1 TO THE HONORABLE SENATE:

| 2 | The Committee on Appropriations to which was referred Senate Bill |
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| 3 | No. 286 entitled "An act relating to amending various public pension and other |
| 4 | postemployment benefits" respectfully reports that it has considered the same |
| 5 | and recommends that the bill be amended by striking out all after the enacting |
| 6 | clause and inserting in lieu thereof the following: |
| 7 | Sec. 1. 32 V.S.A. § 311a is added to read: |
| 8 | * * * |
| 9 | <u>§ 311a. PUBLIC RETIREMENT BENEFITS; UNFUNDED LIABILITY;</u> |
| 10 | FINDINGS; PURPOSE; INTENT |
| 11 | (a) Findings. The General Assembly finds that: |
| 12 | (1) The actuarially determined employer contribution (ADEC) for the |
| 13 | Vermont State Employees' Retirement System (VSERS) has increased by an |
| 14 | annual growth rate of 12.1 percent between FY 2009 and FY 2023, and the |
| 15 | funded ratio of the VSERS has declined from 94.1 percent from FY 2008 to |
| 16 | 67.6 percent by year-end FY 2021. |
| 17 | (2) The ADEC for the Vermont State Teachers' Retirement System |
| 18 | (VSTRS) has increased by an annual growth rate of 13 percent between |
| 19 | FY 2009 and FY 2023, and the funded ratio of the VSTRS has declined from |
| 20 | 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 |
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| 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 healthcare 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 | healthcare 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 | (3)(A) Nothing in this subdivision (3) shall be construed as a |
| 18 | commitment by the General Assembly to enacting a specific level of future |
| 19 | benefit enhancements that would require prefunding. |
| 20 | (B)(i) It is the intent of the General Assembly that VSTRS members |
| 21 | who paid additional contributions in active service as part of a broader effort to |

| 1 | improve the health of the retirement system should receive postretirement |
|----|---|
| 2 | adjustment allowances that will more fully reflect the net percentage increase |
| 3 | in the Consumer Price Index once the retirement system is in a healthier |
| 4 | financial position. |
| 5 | (ii) The General Assembly recognizes that a discrepancy exists |
| 6 | between members of other State retirement systems who receive postretirement |
| 7 | adjustment allowances equal to 100 percent of the net percentage increase in |
| 8 | the Consumer Price Index and VSTRS members who receive postretirement |
| 9 | adjustment allowances equal to 50 percent of the net percentage increase. |
| 10 | (iii) It is the intent of the General Assembly that, once the VSTRS |
| 11 | system is at least 80 percent funded, or in conjunction with proposed |
| 12 | modifications to the unfunded liability amortization schedule or policy, there |
| 13 | should be consideration of establishing a path to incrementally increase the |
| 14 | postretirement adjustment allowance formula to an ultimate goal of 100 |
| 15 | percent of the net percentage increase in the Consumer Price Index to create |
| 16 | parity amount retirement systems to the benefit of VSTRS Group C members |
| 17 | who paid higher contribution rates in active service to help improve the health |
| 18 | of the VSTRS system. |
| 19 | (iv) It is the intent of the General Assembly that, prior to enacting |
| 20 | any statutory changes to the postretirement adjustment allowance formula, the |
| 21 | General Assembly, in consultation with the Retirement Board and employee |

| 1 | groups, should evaluate the impact of any proposed changes on the normal |
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| 2 | cost, unfunded actuarial accrued liability, funded ratio, and actuarially |
| 3 | determined employer contribution. |
| 4 | (v) It is the intent of the General Assembly that the evaluation of |
| 5 | any future changes to the postretirement adjustment allowance formula should |
| 6 | also include developing a strategy for amortizing any anticipated growth in the |
| 7 | unfunded actuarial accrued liability attributed to any potential increases in the |
| 8 | <u>formula.</u> |
| 9 | (vi) It is the intent of the General Assembly that no future |
| 10 | modifications should be made to the postretirement adjustment allowance |
| 11 | formula if those changes are projected to result in the funded ratio of the |
| 12 | retirement system decreasing below 80 percent funded on an actuarial value |
| 13 | basis. |
| 14 | * * * Vermont State Employees' Retirement System * * * |
| 15 | * * * Pension Benefits * * * |
| 16 | Sec. 2. 3 V.S.A. § 455 is amended to read: |
| 17 | § 455. DEFINITIONS |
| 18 | (a) As used in this subchapter: |
| 19 | * * * |
| 20 | (4) "Average final compensation" shall mean: |
| 21 | * * * |

| 1 | (F) For a Group D member: |
|----|--|
| 2 | (i) Who retires on or before June 30, 2022, the member's final |
| 3 | <u>salary.</u> |
| 4 | (ii) Who retires on or after July 1, 2022, but who, on or before |
| 5 | June 30, 2022, has five years or more of service as a Supreme Court Justice, a |
| 6 | Superior judge, an Environmental judge, a District judge, or a Probate judge or |
| 7 | any combination thereof and has attained 57 years of age or older, or is a |
| 8 | Group D member on or before June 30, 2022 and has 15 years or more of |
| 9 | creditable service, the member's final salary. |
| 10 | (iii) Who retires on or after July 1, 2022 and who does not meet |
| 11 | the requirements set forth in subdivisions (i) and (ii) of this subdivision (F), the |
| 12 | average annual earnable compensation of a member during the two |
| 13 | consecutive fiscal years beginning on July 1 and ending on June 30 of |
| 14 | creditable service affording the highest such average, or during all of the years |
| 15 | in the member's creditable service if fewer than two years. If the member |
| 16 | separates prior to the end of a fiscal year, average final compensation shall be |
| 17 | determined by adding: |
| 18 | (I) The actual earnable compensation earned in the fiscal year of |
| 19 | separation through the date of separation and the service credit to correspond |
| | |

20 with the last pay date.

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| 1 | (II) The earnable compensation and service credit earned in the |
|----|---|
| 2 | preceding fiscal year. |
| 3 | (III) The remaining service credit that is needed to complete the |
| 4 | two full years, which shall be factored from the fiscal year preceding the fiscal |
| 5 | year described in subdivision (II) of this subdivision (F)(iii). The earnable |
| 6 | compensation associated with this remaining service credit shall be calculated |
| 7 | by multiplying the annual earnable compensation reported by the remaining |
| 8 | service credit that is needed. |
| 9 | * * * |
| 10 | (13) "Normal retirement date" shall mean: |
| 11 | (A) with respect to a Group A member, the first day of the calendar |
| 12 | month next following (i) attainment of age 65, and following completion of |
| 13 | five years of creditable service for those members hired on or after July 1, |
| 14 | 2004, or (ii) attainment of age 62 and completion of 20 years of creditable |
| 15 | service, whichever is earlier; |
| 16 | (B) with respect to a Group C member, the first day of the calendar |
| 17 | month next following attainment of age 55 years of age, and following |
| 18 | completion of five years of creditable service for those members hired on or |
| 19 | after July 1, 2004, or completion of 30 years of service, whichever is earlier; |

| 1 | (C) with respect to a Group D member , : |
|----|--|
| 2 | (i) for those members first appointed or elected on or before |
| 3 | June 30, 2022, the first day of the calendar month next following attainment of |
| 4 | age 62 years of age and completion of five years of creditable service; or |
| 5 | (ii) for those members first appointed or elected on or after July 1, |
| 6 | 2022, the first day of the calendar month next following attainment of 65 years |
| 7 | of age and completion of five years of creditable service; and |
| 8 | (D) with respect to a Group F member, the first day of the calendar |
| 9 | month next following attainment of age 62, and following completion of five |
| 10 | years of creditable service for those members hired on or after July 1, 2004, or |
| 11 | completion of 30 years of creditable service, whichever is earlier; and with |
| 12 | respect to a Group F member first included in the membership of the system on |
| 13 | or after July 1, 2008, the first day of the calendar month next following |
| 14 | attainment of age 65 and following completion of five years of creditable |
| 15 | service, or attainment of 87 points reflecting a combination of the age of the |
| 16 | member and number of years of service, whichever is earlier. |
| 17 | * * * |
| 18 | Sec. 3. 3 V.S.A. § 459 is amended to read: |
| 19 | § 459. NORMAL AND EARLY RETIREMENT |
| 20 | (a) Normal retirement. |
| 21 | * * * |

