thereafter,
2 13.23 percent of compensation.

3 (iv) Based on the quartiles for the first full pay period of each
4 fiscal year and effective the first full pay period in that fiscal year, for members
5 who have an hourly rate of pay in any pay period at or above the 75th
6 percentile of Group G member hourly rates of pay, the contribution rate shall
7 be as follows:

8 (I) commencing in fiscal year 2024, 12.23 percent of
9 compensation;

10 (II) commencing in fiscal year 2025, 12.73 percent of
11 compensation;

12 (III) commencing in fiscal year 2026, 13.23 percent of
13 compensation; and

14 (IV) commencing in fiscal year 2027 and annually thereafter,
15 13.73 percent of compensation.

16 (3) Deductions. The deductions provided for herein shall be made
17 notwithstanding that the minimum compensation provided for by law for any
18 member shall be reduced thereby. Every member shall be deemed to consent
19 and agree to the deductions made and provided herein and shall receipt for full
20 compensation, and payment of compensation less such deduction shall be a full
21 and complete discharge and acquittance of all claims and demands whatsoever

1 for the services rendered by such person during the period covered by such
2 payment, except as to the benefits provided under this subchapter.

3 (4) Additional contributions. Subject to the approval of the Retirement
4 Board, in addition to the contributions deducted from compensation as
5 hereinbefore provided, any member may redeposit in the Fund by a single
6 payment or by an increased rate of contribution an amount equal to the total
7 amount ~~which~~ that the member previously withdrew from this System or one
8 of the predecessor systems; or any member may deposit therein by a single
9 payment or by an increased rate of contribution an amount computed to be
10 sufficient to purchase an additional annuity ~~which~~ that, together with
11 prospective retirement allowance, will provide for the member a total
12 retirement allowance not in excess of one-half of average final compensation at
13 normal retirement date, with the exception of Group D members for whom
14 creditable service shall be restored upon redeposits of amounts previously
15 withdrawn from the System, or for whom creditable service shall be granted
16 upon deposit of amounts equal to what would have been paid if payment had
17 been made during any period of service during which such a member did not
18 contribute. Such additional amounts so deposited shall become a part of the
19 member's accumulated contributions as additional contributions.

20 (5) Beneficiaries. The contributions of a member and such interest as
21 may be allowed thereon ~~which~~ that are withdrawn by the member or paid to

1 the member estate or to a designated beneficiary in event of the member's
2 death; shall be paid from the Fund.

3 (6) Scope. Contributions required under this subsection shall be limited
4 to contributions from Group A, Group C, Group D, ~~and~~ Group F, and Group G
5 members.

6 (7) [Repealed.]

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

8 * * *

9 (8) Annually, the Board shall certify an amount to pay the annual
10 actuarially determined employer contribution, as calculated in this subsection,
11 and additional amounts as follows:

12 (A) in fiscal year 2024, the amount of \$9,000,000.00;

13 (B) in fiscal year 2025, the amount of \$12,000,000.00; and

14 (C) in fiscal year 2026 and in any year thereafter when the Fund is

15 calculated to have a funded ratio of less than 90 percent, the amount of

16 \$15,000,000.00.

17 * * *

18 Sec. 12. 3 V.S.A. § 477a is amended to read:

19 § 477a. ELECTIONS

20 * * *

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

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

9 § 479. GROUP INSURANCE

10 (a) As provided under section 631 of this title, a member who is insured by
11 the respective group insurance plans immediately preceding the member's
12 effective date of retirement shall be entitled to continuation of group insurance
13 as follows:

14 (1)(A) coverage in the group medical benefit plan provided by the State
15 of Vermont for active State employees; or

16 (B) for a Group F and Group G plan member first included in the
17 membership of the system on or after July 1, 2008, coverage in the group
18 medical benefit plan offered by the State of Vermont for active State
19 employees and pursuant to the following, provided:

1 (i) a member who has completed five years and less than 10 years
2 of creditable service at ~~his or her~~ the member's retirement shall pay the full
3 cost of the premium;

4 (ii) a member who has completed 10 years and less than 15 years
5 of creditable service at ~~his or her~~ the member's retirement shall pay 60 percent
6 of the cost of the premium;

7 (iii) a member who has completed 15 years and less than 20 years
8 of creditable service at his or her retirement shall pay 40 percent of the cost of
9 the premium;

10 (iv) a member who has completed 20 years or more of creditable
11 service at his or her retirement shall pay 20 percent of the cost of the premium;
12 and

13 (2) members who have completed 20 years of creditable service at their
14 effective date of retirement shall be entitled to the continuation of life
15 insurance in the amount of \$10,000.00.

16 * * *

17 (g) A member of the Group F or Group G plan who is first included in the
18 membership of the System on or after July 1, 2008, who separates from service
19 prior to being eligible for retirement benefits under this chapter, who has at
20 least 20 years of creditable service, and who participated in the group medical
21 benefit plan at the time of separation from service shall have a one-time option

1 at the time retirement benefits commence to reinstate the same level of
2 coverage, in the group medical benefit plan provided by the State of Vermont
3 for active State employees, that existed at the date of separation from service.
4 Premiums for the plan shall be prorated between the retired member and the
5 Retirement System pursuant to subsection 479(a) of this title.

