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Retiring TIMES

Summer 2013



Vermont Municipal Employees' Retirement System



A recent study shows that although Social Security's "Full Retirement Age" has moved to 66, 65 remains a popular age to withdraw from the labor force.

LEGISLATIVE UPDATES

DC Members May Switch Plans and Contribution Rates Change

The 2013 Vermont State legislative session was a busy one for the Vermont Municipal Retirement System. State legislators addressed the need for contribution rate changes and considered plan changes for employees enrolled in the defined contribution plan.

Act 22, formerly H. 518, contained two major components impacting the VMERS, as well as some minor clarifying language changes. Section 15 of Act 22 allows for a one-time election for VMERS employees enrolled in the defined contribution (DC) plan to switch to the defined benefit (DB) plan offered by their employer.

"Over time, trustees have heard from a number of defined contribution participants that they initially declined participating in the DB plan

because they were uncertain about how long they might be in their particular jobs, nor did they fully understand the long term advantages of a defined benefit

plan over a defined contribution plan," said VMERS Board Vice Chair Peter Amons. "Other system members have admitted that their returns from the DC plan, based on their own investment decisions, were disappointing and that they regretted their initial DC/DB choice. This one time opportunity enables people to have a chance to rethink that selection. Also, the trustees recognize that participants always have the opportunity to invest money on their own for retirement if they choose, but VMERS is really their only opportunity to have an employer-guaranteed stream of secure pension payments that increases with inflation over time."

Amons said that the board does not anticipate any changes to the cost of the system because all transactions related to it will take place on an actuarially neutral basis. Approximately 400 active

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VMERS is one of the better funded state-wide systems across the country.

Benefits

A new law that spells out steps insurance companies must take to find people owed money when a policyholder dies was passed during the recently concluded Vermont legislative session. Work by the State Treasurer and legislators on the law has already helped return money to several thousand Vermonters.

Are You Entitled to Benefits From a Life Insurance Policy?

"It's amazing that there was that kind of money and I knew nothing about it," said Rodger Brassard, on receiving benefits from his mother's life insurance policy. The Burlington area man recently received more than \$5,000 from a policy his mother had originally taken out for less than \$500. Over time, interest payments helped grow the principal. However, Brassard didn't receive the benefit

until four years after his mother's death. He wonders how many others may be due benefits and are not aware of it.

"With today's advances in technology, insurance companies can and should be regularly checking their policyholder lists against death databases and contacting the survivors to whom this money is due," said State Treasurer Beth Pearce. "I couldn't be more pleased that Vermont

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Section 16 of Act 22 increases the employee contribution rates for three of the four VMERS plans in fiscal year 2014 as follows:

VMERS EMPLOYEE CONTRIBUTION RATES

DATE OF RATE CHANGE	GROUP A	GROUP B	GROUP C	GROUP D
RATES EFFECTIVE (PRIOR TO JULY 1, 2013)	2.5 percent	4.5 percent	9.25 percent	11 percent
JULY 1, 2013	2.5 percent	4.625 percent	9.375 percent	11.125 percent
JANUARY 1, 2014	2.5 percent	4.625 percent	9.5 percent	11.125 percent

members of the DC plan were sent a packet of information on the enrollment change. DC members who elect to transfer must notify the Retirement Division of their intention on or before September 1, 2013. The Retirement Division will work with

each DC member who wishes to transfer to ensure all questions are answered and forms properly executed. The

Act 2 will help protect taxpayers when a public employee is convicted of financial crimes related to their employment.

transfer to the DB plan will take effect on January 1, 2014. The election to transfer to the DB plan will be irrevocable.

Section 16 of Act 22 addressed increases to the employee contribution rates. Rates will rise for three of the four VMERS plans in fiscal year 2014. (see chart above) The VMERS board held a series of meetings with representatives of employers and unions during the late winter. Through these collaborative discussions, it was ultimately agreed to recommend to the legislature that rates be increased for employees because of the gradual decline of the funding status of the VMERS, primarily due to the current economic downturn. A similar rate increase was negotiated for VMERS employers, which the VMERS board voted to adopt at a recent meeting. The Retirement Division sent a notice in June to all members, notifying them about the change. The employee contribution rate for Group A members will not be raised because the funding status for that group is sufficient to cover pension costs. The VMERS has always enjoyed the best funding status of the state-wide retirement systems in Vermont, and is one of the better funded state-wide systems across the country. However, the system's

funding status has declined to 85.4 percent at the end of fiscal year 2012. When the funding status of the system was at an all-time high in 1999, the VMERS board recommended that employee and employer contribution rates be decreased, and the lower rates remained stable for more than 10 years.

