



STATE OF VERMONT
OFFICE OF THE STATE TREASURER

109 State Street, 4th Floor
MONTPELIER, VERMONT 05609-6200
802-828-2301
www.vermonttreasurer.gov

SEALED BID REQUEST FOR PROPOSAL

VERMONT RETIREMENT SYSTEMS' ACTUARIAL SERVICES

DATE: March 30, 2009

QUESTIONS DUE BY: April 13, 2009

DATE OF BID OPENING: April 30, 2009

TIME OF BID OPENING: 2:00 P.M.

LOCATION OF BID OPENING: 109 State Street, Montpelier, VT, 4th Floor

ALL NOTIFICATIONS, RELEASES AND AMENDMENTS WILL BE POSTED AT:
www.vermonttreasurer.gov

THE OFFICE OF THE STATE TREASURER WILL MAKE NO ATTEMPT TO CONTACT BIDDERS WITH UPDATED INFORMATION. IT WILL BE THE RESPONSIBILITY OF EACH BIDDER TO PERIODICALLY CHECK THIS SITE FOR THE LATEST DETAILS.

CONTACT: Donna Holden
TELEPHONE: (802) 828-3708
E-MAIL: donna.holden@state.vt.us
FAX: (802) 828-2772



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SEALED BID INSTRUCTIONS

All bids must be sealed and must be addressed to the Office of the State Treasurer, 109 State Street, 4th Floor, Montpelier, VT 05609-6200. **BID ENVELOPES MUST BE CLEARLY MARKED 'SEALED BID' AND SHOW THE PROPOSAL TITLE, OPENING DATE AND NAME OF BIDDER.**

All bidders are hereby notified that sealed bids must be in the office of the State Treasurer by the time of the bid opening. Bidders are cautioned that it is their responsibility to originate the sending of bids in sufficient time to ensure receipt by the Office of the State Treasurer prior to the time of the bid opening. Hand-carried bids shall be delivered to a representative of the Office of the State Treasurer prior to the bid opening. Bids not in possession of the Office of the State Treasurer at the time of the bid opening will not be considered.

The Office of the State Treasurer may, for cause, change the date and/or time of the bid opening. If a change is made, the Office of the State Treasurer will make a reasonable effort to inform all bidders.

All bids will be publicly opened. Any interested party may attend the bid opening. Bid results may be requested in writing and are available once an award has been made.



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DATE: March 30, 2009

REQUEST FOR PROPOSAL
THIS IS A SEALED BID RESPONSE
BIDS MUST BE RECEIVED BY APRIL 30, 2009, at 2:00 P.M.

This form must be completed and submitted as part of the response for the bid to be considered valid.

The undersigned has read, understood and accepted all provisions, terms and conditions of this proposal.

VERMONT TAX CERTIFICATE

To meet the requirements of Vermont Statute 32 V.S.A. § 3113, by law, no agency of the State may enter into, extend or renew any contract for the provision of goods, services or real estate space with any person unless such person first certifies, under the pains and penalties of perjury, that he or she is in good standing with the Department of Taxes. A person is in good standing if no taxes are due, if the liability for any tax that may be due is on appeal, or if the person is in compliance with a payment plan approved by the Commissioner of Taxes, 32 V.S.A. § 3113.

In signing this bid, the bidder certifies under the pains and penalties of perjury that the company/ individual is in good standing with respect to, or in full compliance with, a plan to pay any and all taxes due the State of Vermont as of the date this statement is made.

Quotation Valid for _____ Days Date: _____

Telephone Number: _____

Name of Company: _____

Fax Number: _____

Federal Identification Number: _____

E-mail address: _____

By: _____

Name: _____

Signature (Proposal Not Valid Unless Signed)

(Type or Print)



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1 OVERVIEW

The following subsections provide general information about the RFP.

1.1 Executive Summary

The Office of the State Treasurer and the Boards of Trustees of the Vermont State Employees' Retirement System, Vermont State Teachers' Retirement System and Vermont Municipal Employees' Retirement System (hereafter known as the Vermont Retirement Systems [VRS] or State) are seeking proposals from qualified actuaries to provide a full range of actuarial services to the three retirement systems including, but not limited to, annual pension valuations, OPEB valuations, experience studies and consulting on various benefit proposals related to pension and post employment benefits.

Proposal specifications are set forth in Section 2, "Scope of Services."

Proposals in response to this RFP are due no later than 2:00 P.M. Eastern Time (ET) on April 30, 2009.

1.2 Minimum Bidder Qualifications

The bidder shall demonstrate a minimum of 10 years of experience in providing actuarial services to other states or public entities with similar pension programs.

Bidders shall provide a listing of engagements over the past five years which includes data on plan type, size, number of participants covered and other pertinent data to determine the firm's quality, quantity, and timeliness of experience.

1.3 Plan Specifications

There are three plans associated with the requested services as outlined below.

The Vermont State Employees' Retirement System (VSERS) is a single-employer public employee defined benefit retirement system which covers substantially all State employees and State Police, except employees hired in a temporary capacity. Membership in the system is a condition of employment. There are five distinct plans. As of June 30, 2008, there were approximately 8,442 active members, 900 inactive members, and 4,555 retiree participants in the system. The VSERS includes the following:

Plan A:

The original contributory plan where employees contribute five point one zero percent (5.10%) of their pay to the pension fund. The FY'08 active number of participants: 25.

Plan C:

The second level of benefits available where employees contribute six point nine eight percent (6.98%) of their pay to the pension fund. The FY'08 active number of participants: 412.

Plan D:

The third level of benefits available where employees contribute five point one zero percent (5.10%) of their pay to the pension fund. The FY'08 active number of participants: 51.

Plan F:

The fourth level of benefits available where employees contribute three point three five percent (3.35%) of their pay to the pension fund. (Note, the employee contribution rate for Plan F members increased to 5.10% effective July 1, 2008). The FY'08 active number of participants: 7,954.

Plan F*:

Effective July 1, 2008, a fifth level of benefits was created for all employees new to the membership on or after July 1, 2008. The contribution rate for this plan is five point one zero percent (5.10%). As of March 1, 2009 there were 248 active participants (not included in 6/30/08 plan totals).

The Vermont State Teachers' Retirement System (VSTRS) is a cost-sharing, multi-employer, public employee defined benefit retirement system with a special funding situation. It covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State board of education. Membership in the system for those covered classes is a condition of employment. As of June 30, 2008, there were approximately 10,685 active members, 2,929 inactive members, and 5,555 retiree participants in the system. The VSTRS includes the following:

Plan A:

The original contributory plan where employees contribute five point five percent (5.5%) of their pay to the pension fund. The FY'08 active number of participants: 30.

Plan C:

The second level of benefits where employees contribute three point five four percent (3.54%) of their pay to the pension fund. The FY'08 active number of participants: 10,655.

The Vermont Municipal Employees' Retirement System (VMERS)) is a cost-sharing, multiple-employer public employees' retirement system that is administered by the State Treasurer and its Board of Trustees. There is no employer funding by the State and the NPO is not included in the State's CAFR. There are four distinct plans. As of June 30, 2008, there were approximately 6,419 active members, 2,035 inactive members, and 1,447 retiree participants in the system. The VMERS includes the following:

Plan A:

The original contributory plan where employees contribute two point five zero percent (2.50%) of their pay to the pension fund. The FY'08 active number of participants: 2,860.

Plan B:

The second level of benefits where employees contribute four point five zero percent (4.50%) of their pay to the pension fund. The FY'08 active number of participants: 2,919.

Plan C:

The third level of benefits available where employees contribute nine percent (9%) of their pay to the pension fund. The FY'08 active number of participants: 537.

Plan D:

The fourth level of benefits available where employees contribute eleven percent (11%) of their pay to the pension fund. The FY'08 active number of participants: 103.

Included with this RFP as Attachment B are the Web addresses for the location of the most recent annual valuation reports for the three retirement systems, as well as the Web addresses for the Vermont State Statutes and Retirement Plan information.

1.4 Point of Contact

The sole point of contact for questions and all other contractual matters relating to this RFP is:

Name: Ms. Donna Holden
Title: Contracts Administrator
Vermont State Treasurer's Office
109 State Street, 4th Floor
Montpelier, Vermont 05609-6200
Telephone: 802-828-3708
FAX: 802-828-2772
E-Mail: donna.holden@state.vt.us

All e-mail communication with Ms. Holden must include the words "Actuary RFP" in the subject line.

Bidder's proposals, due by 2:00 PM for bid opening on April, 30, 2009, are to be delivered to the VSRS office, marked to the attention of Ms. Donna Holden (see above).

Attempts by bidders to contact any other party may result in the rejection of their proposal.

1.5 RFP Timetable

RELEASE DATE OF THE RFP: March 30, 2009

QUESTIONS DUE: April 13, 2009

ANSWERS POSTED TO WWW.VERMOMTTREASURER.GOV: April 20, 2009

ALL PROPOSALS MUST BE SUBMITTED NO LATER
THAN 2:00 P.M. Eastern Daylight Time ON: **April 30, 2009**

THE PROJECTED CONTRACT START DATE IS ON OR ABOUT: July 1, 2009

NOTE: FINALIST PRESENTATIONS WILL BE SCHEDULED AT A JOINT MEETING OF THE THREE RETIREMENT BOARDS DURING THE MONTH OF MAY 2009. THE TIME AND DATE OF THE MEETING WILL BE DETERMINED AT A LATER DATE.

1.6 Attachments to RFP

The following information has been provided as attachments to the RFP:

- **Attachment A**
Standard Contract Provisions

- **Attachment B**
FY 2008 Actuarial Valuations & Most Recent Experience Studies
And Complete Plan Descriptions/Comparisons
- **Appendix**
Vermont State Statutes

2 SCOPE OF SERVICES

The Office of the State Treasurer and the Boards of Trustees of the Vermont State Employees' Retirement System, Vermont State Teachers' Retirement System and Vermont Municipal Employees' Retirement System (hereafter known as the Vermont Retirement Systems [VRS] or State) are seeking proposals from qualified actuaries to provide a full range of actuarial services to the three retirement systems.

The scope of the services includes, but is not limited to:

2.1 Annual Pension Valuations

Annual preparation of the valuation reports must be completed based on a mutually agreed upon schedule so as to meet the statutory requirements for the Board of Trustees to make an annual recommendation to the Governor and the Legislature on the actuarially required contribution and to complete disclosures included in the State's Comprehensive Annual Financial Report (CAFR).

- The preparation of an annual actuarial valuation report for each defined benefit system (three systems) for each year of the contract. The valuations will be based on annual retirement system data for the fiscal years ending June 30, with final results reported to the Retirement Board no later than the last week of October. All reports must comply with the applicable Actuarial Standards of Practice and GASB. The State expects to provide participant data by the end of August and provide unaudited financial statements no later than September 30th.
- The costs of the plans must be determined by the method prescribed by statute (see appendix A). In the case of VSERS and VSTRS, the methodology used according to statute is "entry age normal." The VMERS uses the "projected benefit cost" method.
- The reports shall contain the following:
 - Characteristics of covered active members, inactive participants, terminated vested participants, and pensioners and beneficiaries.
 - Pension fund assets.
 - A cash flow projection of contributions, benefits payments, investment income, and other receipts or disbursements.
 - Economic actuarial assumptions regarding such issues as future salary increases and investment earning, as set by the Boards.
 - Actuarial assumptions regarding such issues as employee termination, retirement, disability and death.
 - Recommended funding levels
 - Funding progress, NPO calculations and other disclosures required by GASB.
- Copies of our existing actuarial reports are included on our Web site as outlined in Attachment B. Prospective bidders are encouraged to review these reports.
- The selected bidder will be expected to present its findings at a meeting of each of the VRS Boards in October of each year, and to prepare a summary of the report for presentation to the Legislature.

The annual valuation services would include preparation, presentation to boards, staff, legislative committees, follow-up on revisions/issues, and responding to inquires from the State Auditor of Accounts and any independent auditors employed by the State. The cost proposal (separate statement) should incorporate all of these services in the all-encompassing fee.

2.2 OPEB Reports

The preparation of an annual actuarial valuation of the other post employment benefits of the VSTRS and VSERS systems as of June 30th of each year containing information required under GASB Statements 43 and 45 on both a pay-as-you-go basis and on a prefunded basis. All reports must comply with the applicable Actuarial Standards of Practice and GASB.