6 * * *

7 Sec. 14. ONE-TIME IRREVOCABLE ELECTION FOR CERTAIN
8 CORRECTIONS WORKERS

9 (a) On or before September 15, 2022, the Department of Human Resources,
10 in consultation with the State Treasurer's office, shall establish a list of
11 positions eligible for Group G of the Vermont State Employees' Retirement
12 System. The list of Group G-eligible positions shall be limited to the
13 following State employees:

14 (1) facility employees of the Department of Corrections;

15 (2) Department of Corrections employees who provide direct security
16 and treatment services to offenders under supervision in the community;

17 (3) employees of a facility for justice-involved youth; and

18 (4) employees of the Vermont State Hospital or its successor in interest,
19 who provide direct patient care.

1 (b) It is the intent of the General Assembly that Group G-eligible positions
2 include those positions that are currently eligible for unreduced early
3 retirement pursuant to 3 V.S.A. § 459(d)(2).

4 (c) In establishing any new corrections position on and after July 1, 2023,
5 the Department of Human Resources shall identify that position as eligible for
6 either Group G, pursuant to the criteria set forth in subsection (a), or Group F.

7 (d)(1) Each person employed in a Group G-eligible position on or before
8 June 30, 2023 shall have a one-time option to transfer to the Group G plan
9 pursuant to the following schedule:

10 (A) For Group G-eligible employees who are employed on or before
11 March 31, 2023, election to join Group G under this subsection (d) shall be
12 made on or before June 1, 2023.

13 (B) For Group G-eligible employees who are first employed on or
14 after April 1, 2023, election to join Group G under this subsection (d) shall be
15 made not more than 60 days from the employee's date of hire.

16 (2) Election to join the Group G plan under this subsection shall be
17 irrevocable.

18 (e) The effective date of participation in a new group plan for those
19 employees covered under this section and who elect to transfer shall be the first
20 full pay period in fiscal year 2024. All past service accrued through the date of

1 transfer shall be calculated based upon the plan in which it was accrued, with
2 all provisions and penalties, if applicable, applied.

3 * * * Other Postemployment Benefits * * *

4 Sec. 15. 3 V.S.A. § 479a is amended to read:

5 § 479a. STATE EMPLOYEES' POSTEMPLOYMENT BENEFITS TRUST
6 FUND

7 * * *

8 (b) Into the Benefits Fund shall be deposited:

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

14 (2) 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 contributed or otherwise made available by members of the
18 System or their beneficiaries for the purpose of paying current or future
19 postemployment benefits costs; and

20 (4) any monies pursuant to subsection (e) of this section.

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

12 * * *

13 (e) State Contribution.

14 (1) Beginning on July 1, 2022 and annually thereafter, the State shall
15 make annual contributions to the Benefits Fund known as the "normal
16 contribution" and the "accrued liability contribution," each of which shall be
17 fixed on the basis of the liabilities of the System as shown by the most recent
18 actuarial valuation and made by the payroll assessment included in annual
19 agency and department budgets:

20 (A) The "normal contribution" shall be the amount that, if
21 contributed over each member's prospective period of service, will be

1 sufficient to provide for the payment of all future retiree postemployment
2 benefits after subtracting the unfunded actuarial liability and the total assets of
3 the Benefits Fund. The “normal contribution” shall be identified using the
4 actuarial cost method known as “projected unit credit” and applying a rate of
5 return equal to the most recently adopted actuarial rate of return pursuant to
6 section 523 of this title.

7 (B) The “accrued liability contribution” shall be the annual payment
8 set forth in the most recent actuarial valuation that is necessary to liquidate the
9 unfunded accrued liability over a closed period of 26 years and determined
10 based on the funding schedule set forth in this section.

11 (i) It is the policy of the State of Vermont to liquidate fully the
12 unfunded accrued liability for the payment of retiree health and medical
13 benefits.

14 (ii) Beginning on July 1, 2022, until the unfunded accrued liability
15 is liquidated, the accrued liability contribution shall be the annual payment
16 required to liquidate the unfunded accrued liability over a closed period of 26
17 years ending on June 30, 2048, provided that the amount of each annual basic
18 accrued liability contribution shall be determined by amortization of the
19 unfunded liability over the remainder of the closed 26-year period in
20 installments.

1 (2) Any variation in the contribution of normal or accrued liability
2 contributions from those recommended by the actuary and any actuarial gains
3 and losses shall be added or subtracted to the unfunded accrued liability and
4 amortized over the remainder of the closed 26-year period.

5 (3) The Board shall review annually the amount of State contributions
6 recommended by the actuary. Based on this review, the Board shall determine
7 the amount of State contribution necessary for the next fiscal year to achieve
8 and preserve the financial integrity of the funds and certify a statement of the
9 percentage of the payroll of all members sufficient to fund the normal cost and
10 the accrued liability contribution. On or before December 15 of each year, the
11 Board shall inform the Governor and the House and Senate Committees on
12 Government Operations and on Appropriations in writing about the amount
13 needed. The provisions of 2 V.S.A. § 20(d) (expiration of required reports)
14 shall not apply to the report to be made under this subsection.