| 1 | (2) Group C members. Any group Group C member who is an officer |
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| 2 | or employee of the Department of Public Safety assigned to police and law |
| 3 | enforcement duties, including the Commissioner of Public Safety appointed |
| 4 | before July 1, 2000, and who has reached his or her normal retirement date |
| 5 | may retire on a normal retirement allowance, on the first day of any month |
| 6 | after he or she may have separated from service, by filing an application in the |
| 7 | manner outlined in subdivision (3) of this subsection. Any group Group C |
| 8 | member in service shall be retired on a normal retirement allowance on the |
| 9 | first day of the calendar month next following attainment of age 55 57 years of |
| 10 | age. Notwithstanding, it is provided that any such member who is an official |
| 11 | appointed for a term of years may remain in service until the end of his or her |
| 12 | the member's term of office or any extension thereto, resulting from |
| 13 | reappointment. |
| 14 | * * * |
| 15 | (b) Normal retirement allowance. |
| 16 | (1) Upon normal retirement, a group Group A member shall receive a |
| 17 | normal retirement allowance which shall be equal to 50 percent of his or her |
| 18 | the member's average final compensation; provided, however, that if the |
| 19 | member has not completed 30 years of creditable service at retirement, or, if |
| 20 | earlier, the date of attainment of such age as may be applicable under the |
| 21 | provisions of subdivision (a)(4) of this section, his or her allowance shall be |

| 1 | multiplied by the ratio that the number of his or her years of creditable service |
|----|---|
| 2 | at retirement, or such earlier date, bears to 30. |
| 3 | (2)(A) Upon normal retirement, a group Group C member shall receive |
| 4 | a normal retirement allowance which shall be equal to 50 percent of his or her |
| 5 | the member's average final compensation; provided, however, that if the |
| 6 | member has not completed 20 years of creditable service at retirement, or, if |
| 7 | earlier, the date of attainment of such age as may be applicable under the |
| 8 | provisions of subdivision (a)(4) of this section, the member's allowance shall |
| 9 | be multiplied by the ratio that the number of his or her the member's years of |
| 10 | creditable service at retirement, or such earlier date, bears to 20. |
| 11 | (B) For a Group C member, for each year of service that is completed |
| 12 | on or after July 1, 2022 after attaining the later of 50 years of age or |
| 13 | completing 20 years of service, a member's maximum normal retirement |
| 14 | allowance shall increase by an amount equal to one and one-half percent of the |
| 15 | member's average final compensation. |
| 16 | (3)(A) Group D members who are Justices of the Supreme Court, |
| 17 | Superior judges, Environmental judges, and District judges; additional |
| 18 | retirement allowance. Justices of the Supreme Court, Superior judges, |
| 19 | Environmental judges, and District judges, upon normal retirement under this |
| 20 | section, shall receive a normal retirement allowance equal to one and two- |
| 21 | thirds percent of the member's average final compensation times the years of |

| 1 | Group D membership service up to 12 years. Group D members shall receive |
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| 2 | an additional retirement allowance according to years of service as a Supreme |
| 3 | Court Justice, a Superior judge, an Environmental judge, or a District judge, or |
| 4 | a Probate judge or any combination thereof as follows: |
| 5 | (i) After 12 years of service, an additional retirement allowance of |
| 6 | an amount which that, together with the normal service retirement allowance |
| 7 | for the first 12 years, will make the total equal to two-fifths of their salary at |
| 8 | retirement average final compensation. |
| 9 | (ii) For each year of service in excess of 12 years, an amount |
| 10 | equal to 3-1/3 three and one-third percent of their salary at retirement average |
| 11 | final compensation shall be added to the retirement allowance as computed in |
| 12 | subsection (a) subdivision (b)(3)(A)(i) of this section subdivision (b)(3)(A). |
| 13 | However, at no time shall the total retirement allowance exceed their salary at |
| 14 | retirement. Such In addition to the normal retirement allowance, such |
| 15 | additional retirement allowance shall be treated as the normal retirement |
| 16 | allowance for all purposes of the retirement act. |
| 17 | (B) In order to qualify for the benefits provided by this title each |
| 18 | Justice or judge shall have the maximum employee contribution in accordance |
| 19 | with the requirements of the State Employees' Retirement System. These |
| 20 | provisions shall apply to surviving Justices and judges retired before its |
| 21 | enactment, but only from the effective date of its enactment, and not |

| 1 | retroactively. The total retirement allowance for Group D members shall be as |
|----|---|
| 2 | follows: |
| 3 | (i) For a Group D member who retires on or before June 30, 2022, |
| 4 | the total retirement allowance shall not exceed the member's salary at |
| 5 | retirement. |
| 6 | (ii) For a Group D member who, on or before June 30, 2022, has |
| 7 | five years or more of service as a Supreme Court Justice, a Superior judge, an |
| 8 | Environmental judge, a District judge, or a Probate judge, or any combination |
| 9 | thereof, and has attained 57 years of age or older, or is a Group D member on |
| 10 | or before June 30, 2022 and has 15 years or more of creditable service, the |
| 11 | total retirement allowance shall not exceed the member's salary at retirement. |
| 12 | (iii) For a Group D member who retires on or after July 1, 2022, |
| 13 | and who does not meet the requirements set forth in subdivision (i) or (ii) of |
| 14 | this subdivision (B), the member's total retirement allowance shall not exceed |
| 15 | 80 percent of the member's average final compensation. |
| 16 | (C) For the purposes of this section, years of service as a municipal |
| 17 | judge are to be counted as years of service in determining the additional |
| 18 | retirement allowance, insofar as they represent years of membership service. |
| 19 | [Repealed.] |
| 20 | (4) Group D members who are Probate judges; additional retirement |
| 21 | allowance. Probate judges, having retired under this section, shall be entitled |

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| 1 | to an additional retirement allowance according to their years in service as |
|----|--|
| 2 | follows: |
| 3 | (A) Upon completion of 12 years of service an amount which with |
| 4 | service retirement allowance will equal two-fifths of the salary at retirement. |
| 5 | (B) For each additional year of service, an amount equal to $3 \frac{1}{3}$ |
| 6 | percent of the salary at retirement shall be added to the retirement allowance as |
| 7 | computed in subsection (a) of this section. Such additional retirement |
| 8 | allowance shall be treated as the normal retirement allowance for all purposes |
| 9 | of the retirement act. [Repealed.] |
| 10 | * * * |
| 11 | Sec. 4. 3 V.S.A. § 459a is amended to read: |
| 12 | § 459a RESTORATION OF SERVICE |
| 13 | * * * |
| 14 | (b)(1) Upon the subsequent retirement of an employee who once again |
| 15 | became a member under subsection (a) of this section, the employee shall once |
| 16 | again become a beneficiary whose former retirement allowance shall be |
| 17 | restored under the same plan provisions applicable at the time of the initial |
| 18 | |
| 10 | retirement, but the beneficiary shall not be entitled to cost of living adjustments |
| 19 | retirement, but the beneficiary shall not be entitled to cost of living adjustments for the period during which he or she was restored to service. In addition to |
| | |

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| 1 | restoration to service for which the member has made a contribution. If the |
|----|--|
| 2 | beneficiary is not vested in the system since he or she was last restored to |
| 3 | service, the member's contributions plus accumulated interest shall be returned |
| 4 | to him or her. |
| 5 | (2) Notwithstanding subdivision (1) of this subsection, for a Group C |
| 6 | member who has attained the later of 50 years of age and has completed |
| 7 | 20 years or more of service, in no event shall the member's separately |
| 8 | computed retirement allowance increase by an amount equal to more than one |
| 9 | and one-half percent of the member's average final compensation per year of |
| 10 | restored service actually performed. |
| 11 | Sec. 5. 3 V.S.A. § 470 is amended to read: |
| 12 | § 470. POSTRETIREMENT ADJUSTMENTS TO RETIREMENT |
| 13 | ALLOWANCES |
| 14 | (a) For Group A, Group C, and Group D members, as of June 30th in each |
| 15 | year, commencing June 30, 1972, a determination shall be made of any |
| 16 | increase or decrease, to the nearest one tenth of a percent, in the ratio of the |
| 17 | average of the Consumer Price Index for the month ending on that date to the |
| 18 | average of said index for the month ending on June 30, 1971, or the month |
| 19 | ending on June 30th of the most recent year subsequent thereto. In the event of |
| 20 | an increase, and provided that the net increase following the application of any |
| 21 | offset as provided in this subsection equals or exceeds one percent, the |