The VMERS system does not offer health care coverage to its members but did establish the VMERS RHS Plan on July 1, 2007. This is a tax-advantaged savings plan that assists retirees in paying for healthcare costs after retirement. No OPEB reports are required for this system at present.

2.3 Experience Study

The preparation of one experience study report for each system may be required during the contract period. Experience studies must be completed every five years; each report must include a) an analysis of the economic and demographic experience of the retirement system over the defined study period; b) the development of a set of actuarial assumptions based on the study results, including a financial analysis of the proposed changes; and c) a review of the existing actuarial funding method and asset valuation method. Please refer to Attachment B for information on the most recent experience studies.

As each experience study is conducted, the boards of each of the three Vermont Retirement Systems will consult with the Investment Consultant as to a recommended investment rate of return assumption. This rate of return assumption will likely differ from five or even ten-year historical investment return experiences. The Actuarial Consultant will be asked to receive and critically evaluate the recommended rates of investment returns and, in consultation with the boards, adopt an appropriate assumption.

The services would include preparation, presentation to boards, staff, legislative committees, follow-up on revisions/issues, and responding to inquiries from the State Auditor of Accounts and any independent auditors employed by the State. The cost proposal (separate statement) should incorporate all of these services in the all encompassing fee.

2.4 Annual Benefit Statements

The selected bidder will produce data for annual benefit statements/booklets for members of the system in a prescribed format. This will include the cost of preparation but not production, mailing and postage. These statements will include:

- Projected benefits at normal retirement
- Accrued benefit at end of fiscal year
- Death in service benefit
- Disability benefits
- Fiscal year accounting of account balance and creditable service
- Beneficiary information
- Narrative for booklet to be provided by VRS.

2.5 Data From State Treasurer's Office to Actuary

The Office of the State Treasurer is in the process of implementing a new Vermont Pension Administration System (VPAS) which will replace the existing thirty-year-old legacy system. Once the VPAS system is operational sometime in calendar 2009, we anticipate that the source data from the Treasurer's Office for the annual valuations, experience studies, and benefit statements may be available in a different format than is currently provided. Upon award of a contract from this RFP, the Treasurer's

Office will work with the selected actuarial firm to agree upon the format of the data to be provided from the VPAS system once it is operational.

2.6 Information Assistance for Asset-Liability Study

The Vermont Pension Investment Committee (VPIC) investment consultant periodically (typically every five years) conducts an asset-liability study in order to formulate asset allocation recommendations for each of the three Vermont Retirement Systems. While this study was recently completed (February 2009), it is possible that a new asset-liability study will be required to be performed by the investment consultant within the potential term of the actuarial engagement that is the subject of this RFP. This study requires receipt by the investment consultant of appropriately formatted actuarial data from the actuarial consultant for each Vermont Retirement System, including active and inactive census data, decrement tables, projections of benefit payments, current and required contributions, actuarial accrued liability, present values of future benefits and salaries, development of actuarial value of assets, and future benefits increases and COLAs. Accounting information relating to GASB liability broken out by groups, GASB required contributions and assumptions used for GASB amounts is required. In addition, the asset-liability study requires projections of liabilities, benefit payments, contributions and accounting data, and any expected changes to plan benefits or actuarial assumptions. Respondents to this RFP are asked to affirm the ability to meet the above study information needs (if and as required) and to provide a separate cost bid for doing so.

2.7 Pension Related Disclosures in State Debt Financing Documents

Approximately annually, the State of Vermont issues one or more series of General Obligation new money and/or refunding bonds. Systems' pension data including actuarial liabilities, actuarial values of pension assets, funded ratios, unfunded liabilities and their amortizations, actuarial recommended contributions and other data comprise a critical component of the disclosure contained in the Official Statements relating to these bond offerings. The Actuarial Consultant may be asked to help 1) clarify such pension data and statements about pension data; and/or 2) conduct additional studies such as a "what if" analysis of what pension data would be using asset and/or liability information that is interim to the most recent and next scheduled formal actuarial studies. The Actuarial Consultant will be permitted to request appropriate qualifying language to be included in the Official Statement for any clarifications or additional studies. Respondents to this RFP are asked to affirm the ability to meet the needs for this Official Statement disclosure support (if and as required) and to provide a separate cost bid for doing so.

2.8 Additional Duties

The following is a list of potential additional services (this list may be augmented) required throughout the term of the contract.

- Preparation of actuarial and fiscal impact studies of proposed state or federal legislation.
- Preparation of special reports using existing data.
- Actuarial development of past service cost for municipalities interested in joining the VMERS system.
- Attendance at Retirement Board or subcommittee meetings to present relevant actuarial reports, (not including annual valuations or OPEB reports described above) and related findings.
- Special projects assigned by VRS.
- Routine consultations with the VRS and the Treasurer's Office regarding fiscal, legal, and regulatory issues impacting the retirement plans.

2.9 Documents, Reports, and Other

All documents, reports, computer software, paper and other materials (“Papers”), except for those generally available to the public, which are provided to the actuary by the Board, and any copies of any such Papers that may be reproduced or otherwise procured by the actuary, and all Papers and other work product produced by the actuary in connection with this agreement, and all information contained in such Papers, shall be deemed and shall remain property exclusively of the Plan and shall be available to the Plan's representatives upon their request. No Papers may be reproduced or otherwise used by the actuary for purposes unrelated to the subsequent contract.

2.10 Requirements Related to Conflicts of Interest

Bidders shall identify all existing or potential conflicts of interest that would prevent the bidder from fully performing the tasks described in this RFP. Such disclosure will be a continuing requirement subsequent to award of a Contract and for the life of the Contract.

3 PROCUREMENT AND CONTRACTUAL ADMINISTRATION

The following subsections discuss the administrative and contractual requirements that pertain to this procurement.

3.1 Bidding and Contractual Requirements

The State reserves the right to obtain clarification or additional information necessary to properly evaluate a proposal. Bidders may be asked to give a verbal presentation. Failure of bidder to respond to a request for additional information or clarification could result in rejection of that bidder's proposal. The State reserves the right to accept or reject any and all bids, in whole or in part, with or without cause. The State reserves the right to make an award without further discussion of the proposal submitted. The State does not guarantee that an award will be made as a result of this RFP.

3.1.1 Incurred Expenses

The cost of developing and submitting the proposal is entirely the responsibility of the bidder. This includes costs to determine the nature of this engagement, preparation of the proposal, submitting the proposal, negotiating for the contract, and other costs associated with this RFP.

3.1.2 Public Records & Bidder Proprietary Information

All responses will become the property of the State of Vermont and will be a matter of public record. Pursuant to V.S.A. §317 (15), public records requests for information regarding this RFP will not be acted upon pending contract negotiations, and until a signed contract has been recorded by the State.

3.1.3 Member Confidentiality

The State wants to assure the confidentiality of its members' and retirees' records. Therefore, a bidder may be required to execute a Corporate Agreement of Confidentiality in the event that the bidder is selected to perform services. All bidder staff members assigned to the project in any capacity may also be required to sign statements of confidentiality in order to participate in the project.

3.1.4 Pricing

The bidder must be aware that the State wants the most effective combination of price, performance, and quality possible within the constraints of the VRS's budgets. Pricing must be a firm fixed price or specified as an hourly rate, including all expenses. The State will not accept any open-ended, time-and-materials bids. There may be no best and final offer procedure. Therefore, the proposal shall be submitted on the most favorable terms that the bidder can provide.

3.1.5 Subcontracting

The State of Vermont will only enter into contracts with the primary contractor, and the State must approve any subcontractor contract in writing (See Attachment A: State Standard Contract, sub-Attachment C: **Sub-Agreements**). The selected bidder must assume responsibility for subcontractor performance and payment. Subcontractors must abide by all conditions set forth in the contract with the primary contractor. The successful bidder will be expected to execute sub-agreements for each subcontractor named in the proposal upon award of this contract. The bidder must provide a brief description in the cost proposal in regard to the basis for selecting each subcontractor (low bid, competitive negotiation, technical capabilities, etc.). The bidder must provide subcontractor cost estimates in the bidder's cost proposal.

3.1.6 Doing Business in Vermont

The bidder awarded this contract shall, upon notification of award, apply for registration with the Vermont Secretary of State's Office to do business in the State of Vermont, if not already so registered.

The registration form may be obtained from the Vermont Secretary of State, Corporations Division, 81 River Street, Montpelier, VT 05609-1104. The telephone number is (802) 828-2386. The Treasurer's Office will not execute the contract until the bidder is registered with the Secretary of State's Office.

Bidders are responsible for complying with all statutory provisions applicable to doing business in the State of Vermont (see above and Attachment A, attached to this RFP), which is required to be executed after the specific details of the transaction have been inserted. Any objections or requested changes to the standard form language must be provided with the bid, or they shall be waived by the bidder.

3.1.7 Minority Business Enterprises

The State of Vermont recognizes the important contribution and vital impact that small businesses have on the state's economy. In this regard, the state subscribes to a free and open bidding process that affords all businesses equal access and opportunity to compete for state contracts for goods and services. The state also recognizes the existence of businesses owned by minorities and women and has directed all state agencies and departments to make a good faith effort to encourage these firms to compete for state contracts.

3.1.8 Duration of Proposal Offer

Proposals submitted in response to this RFP are irrevocable for 120 days following the closing date of proposals. This period may be extended at the request of the State, and with the bidders' written approval.

3.1.9 Revisions to the Solicitation

The State reserves the right to modify requirements should a bidder inquiry identify a change that is in the best interest of the State. Such modifications (or amendments) to the RFP will be posted to the Treasurer's Web site at www.vermonttreasurer.gov and will not be distributed through any other means. It is the bidder's responsibility to check the Web site for such changes.

3.1.10 General Conditions

The general conditions and specifications of the RFP, the successful bidder's response/proposal, all questions and answers, and all RFP amendments (if any) will become part of the contract by reference.

The bidder is expected to respond with due diligence by providing the requested information in the designated manner. Bidders failing to respond to this RFP as prescribed will place themselves at a comparative disadvantage or will be subject to disqualification at the discretion of the State.

3.1.11 Contract Duration

The successful bidder to this RFP can expect a contract with the State (see sample contract Attachment A), for a term of two years, with the option of two one-year extensions.

The successful bidder will be required to execute the State's standard contract after the specific details of the transaction have been inserted. Any objections, or requested changes to the standard form language must be provided with the bid, or they shall be waived by the bidder. Any bidder seeking changes to the State standard form contract, or to add additional language to the contract, must state whether the request is a requirement of their bid or simply a request for the State's consideration. In the event the State determines that an otherwise apparent winning bidder's requirements are unacceptable, it may handle the bid in the manner it deems most appropriate, including but not limited to rejecting the bid as not complying with this RFP. Bidders should be aware that the State of Vermont rarely accepts amendments to its standard form contract.

3.2 Bidder Questions

Questions may be submitted in writing until the date and time specified in Table 1 in Section 1.5. E-mail is the preferred method of communicating questions. Responses to questions will be posted to the Vermont Treasurer's Web site at www.vermonttreasurer.gov. All questions submitted must include the name of the firm and the person submitting the questions.

4 PROPOSAL PREPARATION

This section sets forth the format that must be followed by bidders in developing their proposals in response to this RFP. The instructions provided and format requested for bidder proposals are designed to ensure a clear and complete understanding and comprehensive evaluation of each proposal. There is no intent to limit the content of the proposals or to inhibit a presentation in other than the bidder's favor.

4.1 Proposal Acceptance

The bidder is encouraged to include additional information or data as may be appropriate or to offer alternate solutions. However, the bidder should not exclude from its proposal any portion requested in this document. Proposals that vary materially from this prescribed format may be judged non-compliant and withdrawn from consideration.

The bidder must understand that the State will view the degree of compliance with this section as an indication of the degree of cooperation to be expected from the bidder in working with VRS after the contract award.

4.1.1 Proposal Packaging and Required Copies

Cost Proposals (Part IV below) must be packaged separately from Technical Proposals (Parts I, II, and III below) and sealed in a separate envelope, so labeled.

Bidders must mark any pages that contain proprietary information as such. Further, they must provide within their responses a justification for each marked page.

Bidders must submit eight (8) bound copies of their proposals as well as one (1) CD-ROM containing the appropriate Microsoft Word 2003, Excel 20003 and Project 2003 files to comprise a full proposal set. In addition, the bidder must provide one (1) unbound master copy of the technical proposal and one (1) unbound master copy of the cost proposal, each packaged separately.

