In This Issue:

VERMONT

Vermont Municipal Employees' Retirement System

July 2011

Retiring TIMES

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Legislative Update

Contribution Rates Remain Stable and New COLA Index Selected

Municipal employee contribution rates for groups A, B and C will remain at their current reduced levels for one more year, or until June 30, 2012. This measure, introduced by the Vermont Municipal Employees' Retirement System Board of Trustees, was passed in the 2011 legislative session as part of Act 63, the State appropriation bill.

There were few retirement bills that were introduced. At the end of the session, only two statutory changes were made--one impacting active municipal employees and one impacting retirees.

"Based on the results of the actuarial valuation that was completed for the fiscal year ending June 30, 2010, the board felt comfortable allowing the rates to continue for one more year," said Cynthia Webster, Director of Retirement Policy and Outreach for the State Treasurer's Office. "The rates were originally reduced in July 2000. The board plans to evaluate the rates again after the next actuarial valuation to determine whether contribution rates need to be adjusted for fiscal year 2013."

From July 1, 2011 through June 30, 2012, the employee rates will continue to be withheld from gross compensation. The rate for group A members is 2.5 percent, group B members is 4.5 percent and group C members, 9.25 percent.

A second amendment included in Act 63 changes the index used to determine the cost-of-living adjustments applied to eligible pension benefits in January of every year. Beginning in January 1988, cost-of-living adjustments applied to eligible retired municipal employees' pensions have been based on the Consumer Price Index for all urban consumers or CPI-U.

(continued pg. 2)

457 Deferred Comp Plan

Roth Option Now Available to VMERS Members

VMERS members now have the option of saving money for retirement through Roth 457 contributions as part of the existing State of Vermont Deferred Compensation plan. Roth contributions are made with after-tax dollars. Money may be withdrawn from the account income tax and penalty-free once you have held the account for five years, are at least 59 ½ years old, and have left municipal employment.

"Recent changes in the federal 457 guidelines made Roth IRAs available to 457 plans for the first time," said Cynthia Webster, Director of Retirement Policy and Outreach for the Treasurer's Office. "If someone anticipates that they may be in a higher tax bracket after they retire, the Roth option would enable them to pay less taxes on the money contributed to the plan. Also, employees nearing retirement can take advantage of the higher contributions limits available into the Roth to help build-up their tax-free retirement income."

The higher contribution rate for a Roth 457 will enable municipal employees to put

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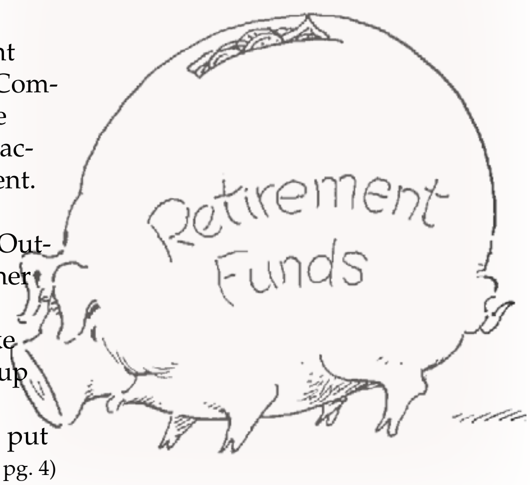
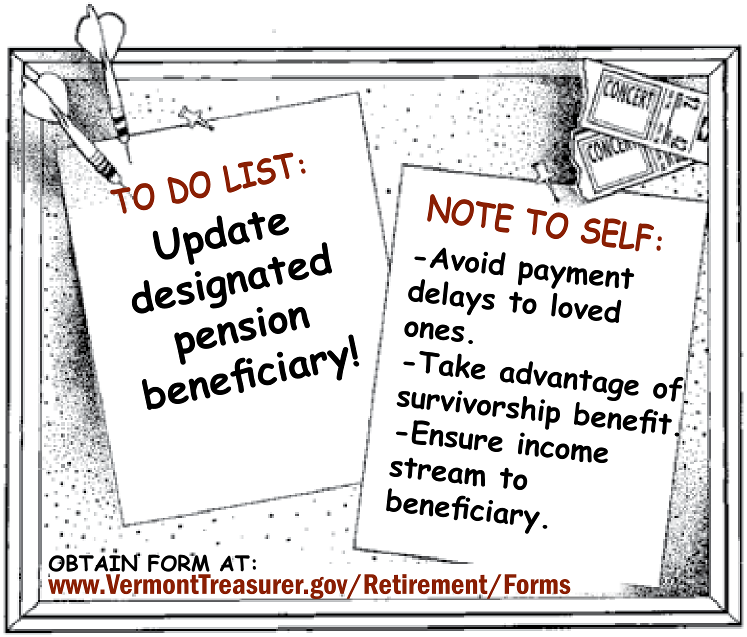
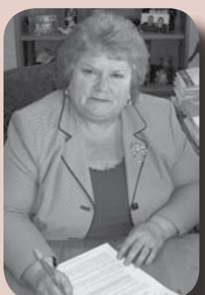




