

# Vermont Municipal Employees' Retirement System

Volume 3, Issue 3

November 2004

## DIRECTOR'S CORNER

### Important Tax Withholding Information

It is getting to be that time of year again when we need to make sure our tax withholding information has been updated to reflect our current financial picture.

Effective January 1st of each year new tax tables are implemented, based on changes in state and federal tax laws. Since the majority of your retirement benefits are subject to federal and state taxes, don't forget to periodically review your tax withholding information. If your tax withholding is not adequate, you may have to pay estimated taxes during the year or a tax penalty at the year's end. You may elect no withholdings, or specify withholdings based on marital status and allowance. You may have Vermont state taxes withheld from your retirement benefit, but we cannot withhold taxes for another state.



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## Retirement—It's where the action is!

Have you been to our office lately? Things may not look any different, but they are. In addition to adding **Michael Clasen** to the staff as Deputy Director of Retirement Operations, we've done some other reorganizing. Michael has 11 years of service and comes to us most recently from the State Auditor's Office where he served as the Deputy State Auditor, and prior to that spent some time in Finance & Management and the Department of Aging & Disabilities. We're confident that with his "attention to detail" we've gained an asset,

and are feeling very fortunate that he agreed to join us.

One of our goals is to serve you, our customer. So after some thoughtful consideration and the recommendations of a consultant who evaluated the way we do business, and with Michael's help, we've divided the retirement office services into three sections: employer services, employee/retiree services, and accounting services. We believe with this new focus on providing the service you expect, we will be more efficient and more responsive to your needs.



We've also installed a new telephone system which offers the caller a short list of options to choose from. This move was to better direct callers to where they want to be rather than having to be transferred unnecessarily.

Feel free to let us know what you think.

## Fund Changes Being Made to the 457 Plan

On **November 30, 2004**, the 457 Plan will be **adding** eight new investment options: *Calvert Income Fund*, *American Funds Growth Fund of America*, *Vanguard Mid-Cap Index Fund*, *T. Rowe Price Retirement Income Fund*, *T. Rowe Price Retirement 2010 Fund*, *T. Rowe Price Retirement 2020 Fund*, *T. Rowe Price Retirement 2030 Fund*, and *T. Rowe Price Retirement 2040 Fund*.

In addition, after careful review the Vermont State Employees' Retirement System Board decided to **discontinue** the following five mutual funds and three profile portfolios effective **November 29, 2004**: *AIM Constellation Institutional*, *Fidelity Magellan*, (**SEE BACK PAGE**)

## EMPLOYER & EMPLOYEE Contribution Rates

The Vermont Municipal Employees' Retirement Board of Trustees recently met with their actuary to review the funding status of the VMERS. The actuary was pleased to report that the system remains very healthy and robust. He stated that despite the volatile investment environment over the past several years, the VMERS was still slightly over 100% funded, a status that is becoming increasingly rare in public sector retirement plans across the country.

As a result of the actuary's findings, the Board voted unanimously to set the *employer* contribution rates for

FY 2006 at their current level as follows:

- Group A - 4%
- Group B - 5%
- Group C - 6%
- Group D - 9%

The Board also voted unanimously to recommend to the Legislature that the *employee* contribution rates (that were reduced in FY 2000 and were due to increase at the end of FY 2005) be allowed to continue at the reduced rate for another five years. If the Legislature agrees to this recommendation, the *employee*

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## January 1 Pension Increase

Effective January 1, the following annual cost-of-living increase will be added to qualified retiree checks.

Group A, B, and C members must be retired a full twelve months to receive an annual increase.

Group A, B, C, = **1.65%**

If you have any questions, please call the retirement office.

## DIRECTOR'S CORNER (continued from page 1)

I want to take this opportunity to remind everyone that Vermont moved to tax tables for 2004 and those tables will be updated for the 2005 tax year. Additionally, federal IRS tax laws no longer permit taxpayers to withhold an absolute amount from their pension income. I encourage you to review your tax status and make any necessary changes if you are currently having an absolute amount withheld.

I suggest you contact your accountant or tax advisor with any questions regarding your tax status as the Retirement Office cannot provide tax advice to our members.

If you would like to start, change, or stop your Federal or State tax withholding, please contact our office for the appropriate withholding forms by calling 802-828-2305, or 1-800-642-3191 toll-free within Vermont.

The forms can also be accessed via the Internet at the following Websites: State of Vermont Tax Forms - <http://www.state.vt.us/tax/2004withholding.htm>, and Federal IRS Tax Forms - <http://www.irs.ustreas.gov/formspubs/index.html>.

## Project Gratitude

It seems that nearly everyone knows someone who has been sent far from home to fight for and protect freedom. We think the men and women doing that job need and deserve our support.

The employees and administration of the Vermont State Treasurer's Office are touched by the sacrifices made on our behalf, so we decided to initiate our own "Project Gratitude" last June.