We point out that the requirement for separate Cost Proposals actually doubles the above numbers.

The information in the table provided below must appear on the title page of each copy of each proposal, on the CD-ROM label, and on the outside of the packages in which they are shipped (if proposals are shipped by overnight courier, the title sheet may be affixed to the package inside the courier's packaging material):

Contents of Response Cover Page

RFP title:	Vermont Retirement Systems' Actuarial Services
RFP section:	Technical or Cost
<i>Closing date and time for submission of proposals: April 30, 2009, 2:00 pm.</i>	
Name, address, e-mail, and (voice) telephone number of firm submitting proposal	

Proposals must be addressed to the point of contact identified in Section 1.4 of the RFP.

Bidders are to organize their proposals into four parts with a cover letter and other administrative information as follows:

Administrative	Cover page Cover Letter as described below Executive Summary
----------------	--

	Tax Certificate Table of Contents
Part I	Bidder Information
Part II	Technical Approach
Part III	Bidder References
Part IV (to be packaged separately)	Cost

The following subsections describe the required content of the bidder’s proposal.

4.2 Bidder’s Proposal Administrative Section

In addition to the cover page and table of contents, the items that need to appear in the Administrative Section of the proposal are described below.

4.2.1 Cover Letter

The response should contain a cover letter and introduction, including: the company name and address, **and the name, e-mail address, and telephone number of the person or persons authorized to represent the respondent regarding all matters related to the response.** The cover letter must also contain the following statement:

“We have read the State’s Request for Proposals (RFP) for Vermont Retirement Systems’ Actuarial Services and fully understand its intent. We certify that we have adequate personnel, equipment, and facilities to provide the State’s requested services that we have indicated we can meet. We understand that our ability to meet the criteria and provide the required services shall be judged solely by the Office of the State Treasurer.”

A person authorized to bind the firm to all commitments made in its response shall sign this letter.

In addition, the cover letter must certify that:

- The response is genuine, and is not collusive or a sham.
- The response is not made in the interest of or on the behalf of any person not named therein.
- The bidder has not directly or indirectly induced or solicited any person to submit a false or sham response or to refrain from submitting a proposal.
- The bidder has not in any manner sought by collusion to secure an advantage over any other respondent.
- The bidder has thoroughly examined the RFP requirements, and the proposed fees cover all the services that the State has requested.
- The bidder acknowledges and accepts all terms and conditions included in the RFP.
- The bidder agrees to provide services in a manner acceptable to the Treasurer’s Office, and as stipulated in the RFP and subsequent contract.
- The bidder and key professionals do not have or anticipate a potential conflict of interest with the Office of the State Treasurer or the Boards of Trustees of the three retirement systems.
- The bidder and key professionals do not accept fees and derive no benefit from relationships with any hardware or software vendors that may be involved in the project.
- The bidder has completed and submitted, with the RFP response, the Vermont Tax Certificate provided in this RFP.
- The bidder has submitted financial information. Publicly owned businesses agree to provide their most recent annual report, current balance and income statement. Privately owned businesses

agree to provide company financials. Proprietary and/or confidential materials must be marked accordingly.

4.2.2 Executive Summary

All responses from bidders must include a summary of the methodology or approach to be used for completing all of the required tasks outlined in the bidder's response. The Executive Summary for the Technical Proposal shall not mention costs. A separate Executive Summary must be included in the Cost Proposal package.

4.2.3 Tax Certificate

This certificate appears on page 3 of this RFP and must be incorporated into the administrative section of the bidder's response.

4.3 Bidder's Proposal Part I – Bidder Information

4.3.1 Section I – General

In this section, the bidder shall provide basic information about its firm and staff, including the following:

- a. Please provide a description of the ownership and structure of the firm, which includes the parent company and any affiliated companies and/or joint ventures.
- b. Are any near-term changes to the firm's corporate or organizational structure anticipated? If yes, please specify.
- c. Please list all office locations and the number of individuals working in each office. Please specify which office would be the primary relationship office.
- d. List the owners of the firm (from largest to smallest with respect to ownership) and their ownership percentages. Please include individuals and all other entities.
- e. Please list all principals of the firm and their backgrounds., including credentials and certifications for those staff members to be assigned to this relationship.
- f. Please provide the most recently completed audited financial statements for your firm.
- g. Please provide information regarding whether your firm has had any litigation, arbitration, or regulatory proceedings, either pending, adjudicated, or settled, within the last five years.
- h. Please provide information regarding whether your firm has had any regulatory, state, or federal agency investigations within the last five years.

4.3.2 Section II – Experience Summary

In this part of the proposal, the bidder must describe its current and historical experience in providing services of a similar nature for other clients. Particular emphasis shall be placed on any experience in supporting public sector clients especially for public employee retirement systems.

This part of the proposal must demonstrate a minimum of at least 10 years of experience conducting similar comprehensive actuarial services for similar size/type plans. This Section should include:

- Number of years in business
- Ownership (i.e., public or private)
- Representative client list.

Please provide the following information pertaining to your current actuarial clients:

Plan Participants	Number of Clients			
	Public Sector	Other Tax-Exempt	Other	Total
0-10,000				
10,001 – 20,000				
20,001 – 30,000				
30,001 – 40,000				
Over 40,000				
Total				

4.4 Bidder’s Proposal PART II – Technical Approach

This part of the bidder’s proposal shall address the following:

- Section 1 – Technical Proposal Understanding, please describe your ability to provide the requirements listed in the Scope of Services section, including your organization’s ability to provide actuarial consulting, methodology, and any technical software you would use in providing the requested services (e.g., computer models, software, and hardware).

Please provide any other information that you believe would be helpful in our decision-making process.

- Section 2 – Proposed Project Staffing including résumés and verification of credentials and certifications for those staff members to be assigned to this relationship.
- Section 3 – Proposed Value-Added Options – VRS will consider any option proposed by the bidder as a value-added option that will substantially reduce costs and/or improve efficiency of operations. This Section is optional (but desirable) in the bidder’s proposal.
- Section 4 – Assumptions and Exceptions – Identification of all assumptions that the bidder made in preparing its proposal as well as any exceptions that the bidder takes with regard to the requirements expressed in the RFP. This section must contain a list of **all** assumptions and exceptions, with a cross-reference to the specific section of the RFP to which the assumption or exception applies. Failure to abide by this requirement (i.e., failure to include a single, consolidated list of assumptions and a single consolidated list of exceptions) may be grounds for disqualification of the bidder. Further, any assumptions or exceptions distributed within the body of the proposal but not summarized in this Section will not be binding upon or honored by the State.
- Section 5 – Please also identify any assumptions you may have regarding VRS staffing, requirements and deliverables.

4.5 Bidder’s Proposal PART III – Bidder References

The bidder shall demonstrate a minimum of 10 years of experience in providing actuarial services to other states or public entities with similar pension programs for similar size/type plans and provide at least four (4) references. Greater weight may be given to references wherein the bidder provides services for similar size/type plans in the public arena. References from governmental agencies, especially public employees’ retirement systems, are of particular interest to VRS.

For each reference, the bidder must include the name, address, e-mail address, and telephone numbers of individuals qualified to provide information from both the management and technical viewpoints. For each reference, the bidder must specify:

- The length of time during which actuarial services were performed
- The number of participants in the plan
- Statistics such as number and types of groups within a plan, etc.
- The original proposal cost estimate
- The actual final cost
- An explanation of the deviation between the original estimate and final cost
- A description of the specific services provided.

4.6 Bidder's Proposal PART IV – Cost

Bidder cost proposals shall be presented in sufficient clarity and detail to enable VRS to validate the costs.

- A. The Bidder shall provide an all inclusive, fixed cost per system, for each of the items below, and may also propose an aggregate cost:
 1. Annual Pension Actuarial Valuations (as described in section 2.1)
 2. OPEB Reports (as described in section 2.2)
 3. Experience Studies (as described in section 2.3)
 4. Annual Benefit Statements (as described in section 2.4)
 5. Asset Liability Study (as described in section 2.6)

The costs should be all inclusive, including expenses and time for presentation to the VRS Boards.

- B. Please identify all services, if any, included in section 2.9 “additional duties” that would be included in the fixed costs above.
- C. Please identify any services not included in the fixed fees above, and provide either a fixed fee or proposed hourly rate.

Note:

Bidder costs shall be all-inclusive, reflecting all travel and labor costs, and all incidental costs, and should be presented on a per annum basis, per system basis.

This part of the proposal must be bound separately and sealed in an envelope separate from the technical proposal and be labeled “Cost Proposal.” Cost information is NOT to be provided in any other part of the bidder’s proposal.

5 BIDDER EVALUATION AND SELECTION CRITERIA

The Office of the State Treasurer will conduct a fair and impartial evaluation of the proposals received in response to this RFP.

Fees and compensation will be an important factor in the evaluation of responses. However, the Office of the State Treasurer is not required to select the low-cost bidder, but may select the bid that demonstrates the “best value” overall, including proposed alternatives, and that meets the objectives of this RFP. The Office of the State Treasurer reserves the right to negotiate a change in any element of contract performance or cost identified in the RFP.

Evaluation of Proposals
A. RFP Understanding Approach Clarity Creativity of proposal Responsiveness to Scope of Services
B. General Experience & Qualifications of Firm Experience Assigned personnel Any other resources assigned to State
C. Financial Security
D. Cost

Once the technical proposal is discussed and ranked, the cost proposal will be reviewed for consistency with, and in light of, the evaluation of the technical proposal. The Office of the State Treasurer reserves the right to seek clarification of any proposal submitted, request oral presentations, and to select the proposal considered to best promote the public interest.

By signing the bid and contract documents, the bidder agrees that the prices quoted have been arrived at without collusion and that no prior information concerning these prices has been received from or given to a competitive company.

Note: Cost proposals will be opened and reviewed only for those bids that meet the established minimum technical thresholds.

ATTACHMENT A – STANDARD CONTRACT FOR PERSONAL SERVICES

STATE OF VERMONT STANDARD CONTRACT FOR PERSONAL SERVICES

1. **Parties.** This is a contract for services between the State of Vermont, _____ (hereafter called “State”), and _____, with ___ principal place of business in _____, (hereafter called Contractor”). Contractor’s form of business organization is _____. It is the contractor’s responsibility to contact the Vermont Department of Taxes to determine if, by law, the contractor is required to have a Vermont Department of Taxes Business Account Number.

2. **Subject Matter.** The subject matter of this contract is services generally on the subject of _____. Detailed services to be provided by the contractor are described in Attachment A.

3. **Maximum Amount.** In consideration of the services to be performed by Contractor, the State agrees to pay Contractor, in accordance with the payment provisions specified in Attachment B, a sum not to exceed \$_____.00.

4. **Contract Term.** The period of contractor’s performance shall begin on _____, 20__ and end on _____, 20__.

5. **Prior Approvals.** If approval by the Attorney General’s Office or the Secretary of Administration is required, (under current law, bulletins, and interpretations), neither this contract nor any amendment to it is binding until it has been approved by either or both such persons.

Approval by the Attorney General’s Office /is/is not/ required.
Approval by the Secretary of Administration /is/is not/ required.

6. **Amendment.** No changes, modifications, or amendments in the terms and conditions of this contract shall be effective unless reduced to writing, numbered and signed by the duly authorized representative of the State and Contractor.

7. **Cancellation.** This contract may be canceled by either party by giving written notice at least ____ days in advance.

8. **Attachments.** This contract consists of ___ pages including the following attachments which are incorporated herein:

- Attachment A – Specifications of Work to be Performed
 - Attachment B – Payment Provisions
 - Attachment C – “Standard State Contract Provisions,” a preprinted form (revision date 12/5/2008), except that the following numbered paragraphs are not included: _____.
 - Attachment D - Standards of Conduct
- [CONTRACTOR DOCUMENTS WILL BE ATTACHED, IF APPLICABLE]

Signature Page:

WE, THE UNDERSIGNED PARTIES, AGREE TO BE BOUND BY THIS CONTRACT.
by the **STATE OF VERMONT:** by the **CONTRACTOR:**

**Attachment A:
Specifications of Work to Be Performed**

To be inserted by the State.

**ADDITIONAL TERMS WHICH MAY BE REQUIRED
FOR PURPOSES OF ATTACHMENT A**

(To be inserted by the State as applicable after review of Contractor's Documents)

Form ADV. Contractor shall deliver to the State a copy of the Contractor's Form ADV, Part II and shall deliver each subsequent update during the term of this contract.

