



- **Board Discusses Contribution Rate Adjustments**
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- **Dental Plan Coming Soon to Retirees**
- **New Trustee Welcomed On Board**

Vermont Municipal Employees' Retirement System

December 2009

Retiring *TIMES*

Volume 9, Issue 2

Board Leaves Most Employer Contribution Rates Unchanged *Employer contribution for Group C will rise*

The VMERS Board of Trustees has voted to set the fiscal year 2010 employer contributions rates for groups A, B and D at their existing levels.

"Despite the recent downturn in the economy, we were able to leave the rates unchanged due to decades of past strong fiscal growth and benefits set at sustainable levels," said VMERS Board Chair Steve Jeffrey. "These three groups comprise more than 91 percent of all VMERS active members."

The board did have to increase contribution rates to the Group C plan. The Actuarial Valuation of the System completed for the period ending June 30, 2009 indicated that Group C contribution rates must be adjusted upward to

keep the system and the benefits it provides retirees fully funded—both now and in the future.

The recommended increase follows years of stable or reduced contribution rates. Since 2007, contribution rates have remained the same.

"The VMERS retirement plan remains on sound financial ground, thanks to past disciplined approaches that included fully funding retirement benefit liabilities. The contribution rate adjustments will ensure VMERS continues to have the resources in place to support the projected

(continued pg. 3)

Recent Retiree Update

	2009	2008	2007	2006
JANUARY	12	16	8	3
FEBRUARY	8	6	10	5
MARCH	3	12	6	7
APRIL	14	13	9	3
MAY	5	10	7	10
JUNE	7	3	5	12
JULY	25	40	40	34
AUGUST	4	13	16	3
SEPTEMBER	24	11	13	8
OCTOBER	8	8	9	9
NOVEMBER	12	6	12	6
DECEMBER		2	5	5



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 on the left is the number of new retirees for the last four years.

Economic Impact of Pensions

Pension benefits positively stimulate local spending

by Jeb Spaulding, Vermont State Treasurer

Amid the discussion about how to best ensure the solvency and sustainability of retirement plans for public employees, we should not lose sight of the significant economic value of these programs to our state and communities.

This year the Vermont teachers' and State employees' retirement plans will pay approximately \$172 million in pension benefits to more than 11,000 retirees and beneficiaries. That provides a major boost to our economy. When retirees spend their pension benefits to buy products, go to a movie, weatherize their home, or have a prescription filled, that supports local businesses and enables them to create jobs.

A recent report by the National Institute on Retirement Security estimated that retiree expenditures stemming from state

and local pension plan benefits supported close to 1,400 jobs in the state. That report stated that retirement benefits have a large multiplier effect, too. Each taxpayer dollar invested in Vermont's public pensions supported \$5.54 in total economic activity, while each dollar paid out in benefits supported \$1.27 in economic activity. To read more, go to http://www.nirsonline.org/storage/nirs/documents/factsheet_VT.pdf.



Douglas Welcomed to Board of Trustees

The VMERS Board of Trustees welcomed Amy Douglas to the board at its December meeting. Douglas was recently elected to serve a three-year term as an employer representative. She steps into the seat formerly held by David Lewis of Killington, who recently retired from the board.

"I enjoy participating in activities beyond the daily scope of my job," said Douglas in explaining why she was interested in serving on the board. "I like meeting with people and integrating some of my past experience into my current work."

Douglas currently works as the Town Clerk for Shoreham, Vermont. Prior to becoming Town Clerk in 2008, she worked for eight years as a Probate Judge for Addison District Court. Douglas earned a Bachelor of Arts degree from Kalamazoo College in Michigan. She earned an M.B.A. from Arizona State University and a law degree from Whittier College School of Law in Los Angeles, California. She was admitted to the Vermont Bar in 1994.

The Board of Trustees is statutorily charged with establishing rules and regulations for the administration of VMERS and for the transaction of their business. The board delegates the day-to-day administration of the pension plan to the Retirement Division staff, who utilize the governing statutes and board-established rules and policies as guidelines.

Pension benefits received by retirees are spent in the local community. This spending ripples through the economy, as one person's spending becomes another person's income, creating a multiplier effect.

—National Institute on Retirement Security

Not only do pension benefits provide direct support to our economy, it is also worthwhile to keep in mind that retirees pay state income tax on their retirement benefit payments. That adds millions of dollars in revenues to the General Fund, which in turn supports important services to Vermonters.

Certainly, Vermont policymakers must ensure our public retirement plans are fair and affordable, now and in the future, but let's not forget how much of an economic benefit we all enjoy from these programs.