15 * * * VSERS Actuarial Studies * * *

16 Sec. 16. 3 V.S.A. § 523 is amended to read:

17 § 523. VERMONT PENSION INVESTMENT COMMISSION; DUTIES

18 * * *

19 (f) Asset and liability study. Beginning on July 1, ~~2022~~ 2023, and every
20 three years thereafter, based on the most recent actuarial valuations of each

1 Plan, the Commission shall study the assets and liabilities of each Plan over a
2 20-year period. The study shall:

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

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

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

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

15 * * *

16 Sec. 17. 3 V.S.A. § 471 is amended to read:

17 § 471. RETIREMENT BOARD; MEDICAL BOARD; ACTUARY; RATES
18 OF CONTRIBUTION; SAFEKEEPING OF SECURITIES

19 * * *

20 (j) The Retirement Board shall designate an actuary who shall be the
21 technical advisor of the Board on matters regarding the operation of the Fund

1 of the Retirement System, and shall perform such other duties as are required
2 in connection therewith. Immediately after the establishment of the Retirement
3 System, the Retirement Board shall adopt for the Retirement System such
4 mortality and service tables as shall be deemed necessary and shall certify the
5 rates of contribution payable under the provisions of this subchapter. ~~At~~
6 Beginning July 1, 2023, at least once in each three-year period every three
7 fiscal years following the establishment of the System, the actuary shall make
8 an actuarial investigation into the mortality, service, and compensation
9 experience of the members and beneficiaries of the Retirement System, and
10 taking into account the results of such investigation, the Retirement Board
11 shall adopt for the Retirement System such mortality, service, and other tables
12 as shall be deemed necessary and shall certify the rates of contribution payable
13 under the provisions of this subchapter.

14 * * *

15 * * * Vermont State Teachers' Retirement System * * *

16 * * * VSTRS Actuarial Studies * * *

17 Sec. 18. 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 * * *

1 (m) Immediately after the establishment of the System, the actuary shall
2 make such investigation of the mortality, service, and compensation experience
3 of the members of the System, as the actuary shall recommend and the Board
4 shall authorize, for the purpose of determining the proper mortality and service
5 tables to be prepared and submitted to the Board for adoption. Having regard
6 to such investigation and recommendation, the Board shall adopt for the
7 System such mortality and service tables as shall be deemed necessary and
8 shall certify the rates of contribution payable under the provisions of this
9 chapter. ~~At least once in each three-year period~~ Beginning July 1, 2023, at
10 least once every three fiscal years following the establishment of the System,
11 the actuary shall make an actuarial investigation into the mortality, service, and
12 compensation experience of the members and beneficiaries of the System, and
13 taking into account the results of such investigation, the Board shall adopt for
14 the System such mortality, service, and other tables as shall be deemed
15 necessary and shall certify the rates of contribution payable under the
16 provisions of this chapter.

17 * * *

18 * * * Pension Benefits * * *

19 Sec. 19. 16 V.S.A. § 1944 is amended to read:

20 § 1944. VERMONT TEACHERS' RETIREMENT FUND

1 (a) Pension Fund. All of the assets of the System shall be credited to the
2 Vermont Teachers' Retirement Fund.

3 (b) Member contributions.

4 (1) Contributions deducted from the compensation of members shall be
5 accumulated in the Pension Fund and separately recorded for each member.

6 (2) The proper authority or officer responsible for making up each
7 employer payroll shall cause to be deducted from the compensation:

8 (A) ~~of~~ Of each Group A member, five and one-half percent of the
9 member's total earnable compensation, including compensation paid for
10 absence as provided by subsection 1933(d) of this title.

11 (B) ~~from~~ Of each Group C member ~~with at least five years of~~
12 ~~membership service as of July 1, 2014, five percent of the member's earnable~~
13 ~~compensation; and from each Group C member with less than five years of~~
14 ~~membership service as of July 1, 2014, six percent of the member's earnable~~
15 ~~compensation,~~ including the following shall apply:

16 (i) Beginning on July 1, 2022, a Group C member shall have the
17 rate set forth in this subdivision (b)(2)(B)(i) applied to the member's total
18 earnable compensation for the fiscal year, which shall include compensation
19 paid for absence as provided by subsection 1933(d) of this title. A member's
20 effective rate shall not be adjusted during any fiscal year.

1 (I) If a member's base salary is at or below \$40,000.00, the rate
2 is 6.0 percent.

3 (II) If a member's base salary is \$40,000.01 or more but not
4 more than \$50,000.00, the rate is 6.05 percent.

5 (III) If a member's base salary is \$50,000.01 or more but not
6 more than \$60,000.00, the rate is 6.10 percent.

7 (IV) If a member's base salary is \$60,000.01 or more but not
8 more than \$70,000.00, the rate is 6.20 percent.

9 (V) If a member's base salary is \$70,000.01 or more but not
10 more than \$80,000.00, the rate is 6.25 percent.

11 (VI) If a member's base salary is \$80,000.01 or more but not
12 more than \$90,000.00, the rate is 6.35 percent.

13 (VII) If a member's base salary is \$90,000.01 or more but not
14 more than \$100,000.00, the rate is 6.50 percent.

15 (VIII) If a member's base salary is \$100,000.01 or more, the
16 rate is 6.65 percent.

17 (ii) Beginning on July 1, 2023, a Group C member shall have the
18 rate set forth in this subdivision (b)(2)(B)(ii) applied to the member's total
19 earnable compensation for the fiscal year, which shall include compensation
20 paid for absence as provided by subsection 1933(d) of this title. A member's
21 rate shall not be adjusted during any fiscal year unless the member's full-time

1 equivalency status changes, which shall require that the member's rate be
2 recalculated and the new rate applied for the remainder of that fiscal year.