| 1 | retirement allowance of each beneficiary in receipt of an allowance for at least |
|----|---|
| 2 | one year on the next following December 31st shall be increased by an equal |
| 3 | percentage. Such increase shall commence on the January 1st immediately |
| 4 | following such December 31st. Such percentage increase shall also be made in |
| 5 | the retirement allowance payable to a beneficiary in receipt of an allowance |
| 6 | under an optional election, provided the member on whose account the |
| 7 | allowance is payable and such other person shall have received a total of at |
| 8 | least 12 monthly payments by such December 31st. In the event of a decrease |
| 9 | of the Consumer Price Index as of June 30th for the preceding year, the |
| 10 | retirement allowance of a beneficiary shall not be subject to any adjustment on |
| 11 | the next following January 1st; provided, however, that: |
| 12 | (1) such decrease shall be applied as an offset against the first |
| 13 | subsequent year's increase of the Consumer Price Index when such increase |
| 14 | equals or exceeds one percent, up to the full amount of such increase; and |
| 15 | (2) to the extent that such decrease is greater than such subsequent |
| 16 | year's increase, such decrease shall be offset in the same manner against two |
| 17 | or more years of such increases, for up to but not exceeding five subsequent |
| 18 | years of such increases, until fully offset. Postretirement adjustments to |
| 19 | retirement allowance. On January 1 of each year, the retirement allowance of |
| 20 | each beneficiary of the System who is in receipt of a retirement allowance and |
| 21 | who meets the eligibility criteria set forth in this section shall be adjusted by |

| 1 | the amount described in subsection (d) of this section. In no event shall a |
|----|---|
| 2 | beneficiary receive a negative adjustment to the beneficiary's retirement |
| 3 | allowance. |
| 4 | (b) For Group F members, as of June 30th in each year, commencing |
| 5 | January 1, 1991, a determination shall be made of any increase or decrease, to |
| 6 | the nearest one-tenth of a percent of the Consumer Price Index for the |
| 7 | preceding fiscal year. In the event of an increase, and provided that there |
| 8 | exists a net increase following the application of any offset as provided in this |
| 9 | subsection, the retirement allowance of each beneficiary in receipt of an |
| 10 | allowance for at least one year on the next following December 31st shall be |
| 11 | increased by an amount equal to one half of the net percentage increase. |
| 12 | Commencing January 1, 2014, the retirement allowance of each beneficiary |
| 13 | who was an active contributing member of the Group F plan on or after |
| 14 | June 30, 2008, and who retires on or after July 1, 2008, shall be increased by |
| 15 | an amount equal to the net percentage increase. The increase shall commence |
| 16 | on the January 1st immediately following such December 31st. The increase |
| 17 | shall apply to Group F members receiving an early retirement allowance only |
| 18 | in the year following attainment of normal retirement age, provided the |
| 19 | member has received benefits for at least 12 months as of December 31st of |
| 20 | the year preceding any January adjustment. In the event of a decrease of the |
| 21 | Consumer Price Index as of June 30th for the preceding year, the retirement |

| 1 | allowance of a beneficiary shall not be subject to any adjustment on the next |
|----|--|
| 2 | following January 1st; provided, however, that: |
| 3 | (1) such decrease shall be applied as an offset against the first |
| 4 | subsequent year's increase of the Consumer Price Index, up to the full amount |
| 5 | of such increase; and |
| 6 | (2) to the extent that such decrease is greater than such subsequent |
| 7 | year's increase, such decrease shall be offset in the same manner against two |
| 8 | or more years of such increases, for up to but not exceeding five subsequent |
| 9 | years of such increases, until fully offset. Calculation of Net Percentage |
| 10 | Increase. |
| 11 | (1) Consumer Price Index; maximum and minimum amounts. Prior to |
| 12 | October 1 of each year, a determination shall be made of any increase or |
| 13 | decrease, to the nearest one-tenth of a percent, in the Consumer Price Index for |
| 14 | the month ending on June 30 of that year to the average of said index for the |
| 15 | month ending on June 30 of the previous year. Any increase or decrease in the |
| 16 | Consumer Price Index shall be subject to adjustment so as to remain within the |
| 17 | following maximum and minimum amounts: |
| 18 | (A) For Group A members, the maximum amount of any increase or |
| 19 | decrease used to determine the net percentage increase shall be five percent. |
| 20 | (B) For Group C members who are first eligible for normal |
| 21 | retirement or unreduced early retirement on or before June 30, 2022, or who |

| 1 | are vested deferred members as of June 30, 2022, the maximum amount of any |
|----|--|
| 2 | increase or decrease used to determine the net percentage increase shall be five |
| 3 | percent. |
| 4 | (C) For Group C members who are first eligible for normal |
| 5 | retirement or unreduced early retirement on or after July 1, 2022, the |
| 6 | maximum amount of any increase or decrease used to determine the net |
| 7 | percentage increase shall be four percent. |
| 8 | (D) For Group D members, the maximum amount of any increase or |
| 9 | decrease used to determine the net percentage increase shall be five percent. |
| 10 | (E) For Group F members who are first eligible for normal retirement |
| 11 | or unreduced early retirement on or before June 30, 2022, or who are vested |
| 12 | deferred members as of June 30, 2022, the maximum amount of any increase |
| 13 | or decrease used to determine the net percentage increase shall be five percent, |
| 14 | and any increase or decrease of less than one percent shall be assigned a value |
| 15 | of one percent. |
| 16 | (F) For Group F members who are first eligible for normal retirement |
| 17 | or unreduced early retirement on or after July 1, 2022, the maximum amount of |
| 18 | any increase or decrease used to determine the net percentage increase shall be |
| 19 | four percent. |

| 1 | (2) Consumer Price Index; decreases. In the event of a decrease in the |
|----|--|
| 2 | Consumer Price Index, there shall be no adjustment to retirement allowances |
| 3 | for the subsequent year beginning January 1; provided, however, that: |
| 4 | (A) such decrease shall be applied as an offset against the first |
| 5 | subsequent year's increase of the Consumer Price Index, up to the full amount |
| 6 | of such increase; and |
| 7 | (B) to the extent that such decrease is greater than such subsequent |
| 8 | year's increase, such decrease shall be offset in the same manner against two |
| 9 | or more years of such increases, for up to but not exceeding five subsequent |
| 10 | years of such increases, until fully offset. |
| 11 | (3) Consumer Price Index; increases. In the event of an increase in the |
| 12 | Consumer Price Index, and provided there remains an increase following the |
| 13 | application of any offset as in subdivision (2) of this subsection, that amount |
| 14 | shall be identified as the net percentage increase and used to determine the |
| 15 | members' postretirement adjustment as described herein. |
| 16 | (c) For purposes of subsection (a) of this section, the maximum amount of |
| 17 | any increase or decrease utilized to determine the net percentage increase shall |
| 18 | be five percent. For purposes of subsection (b) of this section, the maximum |
| 19 | amount of any increase or decrease utilized to determine the net percentage |
| 20 | increase shall be five percent, and any increase or decrease of less than one |
| 21 | percent shall be assigned a value of one percent. Eligibility for postretirement |

| 1 | adjustment. In order for a beneficiary to receive a postretirement adjustment to |
|----|--|
| 2 | the beneficiary's retirement allowance, the beneficiary must meet the |
| 3 | following eligibility requirements: |
| 4 | (1) For all members who are retired or vested deferred on or before |
| 5 | June 30, 2022; for Group A, C, and F members who are first eligible for |
| 6 | normal retirement or unreduced early retirement on or before June 30, 2022; |
| 7 | and for Group D members first appointed or elected on or before June 30, |
| 8 | 2022, the member must be in receipt of a retirement allowance for at least |
| 9 | 12 months prior to the January 1 effective date of any postretirement |
| 10 | adjustment. |
| 11 | (2) For all Group A, C, and F members who are first eligible for normal |
| 12 | retirement or unreduced early retirement on or after July 1, 2022, and for |
| 13 | Group D members first appointed or elected on or after July 1, 2022, the |
| 14 | member must be in receipt of a retirement allowance for at least 24 months |
| 15 | prior to the January 1 effective date of any postretirement adjustment. |
| 16 | (3) Special rule for Group F early retirement. A Group F member in |
| 17 | receipt of an early retirement allowance shall not receive a postretirement |
| 18 | adjustment to the member's retirement allowance until such time as the |
| 19 | member has reached normal retirement age, provided the member has also met |
| 20 | the other eligibility criteria set forth in this subsection. |