Director's Corner

by Cynthia Webster, Director of Retirement Policy & Outreach

One of the protections afforded by the Vermont Municipal Employees' Retirement System (VMERS) is the ability for members to draw an accrued retirement benefit immediately if the member becomes disabled while still actively employed. A Medical Review Board appointed by the VMERS trustee board will review all medical records pertaining to the disability. After thoroughly reviewing the medical records, the review board will determine whether the person: (1) has a minimum of 5 years of creditable service in the VMERS; (2) is mentally or physically incapacitated for the further performance of the specific job requirements; (3) that such incapacity has existed at or since the person's separation from service; and (4) it is likely to be permanent.



24 V.S.A., § 5056(a) states that a member must generally apply for a disability retirement no more than 90 days before or no later than 90 days after the date of separating from employment. In addition to the disability retirement application and accompanying forms, members must complete a statement in which he/she explains why they believe they cannot continue to perform their job functions and should be retired. There also is a form that the member's treating physician(s) must complete, which must be sent back to the retirement office along with all of the medical records pertaining to the disability. The review board will make a recommendation to the trustee board regarding whether the member should be retired under a disability retirement.

If the member has applied and been granted a disability retirement allowance from the Social Security Administration prior to applying for a VMERS disability retirement, an automatic approval will be granted upon receipt of proof of Social Security disability allowance. Any members who believe they may qualify for a disability retirement allowance, should contact the VMERS office at (802) 828-2305 for more information.

Q&A Care of an aging parent

As with all aspects of financial planning, proactive plans are critical for the care of an aging parent. There are many options to examine when looking at living arrangements. Below are some ideas to consider when evaluating the question of whether it makes sense to have aging parents live with adult children.

- Encourage parents to share their personal and financial records. Otherwise, it will be difficult to assist them. Understand, however, that it may be difficult for parents to share this information. They may consider this information "private" or fear a loss of control. Explain that you aren't being "nosy," but simply want to be well prepared to help if needed.
- Find out the location of important documents such as a will, marriage and birth certificates, military records, a living will, financial account information, mortgages and debts, and tax returns. Caregivers will need this information to pay bills and handle other transactions for aging parents.
- Create a "caregiver budget." Make a list of estimated expenses and determine how much the aging parent, the caregiver, and/or siblings will contribute. Review and revise as needed. Sometimes, an aging parent will have sufficient resources (possibly following the sale of their home) to pay the full cost of their care. For example, if they become a part of a five-person household with $2,500 of monthly expenses, they might contribute one-fifth ($500).
- If aging parents cannot pay for their care in a child's home, siblings should arrange a payment plan. The child who takes a parent in may want to keep a running tab of caregiving expenses to send periodically to the others to request payment. If siblings can't or won't pay their fair share, the child providing the care may be able to recoup expenses from the parent's estate before it is divided among heirs.
- Know the tax breaks available to caregivers. A major one is the ability to claim a parent as a dependent if the caregiver provided more than half of his or her total support for the calendar year and the parent had a gross annual income less than the exemption amount. For additional details on tax exemptions, consult a tax professional or visit www.irs.gov.
- Get help when needed. A good place to inquire about community services for the elderly in Vermont is to call the toll-free Senior HelpLine at 1-800-642-5119. Callers are automatically connected to their local Area Agencies on Aging and an Information, Referral and Assistance specialist. There is no charge for their assistance.