In Kind Distributions. In the event of redemption or a distribution in the form of in-kind securities, the Contractor shall cooperate fully and in good faith in the transition of the State's investments as directed by the State. Cooperation shall include, but is not limited to: cooperating fully with any new investment manager or managers selected by the State and promptly providing to the State and any new manager or managers all information necessary to account for the State's investments and to assure a prompt and successful transition of the State's funds.

Sovereign Immunity. The [CONTRACTOR PARTIES] each acknowledge that State reserves all immunities, defenses, rights or actions arising out of State's sovereign status or under the Eleventh Amendment to the United States Constitution. No waiver of any such immunities, defenses, rights or actions shall be implied or otherwise deemed to exist by reason of the State's entry into the [CONTRACTOR DOCUMENTS].

Jurisdiction. Notwithstanding anything to the contrary in the [CONTRACTOR DOCUMENTS], the [CONTRACTOR PARTIES] each agree that any action or proceeding brought by the State against the [CONTRACTOR PARTIES] or against the State alleging a breach with respect to this Contract shall be brought and enforced in the Washington Superior Court of the State of Vermont and the [CONTRACTOR PARTIES] each irrevocably submit to the jurisdiction of such court in respect of any such action or proceeding.

Confidentiality. Each of the [CONTRACTOR PARTIES] acknowledges that the State is subject to the terms of the Vermont Access to Public Records Law, 1 VSA 315 et seq. [CONTRACTOR PARTIES] each agree that it will not make any claim against the State if the State makes available to the public any information it receives from Contractor in response to a binding order from a court or governmental body or agency compelling its production.

Indemnification. By virtue of provisions of the laws of the State of Vermont applicable to the State and the public policy of the State of Vermont which prohibit the State from agreeing to indemnify third parties, the [CONTRACTOR PARTIES], each of their affiliates and each other person, if any, who

controls, is controlled by, or is under common control with either of the [CONTRACTOR PARTIES], hereby agree, [and hereby agree to cause the Administrator, each of its affiliates and each other person, if any, who controls, is controlled by, or is under common control with the Administrator to agree,] that Paragraphs _____ of the Subscription Agreement, to the extent that such Paragraphs and any other section of the [CONTRACTOR DOCUMENTS] providing for indemnification of any of the [CONTRACTOR PARTIES] and/or other third parties by the State, shall be waived with respect to State.

Order of Precedence. Any inconsistency between the terms of this Attachment A and any of the other Attachments to this contract shall be controlled by this Attachment A. If any provision of this contract is invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Key Personnel. The [CONTRACTOR PARTIES] each agree that the key personnel identified in the Offering Memorandum, _____ and _____, shall devote a substantial portion of their time to the [Company]. If one of these named individuals terminates participation in the [Company], the State shall be given notice within three (3) business days.

Counterparties. The Contractor shall report to the State, not less than [quarterly], all counterparties and brokers, including the futures clearing broker, appointed or selected by the [CONTRACTOR PARTIES], together with the long term and commercial paper ratings of such brokers and counterparties.

Litigation. The Contractor shall provide the State will notice within thirty (30) business days of any legal or arbitration proceedings which are pending against the [CONTRACTOR PARTIES] which may be material to the investment.

Contractor Code of Ethics/Policies. The State acknowledges receipt of Contractor's Code of Ethics dated _____, as amended, and the Contractor's Soft Dollar Policy dated _____. Contractor represents that no amendments have been made to either the Code of Ethics or the Soft Dollar Policy as of the date of this contract. Contractor shall provide the State with written notice of any amendments to its Code of Ethics and its Soft Dollar Policy not less than thirty (30) days prior to the effective date of any such amendment.

Waiver of Trial By Jury. The [CONTRACTOR PARTIES] each acknowledge and agree that notwithstanding anything to the contrary in the [CONTRACTOR DOCUMENTS] the State does not waive any right to a trial by jury.

Deemed Consent Notification. Whenever the [CONTRACTOR DOCUMENTS] call for the consent, approval or vote of the State and "deemed consent" provisions apply pursuant to the [CONTRACTOR DOCUMENTS], the [CONTRACTOR PARTIES] will additionally contact by telephone the person(s) designated by the State as the recipient of notices to the State as set forth above.

Amendment to the [CONTRACTOR DOCUMENTS]. Notwithstanding anything to the contrary in _____ of the [CONTRACTOR DOCUMENTS], the Contractor agrees that the State shall have not less than 45 days to appeal a determination by the [CONTRACTOR PARTIES] that an amendment to the [CONTRACTOR DOCUMENTS] is not adverse to the interests of the State or request a full withdrawal upon notification of any material adverse amendment

EIN Disclosure. Notwithstanding the terms of the Contractor's Privacy Policy, attached as Exhibit _____ to the [CONTRACTOR DOCUMENTS], in no event shall the Contractor disclose the Employer

Identification Number of the State without the prior written consent of the State, except the Contractor may disclose the EIN to its Independent Auditor [and Administrator].

Other provisions may be inserted, as required.

**Attachment B:
Payment Provisions**

The maximum dollar amount payable under this agreement is not intended as any form of a guaranteed amount. The Contractor will be paid for products or services specified in Attachment A, or services actually performed, up to the maximum allowable amount specified in this agreement. The payment schedule for delivered products, or rates for services performed, and any additional reimbursements, are included in this attachment. The following provisions specifying payments are:

State shall pay Contractor fees quarterly in arrears, 30 days from receipt of invoice, and shall be paid in U.S. dollars.

**Attachment C:
Standard State Contract Provisions
FOR CONTRACTS AND GRANTS**

Entire Agreement: This Agreement, whether in the form of a Contract, State Funded Grant, or Federally Funded Grant, represents the entire agreement between the parties on the subject matter. All prior agreements, representations, statements, negotiations, and understandings shall have no effect.

Applicable Law: This Agreement will be governed by the laws of the State of Vermont.

Definitions: For purposes of this Attachment, "Party" shall mean the Contractor, Grantee or Subrecipient, with whom the State of Vermont is executing this Agreement and consistent with the form of the Agreement.

Appropriations: If this Agreement extends into more than one fiscal year of the State (July 1 to June 30), and if appropriations are insufficient to support this Agreement, the State may cancel at the end of the fiscal year, or otherwise upon the expiration of existing appropriation authority. In the case that this Agreement is a Grant that is funded in whole or in part by federal funds, and in the event federal funds become unavailable or reduced, the State may suspend or cancel this Grant immediately, and the State shall have no obligation to pay Subrecipient from State revenues.

No Employee Benefits For Party: The Party understands that the State will not provide any individual retirement benefits, group life insurance, group health and dental insurance, vacation or sick leave, workers compensation or other benefits or services available to State employees, nor will the state withhold any state or federal taxes except as required under applicable tax laws, which shall be determined in advance of execution of the Agreement. The Party understands that all tax returns required by the Internal Revenue Code and the State of Vermont, including but not limited to income, withholding, sales and use, and rooms and meals, must be filed by the Party, and information as to Agreement income will be provided by the State of Vermont to the Internal Revenue Service and the Vermont Department of Taxes.

Independence, Liability: The Party will act in an independent capacity and not as officers or employees of the State.

The Party shall defend the State and its officers and employees against all claims or suits arising in whole or in part from any act or omission of the Party or of any agent of the Party. The State shall notify the Party in the event of any such claim or suit, and the Party shall immediately retain counsel and otherwise provide a complete defense against the entire claim or suit.

After a final judgment or settlement the Party may request recoupment of specific defense costs and may file suit in Washington Superior Court requesting recoupment. The Party shall be entitled to recoup costs only upon a showing that such costs were entirely unrelated to the defense of any claim arising from an act or omission of the Party.

The Party shall indemnify the State and its officers and employees in the event that the State, its officers or employees become legally obligated to pay any damages or losses arising from any act or omission of the Party.

Insurance: Before commencing work on this Agreement the Party must provide certificates of insurance to show that the following minimum coverages are in effect. It is the responsibility of the Party to maintain current certificates of insurance on file with the state through the term of the Agreement. No warranty is made that the coverages and limits listed herein are adequate to cover and protect the interests of the Party for the Party's operations. These are solely minimums that have been established to protect the interests of the State.

Workers Compensation: With respect to all operations performed, the Party shall carry workers' compensation insurance in accordance with the laws of the State of Vermont.

General Liability and Property Damage: With respect to all operations performed under the contract, the Party shall carry general liability insurance having all major divisions of coverage including, but not limited to:

Premises - Operations

Products and Completed Operations

Personal Injury Liability

Contractual Liability

The policy shall be on an occurrence form and limits shall not be less than:

\$1,000,000 Per Occurrence

\$1,000,000 General Aggregate

\$1,000,000 Products/Completed Operations Aggregate

\$ 50,000 Fire/ Legal/Liability

Errors and Omissions: \$5,000,000.00 per occurrence. * Subject to higher available maximums.

Party shall name the State of Vermont and its officers and employees as additional insureds for liability arising out of this Agreement.

Automotive Liability: The Party shall carry automotive liability insurance covering all motor vehicles, including hired and non-owned coverage, used in connection with the Agreement. Limits of coverage shall not be less than: \$1,000,000 combined single limit.

Party shall name the State of Vermont and its officers and employees as additional insureds for liability arising out of this Agreement.

Reliance by the State on Representations: All payments by the State under this Agreement will be made in reliance upon the accuracy of all prior representations by the Party, including but not limited to bills, invoices, progress reports and other proofs of work.

Requirement to Have a Single Audit: In the case that this Agreement is a Grant that is funded in whole or in part by federal funds, and if this Subrecipient expends \$500,000 or more in federal assistance during its fiscal year, the Subrecipient is required to have a single audit conducted in accordance with the Single Audit Act, except when it elects to have a program specific audit.

The Subrecipient may elect to have a program specific audit if it expends funds under only one federal program and the federal program's laws, regulating or grant agreements do not require a financial statement audit of the Party.

A Subrecipient is exempt if the Party expends less than \$500,000 in total federal assistance in one year.

The Subrecipient will complete the Certification of Audit Requirement annually within 45 days after its fiscal year end. If a single audit is required, the sub-recipient will submit a copy of the audit report to the primary pass-through Party and any other pass-through Party that requests it within 9 months. If a single audit is not required, the Subrecipient will submit the Schedule of Federal Expenditures within 45 days. These forms will be mailed to the Subrecipient by the Department of Finance and Management near the end of its fiscal year. These forms are also available on the Finance & Management Web page at: <http://finance.vermont.gov/forms>

Records Available for Audit: The Party will maintain all books, documents, payroll papers, accounting records and other evidence pertaining to costs incurred under this agreement and make them available at reasonable times during the period of the Agreement and for three years thereafter for inspection by any authorized representatives of the State or Federal Government. If any litigation, claim, or audit is started before the expiration of the three year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved. The State, by any authorized representative, shall have the right at all reasonable times to inspect or otherwise evaluate the work performed or being performed under this Agreement.

Fair Employment Practices and Americans with Disabilities Act: Party agrees to comply with the requirement of Title 21V.S.A. Chapter 5, Subchapter 6, relating to fair employment practices, to the full extent applicable. Party shall also ensure, to the full extent required by the Americans with Disabilities Act of 1990 that qualified individuals with disabilities receive equitable access to the services, programs, and activities provided by the Party under this Agreement. Party further agrees to include this provision in all subcontracts.

Set Off: The State may set off any sums which the Party owes the State against any sums due the Party under this Agreement; provided, however, that any set off of amounts due the State of Vermont as taxes shall be in accordance with the procedures more specifically provided hereinafter.

Taxes Due to the State:

Party understands and acknowledges responsibility, if applicable, for compliance with State tax laws, including income tax withholding for employees performing services within the State, payment of use tax

on property used within the State, corporate and/or personal income tax on income earned within the State.

Party certifies under the pains and penalties of perjury that, as of the date the Agreement is signed, the Party is in good standing with respect to, or in full compliance with, a plan to pay any and all taxes due the State of Vermont.

Party understands that final payment under this Agreement may be withheld if the Commissioner of Taxes determines that the Party is not in good standing with respect to or in full compliance with a plan to pay any and all taxes due to the State of Vermont.

Party also understands the State may set off taxes (and related penalties, interest and fees) due to the State of Vermont, but only if the Party has failed to make an appeal within the time allowed by law, or an appeal has been taken and finally determined and the Party has no further legal recourse to contest the amounts due.