| 1 | (d) For purposed of this section, Consumer Price Index shall mean the |
|----|---|
| 2 | Northeast Region Consumer Price Index for all urban consumers, designated as |
| 3 | "CPI-U," in the northeast region, as published by the U.S. Department of |
| 4 | Labor, Bureau of Labor Statistics. Amount of postretirement adjustment. The |
| 5 | postretirement adjustment for each member who meets the eligibility criteria |
| 6 | set forth in subsection (c) of this section shall be as follows: |
| 7 | (1) The full amount of the net percentage increase calculated in |
| 8 | subsection (b) of this section for the following: |
| 9 | (A) Group A and C members; |
| 10 | (B) Group D members first appointed or elected on or before June |
| 11 | <u>30, 2022; and</u> |
| 12 | (C) Commencing January 1, 2014, any active contributing member of |
| 13 | the Group F plan on or after June 30, 2008, and who retires as a Group F |
| 14 | member on or after July 1, 2008. |
| 15 | (2) One-half of the net percentage increase calculated in subsection (b) |
| 16 | of this section for Group F members who retired on or before June 30, 2008. |
| 17 | (3) For Group D members first appointed or elected on or after July 1, |
| 18 | 2022, the full amount of the net percentage increase calculated in |
| 19 | subsection (b) of this section for amounts equal to or less than \$75,000.00 of |
| 20 | annual retirement allowance and one-half the net percentage increase |

| 1 | calculated in subsection (b) of this section for amounts \$75,000.01 or greater |
|----|---|
| 2 | of annual retirement allowance. |
| 3 | (e) <u>Definition</u> . For purposes of this section: |
| 4 | (1) "Consumer Price Index" means the Northeast Region Consumer |
| 5 | Price Index for all urban consumers, designated as "CPI-U," in the northeast |
| 6 | region, as published by the U.S. Department of Labor, Bureau of Labor |
| 7 | Statistics. |
| 8 | (2) "Vested deferred" means a member who receives a vested deferred |
| 9 | allowance payable pursuant to subsection 465(a) of this title. |
| 10 | (f) Deferred vested allowance. No increase shall be made pursuant to this |
| 11 | section in a deferred vested allowance payable pursuant to subsection 465(a) of |
| 12 | this title prior to its commencement. |
| 13 | Sec. 6. 3 V.S.A. § 473 is amended to read: |
| 14 | § 473. FUNDS |
| 15 | (a) Assets. All of the assets of the Retirement System shall be credited to |
| 16 | the Vermont State Retirement Fund. |
| 17 | (b) Member contributions. |
| 18 | (1)(A) Allocations. Contributions deducted from the compensation of |
| 19 | members together with any member contributions transferred thereto from the |
| 20 | predecessor systems shall be accumulated in the Fund and separately recorded |
| 21 | for each member. The amounts so transferred on account of Group A |

| 1 | members shall be allocated between regular and additional contributions. The |
|----|--|
| 2 | amounts so allocated as regular contributions shall be determined as if the rate |
| 3 | of contribution of four percent has been continuously in effect in the |
| 4 | predecessor system from which such amounts were transferred and the balance |
| 5 | of any amount so transferred on account of any Group A member shall be |
| 6 | deemed additional contributions. In the case of Group C members who were |
| 7 | members as of the date of establishment and Group D members, all |
| 8 | contributions transferred from predecessor systems shall be deemed regular |
| 9 | contributions. Those members who, prior to the date of establishment of this |
| 10 | system, had been contributing at a rate less than four percent shall have any |
| 11 | benefit otherwise payable on their behalf actuarially reduced to reflect such |
| 12 | prior contribution rate of less than four percent. Upon a member's retirement |
| 13 | or other withdrawal from service on the basis of which a retirement allowance |
| 14 | is payable, the member's additional contributions, with interest thereon, shall |
| 15 | be paid as an additional allowance equal to an annuity which is the actuarial |
| 16 | equivalent of such amount, in the same manner as the benefit otherwise |
| 17 | payable under the System. |
| 18 | (B) Periodic review. When the State Employees' Retirement System |
| 19 | has been determined by the actuary to have assets at least equal to its accrued |
| 20 | liability, contribution rates will be reevaluated by the actuary with a |
| 21 | subsequent recommendation to the General Assembly. In determining the |

| 1 | amount earnable by a member in a payroll period, the Retirement Board may |
|----|---|
| 2 | consider the annual or other periodic rate of earnable compensation payable to |
| 3 | such member on the first day of the payroll period as continuing throughout |
| 4 | such payroll period, and it may omit deduction from compensation for any |
| 5 | period less than a full payroll period if an employee was not a member on the |
| 6 | first day of the payroll period, and to facilitate the making of deductions it may |
| 7 | modify the deduction required of any member by such an amount as, on an |
| 8 | annual basis, shall not exceed one-tenth of one percent of the annual earnable |
| 9 | compensation upon the basis of which such deduction is to be made. Each of |
| 10 | the amounts shall be deducted until the member retires or otherwise withdraws |
| 11 | from service, and when deducted shall be paid into the Annuity Savings Fund, |
| 12 | and shall be credited to the individual account of the member from whose |
| 13 | compensation the deduction was made. |
| 14 | (2)(A) Group A members. Commencing on July 1, 2016, contributions |
| 15 | shall be 6.55 percent of compensation for Group A , D, and F members and |
| 16 | 8.43 percent of compensation for Group C members. When the State |
| 17 | Employees' Retirement System has been determined by the actuary to have |
| 18 | assets at least equal to its accrued liability, contribution rates will be |
| 19 | reevaluated by the actuary with a subsequent recommendation to the General |
| 20 | Assembly. In determining the amount earnable by a member in a payroll |
| 21 | period, the Retirement Board may consider the annual or other periodic rate of |

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| 1 | earnable compensation payable to such member on the first day of the payroll |
|----|---|
| 2 | period as continuing throughout such payroll period, and it may omit deduction |
| 3 | from compensation for any period less than a full payroll period if an employee |
| 4 | was not a member on the first day of the payroll period, and to facilitate the |
| 5 | making of deductions it may modify the deduction required of any member by |
| 6 | such an amount as, on an annual basis, shall not exceed one tenth of one |
| 7 | percent of the annual earnable compensation upon the basis of which such |
| 8 | deduction is to be made. Each of the amounts shall be deducted until the |
| 9 | member retires or otherwise withdraws from service, and when deducted shall |
| 10 | be paid into the Annuity Savings Fund, and shall be credited to the individual |
| 11 | account of the member from whose compensation the deduction was made. |
| 12 | (B) Group C members. |
| 13 | (i) Commencing the first full pay period in fiscal year 2023, the |
| 14 | contribution rate for Group C members shall be 9.03 percent of compensation; |
| 15 | (ii) Commencing the first full pay period in fiscal year 2024, the |
| 16 | contribution rate for Group C members shall be 9.53 percent of compensation. |
| 17 | (iii) Commencing the first full pay period in fiscal year 2025 and |
| 18 | annually thereafter, the contribution rate for Group C members shall be 10.03 |
| 19 | percent of compensation. |
| 20 | (C) Group D members. Commencing on July 1, 2022, the |
| 21 | contribution rate for Group D members shall be based on the quartile in which |

| 1 | a member's hourly rate of pay falls. Quartiles shall be determined annually in |
|----|--|
| 2 | the first full pay period of each fiscal year by the Department of Human |
| 3 | Resources based on the hourly rate of pay by all Group D members. The |
| 4 | contribution rates shall be based on the schedule set forth below: |
| 5 | (i) Based on the quartiles for the first full pay period of each fiscal |
| 6 | year and effective the first full pay period in that fiscal year, for members who |
| 7 | have an hourly rate of pay in any pay period, below the 25th percentile of |
| 8 | Group D member hourly rates of pay, the contribution rate shall be 6.65 |
| 9 | percent of compensation. |
| 10 | (ii) Based on the quartiles for the first full pay period of each |
| 11 | fiscal year and effective the first full pay period in that fiscal year, for members |
| 12 | who have an hourly rate of pay in any pay period at the 25th percentile and |
| 13 | below the 50th percentile of Group D member hourly rates of pay, the |
| 14 | contribution rate shall be as follows: |
| 15 | (I) commencing in fiscal year 2023, 7.15 percent of |
| 16 | compensation; |
| 17 | (II) commencing in fiscal year 2024, 7.65 percent of |
| 18 | compensation; and |
| 19 | (III) commencing in fiscal year 2025 and annually thereafter, |
| 20 | 8.15 percent of compensation. |