3 (I) If a member's base salary is at or below \$40,000.00, the rate
4 is 6.10 percent.

5 (II) If a member's base salary is \$40,000.01 or more but not
6 more than \$50,000.00, the rate is 6.15 percent.

7 (III) If a member's base salary is \$50,000.01 or more but not
8 more than \$60,000.00, the rate is 6.25 percent.

9 (IV) If a member's base salary is \$60,000.01 or more but not
10 more than \$70,000.00, the rate is 6.35 percent.

11 (V) If a member's base salary is \$70,000.01 or more but not
12 more than \$80,000.00, the rate is 6.50 percent.

13 (VI) If a member's base salary is \$80,000.01 or more but not
14 more than \$90,000.00, the rate is 6.75 percent.

15 (VII) If a member's base salary is \$90,000.01 or more but not
16 more than \$100,000.00, the rate is 7.0 percent.

17 (VIII) If a member's base salary is \$100,000.01 or more, the
18 rate is 7.25 percent.

19 (iii) Beginning on July 1, 2024 and annually thereafter, a Group C
20 member shall have an effective rate, rounded to the nearest hundredth of a
21 percent, that is calculated based on the member's base salary as of July 1 each

1 year, which equals the member's total earnable compensation, including
2 compensation paid for absence as provided by subsection 1933(d) of this title,
3 and any additional stipends identified as of July 1 for the next fiscal year. A
4 member's effective rate shall not be adjusted during any fiscal year unless the
5 member's full-time equivalency status changes, which shall require that the
6 member's effective rate be recalculated and the new rate applied for the
7 remainder of that fiscal year. For a member who works a part-time
8 equivalency status, the effective rate shall apply to the member's total earnable
9 compensation and not on an amount equal to an annualized base salary. If a
10 member is employed on a part-time equivalency status with two or more
11 employers, the highest effective rate shall be applied to the amounts deducted
12 from each employer. A member's effective rate shall be calculated according
13 to the following marginal rates and income brackets:

14 (I) if a member's base salary is at or below \$40,000.00, the rate
15 is 6.25 percent;

16 (II) if a member's base salary is \$40,000.01 or more but not
17 more than \$60,000.00, the rate is the equivalent of \$2,900.00 on \$40,000.00
18 and 6.75 percent of the member's salary that is \$40,000.01 or more;

19 (III) if a member's base salary of \$60,000.01 or more but not
20 more than \$80,000.00, the rate is the equivalent of \$3,850.00 on \$60,000.00
21 and 7.5 percent of the member's salary that is \$60,000.01 or more;

1 (c) State contributions, earnings, and payments.

2 (1) All State appropriations and all reserves for the payment for all
3 pensions including all interest and dividends earned on the assets of the
4 Retirement System shall be accumulated in the Pension Fund. All benefits
5 payable under the System, except for retired teacher health and medical
6 benefits, shall be paid from the Pension Fund. Annually, the Retirement Board
7 shall allow regular interest on the individual accounts of members in the
8 Pension Fund ~~which~~ that shall be credited to each member's account.

9 (2) Beginning with the actuarial valuation as of June 30, 2006, the
10 contributions to be made to the Pension Fund by the State shall be determined
11 on the basis of the actuarial cost method known as "entry age normal." On
12 account of each member, there shall be paid annually by the State into the
13 Pension Fund a percentage of the earnable compensation of each member to be
14 known as the "normal contribution" and an additional percentage of the
15 member's earnable compensation to be known as the "accrued liability
16 contribution." The percentage rate of such contributions shall be fixed on the
17 basis of the liabilities of the System as shown by actuarial valuation. "Normal
18 contributions" and "accrued liability contributions" shall be by separate
19 appropriation in the annual budget enacted by the General Assembly.

20 (3) The normal contribution shall be the uniform percentage of the total
21 compensation of members that, if contributed over each member's prospective

1 period of service and added to such member's prospective contributions, if
2 any, will be sufficient to provide for the payment of all future pension benefits
3 after subtracting the sum of the unfunded accrued liability and the total assets
4 of the Pension Fund.

5 (4) It is the policy of the State of Vermont to liquidate fully the
6 unfunded accrued liability to the System. Beginning on July 1, 2008, until the
7 unfunded accrued liability is liquidated, the accrued liability contribution shall
8 be the annual payment required to liquidate the unfunded accrued liability over
9 a closed period of 30 years ending on June 30, 2038, provided that:

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

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

18 (C) Any variation in the contribution of normal or unfunded accrued
19 liability contributions from those recommended by the actuary and any
20 actuarial gains and losses shall be added or subtracted to the unfunded accrued
21 liability and amortized over the remainder of the closed 30-year period.

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* * *

(13) Annually, the Board shall certify an amount to pay the annual actuarially determined employer contribution, as calculated in this subsection, and additional amounts as follows:

(A) in fiscal year 2024, the amount of \$9,000,000.00;

(B) in fiscal year 2025, the amount of \$12,000,000.00; and

(C) in fiscal year 2026 and in any year thereafter until the Fund is calculated to have a funded ratio of at least 90 percent, the amount of \$15,000,000.00.