State of Vermont Deferred Compensation (457) Plan Update

If you are employed by a municipality that offers the State of Vermont Deferred Compensation (457) Plan, you might be interested to know that there are now two ways that contributions may be made to the plan. You may either



request that a specific dollar amount, or a specific percentage, be deducted from your paycheck. Allocating a percent age of your pay is a relatively new option and is very attractive as it allows your contributions to automatically increase

or decrease in accordance with salary changes. Check with your payroll officer if you wish to take advantage of this new option.

U. S. Census Bureau: Interesting Facts About Retirement

The senior population in this country and around the world is growing and changing. Here are some interesting demographic information about the senior population, courtesy of the U.S. Census Bureau.

Is the proportion of seniors as part of the general population growing?

Yes. In 2050, it is projected that seniors age 65 and older will make up 21 percent of the total population.

Where do more seniors live?

The number of people 65 and older living in California, as of the 2004 census, was 3.8 million. This was the highest total of any state. Florida came in second with 2.9 million.

Where is the population of seniors projected to grow?

In 2030, ten states are projected to have more people 65 and older than people under the age of 18. Those states are Vermont, Delaware, Florida, Maine, Montana, New Mexico, North Dakota, Pennsylvania, West Virginia, and Wyoming.



What gender is living longer?

The ratio of senior men to senior women is 72 men to every 100 women. The estimated number of centenarians (people age 100 or older) is also projected to grow. In 2040, it is estimated that there will be 580,605 centenarians living in the United States.

How many seniors own their own home?

In 2005, 81 percent of householders age 65 and older owned their own home.

What activities were most popular with seniors?

Exercise walking is by far the most popular sports activity for seniors (and also for younger adults), followed by exercising with equipment, net fishing, camping, golf, and swimming.

Are seniors technologically savvy?

Census figures indicated that 40 percent of seniors 65 and older have a computer at home and 25 percent of seniors use the internet.



Two new dental plans will be available to all retirees of the Vermont Municipal Employees' Retirement System on March 1, 2010. A contract has been offered to Northeast Delta Dental to provide two levels of dental plan benefits to existing and future retirees and their eligible dependents. Existing retirees will be given a one-time option to elect coverage under one of the plans. Municipal employees retiring on or after March 1, 2010, will have the option to elect the coverage at the time they retire. Participation in one of the dental plans is a one-time option, and cannot be picked up at a later date. If you are a current retiree or beneficiary of a retiree, you should receive your enrollment materials sometime in early January. If you do not receive your enrollment materials by the end of January, you may go to our web site at www.vermonttreasurer.gov and click on "New Municipal Employees' Retiree Dental Plan" to print out the enrollment materials, or you may call the Retirement Office at 1-802-828-2305 or toll-free in Vermont at 1-800-642-3191.

(Contribution Story, Continued)

financial obligations of the system," explained Cynthia Webster, the Treasurer's Office Director of Retirement Policy and Outreach, and Executive Secretary of the Board.

The board is required by statute to set the employer contribution rate for each group plan annually, based on the results of the actuarial valuation for the previous fiscal year. The actuarial valuation is a statistical review of all assets and liabilities within VMERS and includes recommended funding levels needed to cover projected future costs. Local employers pay monthly into the pension fund based on a fixed percentage of salary on a schedule approved by the board after a review of actuarial data. No state appropriations are used to fund VMERS.

Effective July 1, 2010, the employer contribution rate for the Group C plan will increase from 6 percent to 6.5 percent. Employer contribution rates for all other plans will remain at their present levels. Currently, the employer contribution rate for Group A is 4 percent. It is 5 percent for Group B and 9.5 percent for Group D.

The employee contribution rates for each group plan are set by statute. The board is considering introducing legislation to allow the employee contribution rates to remain at the current level for the next two to three years for groups A, B, and D. However, for Group C plan members the board voted to request that the legislature raise employee contribution rates to 9.5 percent from the current 9 percent. If legislatively approved, the change is proposed to go into effect July 1, 2010. Current employee contribution rates for the three other groups are: Group A - 2.5 percent; Group B - 4.5 percent; and Group D - 11 percent.

The recommended increase follows years of stable or reduced contribution rates. In 2000, employer and employee contribution rates for the four defined benefit plans within VMERS were reduced. In 2007, employer contribution rates were raised slightly for Group D. Since then, contribution rates for both employees and employers have remained the same. Except for the reduction in 2000, the rates for Group A are unchanged from the original rate set when VMERS was started in 1975.

The July newsletter will cover whether the proposed legislation is passed. The 2010 Vermont General Assembly will reconvene on January 5, 2010.

Director's Corner

by Cynthia Webster, Director of Retirement Policy & Outreach

Frequently, benefits that are afforded to municipal employees are determined either through the collective bargaining process or by the governing body. Retirement benefits are one of the few that are not bargained, but rather outlined in statute. The "roadmap" for calculating and administering the Vermont Municipal Employees' Retirement System benefits is found in 24 V.S.A., Chapter 125. Retirement benefits are statutorily driven and cannot be changed except through the legislative process. This article is intended to give you a broad overview of how that legislative process unfolds.