| 1 | (iii) Based on the quartiles for the first full pay period of each |
|----|--|
| 2 | fiscal year and effective the first full pay period in that fiscal year, for members |
| 3 | who have an hourly rate of pay in any pay period at the 50th percentile and |
| 4 | below the 75th percentile of Group D member hourly rates of pay, the |
| 5 | contribution rate shall be as follows: |
| 6 | (I) commencing in fiscal year 2023, 7.15 percent of |
| 7 | compensation; |
| 8 | (II) commencing in fiscal year 2024, 7.65 percent of |
| 9 | compensation; |
| 10 | (III) commencing in fiscal year 2025, 8.15 percent of |
| 11 | compensation; and |
| 12 | (IV) commencing in fiscal year 2026 and annually thereafter, |
| 13 | 8.65 percent of compensation. |
| 14 | (iv) 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 or above the 75th |
| 17 | percentile of Group D member hourly rates of pay, the contribution rate shall |
| 18 | be as follows: |
| 19 | (I) commencing in fiscal year 2023, 7.15 percent of |
| 20 | compensation; |

| 1 | (II) commencing in fiscal year 2024, 7.65 percent of |
|----|--|
| 2 | compensation; |
| 3 | (III) commencing in fiscal year 2025, 8.15 percent of |
| 4 | compensation; |
| 5 | (IV) commencing in fiscal year 2026, 8.65 percent of |
| 6 | compensation; and |
| 7 | (V) commencing in fiscal year 2027 and annually thereafter, |
| 8 | 9.15 percent of compensation. |
| 9 | (D) Group F members. Commencing on July 1, 2022, the |
| 10 | contribution rate for Group F members shall be based on the quartile in which |
| 11 | a member's hourly rate of pay falls. Quartiles shall be determined annually in |
| 12 | the first full pay period of each fiscal year, by the Department of Human |
| 13 | Resources based on the hourly rate of pay of all Group F members. The |
| 14 | contribution rates shall be based on the schedule set forth below: |
| 15 | (i) Based on the quartiles for the first full pay period of each fiscal |
| 16 | year and effective the first full pay period in that fiscal year, for members who |
| 17 | have an hourly rate of pay in any pay period below the 25th percentile of |
| 18 | Group F member hourly rate of pay, the contribution rate shall be 6.65 percent |
| 19 | of compensation. |
| 20 | (ii) Based on the quartiles for the first full pay period of each |
| 21 | fiscal year and effective the first full pay period in that fiscal year, for members |

| 1 | who have an hourly rate of pay in any pay period at the 25th percentile and |
|----|--|
| 2 | below the 50th percentile of Group F member hourly rates of pay, the |
| 3 | contribution rate shall be as follows: |
| 4 | (I) commencing in fiscal year 2023, 7.15 percent of |
| 5 | compensation; |
| 6 | (II) commencing in fiscal year 2024, 7.65 percent of |
| 7 | compensation; and |
| 8 | (III) commencing in fiscal year 2025 and annually thereafter, |
| 9 | 8.15 percent of compensation. |
| 10 | (iii) Based on the quartiles for the first full pay period of each |
| 11 | fiscal year and effective the first full pay period in that fiscal year, for members |
| 12 | who have an hourly rate of pay in any pay period at the 50th percentile and |
| 13 | below the 75th percentile of Group F member hourly rates of pay, the |
| 14 | contribution rate shall be as follows: |
| 15 | (I) commencing in fiscal year 2023, 7.15 percent of |
| 16 | compensation; |
| 17 | (II) commencing in fiscal year 2024, 7.65 percent of |
| 18 | compensation; |
| 19 | (III) commencing in fiscal year 2025, 8.15 percent of |
| 20 | compensation; and |

| 1 | (IV) commencing in fiscal year 2026 and annually thereafter, |
|----|--|
| 2 | 8.65 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 F member hourly rates of pay, the contribution rate shall |
| 7 | be as follows: |
| 8 | (I) commencing in fiscal year 2023, 7.15 percent of |
| 9 | compensation; |
| 10 | (II) commencing in fiscal year 2024, 7.65 percent of |
| 11 | compensation; |
| 12 | (III) commencing in fiscal year 2025, 8.15 percent of |
| 13 | compensation; |
| 14 | (IV) commencing in fiscal year 2026, 8.65 percent of |
| 15 | compensation; and |
| 16 | (V) commencing in fiscal year 2027 and annually thereafter, |
| 17 | 9.15 percent of compensation. |
| 18 | (3) <u>Deductions</u> . The deductions provided for herein shall be made |
| 19 | notwithstanding that the minimum compensation provided for by law for any |
| 20 | member shall be reduced thereby. Every member shall be deemed to consent |
| 21 | and agree to the deductions made and provided herein and shall receipt for full |

| 1 | compensation, and payment of compensation less such deduction shall be a full |
|----|---|
| 2 | and complete discharge and acquittance of all claims and demands whatsoever |
| 3 | for the services rendered by such person during the period covered by such |
| 4 | payment, except as to the benefits provided under this subchapter. |
| 5 | (4) Additional contributions. Subject to the approval of the Retirement |
| 6 | Board, in addition to the contributions deducted from compensation as |
| 7 | hereinbefore provided, any member may redeposit in the Fund by a single |
| 8 | payment or by an increased rate of contribution an amount equal to the total |
| 9 | amount which the member previously withdrew from this System or one of the |
| 10 | predecessor systems; or any member may deposit therein by a single payment |
| 11 | or by an increased rate of contribution an amount computed to be sufficient to |
| 12 | purchase an additional annuity which that, together with prospective retirement |
| 13 | allowance, will provide for the member a total retirement allowance not in |
| 14 | excess of one-half of average final compensation at normal retirement date, |
| 15 | with the exception of Group D members for whom creditable service shall be |
| 16 | restored upon redeposits of amounts previously withdrawn from the System, or |
| 17 | for whom creditable service shall be granted upon deposit of amounts equal to |
| 18 | what would have been paid if payment had been made during any period of |
| 19 | service during which such a member did not contribute. Such additional |
| 20 | amounts so deposited shall become a part of the member's accumulated |
| 21 | contributions as additional contributions. |

| 1 | (5) <u>Beneficiaries.</u> The contributions of a member and such interest as |
|----|---|
| 2 | may be allowed thereon which that are withdrawn by the member or paid to |
| 3 | the member estate or to a designated beneficiary in event of the member's |
| 4 | death, shall be paid from the Fund. |
| 5 | (6) <u>Scope.</u> Contributions required under this subsection shall be limited |
| 6 | to contributions from Group A, Group C, Group D, and Group F members. |
| 7 | (7) [Repealed.] |
| 8 | (c) Employer contributions, earnings, and payments. |
| 9 | * * * |
| 10 | (8) Annually, the Board shall certify an amount to pay the annual |
| 11 | actuarially determined employer contribution, as calculated in this subsection, |
| 12 | and additional amounts as follows: |
| 13 | (A) in fiscal year 2024, the amount of \$9,000,000.00; |
| 14 | (B) in fiscal year 2025, the amount of \$12,000,000.00; and |
| 15 | (C) in fiscal year 2026 and in any year thereafter until the Fund is |
| 16 | calculated to have a funded ratio of at least 90 percent, the amount of |
| 17 | <u>\$15,000,000.00.</u> |
| 18 | * * * Other Postemployment Benefits * * * |
| 19 | Sec. 7. 3 V.S.A. § 479a is amended to read: |
| 20 | § 479a. STATE EMPLOYEES' POSTEMPLOYMENT BENEFITS TRUST |
| 21 | FUND |

| 1 | * * * |
|----|--|
| 2 | (b) Into the Benefits Fund shall be deposited: |
| 3 | (1) all assets remitted to the State as a subsidy on behalf of the members |
| 4 | of the Vermont State Employees' Retirement System for employer-sponsored |
| 5 | qualified prescription drug plans pursuant to the Medicare Prescription Drug |
| 6 | Improvement and Modernization Act of 2003, except that any subsidy received |
| 7 | from an Employer Group Waiver Program is not subject to this requirement; |
| 8 | (2) any appropriations by the General Assembly for the purposes of |
| 9 | paying current and future retiree postemployment benefits for members of the |
| 10 | Vermont State Employees' Retirement System; and |
| 11 | (3) amounts contributed or otherwise made available by members of the |
| 12 | System or their beneficiaries for the purpose of paying current or future |
| 13 | postemployment benefits costs; and |
| 14 | (4) any monies pursuant to subsection (e) of this section. |
| 15 | (c) The Benefits Fund shall be administered by the State Treasurer. The |
| 16 | Treasurer may invest monies in the Benefits Fund in accordance with the |
| 17 | provisions of 32 V.S.A. § 434 or, in the alternative, may enter into an |
| 18 | agreement with the Commission to invest such monies in accordance with the |
| 19 | standards of care established by the prudent investor rule under 14A V.S.A. |
| 20 | § 902, in a manner similar to the Committee's Commission's investment of |
| 21 | retirements retirement system monies. All balances in the Benefits Fund at the |