Child Support: (Applicable if the Party is a natural person, not a corporation or partnership.) Party states that, as of the date the Agreement is signed, he/she:

- is not under any obligation to pay child support; or
- is under such an obligation and is in good standing with respect to that obligation; or
- has agreed to a payment plan with the Vermont Office of Child Support Services and is in full compliance with that plan.

Party makes this statement with regard to support owed to any and all children residing in Vermont. In addition, if the Party is a resident of Vermont, Party makes this statement with regard to support owed to any and all children residing in any other state or territory of the United States.

Sub-Agreements: Party shall not assign, subcontract or subgrant the performance of his Agreement or any portion thereof to any other Party without the prior written approval of the State. Party also agrees to include all subcontract or subgrant agreements and a tax certification in accordance with paragraph 11 above.

No Gifts or Gratuities: Party shall not give title or possession of anything of substantial value (including property, currency, travel and/or education programs) to any officer or employee of the State during the term of this Agreement.

Copies: All written reports prepared under this Agreement will be printed using both sides of the paper.

Certification Regarding Debarment: Party certifies under pains and penalties of perjury that, as of the date that this Agreement is signed, neither Party nor Party's principals (officers, directors, owners, or partners) are presently debarred, suspended, proposed for debarment, declared ineligible or excluded from participation in federal programs or programs supported in whole or in part by federal funds.

**Attachment D:
Standard State Contract Provisions
STANDARDS OF CONDUCT**

REGULATION 2001-01: STANDARDS OF CONDUCT

STATE TEACHERS' RETIREMENT SYSTEM OF VERMONT
VERMONT STATE RETIREMENT SYSTEM
VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

§1. STATEMENT OF PURPOSE

A. The Boards of Trustees of the State Teachers' Retirement System of Vermont, the Vermont State Retirement System, and the Vermont Municipal Employees' Retirement System are entrusted with the investment of public pension funds of the retirement Systems and are obligated to safeguard the funds for the benefit of members and beneficiaries. The Trustees are obligated to administer the Systems efficiently and effectively in the interests of the plans' members and beneficiaries so as to avoid waste, mismanagement, abuse, and misuse of influence. The Trustees of these public pension Systems have a duty to administer and provide benefits in a responsible manner without causing an undue burden on their members or Vermont taxpayers.

B. Trustees and employees of the Boards must maintain high ethical and moral standards both professionally and personally in order to maintain and promote public confidence in the integrity of the decisions of the Boards of Trustees relating to administration of the plans and investment of the Systems' assets. The ability to carry out these responsibilities may be impaired whenever a real or apparent conflict of interest exists between the private interest of a Trustee or Board employee and his or her official responsibilities.

C. In recognition and consideration of their responsibilities and obligations as Trustees and to further the goal of protection of the Systems' members, beneficiaries, Trustees and employees from the damage that could result from real or apparent conflicts of interest, the following Standards of Conduct are hereby adopted to assist and guide Trustees and Board employees in the exercise of professional and moral judgment.

D. This regulation is intended to implement the standards of conduct provisions of 3 V.S.A. §472(d); 16 V.S.A. §1943(d); and 24 V.S.A. §5063(e).

§2. AUTHORITY

This regulation is adopted pursuant to 3 V.S.A. §471(d) and §472(d); 16 V.S.A. §1942(f) and §1943(d); and 24 V.S.A. §5062(d).

§3. APPLICABILITY

A. These standards of conduct shall apply to the Trustees of the State Teachers' Retirement System of Vermont, the Vermont State Retirement System, and the Vermont Municipal Employees' Retirement System.

B. These standards shall apply to employees of the Boards of Trustees.

C. These Standards of Conduct are intended to supplement, and not to replace, other state and federal laws. Where this code is less restrictive than another law, executive order, or regulation that applies to the conduct and activities of Trustees and employees of the Boards, such other stricter terms shall apply. Where this code is more restrictive than any other applicable law, executive order or regulation, the stricter standards of this code shall apply.

§4. DEFINITIONS

For the purposes of these standards of conduct, the following words have the following meanings:

- A. "Benefit" means any gain, favor, profit, reward, value, accommodation or other advantage, including a benefit to any other person in whose welfare the beneficiary is interested.
- B. "Conflict of Interest" means any personal or financial interest of a Trustee, or such an interest, known to the Trustee, of a member of his or her immediate family, household member, or business associate in the outcome of any particular matter pending before the Board. A conflict of interest includes, but is not limited to, those defined in subsection 5.
- C. "Employee of the Boards" means a person employed by a Board or Boards of Trustees. Employees of the Vermont State Treasurer's Office shall not be considered employees of the Boards.
- D. "Gift" means any form of compensation or anything of value, tangible or intangible, and includes, but is not limited to, meals, alcoholic beverages, travel fare, room and board, gratuities, entertainment, cash, goods or services.
- E. "Interest" means any personal or financial interest except an interest that is incidental to the person's membership in the System or participation in a plan administered by the System that is no greater than that of other persons generally affected by the outcome of the matter.
- F. "Potential Vendor" means any Vendor that has bid on a System contract and any Vendor that is in the business of providing goods or services of the type routinely purchased by the System, whether or not it has bid on a System contract, including but not limited to administrative, investment, financial, banking, and consulting services.
- G. "Systems" means the State Teachers' Retirement System of Vermont, the Vermont State Retirement System, and the Vermont Municipal Employees' Retirement System.
- H. "Trustee" means any person who serves as a Trustee or any person who serves as the designee of an ex-officio Trustee or as an alternate to a Trustee of any of the Systems.
- I. "Vendor" means a natural person, a corporation, a partnership, an association, a joint-stock company, a trust, an unincorporated organization, a limited liability company, or a limited liability partnership that performs services for the Systems for direct or indirect compensation. The term includes affiliated entities and trade organizations.

§5. PROHIBITED CONDUCT: CONFLICTS OF INTEREST

The following conduct by a Trustee or an employee of the Boards creates either an actual or potential conflict of interest or the appearance of a conflict of interest and is prohibited:

- A. Solicitation or acceptance of a gift or benefit from any Vendor or potential Vendor except in accordance with Section 9(A).
- B. Solicitation or acceptance of a gift or benefit from any person or entity with a personal or financial interest in the outcome of a particular matter pending before the Board.
- C. The purchase, sale, exchange, or lease of property to or from the System which he or she serves.
- D. Acting upon or providing to any person any information relating to the investment of the System's assets prior to that information becoming public record.
- E. Acceptance of a fee, gift or other benefit for providing information relating to the System and its assets, obtained as a Trustee or employee of the Boards, whether insider or otherwise, to any other person.

F. Participation in any breach of fiduciary duty by another person subject to this code, participation in concealing such breach, or knowingly or negligently permitting such breach to occur.

G. Participation in a violation of these Standards of Conduct by another person subject to this code, participation in concealing such violation, or knowingly or negligently permitting such violation to occur.

H. Acceptance of money, gifts or benefits in connection with any campaign for public office from any Vendor or potential Vendor of the System which the Trustee or employee serves.

I. Any direct interest in the gains or profits of any investment made by the Board.

J. Direct or indirect use of the gains or profits of any investments made by the Board, for himself or as an agent, for any purpose except to make current and necessary payments as are authorized by the Board.

K. Becoming an endorser or surety, or in any manner an obligor, for money loaned to or borrowed from the Board.

§6. DISCLOSURE

A. A Trustee shall disclose to the Board for the System which he or she serves all actual or potential conflicts of interest and appearances of a conflict of interest as soon as such actual or potential conflict or appearance of a conflict becomes known.

B. Employees of a Board shall disclose all actual and potential conflicts of interest and appearances of a conflict of interest to the Board as soon as such actual or potential conflict or appearance of a conflict becomes known.

§7. RECUSAL

No Trustee shall knowingly participate in a decision or action by the Board in which he or she has an actual or potential conflict of interest.

§8. Travel, Conferences and Meetings

A. The reasonable and necessary expenses of travel, lodging, meals, and incidentals for a Trustee or employee of a Board traveling on behalf of a Board, or in his or her capacity as a Trustee or employee, or because of his or her position as a Trustee or employee, shall be paid by the System if approved prior to the travel by the Board which the Trustee or employee serves. The agenda, written materials pertaining to the event, when available, an estimate of the cost of the trip and the names of all sponsors of the event to be attended shall be provided to the Board at the time approval is requested. If approval is granted, the Trustee or employee shall report to the Board, at the next scheduled meeting that he or she attends, on the content of the event and whether a Vendor or potential Vendor attempted to pay any expenses of the Trustee or employee or sponsored any function or event in which the Trustee or employee participated.

B. All expenses related to the travel of a spouse, family or household member, or other invitee of a Trustee, shall be paid by the Trustee or invitee.

C. Nothing in this policy is intended to limit or restrict travel to, and attendance at, an event by a Trustee or employee when attendance is in a capacity other than as a Trustee or employee and is related to his or her employment, position, membership or affiliation with another organization or entity. When traveling in a capacity other than as Trustee, a Trustee or employee shall not solicit or receive any gift including meals, alcoholic beverages, travel fare, room and board, or any other thing of value from a Vendor or potential Vendor of services to the System except in accordance with Section 9(A).

§9. GIFTS AND GRATUITIES

A. All Trustees and Employees of the Boards shall refuse to accept any gift that is received from or offered by a Vendor or potential Vendor except for the following:

1. Items or products of de minimis value of \$10.00 or less;
2. Items or products donated by a Vendor or potential Vendor and awarded at a conference attended by a Trustee as long as they are offered to participants on a random basis through a drawing, raffle or game of chance and have a value of \$100.00 or less. Any item accepted under this provision with a value of greater than \$25.00 shall be reported by the Trustee pursuant to section 9(B).
3. Food or refreshment offered during a conference that appears on the conference agenda, is an integral part of the conference agenda and is offered to all in attendance at the conference and taken in a group setting.

B. A Trustee or Employee of the Boards who receives any item or product from a Vendor or potential Vendor of more than de minimis value shall report the following to the State Treasurer's Office: a description of the product, the date of receipt, the identity of the sender or donor, the item's approximate value, and the disposition of the item by the Trustee or employee. If the item is not perishable, the item shall be promptly returned to the sender. All perishable items shall be donated to a suitable charity or placed in a publicly accessible area for general enjoyment.

C. The State Treasurer's Office shall record the information specified in section 9(B) for public inspection.

§10. INITIATION OR CONTINUATION OF CONTRACTUAL RELATIONSHIP

A. From the time a Board of Trustees has decided to obtain bids or proposals for goods or services, or from the time a Board has under consideration the decision to renew an existing contract, and until a final contract is approved:

1. No Trustee shall have any direct or indirect communication about the bid or proposal with any Vendor or potential Vendor seeking such new or continued contractual relationship with the System except at an open meeting of the Board or an authorized subcommittee of the Board.
2. An Employee of the Board shall limit his or her direct or indirect communication about the bid or proposal with any Vendor or potential Vendor during this time period to that necessary for administration of existing contracts or in connection with administration of the bid or proposal process. All communications shall be documented by the Employee and maintained as a record of the Office of the State Treasurer.
3. A Trustee who receives any direct or indirect communication outside of a meeting of the Board or an authorized subcommittee of the Board with any Vendor or potential Vendor seeking a new or continued contractual relationship with the System shall notify the Board of the communication prior to the Board's final approval of a contract.

B. A Board of Trustees shall require that all Vendors or potential Vendors seeking a new or continued contractual relationship with the System give written disclosure to the Board of all communications or contacts with any Trustees or Employee in the preceding year and any expenditures

relating to those communications or contacts. Disclosure will be required before final interviews by the Board or, if there are no final interviews, before approval of a final contract.

C. A Board of Trustees may disqualify a Vendor or potential Vendor from ongoing business or potential business for any communication contrary to the provisions of this section, for attempting to pay any expenses of a Trustee or employee contrary to section 8(A), or for any other conduct having the potential to create a conflict of interest or to cause a breach of fiduciary duty.

D. This regulation shall be included as an attachment to all requests for proposals, bidding documents and contracts of the Boards. The Boards shall require all consultants who conduct manager searches or other vendor searches on behalf of the Boards to provide a copy of this policy to all vendors or potential vendors during the search process.

§11. SANCTIONS

A. A Board of Trustees may take such actions it deems appropriate if a Trustee of the Board fails to comply with the provisions of this rule including, but not limited to:

1. A recommendation that a Trustee refrain from participation and voting in a matter or matters pending before the Board.