A proposed change in existing statute may originate in a variety of places, including from a union or organization, a department, an individual VMERS member, a board or administration, or through the work of a study commission. Any proposal to change existing statute must be sponsored by at least one legislator before it can be drafted into a bill. The more legislators that sign on to a bill, the better chance the bill has to move forward. Once a sponsored bill has been drafted, it will be sent to the appropriate committee for consideration. If the bill is sponsored by a member of the House, the bill will be sent to the House Government Operations Committee for action. If the bill is sponsored by a Senator, it will be sent to the Senate Government Operations Committee for review.

It is up to the discretion of the respective Government Operations Committee whether the bill is given any consideration or not. In fact, many bills that are introduced never come under consideration by a legislative committee. Generally, it is the responsibility of the originator to work with the committee to ensure the bill receives the appropriate attention. If the bill contains a significant change or changes to the existing benefits of the retirement system, the committee will make every effort to provide an opportunity for all interested parties or members who might be impacted by the proposed changes to comment.

If the bill is voted out of the Government Operations Committee, and it has a financial impact to the State of Vermont, it must then be reviewed and voted on in the Appropriations Committee. If it makes it through both the Government Operations and Appropriations Committees, it then goes to the floor of either the House or the Senate, depending on where it originated, to go through three readings. If the bill receives a majority vote from the floor, it will then move to the other chamber to repeat the process. Assuming it makes it through the next body, the bill will be sent to the Governor for his signature, and only then will it be enacted into law. With very few exceptions, most bills that are enacted are effective the following July 1.

Needless to say, it is not a simple process to make changes to existing retirement benefits, and there are many opportunities throughout the process for affected members to make their views known to their legislators.

(VPAS Story, Continued)

the fiscal year. This phase will also house all data in the VPAS and allow for automation of a number of different business processes such as benefit estimate calculations and annual benefit statement production. Future enhancements to the VPAS system will include a web-based member self-service feature

that will allow active employees, as well as retirees, the ability to review their accounts on-line. More information on the member self-service function will be provided at a later date.



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Stephen Rauh, Governor's Delegate
Peter Amons, Employee Representative
Amy Douglas, Employer Representative

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(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**

UPDATES FROM THE RETIREMENT DIVISION: HSA Update & COLA Alert

Update on Health Savings Accounts

When the VantageCare Retiree Health Savings (RHS) Accounts were established effective July 1, 2007, the VMERS board adopted a resolution for the future funding of the accounts. Section 6 of the resolution states that the VMERS Board shall make no contribution to members if either of the following conditions are met:



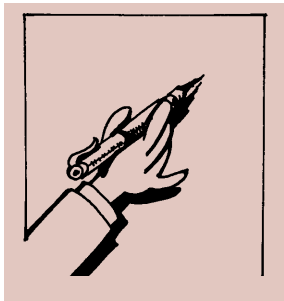
- a. The funding ratio of the actuarial value of assets to the actuarial accrued liability for the fiscal year most recently ended is less than 102 percent as indicated in the Report on the Actuarial Valuation of the System; or
- b. If the actuarial gain is less than \$2 million or there is an actuarial loss.

Unfortunately, both of the above conditions were met in the Report on the Actuarial Valuation of the System for the period ending June 30, 2009. As a result, there will not be a deposit in the RHS accounts during fiscal year 2010 (July 1, 2009 – June 30, 2010). The board will review the results of the next valuation for the period ending June 30, 2010, during the last week of October, 2010. They will make a determination at that time whether, according to their funding policy, there are sufficient assets in the Municipal Retirement System to fund the RHS accounts again.

Although there will be no new money in the RHS accounts for the coming year, retirees currently receiving pension benefits are encouraged to continue to use the remaining balances in their accounts to help with the ever-increasing costs of health care in retirement. Balances may be completely withdrawn without concern that the account will be closed. The account remains open, and may be accessed again when new money is deposited. If you have any questions about how or when your RHS account balance may be used, please call Cynthia Webster at 1-800-642-3191 or through her direct number at 802-828-2302.