* * *

Sec. 20. FISCAL YEAR 2024; VERMONT STATE TEACHERS'

RETIREMENT SYSTEM; CONTRIBUTION RATES; STUDY

(a) The Secretary of Digital Services and the State Treasurer, in consultation with the Vermont Association of School Business Officers, the Vermont Superintendents Association, and the Vermont-NEA, shall study and make recommendations on the implementation of the marginal rates set forth in 16 V.S.A. § 1944(b)(2)(B)(iii) in FY 2024 and annually thereafter, including whether any adjustments need to be made to the marginal rate structure.

(b) On or before January 15, 2023, the Secretary of Digital Services and the State Treasurer shall submit a report on the study and recommendations described in subsection (a) of this section to the Joint Pension Oversight

1 Committee and the House and Senate Committees on Appropriations and on
2 Government Operations.

3 Sec. 21. 16 V.S.A. § 1949a is added to read:

4 § 1949a. POSTRETIREMENT ADJUSTMENT ALLOWANCE ACCOUNT

5 (a) Intent. It is the intent of the General Assembly to recognize members
6 who are in active service on or before June 30, 2022 and made contributions
7 for the duration of fiscal year 2023 and members who are in active service on
8 or after July 1, 2022 and made contributions for at least one year, as part of a
9 broader effort to improve the health of the System. As an acknowledgment of
10 these additional contributions, once the System is in a healthier financial
11 position, it is the intent of the General Assembly that these members should
12 receive postretirement adjustment allowances that will more fully reflect the
13 net percentage increase in the Consumer Price Index. It is also the intent of the
14 General Assembly that the postretirement adjustment allowance formula
15 should be incrementally increased to 100 percent of the net percentage increase
16 in the Consumer Price Index, but that no increase should occur to the formula
17 unless the funded ratio of the System is at least 80 percent funded on an
18 actuarial value basis and the accumulated assets of the Account are equal to or
19 exceed the present value of the benefits to accrue to members.

20 (b) Creation. There is established the Postretirement Adjustment
21 Allowance Account, to be maintained under the Retirement System, which

1 shall be used to provide funding for postretirement adjustment formula
2 enhancements or other benefits that may accrue to eligible members pursuant
3 to the requirements of subsection (d) of this section.

4 (c) Funds. The Account shall consist of:

5 (1) any amounts transferred to it from the General Fund Balance
6 Reserve established in 32 V.S.A. § 308c;

7 (2) any amounts transferred or appropriated to it by the General
8 Assembly; and

9 (3) interest earned pursuant to subsection (d) of this section.

10 (d) Fund administration. The Postretirement Adjustment Allowance
11 Account shall be subordinate to the retirement benefits provided by the
12 Retirement System. Contributions to the Account shall be irrevocable, and it
13 shall be impossible at any time before satisfaction of all liabilities to provide
14 funding for postretirement adjustment formula enhancements or other benefits
15 that may accrue to eligible members for any part of the corpus or income of the
16 Account to be used for, or diverted to, any purpose other than providing
17 funding for postretirement adjustment formula enhancements or other benefits
18 that may accrue to eligible members. All balances in the Account at the end of
19 the fiscal year shall be carried forward, and interest earned shall remain in the
20 Account.

1 (e) Recommendation of Board. In any fiscal year, the Board may
2 recommend to the General Assembly that the monies in the Account be used to
3 provide for postretirement adjustment formula enhancements or other benefits
4 that may accrue to eligible members in the System, provided that:

5 (1) an evaluation has been conducted pursuant to section 1949b of this
6 chapter;

7 (2) the actuary has certified that the System has a funded ratio of at least
8 80 percent in the most recent fiscal year; and

9 (3) the actuary has certified that the Fund has sufficient assets to pay for
10 the present value of any benefit being recommended.

11 (f) Use of funds. In the event that the General Assembly approves of the
12 Board’s recommended postretirement adjustment formula enhancements or
13 other benefit change pursuant to subsection (e) of this section, the Board may
14 direct that funds sufficient to pay the present value of change be charged from
15 the Account for that purpose.

16 (g) Fund charges. In no event shall the funds charged from the Account
17 exceed the outstanding Account balance.

18 (h) Fund assets.

19 (1) For funding purposes, any asset value utilized in the calculation of
20 the actuarial value of assets of a system shall exclude the Account as of the
21 asset determination date for such calculation.

1 (2) For all purposes other than funding, the funds in the Account shall
2 be considered assets of the System.

3 (i) Definition. As used in this section, “eligible member” means:

4 (1) a member of the System who is in active service on or before
5 June 30, 2022 and made contributions for the duration of fiscal year 2023; or

6 (2) a member of the System who is in active service on or after July 1,
7 2022 and made contributions for at least one year.

8 Sec. 22. 16 V.S.A. § 1949b is added to read:

9 § 1949b. POSTRETIREMENT ADJUSTMENT TO RETIREMENT

10 ALLOWANCE; FORMULA; EVALUATION

11 (a) On or before September 1, 2027 and every three years thereafter, or at
12 the request of the Board in conjunction with any proposed changes to the
13 amortization schedule, the Board shall consider the intent set forth in
14 subsection 1949a(a) of this chapter and evaluate whether to modify the
15 postretirement adjustment formula or any other benefit that may accrue to the
16 members of the System who are in active service on or before June 30, 2022
17 and made contributions for the duration of fiscal year 2023 and members in
18 active service on or after July 1, 2022 and made contributions for at least one
19 year. The evaluation shall only include a proposed benefit change if the
20 Postretirement Adjustment Allowance Fund has sufficient assets to pay for the
21 present value of that benefit.

