

Retiring Times

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Municipal Employees

Spring 2002

Message from Vermont State Treasurer James Douglas

Since the Enron debacle remains in the news, especially as it relates to the unfortunate employees who had a disproportionate amount of their retirement accounts in Enron stock, I thought it would be a good time to reflect on how diversification works to protect both private and public assets.

The Board of Trustees of the Vermont Municipal Employees' Retirement System has wisely chosen to diversify the portfolio across asset classes and even within portfolios. Because they have made this effort, the Vermont systems had one of the smallest losses through Enron of any public pension system in the country. Even in the portfolio that held Enron securities, these holdings amounted to no more than 0.93% of that total portfolio. This diversification ensures that even if the portfolio manager makes a mistake and invests in a security that goes down instead of up, the whole portfolio should still be fine. In fact, in the quarter dur-

ing which Enron declared bankruptcy, the same portfolio that invested in Enron actually made money, even after the Enron loss.

Diversification works. If you are a participant in the State's 457 Deferred Compensation Plan, or if you have personal savings in an IRA or through a brokerage account, it is important to maintain the discipline to keep your own portfolio diversified. It is a temptation to put all your money in the funds or stocks that are going up, but at the same time it is risky. No one who chases "hot" stocks or funds ever gets it right all the time, and in fact, most individual investors get it wrong most of the time. Keeping a well-disciplined process in place to ensure diversification is important – and prudent.

However, prudent diversification can change with your age. In order to project how best to diversify your portfolio, think about when

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Message from Cynthia L. Webster, Retirement Operations Director

Municipalities can offer their employees a number of different retirement plans. I would like to explain some of these plans to you.

The most basic division of retirement plans is Defined Benefit and Defined Contribution. Most of you are in the Defined Benefit plan. In this plan, you and your employer pay a set amount toward your retirement. When you retire, you are then guaranteed a set payment for the rest of your life. The amount of this payment depends upon your years of service and the two to five consecutive years of highest salary. Thus, if you retire with 10 years of service for a municipality, you receive a smaller

pension than if you retire with 20 years of service. At age 62, you also are eligible for an annual cost-of-living adjustment to your retirement payment.

The Defined Benefit plan has four "groups." Each group requires a different level of payment by you and your employer and offers maximum retirement benefits after a certain number of years of service.

Group A has the most members. You contribute 2.5% of your gross salary to your retirement

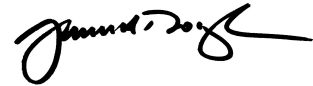
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Treasurer's Message (continued from page 1)

you expect to need the money. If you are young, and have many years to retirement, you can take on more risk, and that means more money in the stock market, and less – or none – in bonds. If you are nearing retirement, you might want to start getting out of the stock market and put more money in bonds. Bonds are less volatile, and therefore less risky for older investors. However, for young investors, bonds can be more risky, be-

cause the principal doesn't grow, and often doesn't even keep ahead of inflation. Thus, there is a risk that there won't be enough money there when retirement time comes, and you might as well have stuck it under the mattress.

As always, if you have any questions or comments, feel free to call me at 828-2301, or toll-free in Vermont at 1-800-642-3191.



Director's Message (continued from page 2)

in this group. Your employer contributes 4% of your gross salary. You receive 50% of your gross salary if you retire with 35 years of service.

Group B has almost as many members as Group A. In Group B, you contribute 4.5% of your gross salary and your employer contributes 5% of your gross salary. You receive 50% of your gross salary if you retire with 30 years of service.

Some of you are in Group C, which takes 9% of your gross salary and requires 6% of your gross

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salary to be contributed by your employer. You receive 50% of your gross salary if you retire with 20 years of service. Normal retirement occurs at age 55, which is earlier than in groups A and B.

A new plan is Group D, which is restricted to police officers, firefighters, and emergency medical personnel. It is similar to Group C, but includes children's benefits if you are disabled or die while employed. This greater level of protection for your family requires a higher level of contribution. You pay 11% of your gross salary into this plan and your em-

ployer pays 9% of your gross salary.

The Defined Contribution plan also deducts a set amount (5% of gross salary) from you and your employer. After that, the plans differ dramatically. In the Defined Contribution plan, you determine how your retirement funds are invested from a range of choices. You also assume all risks associated with investing the funds. At retirement, your income is determined by the past and future performance of your investments. You might receive more retirement income in this plan than in the Defined Benefit plan, but you could also receive less. It all depends upon how well your investment choices perform over time. There is no guaranteed monthly pension when you retire and there is no automatic cost-of-living adjustment to your monthly payments.