Information from "Aging Parents--Confronting the Issues as a Family." Excerpts reprinted with permission from the National Endowment for Financial Education. Go to www.smartaboutmoney.org/LifeEventsFinancialDecisions to read the entire article.

(Legislative Update Continued)

"There has been concern expressed over the past several years that the CPI-U may not be the best index to determine the actual cost of living fluctuations experienced in rural Vermont. After conducting considerable research over the fall and winter, representatives from the Vermont Retired State Employees' Association successfully lobbied to change the index to the Northeast Region Consumer Price Index," said Webster.

Research by the association revealed that, although slightly more volatile due to the fact that it represents a smaller area, the Northeast Region Consumer Price Index has averaged slightly higher overall than the CPI-U for the past 10 plus years. The association made the case that the northeast index more accurately reflects the buying power of the dollar in Vermont, as opposed to the entire United States. The new index will be used to determine the cost-of-living adjustments that will be applied to pensions in January of 2012.

UPDATES FROM THE RETIREMENT DIVISION: *Retirement Projections & Staff Changes*

'Tis the Season to Retire!

The summer months remain the busiest time of year for the Retirement Division staff, as we process system-wide more than half of all retirements for the year. For calendar year 2010, the division processed 1,091 retirements. Of those, 60 percent were processed during June, July and August. The majority of summer retirees are from the teachers' system. From January through June 2011, we have processed 161 retirements through the State system, 63 municipal retirements and 51 through the teacher system. We anticipate processing more than 400 teacher retirements in July, followed by 50 retirements each from the State and municipal systems. The staff also is busy closing out the fiscal year and recording the current year contributions and corresponding service credit for all active employees in each of the three retirement systems. There are currently more than 781 reporting entities and more than 26,000 contributing employees. An important goal of the division is to process all retirements in a timely manner. We appreciate your patience as we work to respond to all inquiries for information and service this time of year.

U.S. Treasury to "Retire" Paper Checks

The U.S. Department of the Treasury retired the paper Social Security check for millions of baby boomer and others newly applying for federal benefits effective May 1, 2011. The Treasury estimates the change will save taxpayers $1 billion over the next 10 years. People currently receiving their federal benefits by paper check must switch to direct deposit by March 1, 2013. According to U.S. Treasurer Rosie Rios, it costs 92 cents more to issue a payment by paper check than by direct deposit. To switch from checks to direct deposit, go to www.Go Direct.org or call the toll-free helpline at 1-800-333-1795. An individual's local bank or credit union representative may also be able to help make the change.

Kinship Care Resources Available

U.S. Census Bureau reports indicate that more than 2,000 Vermont children live with relatives and without their parents being present. These children, and the relatives raising them, may not be aware that they are eligible for a variety of services and support. These services include VSAC support, free medical insurance, free hot lunch at school, and eligibility for the child-only Reach Up federal grant offered through the Vermont Department of Human Services. These services are for the children, not the adults, and are not impacted by the income of the adults. If you are aware of families in this situation, please share with them the following web address for Vermont Kinship Care Kids: www.kinshipcarekids.com. For more information, contact Linda Deliduka at the Kinship Information Network via email at linda@deliduka.com.

— Notice submitted by Linda Deliduka, who also serves as a retiree alternate to the VSTRS Board of Trustees.

Recent Retiree Update

	2011	2010	2009	2008	2007
JANUARY	18	12	12	16	8
FEBRUARY	3	3	8	6	10
MARCH	9	4	3	12	6
APRIL	8	7	14	13	9
MAY	8	9	5	10	7
JUNE	17	12	7	3	5
JULY		52	25	40	40
AUGUST		19	4	13	16
SEPTEMBER		11	24	11	13
OCTOBER		13	8	8	9
NOVEMBER		5	12	6	12
DECEMBER		10	9	2	5

Personnel Changes in the Treasurer's Office

With the departure in January of State Treasurer Jeb Spaulding and Retirement Operations Director Michael Clasen to positions in the Governor's administration, personnel in the Treasurer's Office have shifted responsibilities to accommodate the change. As Deputy Treasurer Beth Pearce assumed duties as Treasurer, Stephen Wisloski stepped into the deputy position, vacating the Director of Investment and Debt Management. We are pleased to welcome Matt Considine as our new Director of Investment. Long-time Chief Retirement Specialist Laurie Lanphear assumed the duties of Deputy Director of Retirement Operations. Among retirement staff, customer response representative Monica Chiren is starting work as Administrative Services Coordinator and Tina Ryan will assume her duties at the front desk no later than the end of July. Congratulations to all on their new positions!