2. A recommendation that a Trustee repay or return any gift or benefit received by a Trustee from a Vendor or potential Vendor.

3. A recommendation that a Trustee refrain from particular actions that the Board determines constitute an actual or potential conflict and are detrimental to public confidence in the system's integrity.

B. A Board of Trustees may take appropriate disciplinary action, up to and including dismissal, if an Employee of the Board fails to comply with the provisions of this rule.

Effective Date: July 18, 2001

ATTACHMENT B – FY 2008 ACTUARIAL VALUATIONS & MOST RECENT EXPERIENCE STUDIES AND COMPLETE PLAN DESCRIPTIONS/COMPARISONS

Actuarial Reports are located at the bottom of the following Web pages.

Vermont State Employees' Retirement System Actuarial Reports

<http://www.vermonttreasurer.gov/pension/stateReports.html>

VSERS Retirement System Plan Descriptions/Comparisons

<http://www.vermonttreasurer.gov/retirement/state/comptable.html>

Vermont State Teachers' Retirement System Actuarial Reports

<http://www.vermonttreasurer.gov/pension/teacherReports.html>

VSTRS Retirement System Plan Descriptions/Comparisons

<http://www.vermonttreasurer.gov/retirement/teacher/comptable.html>

Vermont Municipal Employees' Retirement System Actuarial Reports

<http://www.vermonttreasurer.gov/pension/muniReports.html?m=m>

VMERS Retirement System Plan Descriptions/Comparisons

<http://www.vermonttreasurer.gov/retirement/muni/comptable.html>

APPENDIX

The complete chapter for each retirement plan may be viewed by going to the following web site: www.leg.state.vt.us/statutes/statutes2.htm

TITLE 3 V.S.A., Chapter 16 - VERMONT STATE RETIREMENT SYSTEM

§ 473. Funds

(a) All of the assets of the retirement system shall be credited to the Vermont state retirement fund.

(b) Member contributions.

(1) Contributions deducted from the compensation of members together with any member contributions transferred thereto from the predecessor systems shall be accumulated in the fund and separately recorded for each member. The amounts so transferred on account of group A members shall be allocated between regular and additional contributions. The amounts so allocated as regular contributions shall be determined as if the rate of contribution of four percent has been continuously in effect in the predecessor system from which such amounts were transferred and the balance of any amount so transferred on account of any group A member shall be deemed additional contributions. In the case of group C members who were members as of the date of establishment and D members all contributions transferred from predecessor systems shall be deemed regular contributions. Those members who, prior to the date of establishment of this system, had been contributing at a rate less than four percent shall have any benefit otherwise payable on their behalf actuarially reduced to reflect such prior contribution rate of less than four percent. Upon a member's retirement or other withdrawal from service on the basis of which a retirement allowance is payable, the member's additional contributions, with interest thereon, shall be paid as an additional allowance equal to an annuity which is the actuarial equivalent of such amount, in the same manner as the benefit otherwise payable under the system.

(2) Contributions shall be made on and after the date of establishment at the rate of five percent of compensation except at a rate of 6.18 percent of compensation for each group C member unless the member was a group C member on June 30, 1998 in which case contributions shall be at the rate of six percent of compensation for each group C member who has elected not to have his or her compensation from the state be subject to Social Security withholding or at the rate of five percent of compensation if the member elected to have compensation from the state subject to Social Security withholding and at the rate of five percent of compensation for each group F member and, commencing July 1, 2019, at the rate of 4.75 percent of compensation for each group F member. In determining the amount earnable by a member in a payroll period, the retirement board may consider the annual or other periodic rate of earnable compensation payable to such member on the first day of the payroll period as continuing throughout such payroll period, and it may omit deduction from compensation for any period less than a full payroll period if an employee was not a member on the first day of the payroll period, and to facilitate the making of deductions it may modify the deduction required of any member by such an amount as, on an annual basis, shall not exceed one-tenth of one percent of the annual earnable compensation upon the basis of which such deduction is to be made. Each of the amounts shall be deducted until the member retires or otherwise withdraws from service, and when deducted shall be paid into the annuity savings fund, and shall be credited to the individual account of the member from whose compensation the deduction was made.

(3) The deductions provided for herein shall be made notwithstanding that the minimum compensation provided for by law for any member shall be reduced thereby. Every member shall be deemed to consent and agree to the deductions made and provided herein and shall receipt for full compensation, and

payment of compensation less such deduction shall be a full and complete discharge and acquittance of all claims and demands whatsoever for the services rendered by such person during the period covered by such payment, except as to the benefits provided under this subchapter.

(4) Subject to the approval of the retirement board, in addition to the contributions deducted from compensation as hereinbefore provided, any member may redeposit in the fund by a single payment or by an increased rate of contribution an amount equal to the total amount which the member previously withdrew from this system or one of the predecessor systems; or any member may deposit therein by a single payment or by an increased rate of contribution an amount computed to be sufficient to purchase an additional annuity which, together with prospective retirement allowance, will provide for the member a total retirement allowance not in excess of one-half of average final compensation at normal retirement date, with the exception of group D members for whom creditable service shall be restored upon redeposits of amounts previously withdrawn from the system, or for whom creditable service shall be granted upon deposit of amounts equal to what would have been paid if payment had been made during any period of service during which such a member did not contribute. Such additional amounts so deposited shall become a part of the member's accumulated contributions as additional contributions.

(5) The contributions of a member and such interest as may be allowed thereon which are withdrawn by the member or paid to the member estate or to a designated beneficiary in event of the member's death, shall be paid from the fund.

(6) Contributions required under this subsection shall be limited to contributions from group A, group C, group D and group F members.

(7) [Repealed.]

(c) Employer contributions, earnings, and payments.

(1) Employer contributions and the reserves for the payment of all pensions and other benefits, including all interest and dividends earned on the assets of the retirement system shall be accumulated in the fund, and all benefits payable under the system and the expenses of the system shall be paid from the fund. Annually, the retirement board shall allow regular interest on the individual accounts of members in the fund which shall be credited to each member's account within the fund.

(2) Beginning with the actuarial valuation as of June 30, 2006, the contributions to be made to the fund by the state shall be determined on the basis of the actuarial cost method known as "entry age normal." On account of each member there shall be paid annually into the fund by the state an amount equal to certain percentages of the annual earnable compensation of such member, to be known as the "normal contribution," and additional amounts equal to a certain percentage of the member's annual earnable compensation, to be known as the "basic accrued liability" and "additional accrued liability" contributions. The percentage rates of the contributions shall be fixed on the basis of the liabilities of the retirement system as shown by actuarial valuation.

(3) The normal contribution shall be the uniform percentage of the total compensation of members which, if contributed over each member's prospective period of service and added to such member's prospective contributions, if any, will be sufficient to provide for the payment of all future benefits after subtracting the sum of the unfunded accrued liability and the total assets of the fund of the retirement system.

(4)(A) Until the unfunded accrued liability, excluding the portion described in subdivision (B) of this subdivision (4), is liquidated, the basic accrued liability contribution shall be the annual payment required to liquidate the unfunded accrued liability over a period of 30 years from July 1, 1988, provided that the amount of each annual basic accrued liability contribution after June 30, 1988 shall be five percent greater

than the preceding annual basic accrued liability contribution. Any variation in the contribution of normal, basic, unfunded accrued liability or additional unfunded accrued liability contributions from those recommended by the actuary and any actuarial gains and losses shall be added or subtracted to the unfunded accrued liability and amortized over the remainder of the 30-year period.

(B) Until the additional unfunded accrued liability created as of July 1, 2008, by the implementation of a group F cost-of-living adjustment equal to the full increase or decrease, to the nearest one-tenth of a percent of the Consumer Price Index for the preceding fiscal year as provided in subsection 470(b) of this title, is liquidated, the additional accrued liability contribution, shall be the annual payment required to liquidate the additional unfunded accrued liability over a period of 30 years from July 1, 2008, provided that the amount of each annual additional accrued liability contribution made after June 30, 2009 shall be five percent greater than the preceding annual additional accrued liability contribution.

(5) [Repealed.]

(6), (7) [Repealed.]

(d) Contributions of state. As provided by law, the retirement board shall certify to the governor or governor-elect a statement of the percentage of the payroll of all members sufficient to pay for all operating expenses of the Vermont state retirement system and all contributions of the state which will become due and payable during the next biennium. The contributions of the state shall be charged to the departmental appropriation from which members' salaries are paid and shall be included in each departmental budgetary request.

(e) [Repealed.]

(f) Contributions paid by state. Notwithstanding the provisions of subdivision (b)(2) of this section to the contrary and pursuant to the provisions of Section 414(h) of the Internal Revenue Code, the state shall pick up and pay the contributions required to be paid by members with respect to service rendered on and after March 1, 1998. Contributions picked up by the state shall be designated for all purposes as member contributions, except that they shall be treated as state contributions in determining tax treatment of a distribution. Each member's compensation shall be reduced by an amount equal to the amount picked up by the state. This reduction, however, shall not be used to determine annual earnable compensation for purposes of determining average final compensation. Contributions picked up under this subsection shall be credited to the fund. To ensure that the provisions of this subsection are cost neutral to the state, the contributions rates established under subdivision 473(b)(2) of this title shall be increased by one-tenth of one percent of compensation. (Added 1971, No. 231 (Adj. Sess.), § 4; amended 1981, No. 41, §§ 17-19, 39(1); 1989, No. 78, § 7; 1989, No. 277 (Adj. Sess.), §§ 17r, 17w(a), eff. Jan. 1, 1991; 1993, No. 33, § 5; 1997, No. 68 (Adj. Sess.), § 7, eff. March 1, 1998; No. 89 (Adj. Sess.), § 10; No. 89 (Adj. Sess.), § 13, eff. April 13, 1998; 1999, No. 158 (Adj. Sess.), § 19; 2003, No. 122 (Adj. Sess.), § 297h; 2005, No. 215 (Adj. Sess.), § 277a; 2007, No. 12, § 1; No. 13, § 11; 2007, No. 116 (Adj. Sess.), §§ 4, 5, eff. June 7, 2008.)

§ 473a. Periodic actuarial reports

The board shall cause to be made an actuarial reevaluation of the rate of member contributions deducted from earnable compensation pursuant to subdivision 473(b)(2) of this title, on a periodic basis at least every three years, to determine whether the amount deducted is necessary to make the contributions picked up and paid by the state for such members cost neutral to the general fund. The actuarial reevaluation shall consider all relevant factors, including federal tax law changes. The board shall report the results of the actuarial reevaluation to the general assembly together with any recommendations for

adjustment in the members' contribution rate under subdivision 473(b)(2). (Added 1997, No. 68 (Adj. Sess.), § 8, eff. March 1, 1998.)

16 V.S.A., Chapter 55 – STATE TEACHERS' RETIREMENT SYSTEM OF VERMONT

§ 1944. Vermont teachers' retirement fund

(a) Fund. All of the assets of the system shall be credited to the Vermont teachers' retirement fund.

(b) Member contributions.

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

(2) The proper authority or officer responsible for making up each employer payroll shall cause to be deducted from the compensation of each group A member five and one-half percent of the member's earnable compensation and from each group C member three and four-tenths percent of the member's earnable compensation, including compensation paid for absence as provided by subsection 1933(d) of this title. In determining the amount earnable by a member in a payroll period, the board may consider the rate of compensation payable to such member on the first day of a payroll period as continuing throughout the payroll period, and it may omit deduction from compensation for any period less than a full payroll period if a teacher was not a member on the first day of the payroll period, and to facilitate the making of deductions it may modify the deduction required of any member by such an amount as shall not exceed one-tenth of one percent of the annual earnable compensation upon the basis of which such deduction is made.

(3) The deductions provided for herein shall be made notwithstanding that the minimum compensation provided for by law for any member shall be reduced thereby. Every group A and group C member shall be deemed to consent and agree to the deductions made and provided for herein, and shall receipt for the member's full salary or compensation, and payment of salary or compensation less such deduction shall be a full and complete discharge and acquittance of all claims and demands whatsoever for the services rendered by such person during the period covered by such payment, except as to the benefits provided under this chapter.

(4) The proper authority or officer responsible for making up each employer payroll shall certify to the board the amounts deducted on each and every payroll, and each of such amounts shall be paid into the fund and credited to the individual account of the member from whose compensation the deduction was made.