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| 1 | end of the fiscal year shall be carried forward. Interest earned shall remain in |
|----|---|
| 2 | the Benefits Fund. The Treasurer's annual financial report to the Governor and |
| 3 | the General Assembly shall contain an accounting of receipts, disbursements, |
| 4 | and earnings of the Benefits Fund. |
| 5 | * * * |
| 6 | (e) State Contribution. |
| 7 | (1) Beginning on July 1, 2022 and annually thereafter, the State shall |
| 8 | make annual contributions to the Benefits Fund known as the "normal |
| 9 | contribution" and the "accrued liability contribution," each of which shall be |
| 10 | fixed on the basis of the liabilities of the System as shown by the most recent |
| 11 | actuarial valuation and made by the payroll assessment included in annual |
| 12 | agency and department budgets: |
| 13 | (A) The "normal contribution" shall be the amount that, if |
| 14 | contributed over each member's prospective period of service, will be |
| 15 | sufficient to provide for the payment of all future retiree postemployment |
| 16 | benefits after subtracting the unfunded actuarial liability and the total assets of |
| 17 | the Benefits Fund. The "normal contribution" shall be identified using the |
| 18 | actuarial cost method known as "projected unit credit" and applying a rate of |
| 19 | return equal to the most recently adopted actuarial rate of return pursuant to |
| 20 | section 523 of this title. |

| 1 | (B) The "accrued liability contribution" shall be the annual payment |
|----|---|
| 2 | set forth in the most recent actuarial valuation that is necessary to liquidate the |
| 3 | unfunded accrued liability over a closed period of 26 years and determined |
| 4 | based on the funding schedule set forth in this section. |
| 5 | (i) It is the policy of the State of Vermont to liquidate fully the |
| 6 | unfunded accrued liability for the payment of retiree health and medical |
| 7 | benefits. |
| 8 | (ii) Beginning on July 1, 2022, until the unfunded accrued liability |
| 9 | is liquidated, the accrued liability contribution shall be the annual payment |
| 10 | required to liquidate the unfunded accrued liability over a closed period of 26 |
| 11 | years ending on June 30, 2048, provided that the amount of each annual basic |
| 12 | accrued liability contribution shall be determined by amortization of the |
| 13 | unfunded liability over the remainder of the closed 26-year period in |
| 14 | installments. |
| 15 | (2) Any variation in the contribution of normal or accrued liability |
| 16 | contributions from those recommended by the actuary and any actuarial gains |
| 17 | and losses shall be added or subtracted to the unfunded accrued liability and |
| 18 | amortized over the remainder of the closed 26-year period. |
| 19 | (3) The Board shall review annually the amount of State contributions |
| 20 | recommended by the actuary. Based on this review, the Board shall determine |
| 21 | the amount of State contribution necessary for the next fiscal year to achieve |

| 1 | and preserve the financial integrity of the funds and certify a statement of the |
|----|--|
| 2 | percentage of the payroll of all members sufficient to fund the normal cost and |
| 3 | the accrued liability contribution. On or before December 15 of each year, the |
| 4 | Board shall inform the Governor and the House and Senate Committees on |
| 5 | Government Operations and on Appropriations in writing about the amount |
| 6 | needed. The provisions of 2 V.S.A. § 20(d) (expiration of required reports) |
| 7 | shall not apply to the report to be made under this subsection. |
| 8 | * * * VSERS Actuarial Studies * * * |
| 9 | Sec. 8. 3 V.S.A. § 523 is amended to read: |
| 10 | § 523. VERMONT PENSION INVESTMENT COMMISSION; DUTIES |
| 11 | * * * |
| 12 | (f) Asset and liability study. Beginning on July 1, 2022 2023, and every |
| 13 | three years thereafter, based on the most recent actuarial valuations of each |
| 14 | Plan, the Commission shall study the assets and liabilities of each Plan over a |
| 15 | 20-year period. The study shall: |
| 16 | (1) project the expected path of the key indicators of each Plan's |
| 17 | financial health based on all current actuarial and investment assumptions; |
| 18 | current contribution and benefit policies, including the Plans' mark-to-market |
| 19 | |
| | funded ratio; actuarially required contributions by source; payout ratio; and |

| 1 | (2) project the effect on each Plan's financial health resulting from: |
|----|---|
| 2 | (A) possible material deviations from Plan assumptions in investment |
| 3 | assumptions, including returns versus those expected and embedded in the |
| 4 | actuary's estimate of actuarially required contributions and any material |
| 5 | changes in capital markets volatility; and |
| 6 | (B) possible material deviations from key plan actuarial assumptions, |
| 7 | including retiree longevity, potential benefit increases, and inflation. |
| 8 | * * * |
| 9 | Sec. 9. 3 V.S.A. § 471 is amended to read: |
| 10 | § 471. RETIREMENT BOARD; MEDICAL BOARD; ACTUARY; RATES |
| 11 | OF CONTRIBUTION; SAFEKEEPING OF SECURITIES |
| 12 | * * * |
| 13 | (j) The Retirement Board shall designate an actuary who shall be the |
| 14 | technical advisor of the Board on matters regarding the operation of the Fund |
| 15 | of the Retirement System, and shall perform such other duties as are required |
| 16 | in connection therewith. Immediately after the establishment of the Retirement |
| 17 | System, the Retirement Board shall adopt for the Retirement System such |
| 18 | mortality and service tables as shall be deemed necessary and shall certify the |
| 19 | rates of contribution payable under the provisions of this subchapter. At |
| 20 | Beginning July 1, 2023, at least once in each three-year period every three |
| 21 | fiscal years following the establishment of the System, the actuary shall make |

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| 1 | an actuarial investigation into the mortality, service, and compensation |
|----|--|
| 2 | experience of the members and beneficiaries of the Retirement System, and |
| 3 | taking into account the results of such investigation, the Retirement Board |
| 4 | shall adopt for the Retirement System such mortality, service, and other tables |
| 5 | as shall be deemed necessary and shall certify the rates of contribution payable |
| 6 | under the provisions of this subchapter. |
| 7 | * * * |
| 8 | * * * Vermont State Teachers' Retirement System * * * |
| 9 | * * * VSTRS Actuarial Studies * * * |
| 10 | Sec. 10. 16 V.S.A. § 1942 is amended to read: |
| 11 | § 1942. BOARD OF TRUSTEES; MEDICAL BOARD; ACTUARY; RATE |
| 12 | OF CONTRIBUTION; SAFEKEEPING OF SECURITIES |
| 13 | * * * |
| 14 | (m) Immediately after the establishment of the System, the actuary shall |
| 15 | make such investigation of the mortality, service, and compensation experience |
| 16 | of the members of the System, as the actuary shall recommend and the Board |
| 17 | shall authorize, for the purpose of determining the proper mortality and service |
| 18 | tables to be prepared and submitted to the Board for adoption. Having regard |
| 19 | to such investigation and recommendation, the Board shall adopt for the |
| 20 | System such mortality and service tables as shall be deemed necessary and |
| 21 | shall certify the rates of contribution payable under the provisions of this |

| 1 | chapter. At least once in each three-year period Beginning July 1, 2023, at |
|----|--|
| 2 | least once every three fiscal years following the establishment of the System, |
| 3 | the actuary shall make an actuarial investigation into the mortality, service, and |
| 4 | compensation experience of the members and beneficiaries of the System, and |
| 5 | taking into account the results of such investigation, the Board shall adopt for |
| 6 | the System such mortality, service, and other tables as shall be deemed |
| 7 | necessary and shall certify the rates of contribution payable under the |
| 8 | provisions of this chapter. |
| 9 | * * * |
| 10 | * * * Pension Benefits * * * |
| 11 | Sec. 11. 16 V.S.A. § 1944 is amended to read: |
| 12 | § 1944. VERMONT TEACHERS' RETIREMENT FUND |
| 13 | (a) Pension Fund. All of the assets of the System shall be credited to the |
| 14 | Vermont Teachers' Retirement Fund. |
| 15 | (b) Member contributions. |
| 16 | (1) Contributions deducted from the compensation of members shall be |
| 17 | accumulated in the Pension Fund and separately recorded for each member. |
| 18 | (2) The proper authority or officer responsible for making up each |
| 19 | employer payroll shall cause to be deducted from the compensation: |
| | |