"The board and other interested parties felt it was time to increase the contribution rates for the financial health of the system and help stabilize the fund to continue to ensure the future retirement security for municipal employees," said Retirement Division Director Laurie Lanphear. "This decision was reached cooperatively with input from both employer and employee groups."

Lastly, Act 2, formerly H.41, made changes to the VMERS, as well as the other two state-wide pension systems in Vermont. The measure allows judges to order that any public employee forfeit some or all of their pension if they are convicted of certain financial crimes related to their employment. The law applies to felonies like embezzlement, theft, bribery and other crimes that involve an abuse of public office for financial gain. Under the new law, judges may order that some or all of an employee's pension be forfeited. However, the judge must take into consideration the severity of the crime, the amount of money the State or town has lost, the degree of public trust placed in the individual, and whether innocent family members depend on the pension. The new law does not impact cases that are ready to prosecute or have already been prosecuted, nor applies to benefits earned by an employee prior to the enactment of the law. The law aims to protect taxpayers in the future when an employee is convicted of fraud or other financial crimes linked to their public office. The VMERS Boards of Trustees voted to support enactment of this bill.

Retiree Update

We are frequently asked to report on the number of members who are retiring each month. Historically, January and July are the two months of the year when more people tend to retire. Listed below are the number of new retirees for the past several years.

	JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
2013	20	10	7	9	12	10						
2012	20	9	9	13	14	7	60	14	11	20	17	10
2011	18	3	9	8	8	17	63	15	10	9	9	7
2010	12	3	4	7	9	12	52	19	11	13	5	10
2009	12	8	3	14	5	7	25	4	24	8	12	9

NEWS... FROM THE RETIREMENT DIVISION

WELCOME TO NEW STAFF MEMBERS

We are pleased to introduce you to three new staff members who have joined the Retirement Division team. Pictured at right are (l to r) Jennifer Burdick, Lesley Campbell and Diane Isabelle. Diane is a financial administrator and works on a wide range of accounting duties for the retirement system. Lesley's focus is on customer service. As a program technician she is one of our front-line staff members answering the phone and addressing questions from members. Jennifer is also a program technician. She works with employer reporting for the municipal and State retirement systems. If you have questions about your retirement plan, be sure and visit our web site at www.VermontTreasurer.gov and click on the heading "Retirement" located on the left side of the page.

RETIREMENT FORMS ARE AVAILABLE ONLINE

On our web site you can access basic forms to print, complete and mail to the Retirement Division office. Go to www.VermontTreasurer.gov and look under Retirement Services for FORMS. There you will find the designation of beneficiary form that you can use to name or change the beneficiary on your retirement account. Our office also requires that any changes to the mailing address for a retiree's pension check be made in writing. To assist you in doing this, you will also find under FORMS a change of address form and a direct deposit form.



(Unclaimed Life Insurance Continued pg. 1)

now has a law on the books that requires companies to make a good faith effort to contact beneficiaries and expedite payments, even before these funds reach the unclaimed property program in my office."

Pearce worked with Vermont's State Legislature to achieve passage of the law during the recently concluded session. The law requires life insurance companies to use various data bases to cross-reference against their lists of life insurance policies to determine if policy holders have passed away. In the event the beneficiary cannot be located, it requires that the monies be sent to the State Treasurer's Office unclaimed property fund so that efforts may be made to locate the beneficiary.

Brassard received his money as a result of a multi-state initiative that prompted audits within several national life insurance companies. Vermont was one of the states leading the initiative. Recently, the Treasurer's office received more than \$2.2 million in unclaimed property from life insurance audits. Overall, more than \$1 billion has been returned nationally to beneficiaries as a result of the reviews and another \$820 million has been sent to state unclaimed property programs.

"This is about consumer protection," said Pearce. "People buy life insurance policies to assist their family members. We want to make sure those funds get into the hands of the beneficiaries as quickly as possible."

While Vermonters may search online through unclaimed property for old insurance policy benefits, national estimates indicate there are potentially more policies that have not yet been surrendered. The Treasurer's office has created a special web page with guidelines to assist people in searching for old, forgotten policies. The page may be accessed by going to MissingMoney.Vermont.gov and clicking on the link "Life Insurance Policies."

The Treasurer's Office receives other unclaimed property besides insurance proceeds. Check online at www.MissingMoney.Vermont.gov.

We Work to Keep Your Information Secure!

In order to protect your privacy, we are unable to discuss your retirement account with anyone other than you, unless you provide our office with either written or verbal authority. If you provide us with the proper written or verbal authorization to speak with your spouse or designated representative, we will be happy to answer any questions they may have on your behalf. In the absence of your consent, we can only answer generic questions about the retirement system. And... please remember that all address changes need to be made in writing. Changes to your electronic banking or tax withholdings must be made on the appropriate form and remitted to our office. Beneficiary changes, if allowable, must be submitted to our office on a designation of beneficiary form that is properly notarized.