1 ~~such other person shall have received a total of at least 12 monthly payments~~
2 ~~by such December 31. In the event of a decrease of the Consumer Price Index~~
3 ~~as of June 30 for the preceding year, the retirement allowance of a beneficiary~~
4 ~~shall not be subject to any adjustment on the next following January 1;~~
5 ~~provided, however, that:~~

6 ~~(1) such decrease shall be applied as an offset against the first~~
7 ~~subsequent year's increase of the Consumer Price Index when such increase~~
8 ~~equals or exceeds one percent, up to the full amount of such increase; and~~

9 ~~(2) to the extent that such decrease is greater than such subsequent~~
10 ~~year's increase, such decrease shall be offset in the same manner against two~~
11 ~~or more years of such increases, for up to but not exceeding five subsequent~~
12 ~~years of such increases, until fully offset. Postretirement Adjustments to~~
13 ~~Retirement allowance. On January 1 of each year, the retirement allowance of~~
14 ~~each beneficiary of the System who is in receipt of a retirement allowance for~~
15 ~~at least a one-year period as of December 31 in the previous year, and who~~
16 ~~meets the eligibility criteria set forth in this section, shall be adjusted by the~~
17 ~~amount described in subsection (b) of this section. In no event shall a~~
18 ~~beneficiary receive a negative adjustment to the beneficiary's retirement~~
19 ~~allowance.~~

20 ~~(b) For Group C members, as of June 30 in each year, commencing~~
21 ~~June 30, 1981, a determination shall be made of any increase or decrease, to~~

1 ~~the nearest one-tenth of a percent of the Consumer Price Index for the~~
2 ~~preceding fiscal year. In the event of an increase, and provided that there~~
3 ~~exists a net increase following the application of any offset as provided in this~~
4 ~~subsection, the retirement allowance of each beneficiary in receipt of an~~
5 ~~allowance for at least one year on the next following December 31 shall be~~
6 ~~increased by an amount equal to one-half of the net percentage increase. The~~
7 ~~increase shall commence on the January 1 immediately following that~~
8 ~~December 31. The increase shall apply to Group C members having attained~~
9 ~~57 years of age or completed at least 25 years of creditable service as of~~
10 ~~June 30, 2010, and receiving an early retirement allowance only in the year~~
11 ~~following attainment of age 62, and shall apply to Group C members not~~
12 ~~having attained 57 years of age or having completed at least 25 years of~~
13 ~~creditable service as of June 30, 2010, and receiving an early retirement~~
14 ~~allowance only in the year following the member's attainment of 65 years of~~
15 ~~age, provided the member has received benefits for at least 12 months as of~~
16 ~~December 31 of the year preceding any January adjustment. In the event of a~~
17 ~~decrease of the Consumer Price Index as of June 30 for the preceding year, the~~
18 ~~retirement allowance of a beneficiary shall not be subject to any adjustment on~~
19 ~~the next following January 1; provided, however, that:~~

1 ~~(1) such decrease shall be applied as an offset against the first~~
2 ~~subsequent year's increase of the Consumer Price Index, up to the full amount~~
3 ~~of such increase; and~~

4 ~~(2) to the extent that such decrease is greater than such subsequent~~
5 ~~year's increase, such decrease shall be offset in the same manner against two~~
6 ~~or more years of such increases, for up to but not exceeding five subsequent~~
7 ~~years of such increases, until fully offset. Calculation of Net Percentage~~
8 Increase. Each year, a determination shall be made of any increase or
9 decrease, to the nearest one-tenth of a percent, in the Consumer Price Index for
10 the month ending on June 30 of that year to the average of the Consumer Price
11 Index for the month ending on June 30 of the previous year.

12 (1) Consumer Price Index; maximum and minimum amounts. Any
13 increase or decrease in the Consumer Price Index shall be subject to
14 adjustment so as to remain within the following maximum and minimum
15 amounts:

16 (A) For Group A members and Group C members who are eligible
17 for normal retirement or unreduced early retirement on or before June 30,
18 2022, the maximum amount of any increase or decrease utilized to determine
19 the net percentage increase shall be five percent.

1 (B) For Group C members who are eligible for retirement and leave
2 active service on or after July 1, 2022, the maximum amount of any increase or
3 decrease utilized to determine the net percentage increase shall be four percent.

4 (2) Consumer Price Index; decreases. In the event of a decrease of the
5 Consumer Price Index as of June 30 for the preceding year, there shall be no
6 adjustment to the retirement allowance of a beneficiary for the subsequent year
7 beginning January 1; provided, however, that:

8 (A) such decrease shall be applied as an offset against the first
9 subsequent year's increase of the Consumer Price Index up to the full amount
10 of such increase; and

11 (B) to the extent that such decrease is greater than such subsequent
12 year's increase, such decrease shall be offset in the same manner against two
13 or more years of such increases, for up to but not exceeding five subsequent
14 years of such increases, until fully offset.