| 1 | (A) of each Group A member five and one-half percent of the |
|----|--|
| 2 | member's total earnable compensation, including compensation paid for |
| 3 | absence as provided by subsection 1933(d) of this title; and |
| 4 | (B) from of each Group C member with at least five years of |
| 5 | membership service as of July 1, 2014, five percent of the member's earnable |
| 6 | compensation; and from each Group C member with less than five years of |
| 7 | membership service as of July 1, 2014, six percent of the member's earnable |
| 8 | compensation, an effective rate that is calculated based on the member's base |
| 9 | salary as of July 1 each year. The effective rate shall be rounded to the nearest |
| 10 | hundredth of a percent and levied on the member's total earnable |
| 11 | compensation for the fiscal year, unless a teacher's full-time equivalency status |
| 12 | changes during the fiscal year, in which case the teacher's effective rate will be |
| 13 | recalculated and the new rate will be applied going forward. A member's total |
| 14 | earnable compensation for the fiscal year shall also including include |
| 15 | compensation paid for absence as provided by subsection 1933(d) of this title-, |
| 16 | and shall be calculated according to the following marginal rates and income |
| 17 | brackets: |
| 18 | (i) Beginning on July 1, 2022: |
| 19 | (I) if a member's base salary is at or below \$40,000.00, the rate |
| 20 | is 6.0 percent; |

| 1 | (II) if a member's base salary is \$40,000.01 or more but not |
|----|---|
| 2 | more than \$60,000.00, the rate is the equivalent of \$2,400.00 on \$40,000.00 of |
| 3 | the member's base salary and 6.50 percent of the member's salary that is |
| 4 | <u>\$40,000.01 or more;</u> |
| 5 | (III) if a member's base salary of \$60,000.01 or more but not |
| 6 | more than \$80,000.00, the rate is the equivalent of \$3,700.00 on \$60,000.00 |
| 7 | and 6.75 percent of the member's salary that is \$60,000.01 or more; |
| 8 | (IV) if a member's base salary is \$80,000.01 or more but not |
| 9 | more than \$100,000.00, the rate is the equivalent of \$5,050.00 on \$80,000.00 |
| 10 | and 7.00 percent of the member's salary that is \$80,000.01 or more; |
| 11 | (V) if a member's base salary is \$100,000.01 or more, the rate |
| 12 | is the equivalent of \$6,450.00 on \$100,000.00 and 7.25 percent of the |
| 13 | member's salary that is \$100,000.01 or more. |
| 14 | (ii) Beginning on July 1, 2023: |
| 15 | (I) if a member's base salary is at or below \$40,000.00, the rate |
| 16 | is 6.25 percent; |
| 17 | (II) if a member's base salary is \$40,000.01 or more but not |
| 18 | more than \$60,000.00, the rate is the equivalent of \$2,500.00 on \$40,000.00 |
| 19 | and 6.75 percent of the member's salary that is \$40,000.01 or more; |

| 1 | (III) if a member's base salary of \$60,000.01 or more but not |
|----|---|
| 2 | more than \$80,000.00, the rate is the equivalent of \$3,850.00 on \$60,000.00 |
| 3 | and 7.0 percent of the member's salary that is \$60,000.01 or more; |
| 4 | (IV) if a member's base salary is \$80,000.01 or more but not |
| 5 | more than \$100,000.00, the rate is the equivalent of \$5,250.00 on \$80,000.00 |
| 6 | and 7.50 percent of the member's salary that is \$80,000.01 or more; |
| 7 | (V) if a member's base salary is \$100,000.01 or more, the rate |
| 8 | is the equivalent of \$6,750.00 on \$100,000.00 and 8.0 percent of the member's |
| 9 | salary that is \$100,000.01 or more. |
| 10 | (iii) Beginning on July 1, 2024 and annually thereafter: |
| 11 | (I) if a member's base salary is at or below \$40,000.00, the rate |
| 12 | is 6.25 percent; |
| 13 | (II) if a member's base salary is \$40,000.01 or more but not |
| 14 | more than \$60,000.00, the rate is the equivalent of \$2,900.00 on \$40,000.00 |
| 15 | and 6.75 percent of the member's salary that is \$40,000.01 or more; |
| 16 | (III) if a member's base salary of \$60,000.01 or more but not |
| 17 | more than \$80,000.00, the rate is the equivalent of \$3,850.00 on \$60,000.00 |
| 18 | and 7.5 percent of the member's salary that is \$60,000.01 or more; |
| 19 | (IV) if a member's base salary is \$80,000.01 or more but not |
| 20 | more than \$100,000.00, the rate is the equivalent of \$5,350.00 on \$80,000.00 |
| 21 | and 8.25 percent of the member's salary that is \$80,000.01 or more; |

| 1 | (V) if a member's base salary is \$100,000.01 or more, the rate |
|----|---|
| 2 | is the equivalent of \$7,000.00 on \$100,000.00 and 9.0 percent of the member's |
| 3 | salary that is \$100,000.01 or more. |
| 4 | (C) In determining the amount earnable by a member set forth in this |
| 5 | subdivision (2) in a payroll period, the Board may consider the rate of |
| 6 | compensation payable to such member on the first day of a payroll period as |
| 7 | continuing throughout the payroll period, and it may omit deduction from |
| 8 | compensation for any period less than a full payroll period if a teacher was not |
| 9 | a member on the first day of the payroll period, and to facilitate the making of |
| 10 | deductions it may modify the deduction required of any member by such an |
| 11 | amount as shall not exceed one-tenth of one percent of the annual earnable |
| 12 | compensation upon the basis of which such deduction is made. The actuary |
| 13 | shall make annual valuations of the reduction to the recommended State |
| 14 | contribution attributable to the increase from five to six percent, and the Board |
| 15 | shall include the amount of this reduction in its written report pursuant to |
| 16 | subsection 1942(r) of this title. |
| 17 | * * * |
| 18 | (c) State contributions, earnings, and payments. |
| 19 | (1) All State appropriations and all reserves for the payment for all |
| 20 | pensions including all interest and dividends earned on the assets of the |
| 21 | Retirement System shall be accumulated in the Pension Fund. All benefits |

| 1 | payable under the System, except for retired teacher health and medical |
|----|---|
| 2 | benefits, shall be paid from the Pension Fund. Annually, the Retirement Board |
| 3 | shall allow regular interest on the individual accounts of members in the |
| 4 | Pension Fund which that shall be credited to each member's account. |
| 5 | (2) Beginning with the actuarial valuation as of June 30, 2006, the |
| 6 | contributions to be made to the Pension Fund by the State shall be determined |
| 7 | on the basis of the actuarial cost method known as "entry age normal." On |
| 8 | account of each member, there shall be paid annually by the State into the |
| 9 | Pension Fund a percentage of the earnable compensation of each member to be |
| 10 | known as the "normal contribution" and an additional percentage of the |
| 11 | member's earnable compensation to be known as the "accrued liability |
| 12 | contribution." The percentage rate of such contributions shall be fixed on the |
| 13 | basis of the liabilities of the System as shown by actuarial valuation. "Normal |
| 14 | contributions" and "accrued liability contributions" shall be by separate |
| 15 | appropriation in the annual budget enacted by the General Assembly. |
| 16 | (3) The normal contribution shall be the uniform percentage of the total |
| 17 | compensation of members that, if contributed over each member's prospective |
| 18 | period of service and added to such member's prospective contributions, if |
| 19 | any, will be sufficient to provide for the payment of all future pension benefits |
| 20 | after subtracting the sum of the unfunded accrued liability and the total assets |
| 21 | of the Pension Fund. |

| 1 | (4) It is the policy of the State of Vermont to liquidate fully the |
|----|--|
| 2 | unfunded accrued liability to the System. Beginning on July 1, 2008, until the |
| 3 | unfunded accrued liability is liquidated, the accrued liability contribution shall |
| 4 | be the annual payment required to liquidate the unfunded accrued liability over |
| 5 | a closed period of 30 years ending on June 30, 2038, provided that: |
| 6 | (A) From July 1, 2009 to June 30, 2019, the amount of each annual |
| 7 | basic accrued liability contribution shall be determined by amortization of the |
| 8 | unfunded liability over the remainder of the closed 30-year period in |
| 9 | installments increasing at a rate of five percent per year. |
| 10 | (B) Beginning on July 1, 2019 and annually thereafter, the amount of |
| 11 | each annual basic accrued liability contribution shall be determined by |
| 12 | amortization of the unfunded liability over the remainder of the closed 30-year |
| 13 | period in installments increasing at a rate of three percent per year. |
| 14 | (C) Any variation in the contribution of normal or unfunded accrued |
| 15 | liability contributions from those recommended by the actuary and any |
| 16 | actuarial gains and losses shall be added or subtracted to the unfunded accrued |
| 17 | liability and amortized over the remainder of the closed 30-year period. |
| 18 | * * * |
| 19 | (13) Annually, the Board shall certify an amount to pay the annual |
| 20 | actuarially determined employer contribution, as calculated in this subsection, |
| 21 | and additional amounts as follows: |

