Retiring Times

Volume 2 Number 3 Municipal Employees December 2003

The Newsletter of the Vermont Municipal Employees' Retirement System

Message from Retirement Operations Director Cynthia L. Webster

You are never too young or too old to think about retirement. Here are some tips for folks of all ages.

20 to 40 Years from Retirement

Start a tax-deferred savings account if you don't already have one. Examples of tax-deferred accounts include an IRA or 457. Many municipalities offer a 457 plan - some with BenefitsCorp through the State of Vermont Retirement Division. If yours is one of them, contact BenefitsCorp at 229-2391 or toll-free at 1-800-457-1028. You can also view their web page at www.vermont457.com and obtain information from their "Guest Page."

How much do you need to save? A common rule-of-thumb is that savings should contribute 20 to 30 percent of your retirement income. The other 70 to 80 percent will come from Social Security and your pension plan as a municipal employee.

10 Years from Retirement

Now is the time to start some serious planning for retirement. If you have a lot of debt, try to pay it off before you retire. This includes car loans, home mortgages, and especially credit card debt. If you have few or no outstanding loans or payments, your retirement dollar will go further.

You should also consider increasing your contributions to a tax-deferred savings account. If you don't yet have one, start one today! It is never too late to save money for your retirement.

One Year from Retirement

Call the Retirement Office at 828-2305 or 1-800-642-3191 to receive a retirement packet and obtain an estimate of your pension amount. After you have reviewed the information in the retirement packet, make an appointment to see one of our retirement counselors. During your meeting with a retirement counselor, you will discuss your pension payment options, taxes, and any impact upon your pension from post-retirement employment. If possible, bring your spouse to the meeting since both of you should be actively involved in making plans for your retirement.

Consider what you will do after retiring.
Plan to be active in retirement so you don't

(continued on page 2)

Director's Message (continued from page 1)

slowly stagnate. Common activities after retirement include part-time jobs, community service, volunteer work at a church or charitable organization, or caring for the grandchildren. Whatever you do in retirement, it should give you satisfaction and make you feel needed. If you can achieve that, then you will attain the best that the Golden Years have to offer.

Cynthia L. Webster

Retirement Date

Don't forget to notify the Retirement Office of your retirement date! Retirement benefits do not automatically start – you must apply for them.

Retiring Times Merges Active and Retired Newsletters

Retiring Times features a new format with this issue. Each edition of the newsletter will have information for both active and retired municipal employees.

The information for retired municipal employees will be on the Retirees' Page, usually the third page of the newsletter. Retirees can flip right to page three to find information that is important to them. We encourage active members to also read the Retirees' Page to learn about matters that will be important to them when they retire. Articles for retirees will often continue on the back page.

Active municipal employees will find the Director's Message of interest. There will also be occasional messages from State Treasurer Jeb Spaulding or Board Chair Steve Jeffrey. Since many retired municipal employees still have friends and colleagues who are working, these articles should also be of interest to retirees by keeping them up-to-date on topics that are important to their friends and colleagues.

Retiring Times welcomes your comments on our new format. Send them to:

Retiring Times
Vermont State Retirement Systems
133 State Street
Montpelier, VT 05633-6901

You can also send a message by e-mail to jbahr@tre.state.vt.us and the editor of your newsletter will receive the message.

Retiring Times is published quarterly by the Vermont Municipal Employees' Retirement System.
Editor: Joseph Bahr

Retirees' Page Retirees' Page

Time to Update Your Address

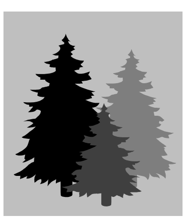
If you have moved during the last year and have not yet notified the Retirement Office, please give us your new address before the end of the year. We need your current address to send information on your retirement system. If you are retired, we also need your current address to mail tax statements.

Retired municipal employees must send their new address to Vermont State Retirement Systems, 133 State Street, Montpelier, VT 05633-6901. *If you are retired, your address change must be in writing.* For your protection, the Retirement Office does not take address changes by phone for retirees. The tax information that we send to retirees is confidential and requires a higher level of security than for active employees.

Current municipal employees should also make sure that we have their updated address if they have moved in the last year. Current employees can request an address change by phone or by mail.

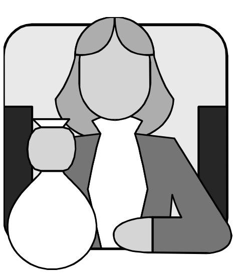
If active or retired municipal employees live in central Vermont, you can also stop in at the office and give us your address change in person. We are on the second floor of the state office building at 133 State Street.