Be on the Lookout for Your 1099-R Form

We will soon update the federal and state tax tables to be effective for the January 2010 pension payments. The majority of your pension is considered taxable income. For some who made contributions into the system prior to the contributions becoming a pre-tax deduction, a very small percentage of the pension payment is excluded from taxes. Everyone is required to complete a form for federal and state tax withholdings, even if you don't want to have taxes withheld. This is an ideal time to look at your tax withholdings and make sure you are having the correct amount

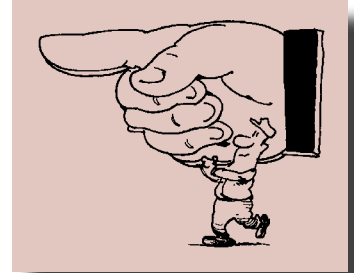


withheld from your monthly pension. If you would like to change your withholdings, please call our office at 1-800-642-3191 (within Vermont only) or 828-2305 and we would be happy to send you new withholding forms. Both the federal and state

withholding forms are also on our website at: <http://www.vermonttreasurer.gov/retirement/forms>. Forms received by the 15th of the month will be processed for that month's pension payment. In January, our office will mail 1099-R forms to benefit recipients. You will need this form when you file your income tax return. The 1099-R provides information for the 2009 calendar year, including total gross distributions, total taxable amount, and federal and state tax withholdings.

Retirees to Receive Negative COLA

Retirees eligible to receive a cost-of-living adjustment (COLA) in January will experience a .7 percent decrease due to a negative rate of inflation reflected in the Consumer Price Index (CPI). The CPI on June 30, 2009, was a negative 1.4 percent. Retirees eligible to receive a COLA in January will experience a decrease equal to one-half that amount, or negative .7 percent, as required by 24 V.S.A., § 5067. For example, a retiree currently receiving a monthly pension benefit of \$750 will receive \$5.25 fewer dollars to reflect the decrease in the COLA. It is important to note that retirees receiving their first COLA in January of 2010 will not be impacted as the statute mandates that a retiree's allowance never go below the amount of the original benefit payable at retirement.



Do We Have Your Current Address?

The Retirement Division receives a significant amount of returned mail due to incorrect addresses. The costs associated with the returned mail are considerable for processing again by a staff person and the postage costs of re-sending the information. Additionally, employees may not receive important information in a timely manner. Active municipal employees' addresses are updated via the quarterly reporting system from each employer's payroll officer. If you are an active municipal employee who has recently changed your mailing address, please inform your payroll officer of the change of address so that they can update your information via the web-based quarterly reporting system. If you are a retiree receiving a monthly benefit you must notify the retirement office in writing of any change in address.



Don't Forget Your Photo ID

You must have a picture ID to get into the Pavilion Building in Montpelier and visit the retirement office. Without an ID, you will have to wait until your identity is confirmed.

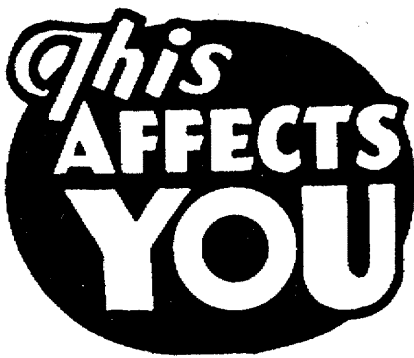
New VPAS Benefit Payments Implemented

The staff in the Retirement Division have spent the last three years working on the development and implementation of a new computer system, referred to as VPAS (Vermont Pension Administration System). In many cases, the staff have


devoted considerable time to the VPAS project while still managing to complete the work associated with their ongoing "day jobs." When fully operational, VPAS will replace the division's 30-year-old legacy computer system. The VPAS project is structured in three phases: imaging phase; retiree benefit payment phase; and the active

member salary, contributions and service credit phase. The imaging phase has substantially been completed. The retirement benefit payment phase became operational beginning with the November 2009 pension payroll. Most of the changes are internal and allow for more efficient and faster processing of new retirements and changes to existing retiree accounts. The VPAS also houses all of the data in one system that is backed up on a daily basis. The current plan is to begin rolling out the active member functionality in phases, to be completed by the end of

(continued pg. 4)



NEW LOOK FOR RETIREE MONTHLY STATEMENTS

		State of Vermont Municipal Retirement Fund Montpelier, VT 05609-6901 (802) 828-2305 TOLL-FREE in VT 1 (800) 642-3191	
DATE:		ID NUMBER:	DEPOSIT AMOUNT:
<small>Your ID Number listed above was changed effective November 1, 2009 as a result of transitioning to a new computer system in the Retirement Division. Please note this change in your records.</small>			
Message Box			

Many of you may have noticed that the statements issued to retirees for the November 30 monthly pension payments had a new look. The reason is due to the implementation of the new Vermont Pension Administration System (VPAS). In addition to the new look, the statements have several helpful features. The first is a large box at the top of the statement that will be used to relay timely messages to retirees. Another change is reflected under the Gross Payment Box, where we now list both pension and annuity amounts. The gross monthly pension has always been comprised of these two components, but we have never broken them down on the statements before. The annuity portion simply represents that portion of the gross monthly pension that is paid from your contributions made prior to retirement. Questions? Please give us a call.