Five boxes filled with items including flea collars, foot powder, gum, batteries, and even a couple of water pistols were sent to members of the Vermont National Guard stationed in Iraq. The boxes were planned to arrive on July 4th. It was a small gesture of appreciation from us and it gave our small group of 34 co-workers a sense of great pride and satisfaction knowing these items could bring some pleasure and comfort to our fellow Vermonters, so far away.

As you read this article we have launched our second "Project

Gratitude" campaign for a Christmas delivery. In addition to our traditional holiday celebrations, we'll be sending gifts and items to service men and women who can't be home for the holidays.

Our hope is that our gifts, greeting cards, and notes make someone far away feel a little bit closer to home.

\*\*\*\*



## STRAIGHT FROM THE BOOK

### ANNUAL STATEMENT OF BENEFITS

Each Fall, a computer printed statement is mailed to active members of the system. These statements should be checked over carefully to verify if we have accurate information on the member's account, i.e., date of membership, beneficiary, address, etc. The statement date is as of June 30 of the year sent. The first annual statement would be mailed to a new member in the Fall after completion of a full fiscal year of earnings (July 1 - June 30).

The first paragraph explains what a member would receive if he/she continues working to normal retirement age. The second paragraph explains what a member has earned to date and what a member would receive if he/she were to terminate their job immediately. The statement is calculated based on current salary. All the figures are annual amounts. The third paragraph shows what the member's contributions are to date and the interest that has accrued. This paragraph also shows who is designated as primary beneficiary, or if a beneficiary isn't named, ESTATE will appear. If members have questions regarding the annual statement, they should call our office. It is also very important that addresses are kept up-to-date with the office so that this and other mailings will reach all members.

## ADDRESS CHANGES

If you have retired and your address changes, please let us know in writing as we cannot accept an address change over the phone. We need your signature to change your address in our records. This requirement is meant to protect you.

Please notify us of any address change during 2004 before the end of the year.

In January, we will send your tax form to the address that we have.

If your address is wrong, you will not receive this tax form.



### RETIREMENT PLANNING

If you are planning on retiring within the next year, please call the Retirement Office to set up a counseling session with one of the System's very capable Retirement Specialists.

**Tina Kawecki** is extremely knowledgeable and can help answer your questions regarding your retirement options and other topics such as direct deposit, tax withholding, and beneficiary requirements, to name a few.

It's easy, just call the Retirement Office at 1-800-642-3191 (toll free within VT) or 802-828-2305, for an in-person or to set up a telephone appointment.

You'll be glad you did.

### 281 RETIRED JULY 1st

The retirement office was very busy during the month of July. In addition to 19 state employees and 24 municipal employees, the four retirement specialists, accountant, and remaining six staff members managed to process 238 July 1st teacher retirements.

And the work didn't stop there. Since July another 28 VMERS members have retired, and 6 new entities with a total of 75 employees have joined the system ... bringing the total number of participating entities to 408!!

Congratulations—one and all!

#### RETIREMENT BOARD OF TRUSTEES

**Chair: Steve Jeffrey**  
Employee Representative

**Vice-Chair:**  
**W. John "Jack" Mitchell**  
Employee Representative

**Jeb Spaulding, VT State Treasurer**  
Ex Officio Member

**Marie Duquette**  
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**David Lewis**  
Employer Representative

**Cynthia Webster**  
Executive Secretary  
Director of Retirement Systems

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(In-State)

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#### DID YOU KNOW...

*"Henry Lewis, a professional  
pool player in the 1920s,  
dropped 46 balls in a row  
using his nose  
as a pool cue!"*

## EMPLOYER & EMPLOYEE RATES - continued from page 2

contribution rates will remain at their current levels as follows:

Group A - 2.5%  
Group B - 4.5%  
Group C - 9%  
Group D - 11%

The Board continues to consider various ways to take advantage of the health of the system for the benefit of active employees, employers and retirees. The Retirement Division will continue to keep you informed of any and all new proposals under consideration by the Board.

## Fund Changes Being Made to the 457 Plan - continued from page 1

*Janus Enterprise, Morgan Stanley Small Company Growth, Seligman Frontier Fund, T. Rowe Price International Stock Fund, Aggressive Profile Portfolio, Moderate Profile Portfolio, and Conservative Profile Portfolio.*

Effective *November 29, 2004*, eight investment options will be discontinued, and a process called **“mapping”** will occur. After market close on Monday, *November 29, 2004, through mid-morning Tuesday, November 30, 2004*, ***no participant transactions will be allowed.*** During this period, future contributions and existing account balances in these discontinued investment options will be **directed or “mapped” to the replacement investment option.**

The mutual funds are being discontinued because their long-term performance no longer meets the criteria established in the Board’s Investment Policy. The profile portfolios are being replaced because the board feels that “age-based” lifecycle funds are more appealing to participants because the combination of assets changes as you grow older.

The Board encourages you to take the time to evaluate your 457 Plan account to ensure that your personal retirement savings are working to your best advantage and helping you plan your financial future. For additional information about these exciting changes, call KeyTalk® at (800) 457-1028, or visit the Web at [www.vermont457.com](http://www.vermont457.com).

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