| 1 | (A) in fiscal year 2024, the amount of \$9,000,000.00; |
|----|---|
| 2 | (B) in fiscal year 2025, the amount of \$12,000,000.00; and |
| 3 | (C) in fiscal year 2026 and in any year thereafter until the Fund is |
| 4 | calculated to have a funded ratio of at least 90 percent, the amount of |
| 5 | <u>\$15,000,000.00.</u> |
| 6 | * * * |
| 7 | Sec. 12. 16 V.S.A. § 1949 is amended to read: |
| 8 | § 1949. POSTRETIREMENT ADJUSTMENTS TO RETIREMENT |
| 9 | ALLOWANCES |
| 10 | (a) For all Group A members, as of June 30 in each year, beginning |
| 11 | June 30, 1972, the Board shall determine any increase or decrease, to the |
| 12 | nearest one-tenth of one percent, in the ratio of the average of the Consumer |
| 13 | Price Index for the month ending on that date to the average of the Index for |
| 14 | the month ending on June 30, 1971, or the month ending on June 30 of the |
| 15 | most recent year thereafter. In the event of an increase, and provided that the |
| 16 | net increase following the application of any offset as provided in this |
| 17 | subsection equals or exceeds one percent, the retirement allowance of each |
| 18 | beneficiary in receipt of an allowance for at least one year on the next |
| 19 | following December 31 shall be increased by an equal percentage. Such |
| 20 | increase shall begin on the January 1 immediately following that December 31. |
| 21 | An equivalent percentage increase shall also be made in the retirement |

| 1 | allowance payable to a beneficiary in receipt of an allowance under an optional |
|----|--|
| 2 | election, provided the member on whose account the allowance is payable and |
| 3 | such other person shall have received a total of at least 12 monthly payments |
| 4 | by such December 31. In the event of a decrease of the Consumer Price Index |
| 5 | as of June 30 for the preceding year, the retirement allowance of a beneficiary |
| 6 | shall not be subject to any adjustment on the next following January 1; |
| 7 | provided, however, that: |
| 8 | (1) such decrease shall be applied as an offset against the first |
| 9 | subsequent year's increase of the Consumer Price Index when such increase |
| 10 | equals or exceeds one percent, up to the full amount of such increase; and |
| 11 | (2) 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. Postretirement Adjustments to |
| 15 | Retirement allowance. On January 1 of each year, the retirement allowance of |
| 16 | each beneficiary of the System who is in receipt of a retirement allowance for |
| 17 | at least a one-year period as of December 31 in the previous year, and who |
| 18 | meets the eligibility criteria set forth in this section, shall be adjusted by the |
| 19 | amount described in subsection (b) of this section. In no event shall a |
| 20 | beneficiary receive a negative adjustment to the beneficiary's retirement |
| 21 | allowance. |

| 1 | (b) For Group C members, as of June 30 in each year, commencing |
|----|---|
| 2 | June 30, 1981, a determination shall be made of any increase or decrease, to |
| 3 | the nearest one tenth of a percent of the Consumer Price Index for the |
| 4 | preceding fiscal year. In the event of an increase, and provided that there |
| 5 | exists a net increase following the application of any offset as provided in this |
| 6 | subsection, the retirement allowance of each beneficiary in receipt of an |
| 7 | allowance for at least one year on the next following December 31 shall be |
| 8 | increased by an amount equal to one half of the net percentage increase. The |
| 9 | increase shall commence on the January 1 immediately following that |
| 10 | December 31. The increase shall apply to Group C members having attained |
| 11 | 57 years of age or completed at least 25 years of creditable service as of |
| 12 | June 30, 2010, and receiving an early retirement allowance only in the year |
| 13 | following attainment of age 62, and shall apply to Group C members not |
| 14 | having attained 57 years of age or having completed at least 25 years of |
| 15 | creditable service as of June 30, 2010, and receiving an early retirement |
| 16 | allowance only in the year following the member's attainment of 65 years of |
| 17 | age, provided the member has received benefits for at least 12 months as of |
| 18 | December 31 of the year preceding any January adjustment. In the event of a |
| 19 | decrease of the Consumer Price Index as of June 30 for the preceding year, the |
| 20 | retirement allowance of a beneficiary shall not be subject to any adjustment on |
| 21 | the next following January 1; provided, however, that: |

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| 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. |
| 21 | * * * Other Postemployment Benefits * * * |

21 * * * Other Postemployment Benefits * * *

| 1 | Sec. 13. 16 V.S.A. § 1944b is amended to read: |
|----|---|
| 2 | § 1944b. RETIRED TEACHERS' HEALTH AND MEDICAL BENEFITS |
| 3 | FUND |
| 4 | (a) There is established the Retired Teachers' Health and Medical Benefits |
| 5 | Fund (Benefits Fund) to pay retired teacher health and medical retiree |
| 6 | postemployment benefits, including prescription drug benefits, when due in |
| 7 | accordance with the terms established by the Board of Trustees of the State |
| 8 | Teachers' Retirement System of Vermont pursuant to subsection 1942(p) and |
| 9 | section 1944e of this title. The Benefits Fund is intended to comply with and |
| 10 | be a tax exempt governmental trust under Section 115 of the Internal Revenue |
| 11 | Code of 1986, as amended. The Benefits Fund shall be administered by the |
| 12 | Treasurer. |
| 13 | (b) The Benefits Fund shall consist of: |
| 14 | (1) all monies remitted to the State on behalf of the members of the |
| 15 | State Teachers' Retirement System of Vermont for prescription drug plans, |
| 16 | including manufacturer rebates, as well as monies pursuant to the Employer |
| 17 | Group Waiver Plan with Wrap pursuant to the Medicare Prescription Drug |
| 18 | Improvement and Modernization Act of 2003; |
| 19 | (2) any monies appropriated by the General Assembly for the purpose of |
| 20 | paying the health and medical postemployment benefits for retired members |

| 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 |

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| 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 | <u>§ 523.</u> |
| 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 |
| б | 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. 14. 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. 15. 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. 16. 24 V.S.A. § 5062 is amended to read: |
| 20 | § 5062. RETIREMENT BOARD; MEDICAL BOARD; ACTUARY; RATES |
| 21 | OF CONTRIBUTION; SAFEKEEPING OF SECURITIES |

| 1 | * * * |
|----|--|
| 2 | (k) Immediately after the establishment of the Retirement System, the |
| 3 | Retirement Board shall adopt for the Retirement System such mortality and |
| 4 | service tables as shall be deemed necessary and shall certify the rates of |
| 5 | contribution payable under the provisions of this chapter. At least once in each |
| 6 | three-year period Beginning July 1, 2023, at least once every three fiscal years |
| 7 | following the establishment of the System, the actuary shall make an actuarial |
| 8 | investigation into the mortality, service, and compensation experience of the |
| 9 | members and beneficiaries of the Retirement System, and taking into account |
| 10 | the results of such investigation, the Retirement Board shall adopt for the |
| 11 | Retirement System such mortality, service, and other tables as shall be deemed |
| 12 | necessary and shall certify the rates of contribution payable under the |
| 13 | provisions of this chapter. |
| 14 | * * * |
| 15 | * * * Funding * * * |
| 16 | Sec. 17. FY 2022; APPROPRIATION; STATE EMPLOYEES' |
| 17 | POSTEMPLOYMENT BENEFITS TRUST FUND; RETIRED |
| 18 | TEACHERS' HEALTH AND MEDICAL BENEFITS FUND |
| 19 | (a) In FY 2022, of the amount of General Funds reserved in 2021 Acts and |
| 20 | 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. 18. 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 | <u>3 V.S.A. § 473; and</u> |
| 17 | (B) 25 percent to the Vermont Teachers' Retirement Fund |
| 18 | established by 16 V.S.A. § 1944. |
| 19 | * * * |

| 1 | * * * Effective Dates * * * |
|----|--|
| 2 | Sec. 19. EFFECTIVE DATES |
| 3 | This act shall take effect on July 1, 2022, except that Sec. 17 (FY 2022 |
| 4 | appropriation) shall take effect on passage. |
| 5 | |
| 6 | |
| 7 | (Committee vote:) |
| 8 | |
| 9 | Senator |
| 10 | FOR THE COMMITTEE |

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