Retirement Board of Trustees

Steve Jeffrey, Chair, Employer Representative
Beth Pearce, Ex Officio Member, VT State Treasurer
Peter Amons, Vice Chair, Employee Representative
James Quinn, Employee Representative
Tom Golonka, Appointed Employer Representative

Director of Retirement Policy and Outreach, Executive Secretary of the Board: **Cynthia Webster**; Deputy Retirement Operations Director: **Laurie Lanphear**

109 State Street, 4th Floor, Montpelier, Vermont 05609-6901
(802) 828-2305 or (800) 642-3191 (in-state) *Retiring Times* is published twice yearly by the Vermont Municipal Employees' Retirement System. Editor: **Lisa Helme**

(New Roth Option Continued)

aside more than three times the yearly amount allowed under a traditional Roth IRA plan. Currently, Roth IRA contributions are limited to $5,000 or $6,000 a year for individuals 50 years of age or older. However, allowable contribution amounts for a Roth 457 is $16,500 annually or $22,000 if a person is age 50 or older.

The State of Vermont has offered a 457 deferred compensation program since 1979. Non-Roth contributions are made on a before-tax basis and individuals pay taxes on the funds when money is withdrawn.

"By reducing before-tax income, a person may increase their take-home pay as there is less taxable pay," explained Great West Senior Account Executive Chip Sanville. "Regardless of whether an employee chooses the new Roth 457 investment option or the traditional before-tax 457 deferral, it is important that we all save as much as we can today for our retirement."

At right is a chart, prepared by Great-West Retirement Services, that compares the impact the two types of retirement contributions have on an individual's take-home pay. Great West is the manager of the State of Vermont Deferred Compensation plan.

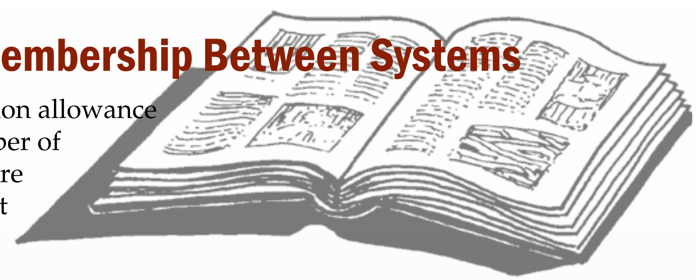
The State deferred compensation plan is available to all State employees, legislators, employees of participating Vermont municipalities and participating School Supervisory Unions. Great West will conduct presentations throughout the state within the next six months to explain how the new Roth option will work. People can sign up for the Roth 457 at those meetings. For more information, contact the Vermont Great West office at (802) 229-2391.

	BEFORE-TAX 457	ROTH AFTER-TAX 457
ANNUAL SALARY	$40,000	$40,000
MINUS BEFORE-TAX CONTRIBUTIONS	$5,000	$0
TAXABLE PAY	$35,000	$40,000
MINUS ESTIMATED INCOME TAX	$5,250	$6,000
MINUS AFTER-TAX CONTRIBUTIONS	$0	$5,000
TAKE-HOME PAY	$29,750	$29,000

FOR ILLUSTRATIVE PURPOSES ONLY. This illustration does not take into account Medicare, Social Security, state or local income taxes.

From the Retirement Book: Transferring Membership Between Systems

As a member of a defined benefit plan, the monthly pension allowance that you will receive in retirement is directly related to the total number of years of creditable service you have at the time of retirement. The more years of creditable service you have, the higher the benefit. Given that fact, it is important that you take advantage of every opportunity to increase your creditable service to ensure a comfortable and adequate income in retirement.



Transferring membership is a unique feature only available in the three Vermont public pension plans.

3 V.S.A., § 495(b) states, "Any person who is a member of a retirement system (in Vermont) may transfer his/her membership to another retirement system (in Vermont) within one year after acceptance of employment, which makes it possible or mandatory for him/her to participate in such other retirement system if such acceptance of employment would make it impossible for him/her to continue as a contributing member of the retirement system of which he/she has been a member." This is a unique feature that is only available between the three public pension plans in Vermont.