Partnerships

Working Together Brings Timely Solutions

by Beth Pearce, Vermont State Treasurer

I am pleased with the progress we've made in 2013. The legislative changes detailed in this edition of *Retiring Times* speak to what can be accomplished when we work together for solutions. To highlight this, I'd like to share the story of one Vermonter who benefited from our hard work on unclaimed property.

As a member of the National Association of Unclaimed Property Administrators (NAUPA), I learned that millions of dollars of life insurance benefits were going unclaimed. Many beneficiaries were not aware that they were missing out on this property. Something had to be done. The Vermont Treasurer's office joined with several other states to initiate audits of life insurance companies, holding them to a higher standard of accountability.

As Senior Vice President, and more recently President of NAUPA, I advocated for greater engagement on this matter. I testified before the National Council of Insurance Legislators to develop model legislation for use in the states. Thanks to the willingness of the Governor and state legislators, our effort at the national level was implemented in Vermont. We worked together for solutions, creating a law to make sure life insurance companies notify individuals if they have unclaimed policies. For Vermonters like Wayne Prevost, it was well worth the effort.



Prevost, an 89 year old WWII veteran who has lived in Vermont for more than 68 years, was unaware that his sister had listed him as a beneficiary on her life insurance policy. Vermont's audit effort allowed the State of Vermont to identify his sister's bequeathment and take action to return it to its rightful owner. As a result, Wayne was reunited with more than \$7,000 of unclaimed property. As he put it, the money was a major windfall because "it's something to fall back on" in retirement.

The results of working together for solutions are not limited to consumer protection reforms. The Treasurer's office is dedicated to giving Vermonters the tools to make smart money decisions. Likewise, we work as a team to preserve and improve your retirement security. Whether strengthening our consumer protection laws, achieving greater cost savings in retiree prescription drug plans, or providing accountability when fraud is committed, we're making progress through partnership.

When we work together, we are better able to identify need and find creative solutions to address it with action. It worked for Wayne, and we're dedicated to making the Treasurer's office work for you.

We work as a team to preserve and improve your retirement security. We're making progress through partnerships.

Five Tips for Safe Mobile Banking

Banking through your phone or tablet is quick and convenient, but don't forget these tips to keep your money and identity safe.



- Password-protect your phone or tablet so that only you can access the information on your device.
- Never provide personal information unless you initiate contact with your bank or other financial institution.
- Don't stay "auto-logged in" to your accounts. It increases the risk that an unauthorized user will access your accounts.
- Delete old texts from your bank to reduce your exposure to fraud.
- Report lost or stolen devices immediately to your wireless provider and financial institutions.

Provided by the Financial Industry Regulatory Authority. More at SaveandInvest.org.

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Retirement IN THE NEWS

How confident are you about your retirement? What impact does the Medicare eligibility age have on our decision to retire? What do you need to know about pension or settlement income streams and are such loans in your best interest? These are the topics of stories we have pulled from recent news headlines to help you be better informed regarding your retirement.

2013 Retirement Confidence Survey

March 19, 2013. EMPLOYEE BENEFIT RESEARCH INSTITUTE— More than half the people questioned in the 2013 Retirement Confidence Survey reported some level of confidence in their ability to afford a comfortable retirement—13 percent were very confident and 38 percent were somewhat confident. However, with 49 percent reporting they were not too confident or not at all confident, the national survey may indicate a growing awareness by participants of just how much they may need to save for retirement. The Retirement Confidence Survey (RCS) is now in its 23rd year and is the longest-running survey of its kind. Other reasons weighing on worker confidence may include more immediate financial concerns about job uncertainty and debt, as well as concerns about the cost of retirement. Nevertheless, worker savings remained modest, and less than half appeared to be taking the basic steps needed to prepare for retirement, according to the report. Among workers providing this information in the RCS, 57 percent reported less than \$25,000 in total household savings and investments—excluding the value of their primary homes and any defined benefit pension plans.