Cost-Of-Living Increase for 2004: Retirees will receive a COLA (Cost-Of-Living Adjustment) in January of 1.05%. To receive the COLA, you must have received at least 12 pension checks. If you have not yet received your first 12 pension checks, then you will not receive a COLA until next year. If you retired under an early retirement option, your first COLA will begin the January following attainment of your normal retirement age.



Best Wishes to all for a happy holiday season from the entire staff at the Retirement Office.

Take Your Automatic Deposit to Your Winter Residence



Many retirees receive their monthly pension payment as an automatic deposit in their bank account. If you have separate summer and winter residences, please change the bank account for your automatic deposit. If you don't make this change, your pension payment will not follow you to your winter residence.

Official Notice – Election of Trustee – Official Notice

The position of Employer Representative on the Municipal Board expired on June 30, 2003. The position was held by Mr. David Lewis, who filed nomination papers to run for re-election.

No other candidate filed valid nomination papers to run for the Employer Representative position. On July 8, 2003, Board Chairperson Steven Jeffrey was officially notified by the Retirement Office that no other nomination papers had been filed and that Mr. Lewis was therefore the only candidate. In the case of a single candidate for a Board position, no election is held and the candidate is simply appointed to the position by the Board. Mr. Lewis's new term on the Board will run through June 30, 2006.

Vermont Municipal Employees' Retirement System
133 State Street
Montpelier, VT 05633-6901

PRSRT STD
U.S. Postage
PAID
Burlington, VT
Permit No. 601

JEB SPAULDING
STATE TREASURER

RETIREMENT DIVISION
TEL: (802) 828-2305
FAX: (802) 828-5182

UNCLAIMED PROPERTY DIVISION
TEL: (802) 828-2407

ACCOUNTING DIVISION
TEL: (802) 828-2301
FAX: (802) 828-2884

STATE OF VERMONT
OFFICE OF THE STATE TREASURER

MESSAGE FROM STEVE JEFFREY
CHAIR, BOARD OF TRUSTEES

EMPLOYER RATES UNCHANGED FOR 2004

On October 29, 2003, the Vermont Municipal Employees' Retirement System Board of Trustees set the municipal employer contributions rates for the year beginning July 1, 2004, as follows:

Group A – 4% of employee earnable compensation
Group B – 5% of employee earnable compensation
Group C – 6% of employee earnable compensation
Group D – 9% of employee earnable compensation
Defined Contribution Plan – 5% of employee earnable compensation

These rates are the same as those in effect since July 2000. At that time, the Board voted to lower employer rates from their previous levels of 4.2% for Group A, 5.6% for Group B, and 6.5% for Group C (Group D and DC Plan rates were unchanged).

Employee contributions for the year July 1, 2004, will also remain at their current levels of:

2.5% for Group A
4.5% for Group B
9% for Group C
11% for Group D
5% for Defined Contribution Plan

These rates were also lowered in 2000, but are scheduled to return to their following previously higher amounts, effective July 2005:

3% for Group A
5% for Group B
11% for Group C
(Group D remains at 11%, DC Plan at 5%)

The rate reductions voted by the Board in 2000 were made possible by the extraordinary returns we had reaped from investing the money contributed by employees and employers. At the time we moved to reduce the contributions, our actuaries reported that we had in our investment portfolio 124.6% of the funds we needed to pay all retiree benefit liabilities.

Six months later, the economy and the stock market started its three-year-plus slide. As of June 30, 2003, our investment portfolio had shrunk to just 102% of our expected retirement needs – still just a little more than we appear to need, but obviously on a downward track. Over the long term, the System assumes that it will return 8% on its investments (indeed, over the past ten years we have averaged 9.5% a year). For the past four years, however, we have not met that investment return objective. For example, for the year ending in June of 2003, we realized just 3.49% return or $9 million less than we needed to make to meet our income objective.

It looks now like our economy is turning a corner. Our investment portfolio has seen some significant gains since July, but as it took a long period of losses to see our portfolio shrink to its current level, it will take more than five months of good returns to get us back in a more secure position. If we see that investments are not providing a safe future for our retirees' pensions, we may well find ourselves in a position to require raising the amount that we must contribute beginning in July of 2005. If returns continue to improve over the next year, the Board hopes to be able to keep the contribution rates at their current low levels.

Happy holidays, and wish us good investment returns for the New Year!

Steve Jeffrey