15 (3) Consumer Price Index; increases. Subject to the maximum and
16 minimum amounts set forth in subdivision (1) of this subsection, in the event
17 of an increase in the Consumer Price Index, and provided there remains an
18 increase following the application of any offset as in subdivision (2) of this
19 subsection, that amount shall be identified as the net percentage increase and
20 used to determine the members' postretirement adjustment as set forth in
21 subsection (d) of this section.

1 (c) ~~For purposes of subsection (a) of this section, the maximum amount of~~
2 ~~any increase or decrease utilized to determine the net percentage increase shall~~
3 ~~be five percent. For purposes of subsection (b) of this section, the maximum~~
4 ~~amount of any increase or decrease utilized to determine the net percentage~~
5 ~~increase shall be five percent, and any increase or decrease less than one~~
6 ~~percent shall be assigned a value of one percent. Eligibility for postretirement~~
7 ~~adjustment. In order for a beneficiary to receive a postretirement adjustment~~
8 ~~allowance, the beneficiary must meet the following eligibility requirements:~~

9 (1) for any Group A or Group C member eligible for retirement on or
10 before June 30, 2022, the member must be in receipt of a retirement allowance
11 for at least 12 months prior to the January 1 effective date of any
12 postretirement adjustment; and

13 (2) for any Group C member who is eligible for retirement and leaves
14 active service on or after July 1, 2022, the member must be in receipt of a
15 retirement allowance for at least 24 months prior to the January 1 effective date
16 of any postretirement adjustment.

17 (d) As used in this section, “Consumer Price Index” shall mean the
18 Northeast Region Consumer Price Index for all urban consumers, designated as
19 “CPI-U,” in the northeast region, as published by the U.S. Department of
20 Labor, Bureau of Labor Statistics.

1 and their dependents provided by subsection 1942(p) and section 1944e of this
2 title;

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

4 (4) [Repealed.]

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

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

7 (d) The Treasurer may invest monies in the Benefits Fund in accordance
8 with the provisions of 32 V.S.A. § 434 or, in the alternative, may enter into an
9 agreement with the Vermont Pension Investment ~~Committee~~ Commission to
10 invest such monies in accordance with the standards of care established by the
11 prudent investor rule under 14A V.S.A. § 902, in a manner similar to the
12 ~~Committee's~~ Commission's investment of retirement system monies. Interest
13 earned shall remain in the Benefits Fund, and all balances remaining at the end
14 of a fiscal year shall be carried over to the following year. The Treasurer's
15 annual financial report to the Governor and the General Assembly shall contain
16 an accounting of receipts, disbursements, and earnings of the Benefits Fund.

17 (e) [Repealed.]

18 (f) Contributions to the Benefits Fund shall be irrevocable and it shall be
19 impossible at any time prior to the satisfaction of all liabilities, with respect to
20 employees and their beneficiaries, for any part of the corpus or income of the
21 Benefits Fund to be used for, or diverted to, purposes other than the payment

1 of retiree postemployment benefits to members and their beneficiaries and
2 reasonable expenses of administering the Benefits Fund and related benefit
3 plans.

4 (g) [Repealed.]

5 (h) State contribution.

6 (1) Beginning on July 1, 2022, and annually thereafter, the State shall
7 make annual contributions to the Benefits Fund known as the “normal
8 contribution” and the “accrued liability contribution,” each of which shall be
9 fixed on the basis of the liabilities of the System as shown by the most recent
10 actuarial valuation and made by separate appropriation in the annual budget
11 enacted by the General Assembly:

12 (A) The “normal contribution” shall be the amount that, if
13 contributed over each member’s prospective period of service, will be
14 sufficient to provide for the payment of all future retiree postemployment
15 benefits after subtracting the unfunded actuarial liability and the total assets of
16 the Benefits Fund. The “normal cost” shall be identified using the actuarial
17 cost method known as “projected unit credit” and applying a rate of return
18 equal to the most recently adopted actuarial rate of return pursuant to 3 V.S.A.
19 § 523.

20 (B) The “accrued liability contribution” shall be the annual payment
21 set forth in the most recent actuarial valuation that is necessary to liquidate the

1 unfunded accrued liability over a closed period of 26 years and determined
2 based on the funding schedule set forth in this section.

3 (i) It is the policy of the State of Vermont to liquidate fully the
4 unfunded accrued liability for the payment of retiree postemployment benefits.

5 (ii) Beginning on July 1, 2022, until the unfunded accrued liability
6 is liquidated, the accrued liability contribution shall be the annual payment
7 required to liquidate the unfunded accrued liability over a closed period of
8 26 years ending on June 30, 2048, provided that the amount of each annual
9 basic accrued liability contribution shall be determined by amortization of the
10 unfunded liability over the remainder of the closed 26-year period in
11 installments.

12 (2) Any variation in the contribution of normal or accrued liability
13 contributions from those recommended by the actuary and any actuarial gains
14 and losses shall be added or subtracted to the unfunded accrued liability and
15 amortized over the remainder of the closed 26-year period.

16 (3) The Board shall review annually the amount of State contributions
17 recommended by the actuary of the Retirement System. Based on this review,
18 the Board shall determine the amount of State contribution necessary for the
19 next fiscal year to achieve and preserve the financial integrity of the funds. On
20 or before December 15 of each year, the Board shall inform the Governor and
21 the House and Senate Committees on Government Operations and on

1 Appropriations in writing about the amount needed. The provisions of
2 2 V.S.A. § 20(d) (expiration of required reports) shall not apply to the report to
3 be made under this subsection.