Impact of Medicare Eligibility and Timing of Retirement

May 2013. CENTER FOR RETIREMENT RESEARCH AT BOSTON COLLEGE— Eligibility for Medicare at age 65 is widely viewed as an important factor in retirement decisions. Researchers are virtually unanimous that health insurance availability generally, and Medicare eligibility at age 65 specifically, influences workers' retirement decisions. A study by researchers of the Center for Retirement Research found that workers without retiree health insurance—those most affected by the availability of Medicare benefits—are especially likely to retire in the month they turn 65. Their increased propensity to retire when they become eligible for Medicare accounts for about 30 percent of the continuing spike in retirements at age 65, now that the Social Security Full Retirement Age has increased to age 66. Various experts advocate increasing the Medicare eligibility age to 67; if so, workers may opt to

work longer. But the health insurance exchanges created by the Affordable Care Act are projected to significantly expand access and reduce the premiums for non-employer provided insurance—especially for older workers. If coverage in the exchanges is comparable to Medicare coverage, then workers may be freed to retire on their own terms, and not have to wait for Medicare eligibility.

Investor Alert Issued on Pension or Settlement Income

May 9, 2013. FINANCIAL INDUSTRY REGULATORY AUTHORITY— FINRA and the Securities and Exchange Commission has issued an alert to inform investors about the risks involved when selling their rights to an income stream or investing in someone else's income stream. Anyone receiving a monthly pension or regular distributions from a settlement following a personal injury lawsuit may be targeted by salespeople offering an immediate lump sum in exchange for the rights to some or all of the payments the person would otherwise receive in the future. Typically, the lump sum offered will be less—sometimes much less—than the total of the periodic payments the person would otherwise receive. Retired government employees and retired members of the military are among those being approached with such offers.

At first glance, selling future pension benefits might seem attractive to someone, especially if mortgage, medical or other expenses loom. However, there are several factors investors should consider. Transaction costs—including brokerage commissions, legal and notary fees, and administrative charges—can be high. Before selling away a future income stream, an investor should consider how to replace the cash flow the pension or structured settlement income provides, especially if a person depends on that income stream to pay monthly or other expenses.

Before investing, it is recommended to check to see whether the financial professional selling the product is registered with a state or federal regulator or with FINRA. Visit FINRA's online Broker Check at brokercheck.finra.org. In Vermont, the Department of Financial Regulation can assist in checking the validity of a broker or insurance agent. Go to www.dfr.vermont.gov or call (802) 828-3301.



**FIRST OPEN ENROLLMENT IS
OCT. 2013 TO MARCH 2014**

Vermont is implementing the federal reforms under the Affordable Care Act. You may have seen advertising regarding the new Vermont Health Connect. This online insurance marketplace will allow individuals, families and small businesses in Vermont to compare health plans and select one that fits their needs and budget. Vermont Health Connect is for Vermonters who: (1) do not have health insurance; (2) who currently purchase insurance for themselves; (3) who have Medicaid or Dr. Dynasaur; (4) who are on Catamount or the Vermont Health Access Program; (5) who are offered "unaffordable" coverage by their employers; and (6) are small businesses in Vermont with 50 or fewer employees that provide coverage for their employees. If you have questions regarding whether you must make any changes to your health insurance, contact your employer or current health insurance provider.

Vermont Municipal Employees' Retirement System

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Why is it important to schedule an appointment with a retirement counselor prior to retirement and what is discussed during the appointment?

Director's Corner

by Laurie Lanphear, Director of Retirement Operations

Statistics reflect that far too many people spend more time planning their next vacation than planning for what might represent a third of their lifetime – their retirement years. With members retiring in their late fifties and early sixties, it is entirely possible to spend more than 20 years in retirement. It is critical that everyone start planning for those golden, rewarding years as early as possible. To successfully plan for the optimum time to retire and to ensure you will have adequate income, you must understand all of your options and the financial impact of each. Moreover, at the actual time of retirement, there are a number of decisions you must make, some of which cannot be changed after retirement commences.



The Retirement Division sends Annual Benefit Statements to all active members each year. This tool is designed to assist members throughout their active years to keep track of the growth of their future retirement benefit. As you get closer to retirement, you will need to fine-tune the details based on your anticipated retirement date. If you're in your last year of employment, I highly recommend you contact our office for an estimate of benefits under all of the options available. At the same time, you should schedule a one-hour appointment with one of the retirement counselors. Make a date when your spouse or significant other can come with you so you can both understand how the decisions you will be making will impact you. The retirement counselor will go over your retirement options, the amount you will be eligible to receive under each option and the consequence of each option to your chosen beneficiary. Dental insurance, health insurance, life insurance (if available), electronic banking, tax withholdings and future cost-of-living adjustments will be discussed. Employment after retirement, and how it might impact receipt of your retirement benefits, will be covered. If you're looking to purchase service to add to your retirement allowance, the retirement counselor also will discuss the cost and value of making the purchase and assist you with the appropriate paperwork.

If you are considering retiring within the next year, I encourage you to schedule an appointment to come to Montpelier. You can reach us by calling (802) 828-2305 or toll-free in Vermont at 1(800) 642-3191.