(A) All employer reports and corresponding member contributions required by this subdivision (4) shall be provided by the due date established by the board. Employers providing reports or remitting contributions, which are more than 30 days delinquent, may be assessed a delinquent reporting fee of one percent of the amount that should have been reported and remitted for each month, or prorated portion of a month, that the report or contributions are delinquent.

(B) All employers shall provide accurate reports. Employers providing inaccurate reports shall be responsible for correcting any deficiencies and shall reimburse the system for any costs incurred by the system as a result of inaccuracy.

(C) In the event that an employer willfully files an inaccurate report, in addition to any other penalties provided by law, the employer shall pay the system an administrative penalty of up to 50 percent of the amount that was not accurately reported.

(D) The system may enforce the provisions of this subdivision (4) in Washington superior court.

(E) The board may, in its discretion, waive part or all of a penalty assessment for good cause shown.

(5) In addition to the contributions deducted from the compensation of a group A or group C member as hereinbefore provided, subject to the approval of the board, any group A or group C member may redeposit in the fund by a single payment or by an increased rate of contribution an amount equal to the total amount which the member previously withdrew therefrom as provided in this chapter, or any part thereof; or any member may, subject to the approval of the board and such conditions as the board may prescribe, deposit therein by a single payment or by an increased rate of contribution an amount computed to be sufficient to purchase an additional annuity, which together with the member's prospective retirement allowance, will provide for a group A member a total retirement allowance not to exceed one-half of the member's average final compensation at age 60 or for a group C member, a total retirement allowance not to exceed one-half of the member's average final compensation at age 62. In addition to contributions hereinbefore provided, any group A or group C member may make further contributions at a rate not to exceed five percent of the member's earnable compensation. Interest at such rates as may be set from time to time by the board shall be allowed on such contributions and shall be used in determining the benefits payable from such contributions. In other respects such additional amounts so deposited shall become a part of the member's accumulated contributions.

(6) Any group A member who has rendered service outside the state in the capacity of a teacher as herein defined and as approved by the board, or who was a teacher in Vermont on July 1, 1947 and elected not to join the system but who has subsequently joined, may:

(A) Elect to have included in the member's creditable service all or part of any period of service outside the state. Any group A member who so elects shall deposit in the fund by a single contribution an amount computed at regular interest to be sufficient to provide at age 60 an annuity equal to one-one hundred and twentieth of the member's average final compensation multiplied by the number of years of the service rendered outside the state for which the member elects to receive credit. No application may be accepted for the purchase of credit for service outside the state, however, if at the time of application the member has a vested right to retirement benefits in another retirement system based upon that service.

(B) Elect to have included in the member's creditable service all or part of any service with which the member was credited immediately prior to any refund of the member's accumulated contributions, including prior service, as defined in section 1931 of this title, which shall be restored upon full restoration of previous membership service as provided herein. Any group A member who so elects shall deposit in the fund by a single contribution an amount equal to the amount of accumulated contributions previously withdrawn together with regular interest thereon from the date of the refund to the date of repayment, or a proportionate part of that amount if less than the full period of previous service is to be included in the member's creditable service. If a member has received a refund of the member's accumulated contributions more than once, the member may elect the period or periods of previous service on account of which the member will make contributions under this subdivision (b)(6) subject to the aforesaid limitation. Any group A member who elects to repay any amount previously refunded shall continue thereafter to contribute to the system the proportion of earnable compensation determined on the basis of the member's age on the date on which the member shall have last become a member.

(C) Elect to have included in the member's creditable service those years of teaching in Vermont rendered between July 1, 1947 and July 1, 1972 for which no contributions to the system have been made. Any group A member who so elects shall deposit in the fund by a single contribution an amount computed at regular interest to be sufficient to provide at age 60 an annuity equal to one-one hundred and twentieth of the member's average final compensation multiplied by the number of years of service for which the member elects to receive credit.

(7) The contributions of a member, and such interest as may be allowed thereon, paid upon the member's death or withdrawn by the member as provided in this chapter, shall be paid from the fund.

(8) Any group A or group C member who has rendered 15 years of creditable teaching service and who has, prior to becoming a member of the system, served a minimum of one full year of full-time service in the military, one full year of full-time service as a member of the Cadet Nurse Corps in World War II, the Peace Corps, or VISTA for which the member has derived no military or other pension benefits, may elect to have included in the member's creditable service all or any part of the member's military or Cadet Nurse Corps or Peace Corps or VISTA service not exceeding five years. Any group A member who elects credit under this subdivision shall deposit in the fund by a single contribution an amount computed at regular interest to be sufficient to provide at age 60 an annuity equal to one-one hundred and twentieth of the member's average final compensation multiplied by the number of years of the service rendered for which the member elects to receive credit. Any group A member who elects credit for service in the Cadet Nurse Corps under this subdivision and any group C member who elects credit under this subdivision shall deposit in the fund by a single contribution an amount computed at regular interest to be sufficient to provide at normal retirement an annuity equal to 1-2/3 percent of the member's average final compensation multiplied by the number of years of the service for which the member elects to receive credit. Notwithstanding the provisions of this subdivision, any group C member who was a group B member and any group A member shall, upon application, be granted up to three years of credit for military service during the periods June 25, 1950 through January 31, 1955, February 28, 1961 through August 4, 1964 if service was performed while in what is now the Republic of Vietnam, and August 5, 1964 through May 7, 1975 and shall not be required to make a contribution, provided the member has rendered 15 years of creditable teaching service and prior to becoming a member served a minimum of one full year of full-time service in the military for which he or she has derived no military pension benefits. Notwithstanding the foregoing, in the event of a conflict between the provisions of this subsection and the provisions of 10 U.S.C. § 12736 concerning the counting of the same full-time military service toward both military and state pensions, the provisions of the United States Code shall control.

(9) Contributions required under this subsection shall be limited to contributions from group A and group C members.

(10) [Repealed.]

(11) Any group A or group C member who rendered service in the capacity of a teacher, as defined by the board, in an approved public or independent school which was not a part of the system may elect to have included in the member's creditable service, all or part of any period of service in such approved school. Any member who so elects shall deposit in the fund by a single contribution an amount computed at regular interest to be sufficient to provide at normal retirement an annuity equal to 1-2/3 percent of the member's average compensation multiplied by the number of years of service for which the member elects to receive credit. No application for credit under this subdivision shall be granted if at the time of application, the member has a vested right to retirement benefits in another retirement system based upon that service.

(12) Any group A or group C member may elect to have included in the member's creditable service, years of service during which the member exercised his or her option not to be a member of the system. Any member who so elects shall deposit in the fund by a single contribution an amount computed at regular interest to be sufficient to provide at normal retirement an annuity equal to 1-2/3 percent of the member's average compensation multiplied by the number of years of service for which the member elects to receive credit.

(13) Any group A or group C member may elect to have included in the member's creditable service all or any part of the member's service in the capacity of a teacher in a school which was a part of the system

for which the member has no credit. Any member who so elects shall deposit in the fund by a single contribution an amount computed at regular interest to be sufficient to provide at normal retirement an annuity equal to 1-2/3 percent of the member's average final compensation multiplied by the number of years of the service for which the member elects to receive credit.

(14) Any group C member may elect to increase his or her retirement allowance for years of service as a group B member prior to July 1, 1990 from 1-1/4 percent of average final compensation to 1-2/3 percent of average final compensation. A member making an election under this subdivision shall deposit in the fund by a single contribution an amount computed at regular interest to be sufficient to provide at normal retirement an annuity equal to 1-2/3 percent of the member's average final compensation multiplied by the number of years of service for which the member elects to increase his or her retirement allowance.

(15) Notwithstanding any provision to the contrary and except for military credit elected under subdivision (8) of this subsection, a member may not elect more than a total of 10 years of creditable service under the provisions of this subsection.

(16) Except as provided in subdivision (5) of this subsection, any time a member is required to make a single contribution in connection with an election under this subsection, a member may, with the approval of the board, contribute over a maximum of five years in installments of equal value or apply contributions previously made under subdivision (5) of this subsection toward the purchase of service. Those contributions shall become a part of the member's accumulated contribution and shall be treated for all purposes in the same manner as the contributions made under subdivision (2) of this subsection. Any member who retires before completing payment as approved by the board for the purchase of service under subdivisions (6) through (13) of this subsection shall receive pro rata credit for service purchased before the date of retirement, but if the member so elects at the time of retirement, the member may pay as much in a single sum as is necessary to provide full credit at that time.

(17) Any member may elect to have included in the member's creditable service, years of service as a state or municipal employee. Any member who so elects shall deposit in the fund by a single contribution an amount computed at regular interest to be sufficient to provide at normal retirement an annuity equal to 1-2/3 percent of the member's average compensation multiplied by the number of years of service for which the member elects to receive credit. No application for credit under this subdivision shall be granted if at the time of application, the member has a vested right to retirement benefits in another retirement system based upon that service.

(c) State contributions, earnings, and payments.

(1) All state appropriations and all reserves for the payment for all pensions and other benefits, including all interest and dividends earned on the assets of the retirement system shall be accumulated in the fund. All benefits payable under the system shall be paid from the fund. Annually, the retirement board shall allow regular interest on the individual accounts of members in the fund which shall be credited to each member's account.

(2) Beginning with the actuarial valuation as of June 30, 2006, the contributions to be made to the fund by the state shall be determined on the basis of the actuarial cost method known as "entry age normal." On account of each member, there shall be paid annually by the state into the fund a percentage of the earnable compensation of each member to be known as the "normal contribution" and an additional percentage of the member's earnable compensation to be known as the "accrued liability contribution." The percentage rate of such contributions shall be fixed on the basis of the liabilities of the system as shown by actuarial valuation. "Normal contributions" and "accrued liability contributions" shall be by separate appropriation in the annual budget enacted by the general assembly.

(3) The normal contribution shall be the uniform percentage of the total compensation of members which, if contributed over each member's prospective period of service and added to such member's prospective contributions, if any, will be sufficient to provide for the payment of all future benefits after subtracting the sum of the unfunded accrued liability and the total assets of the fund of the retirement system.

(4) Until the unfunded accrued liability is liquidated, the accrued liability contribution shall be the annual payment required to liquidate the unfunded accrued liability over a period of 30 years from July 1, 2006, provided that the amount of each annual accrued liability contribution after June 30, 2006 shall be five percent greater than the preceding annual accrued liability contribution. Any variation in the contribution of normal or unfunded accrued liability contributions from those recommended by the actuary and any actuarial gains and losses shall be added or subtracted to the unfunded accrued liability and amortized over the remainder of the 30-year period.

(5) [Deleted.]

(6)-(11) [Repealed.]

(12) Payment of a portion of the cost of health and medical benefits provided by subsection 1942(p) of this title for retired members shall be made from the medical account created by subsection (i) of this section. The board shall pay up to the amount determined by the board to be equal to 80 percent of the cost of the applicable standard plan for retired members provided they had ten years of creditable service at the time of their retirement. The board shall pay an equal dollar amount for eligible retirees regardless of the plan selected. All eligible retirees may select health plan coverage from a range of plans approved by the board. Retired members may authorize deductions to be made from their monthly retirement allowance for the balance of the cost of such benefits for the retired members and their dependents. The board shall determine annually that part of the cost of the applicable standard plan in excess of 50 percent of the cost for retirees, allocate 41 and one-half percent of that amount to active members, and adjust the members' contribution rate accordingly. Periodically, the board shall approve the following:

(A) a standard plan for retirees who are not yet eligible for Medicare, which plan shall provide first dollar coverage for subscribers;

(B) a standard plan for retirees who are eligible for Medicare, which plan shall provide first dollar coverage for subscribers;

(C) a range of plans that may be selected by retirees, including the standard applicable plans;

(D) for fiscal year 2002, the applicable standard plan shall not exceed the cost of the \$250.00 comprehensive plan offered by the board;

(E) for fiscal year 2003, the applicable standard plan shall not exceed the cost of the \$250.00 comprehensive plan offered by the board; and

(F) for fiscal years 2004 and thereafter, the cost of the applicable standard plan determined under this subsection shall not exceed the cost of the \$250.00 comprehensive plan offered in fiscal year 2003, adjusted for the appropriate fiscal year. In the event of the discontinuance of the \$250.00 comprehensive plan, a plan with a comparable expenditure profile shall be used as a benchmark.