4 Sec. 25. 16 V.S.A. § 4025 is amended to read:

5 § 4025. EDUCATION FUND

6 * * *

7 (b) Monies in the Education Fund shall be used for the following:

8 * * *

9 (4) To make payments to the Vermont Teachers' Retirement Fund and
10 the Retired Teachers' Health and Medical Benefits Fund for the normal
11 ~~contribution~~ contributions in accordance with ~~subsection~~ subsections 1944(c)
12 ~~of this title~~ and 1994b(h) of this title.

13 * * *

14 Sec. 26. VERMONT TEACHERS' RETIREMENT SYSTEM; REPEAL OF
15 PRIOR SUNSET AND REPORTING PROVISIONS

16 2018 (Sp. Sess.) Acts and Resolves No.11, Secs. E.515.3 and E.515.4 are
17 hereby repealed.

18 * * * Vermont Municipal Employees' Retirement System * * *

19 Sec. 27. 24 V.S.A. § 5062 is amended to read:

20 § 5062. RETIREMENT BOARD; MEDICAL BOARD; ACTUARY; RATES
21 OF CONTRIBUTION; SAFEKEEPING OF SECURITIES

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(k) Immediately after the establishment of the Retirement System, the Retirement Board shall adopt for the Retirement System such mortality and service tables as shall be deemed necessary and shall certify the rates of contribution payable under the provisions of this chapter. ~~At least once in each three-year period~~ Beginning July 1, 2023, at least once every three fiscal years following the establishment of the System, the actuary shall make an actuarial investigation into the mortality, service, and compensation experience of the members and beneficiaries of the Retirement System, and taking into account the results of such investigation, the Retirement Board shall adopt for the Retirement System such mortality, service, and other tables as shall be deemed necessary and shall certify the rates of contribution payable under the provisions of this chapter.

* * *

* * * Funding * * *

Sec. 28. FY 2022; APPROPRIATION; STATE EMPLOYEES’
POSTEMPLOYMENT BENEFITS TRUST FUND; RETIRED
TEACHERS’ HEALTH AND MEDICAL BENEFITS FUND

(a) In FY 2022, of the amount of General Funds reserved in 2021 Acts and Resolves No. 74, Sec. C.101(a) is unreserved as follows:

1 (1) the sum of \$75,000,000.00 is appropriated to the Vermont State
2 Retirement Fund, established in 3 V.S.A. § 473, to address the unfunded
3 accrued liability in pension benefits; and

4 (2) the sum of \$75,000,000.00 is appropriated to the Vermont Teachers’
5 Retirement Fund, established in 16 V.S.A. § 1944, to address the unfunded
6 accrued liability in pension benefits.

7 (b) In FY 2022, the amount of \$50,000,000.00 in General Funds shall be
8 appropriated to the to the Vermont Teachers’ Retirement Fund, established in
9 16 V.S.A. § 1944, to address the unfunded accrued liability in pension benefits.

10 (c) In FY 2022, of the amount of Education Funds reserved in 2021 Acts
11 and Resolves No. 74, Sec. C.101(a) is unreserved and the sum of
12 \$13,300,000.00 is appropriated to the Retired Teachers’ Health and Medical
13 Benefits Fund, established in 16 V.S.A. § 1944b, to support the normal cost of
14 other postemployment benefits as set forth in 16 V.S.A. § 1944f.

15 (d) The appropriations in subsections (a) and (b) of this section shall not be
16 included for the purposes of calculating the reserve total for fiscal year 2023
17 pursuant to 32 V.S.A. § 308 (General Fund budget stabilization reserve).

18 Sec. 29. 32 V.S.A. § 308c is amended to read:

19 § 308c. GENERAL FUND AND TRANSPORTATION FUND BALANCE

20 RESERVES

1 (a) There is hereby created within the General Fund a General Fund
2 Balance Reserve, also known as the “Rainy Day Reserve.” After satisfying the
3 requirements of section 308 of this title, and after other reserve requirements
4 have been met, any remaining unreserved and undesignated end of fiscal year
5 General Fund surplus shall be reserved in the General Fund Balance Reserve.
6 The General Fund Balance Reserve shall not exceed five percent of the
7 appropriations from the General Fund for the prior fiscal year without
8 legislative authorization.

9 (1), (2) [Repealed.]

10 (3) Of the funds that would otherwise be reserved in the General Fund
11 Balance Reserve under this subsection, ~~50 percent of any such funds~~ the
12 following amounts shall be reserved as necessary and transferred from the
13 General Fund ~~to the Vermont State Employees’ Postemployment Benefits~~
14 ~~Trust Fund established by 3 V.S.A. § 479a~~ as follows:

15 (A) 25 percent to the Vermont State Retirement Fund established by
16 3 V.S.A. § 473; and

17 (B) 25 percent to the Postretirement Adjustment Allowance Account
18 established in 16 V.S.A. § 1949a.

19 * * *

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* * * Effective Dates * * *

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Sec. 30. EFFECTIVE DATES

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This act shall take effect on July 1, 2022, except that Sec. 28 (FY 2022

4

appropriation) shall take effect on passage.