An example of this language might be if you are a member of the Vermont State Employees' Retirement System (VSERS) and separate from service to take a job within a municipality that offers the Vermont Municipal Employees' Retirement System (VMERS). You can no longer contribute to the VSERS because you are no longer a State employee, but you are required to belong to the VMERS due to your new employment. You may request to transfer your membership from the VSERS to the VMERS within a year of your new municipal employment with no loss of creditable service. Under this scenario, if you continue to work for the municipality until you retire, you will be eligible for a monthly retirement allowance based on a combination of your transferred State service and your municipal service.

The Retirement Division processes hundreds of transfers between the three retirement systems each year. This is a very valuable opportunity afforded to members that allows for a combined pension in retirement that recognizes and rewards all service rendered as a public employee in Vermont. A word of caution, however, there may be circumstances where combining retirement memberships is not advantageous to you. This is particularly true if you are eligible to draw a pension from one system and still work and accrue a benefit in another. You also might be giving up a valuable benefit, such as access to health insurance, that is available through one system, but not another. If you find yourself in a situation where you are eligible to transfer a membership, your best option is to talk with a retirement specialist in our office to determine what your best course of action might be.

Meet Vermont's New State Treasurer

Update on Treasury Activities Highlight Resources for all VMERS Members

by Beth Pearce, Vermont State Treasurer

I am very pleased to introduce myself as the new State Treasurer of Vermont and give you some information about my background and the Treasury's initiatives and programs. First, while I was appointed by Governor Shumlin to the position of State Treasurer in January, I am not a new face in the Treasury. I have served as Deputy Treasurer since 2003. In that role I was responsible for a full range of operations, including retirement administration of the three state-wide systems for State employees, teachers, and municipal employees. I have more than 30 years of experience in government finance at both the state and local levels. Government finance, treasury management and administration are my life's work. I can assure you that the Treasurer's Office will continue building on the prudent, professional and customer-service-oriented approach of the last several years.

The Retirement Division staff is dedicated to assisting you with your retirement plans. Every month our staff interacts with municipal employees who express concern about whether their pension, Social Security and personal savings will provide them with adequate income. Our office is here to help you plan for retirement following a career in public service. We offer a mix of supplemental retirement options through our deferred compensation program. In this newsletter edition you can read about the new Roth 457 plan option that will give you greater choice. Also, I'm pleased to announce that we will be able to reduce participant fees in the 457 plan from 15 basis points to 12 basis points. This is the second rate reduction over the past five years. We will continue to look for additional savings in all of our programs.

> **"I'm pleased to announce that we will be able to reduce participant fees from 15 basis points to 12 basis points. This is the second rate reduction over the past five years. We will continue to look for additional savings in all of our programs."**

I encourage you to check out the financial literacy resources on our web site. Our office has worked for the last four years to provide Vermonters with information on basic personal finance in areas such as budgeting, credit, teaching kids about money, and retirement planning. The President's Advisory Council on financial literacy defines it "as the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being." That's a pretty hefty challenge. However, as Vermont citizens increase their understanding and practice of sound money management skills, the financial well-being of both the individual and the State will improve.

I hope you will utilize the resources of our office and take steps to maximize your options so you can achieve and maintain a lifetime of financial well-being. We want to hear from you. We maintain an e-mail address for customer feedback on retirement and treasury operations at Treasurers.Office@state.vt.us. I encourage you to drop us a note on our services. I look forward to serving with your Board of Trustees and working with the Treasurer's Office staff to bring you efficient, responsible and high quality services.

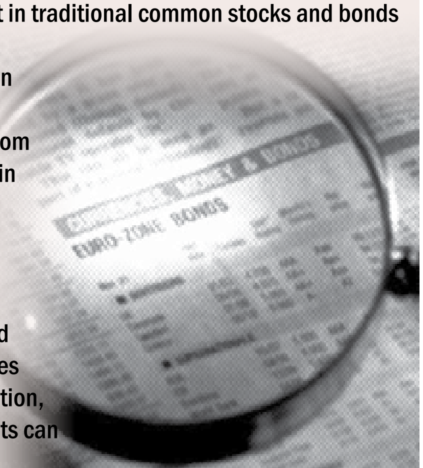
Vermont Pension Investment Committee Update - *by Stephen Rauh, VPIC Chair*

The Vermont Pension Investment Committee, or VPIC, oversees the investment of the assets of the Vermont State employees', teachers' and municipal employees' retirement plans, as well as the Burlington employees' retirement system. The combined assets of the four retirement plan portfolios were approximately $3.4 billion as of May 1, 2011.