(G) As of January 1, 2007 and thereafter, upon retirement, members entitled to prorated group medical benefit plan premium payments from the retirement system under the terms of this section shall have a one-time option to reduce the percentage of premium payments from the fund during the member's life, with the provision that the fund shall continue making an equal percentage of premium payments after the member's death for the life of the dependent beneficiary nominated by the member under section 1941 of

this title, should such dependent beneficiary survive the member. The retirement board, after consultation with its actuary, shall establish reduced premium payment percentages that are as cost neutral to the fund as possible.

(d), (e) [Repealed.]

(f) Expenses. The expenses of the system, including all the expenses necessary in connection with the administration and operation of the system, shall be paid from the fund.

(g) Collection of contributions.

(1) The proper authority or officer responsible for making up the payroll shall draw his or her warrant, at such intervals as may be agreed upon with the board but at least semiannually, payable to the system for all contributions deducted from the compensation of members, and shall transmit the same to the board, together with such schedule of the contributions included therein as the board may require.

(2) The board shall certify to the governor-elect, as required by section 301 of Title 32, an estimate of the contributions of the state which will become due and payable during the two years next following to meet the requirements of the fund of the system, and shall certify the percentage of payroll of all members which is equivalent to such amount. The amounts so certified shall be included in the budget submitted to the general assembly. When appropriated, the commissioner of finance and management shall issue his or her warrant in favor of the system for the amount certified by the board to be necessary to carry out the provisions of this section.

(h) Notwithstanding the provisions of subdivision 1944(b)(2) of this title to the contrary and pursuant to the provisions of Section 414(h) of the Internal Revenue Code, the state or political subdivisions employing such members shall pick up and pay the contributions required to be paid by group A and group C members with respect to service rendered on and after July 1, 1992. Contributions picked up by the state or political subdivisions employing such members shall be designated for all purposes as member contribution, except that they shall be treated as state contributions in determining tax treatment of a distribution. Each member's compensation shall be reduced by an amount equal to the amount picked up by the state or political subdivisions employing such members. This reduction, however, shall not be used to determine annual earnable compensation for purposes of determining average final compensation. Contributions picked up under this subdivision shall be credited to the fund.

(i) There is created a medical account to be maintained under the retirement system pursuant to 26 U.S.C. § 401(h), which shall be used to pay for health and medical benefits as the board may arrange pursuant to subsection 1942(p) of this title. Contributions to the account shall be reasonable and ascertainable. The medical account shall be subordinate to the retirement benefits provided by the retirement system. It shall be impossible, at any time before satisfaction of all liabilities to provide retiree medical benefits, for any part of the corpus or income of the account to be used for, or diverted to, any purpose other than providing health and medical benefits. All balances in the account at the end of the fiscal year shall be carried forward, and interest earned shall remain in the account. Notwithstanding the exclusive benefit rule of subsection 1943a(b) of this title, in the event of termination of the account on satisfaction of all liabilities under the plan to provide retiree medical benefits, any amount remaining in the account shall be returned to the state of Vermont. (Amended 1959, No. 42, §§ 1, 2; No. 72, §§ 4, 5, eff. April 1, 1959; 1959 (Adj. Sess.), No. 328, § 8(b); 1963, No. 182, § 3; 1971, No. 187 (Adj. Sess.); No. 233 (Adj. Sess.), §§ 2-4; 1973, No. 141 (Adj. Sess.), § 7; 1975, No. 175 (Adj. Sess.), § 3; 1977, No. 53, §§ 2, 4, eff. April 23, 1977; 1977, No. 247 (Adj. Sess.), §§ 191-193, 195; 1981, No. 41, §§ 31-34, 39(3); 1983, No. 149 (Adj. Sess.), § 1; No. 195 (Adj. Sess.), § 5(b); 1989, No. 78, §§ 8, 9; 1989, No. 169 (Adj. Sess.), § 7; 1991, No. 24, § 11; 1991, No. 247 (Adj. Sess.), §§ 1-4; 1993, No. 49, §§ 24, 25, eff. May 28, 1993; 1995, No. 36, § 7; 1995, No. 178 (Adj. Sess.), § 179a; 1999, No. 53, §§ 7, 7a; 1999, No. 158 (Adj. Sess.), § 5;

2001, No. 29, § 6; No. 63, § 175; 2001, No. 142 (Adj. Sess.), § 206; 2003, No. 122 (Adj. Sess.), § 297f; 2005, No. 163 (Adj. Sess.), § 7; No. 165 (Adj. Sess.), § 3; No. 215 (Adj. Sess.), § 277; 2007, No. 13, § 33; 2007, No. 137 (Adj. Sess.), § 7.)

§ 1944a. Periodic actuarial reports

The board shall cause to be made an actuarial reevaluation of the rate of member contributions deducted from earnable compensation pursuant to section 1944(b)(2) of this title, on a periodic basis at least every three years, to determine whether the amount deducted is necessary to make the contributions picked up and paid by the state for such members cost neutral to the general fund. The actuarial re-valuation shall consider all relevant factors including federal tax law changes. The board shall report the results of the actuarial reevaluation to the general assembly together with any recommendations for adjustment in the members' contribution rate under section 1944(b)(2). (Added 1991, No. 247 (Adj. Sess.), § 6.)

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§ 5064. Funds

(a) Fund. All of the assets of the retirement system shall be credited to the Vermont municipal retirement fund.

(b) Member savings. Contributions deducted from the compensation of members together with any member contributions transferred from a predecessor system shall be accumulated in the fund and separately recorded for each member. Contributions shall be made by group A members at the rate of three percent of earnable compensation. Contributions shall be made by group B members at the rate of five percent of earnable compensation. Contributions shall be made by group C and group D members at a rate of 11 percent of earnable compensation. Additionally, if an employee remains in group C and is employed by an employer who elects to revoke its group C membership in accordance with subsection 5068(f) of this title, the rate established in this subsection will be adjusted. This adjustment shall be determined by subtracting the group B rate, or if not applicable, the group A rate determined in subdivision (c)(1) of this section from the group C rate determined in subdivision (c)(1) of this section. Notwithstanding the provisions of this subsection, for the period July 1, 2000 through June 30, 2010, contributions shall be made by group A members at the rate of two and one-half percent of earnable compensation, by group B members at the rate of four and one-half percent of earnable compensation, and by group C members at the rate of nine percent of earnable compensation.

(1) The deductions provided for herein shall be made notwithstanding that the minimum compensation provided for by law for any member shall be reduced thereby. Every member shall be deemed to consent and agree to the deductions made and provided herein and shall receipt for the member's full compensation, and payment of compensation less such deduction shall be a full and complete discharge and acquittance of all claims and demands whatsoever for the services rendered by such person during the period covered by such payment, except as to the benefits provided under this chapter.

(2) The contributions of a member and interest as may be allowed thereon which are withdrawn by the member or paid to the member's estate or to the designated beneficiary in event of the member's death, shall be paid from the fund.

(3) The employer shall make one of the following elections:

(A) To make, on behalf of the members, all or any part of contributions required to be made by members under this section. Each of the amounts shall be deducted until the member retires or otherwise withdraws

from service, and when deducted shall be paid into the fund and credited to the individual account of the member from whose compensation the deduction was made.

(B) Pursuant to the provisions of Section 414(h) of the Internal Revenue Code, to pick up and pay the contributions required to be paid by members with respect to service rendered on and after July 1, 1999. Contributions picked up by the municipality under this election shall be designated for all purposes as member contributions, except that they shall be treated as employer contributions in determining tax treatment of a distribution. Each member's compensation shall be reduced by an amount equal to the amount picked up by the municipality. This reduction, however, shall not be used to determine annual earnable compensation for purposes of determining average final compensation. Contributions picked up under this subdivision shall be credited to the fund.

(c) Employer contributions, earnings and payments. All employer contributions and all reserves for the payment of all pensions and other benefits, including all interest and dividends earned on the assets of the retirement system shall be accumulated in the fund, and all benefits payable under the system and expenses of the system shall be paid from the fund.

(1) On account of each member, an employer shall report earnable compensation and pay annually, in installments as determined by the board, into the fund an amount equal to the certain percentage of the annual earnable compensation of such member. Such contribution percentage shall be separately determined for each group of membership within the retirement system as the sum of "normal contribution rate" for such membership group and its "accrued liability contribution rate," such sum to be reduced by the member contribution rate provided for in subsection (b) of this section.

(2) On the basis of the actuarial assumptions and methodology as shall be adopted by the retirement board, immediately after making each actuarial valuation, the actuary shall determine the "normal contribution rate" for each group of membership. The product of a membership group's normal contribution rate and its total earnable compensation shall be referred to as that membership group's "normal contribution."

(3) In each actuarial valuation, the actuary shall, based on methodology adopted by the retirement board, determine the amount of the fund attributable to each membership group within the retirement system for valuation purposes. The difference between each membership group's accrued liability and its allocated share of fund assets as of any valuation date shall be referred to as such membership group's "unfunded accrued liability."

(4) For each actuarial valuation, the accrued liability contribution rate shall be computed for each membership group based on the actuarial assumptions and methodology adopted by the retirement board as the rate percent of the earnable compensation of the employees in such membership group which, if applied to expected future earnings of current and future employees of such membership group, would be expected to liquidate the membership group's unfunded accrued liability on or before June 30, 2018. The product of a membership group's accrued liability rate and its total earnable compensation shall be referred to as that membership group's "accrued liability contribution."

(5) The accrued liability contribution for a separate membership group shall be discontinued, and the unfunded accrued liability for such membership group shall be set equal to zero in the event the assets attributable to such membership group should exceed the accrued liability as determined under the assumptions and methodology approved by the retirement board.

(6) The retirement board shall have performed a separate actuarial valuation for each group entering the system under the provisions of subsection 5054(e) of this title to determine the amount of liability, the deposit required to pay for that liability, and the amount of increased rate of contribution required to pay

for the liability not covered by any lump sum deposit, such rate to be calculated by the actuary as the excess, if any, of the accrued liability contribution rate of subdivision (c)(3) of this section determined separately for the group entering the system over such rate for the system, calculated excluding such group. Such additional rate shall be paid by the entering group over a specified period as determined by the board, not to exceed 30 years. The rate determined as a result of the actuarial calculation under this subdivision shall be paid by each employer entering the system under subsection 5054(e) in addition to the amount paid in accordance with subdivision (4) of this subsection.

(d) Operation expenses. As provided by law, the board shall certify to the governor or governor-elect an estimated amount required for operation expenses of the system in the next annual or biennial period. The amount so certified shall be included in the budget, with the revenue derived from the Vermont municipal retirement fund, and submitted to the general assembly.

(e) Remittance of member contributions and employer contributions. Each employer shall remit its employer contributions and the member contributions applicable to its employees in installments as determined by the board to the state treasurer.

(1) Any payments due which are not received within 30 days after the installment due date set by the board shall result in a penalty assessment against the employer at the rate of one percent of the amount due for each month calculated from the installment due date, provided that the board may, in its discretion, waive part or all of said penalty assessment if good cause is shown. The delinquent payments and penalties thereon may be recovered by action in a court of competent jurisdiction against the employer liable therefore or may be deducted by, or at the request of, the state treasurer from any other monies payable to such employer by the state or any department or agency thereof.

(2) All employers shall provide accurate reports. Employers providing inaccurate reports shall be responsible for correcting any deficiencies and shall reimburse the system for any costs incurred by the system as a result of inaccuracy.

(3) In the event that an employer willfully files an inaccurate report, in addition to any other penalties provided by law, the employer shall pay the system an administrative penalty of up to 50 percent of the amount that was not accurately reported.

(4) The system may enforce the provisions of this section in Washington superior court.

(5) The board may, in its discretion, waive part or all of a penalty assessment for good cause shown.

(f) [Repealed.] (Added 1973, No. 251 (Adj. Sess.), § 3; amended 1975, No. 254 (Adj. Sess.), §§ 149-151; 1977, No. 205 (Adj. Sess.), § 4; 1983, No. 128 (Adj. Sess.), § 2; 1985, No. 74, § 302; 1987, No. 39, §§ 7, 8, 11; 1989, No. 11, § 8a; 1991, No. 233 (Adj. Sess.), § 6; 1995, No. 25, §§ 2, 3; 1999, No. 53, § 13; No. 61, § 4; 1999, No. 158 (Adj. Sess.), §§ 14, 16; 2001, No. 29, § 11; 2005, No. 44, § 1; 2005, No. 197 (Adj. Sess.), § 7; 2007, No. 13, § 47.)

- End RFP -