However, the Defined Contribution plan is "portable". If you change jobs, your money can continue to be invested in this retirement plan and may continue to grow. You also can retire at any time after age 55. In addition, upon your death, any funds left in your account can go to your heirs.

For more information on Groups A through D of the Defined Benefit plan, please see our web site at www.tre.state.vt.us/Retirement/vmers.html or our 20-page brochure "Vermont Municipal Employees' Retirement System." Defined Contribution plan members can use a different web page: netbenefits.fidelity.com. And remember, it is never too early or too late to think about your retirement.

Cynthia L. Webster

Retirement Office Web Page

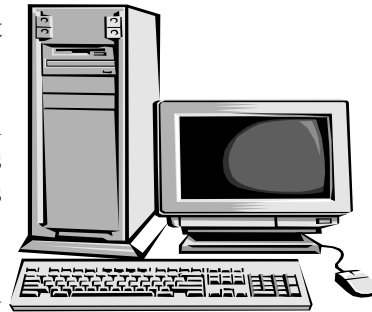
If you haven't discovered the Retirement Office web page yet, you are missing a great source of information on your retirement plan. To find the web page, simply type www.tre.state.vt.us/Retirement. The "vt" indicates that we part of the State of Vermont. The "us" indicates that we are in the United States. The "tre" means that we are within the Treasurer's Office. Being a part of the State of Vermont and the Treasurer's Office is a real advantage for the web page - from the Retirement Office site you can link to the Treasurer's Office and from there to any other department of the State of Vermont. So after you check out the Retirement Office web page, use the links to obtain information on state parks, highway conditions, or any other area of Vermont State government.

But don't do that just yet – first explore the Retirement Office web page. Start by clicking on "Vermont Municipal Employees' Retirement System." You will find it on the far left-hand side of the page. When that page comes up, click on "Brochure."

The "Brochure" covers everything about your retirement plan. To read about any topic, click on that part of the table of contents and you will be sent to the correct page. To return to the table of contents, click on "Back" at the top of your screen. By moving back and forth between the table of contents and various topics, you can learn about all of the topics of interest to you.

After you have finished with the "Brochure", try the entries labeled "Board Members", "Board Agenda", and "Board Minutes." These pages will describe your Board of Trustees and inform you of their management of your retirement system.

Now you can start working the links to other places in Vermont State Government. Start with the Treasurer's Office. To get there, click on "Back to State Treasurer's Site" on the left-hand side of the page.



On the State Treasurer's page, click on "Abandoned Property" on the left-hand column. This unit of the Treasurer's Office tries to find the rightful owners of bank accounts, bonds, stocks, and other property when the owner cannot be found by the business with the funds. If you want to see if they have any property of yours or of your friends, click on "Look Up A Name" and enter your name or a friend's name. When you are done, you can return to the Treasurer's Office page by clicking on "Back" until you reach it or by clicking on the house at the top of the page (The "house" is a symbol for "home page", which is the main menu for a web page.)

At the Treasurer's Office page, you may be interested in some of the items listed on the right-hand side of the page. Recommended are the press releases and the Tobacco Settlement Report. If you are a town clerk, the marriage and dog license forms are under "Accounting" on the left-hand side of the page.

Below these items are the links to other web pages, including the State of Vermont. You will undoubtedly find something of interest to you. So find yourself a computer and enjoy the wonderful world of the web. Just be sure to start with the Retirement Office web page at www.tre.state.vt.us/Retirement.

Official Notice - Election of Trustee - Official Notice

Municipal employees elect three of the five members on the Board of Trustees for their retirement plan. The term of W. John "Jack" Mitchell expires on June 30, 2002. An election will be held in June to fill this vacancy, which represents municipal employees in a non-managerial position. Any member who would like to be a candidate for the non-managerial Board position must submit a nomination by May 24, 2002.

Trustees are responsible for the investment of the retirement funds and operation of the retirement system. They serve for a term of three years and may run for re-election at the end of their term. Board members are expected to attend investment and business meetings. Investment meetings are held quarterly. Business meetings are held as needed, usually on the same day as an investment meeting.

Nomination petitions for the employee representative to the Board of Trustees must contain the signatures of at least five municipal employees who are members of the retirement system. Nominations should include a brief biographical sketch of the candidate and a statement to the voters on the candidate's qualifications and reasons for wishing to serve on the Board.

If only one person is officially nominated for the position of Trustee, no election will be held. In this case, the Board of Trustees will simply appoint the sole nominee to the vacant Trustee position.

If you would like more information on nominations or election procedures, please contact the Municipal Employees' Retirement System at 802-828-2305 or 1-800-642-3191. (Toll free calls must be made from within Vermont.)

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