Since the financial market meltdown in 2008, much of VPIC's work has focused on restructuring the portfolio so it is better positioned to perform in what many analysts are calling the "new normal" – an extended period of slow economic growth, historic federal budget deficits, and high levels of federal government and consumer debt. Overall, the restructuring has reduced the portfolio's investment in traditional common stocks and bonds and has increased exposure to a number of alternative strategies including commodities, risk parity, global asset allocation and hedge funds. These alternative strategies have improved portfolio diversification and reduced the portfolio's exposure to the volatility of the stock market.

Portfolio performance has rebounded sharply over the past two years as investment markets recovered from the lows reached in late 2008 and the first quarter of 2009. Taking into account the performance of assets in all four retirement systems, the asset-weighted gross return for the 12 months ending May 31, 2011 was 20.6 percent. VPIC's asset performance has steadily improved since the market crash several years ago.

VPIC is currently working to strengthen the ongoing monitoring of its investment managers and to further develop its risk management capabilities. VPIC will be ably assisted in this effort by the recent hiring by the State Treasurer's Office of a new Director of Investments, Matt Considine, MBA, CFA. Matt is an experienced equity portfolio manager with pension fund investment experience. VPIC also continues to retain the services of an investment consultant, NEPC of Cambridge, MA, to assist the committee in investment manager selection, asset allocation, and performance reporting and analysis. Detailed information on pension plan investments can be found on the State Treasurer's web site at www.VermontTreasurer.gov/pension-funds.



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Vermont's Aging Population - Who's taking care of whom?

Vermont's older adult population is growing at a rapid pace. The fastest growing segment of the state's population is now 85 years and older, as reported within Vermont's most recent State Plan on Aging. According to U.S. Census Bureau projections, there will be 214,964 Vermonters over the age of 60 in 2030. As Vermonters age, questions regarding living arrangements, expenses and other quality-of-life issues demand our attention.

A 2010 survey of AARP Vermont members, related to health and liveable community issues, revealed that 65 percent of AARP Vermonters would prefer to receive long-term care services in their homes. Caught in the middle of this trend are those adults caring both for dependents at home and aging parents. The State Plan on Aging reports that in Vermont, as in the rest of the nation, family and friends provide the bulk of the long-term-care services to individuals requiring such care. While most Vermont family caregivers of older adults are themselves age 60 or older, a substantial number of Vermonters receive care from family and friends who are younger than 60.

How does someone balance these personal and financial demands? One option families consider is whether it makes sense to have aging parents move in with an adult child. On page 2 of this newsletter, you'll find helpful suggestions for evaluating whether this option would work for your family.

"Family living arrangements can be a difficult topic to bring up for discussion," said Lisa Helme, Director of Financial Literacy for the State Treasurer's Office. "We know both through research and personal experience that talking about our finances is a difficult subject at any time of life. However, if the subject is discussed before it reaches a crisis point, everyone will feel less pressure and be more able to explore available options."

According to U.S. Census Bureau projections, there will be more than 200,000 Vermonters over the age of 60 in 2030.

The National Endowment for Financial Education (NEFE) gives this positive example of proactive discussions. Three siblings are discussing the issue of caring for their mother, even though she is currently independent and in good health. They decide to jointly pay the premiums for a long-term care insurance policy for her because having her move in with any of them is not feasible. By taking this step, they are transferring the risk of the high cost of care, whether at home or in a nursing home, to a third party. The mother's financial assets also will be preserved for inheritances instead of being spent down on long-term care services.

NEFE provides a web site for individuals to evaluate their finances for retirement. If you are nearing retirement, or are already retired, examining how you will pay yourself throughout your retirement years will help you assess your future living arrangements. Go to www.myretirementpaycheck.org.