

Retiring Times

Volume 1 Number 1

Retired Municipal Employees

Spring 2001

Message from Vermont State Treasurer James Douglas

You are probably aware that this past year has seen quite a roller-coaster ride in the financial markets. I would like to take this opportunity to reassure you of the integrity of your pension system.

The pension fund is diversified over several different asset classes. These asset classes behave very differently from one another. Thus, some asset classes will grow rapidly in value while others are sluggish or even going down. Overall, however, the total value of the pension fund increases almost every year. That is exactly why we diversify the asset classes in the pension fund.

Diversification works. Despite the market volatility, your pension fund has performed well, returning 3.46% during 2000. This is above the median return of

3.03% among other public sector retirement systems. Over the past five years, the average annual return has been nearly 14%, and for the past decade it's been just under 13%. The total assets in the fund at year's end were \$171.7 million, while we paid out only \$3.2 million in benefits during the past fiscal year. So the uncertainty of the capital markets is not affecting the security of pension benefits.

For those of you in the Defined Contribution (DC) plan, the alternative retirement program that is offered in some municipalities, this same maxim holds true. To withstand the ups and downs of different asset classes and provide for stable asset growth, it is important to diversify your own portfolio. Stocks are the best per-

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Message from Retirement Operations Director Cynthia Webster

This newsletter represents the first in our continuing series of quarterly newsletters that will be used to bring timely and useful information to you.

Regular quarterly newsletters are now possible due to the creation of a new position within the State Treasurer's Office. I would like to welcome Joe Bahr, our new Information and Education Specialist who, among other tasks, will be responsible for producing these newsletters. In his capacity as Editor, Joe will be bring-

ing you news of current activity, as well as important on-going education of the various benefits available through your retirement plan.

We hope to feature one to two specific benefit provisions each quarter and provide you with an in-depth explanation of how the benefit works and what it might mean to you.

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Douglas's Message (continued from page 1)

forming asset class over the long term, and for those of you who have many years to go until retirement, your entire portfolio can be invested in different types of stock funds. However, as you get closer and closer to retirement age, it may be prudent to put some portion of your portfolio in less volatile investments, such as bonds.

Fidelity Investments, the company that administers the DC plan, is scheduling a series of workshops around the state later this year. These will give plan participants the oppor-

tunity to learn more about investment options and retirement planning. Feel free to contact Fidelity directly if you have any questions about the DC plan. Information on the workshops will be mailed directly to DC participants. If you are not in the DC plan, you're more than welcome to attend and can contact this office for information on workshop schedules.

We are here to help. You are always welcome to get in touch with our office if we can be of any assistance.



Meet Your Board of Trustees

The retirement system for municipal employees is governed by a Board of Trustees. The five members represent municipal employees and state government.

Retirement Board

Chair: Steve Jeffrey

Ex Officio Member:
James Douglas, *Vermont State Treasurer*

Governor's Delegate:
Sheldon Prentice

Municipal Employees:
W. John "Jack" Mitchell
David Lewis

Director of Retirement Operations:
Cynthia Webster

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

The state government Trustees are James Douglas and Sheldon Prentice. James Douglas is the Vermont State Treasurer. His office provides assistance to the Board of Trustees, offers investment advice, contracts with private firms for services to the retirement system (such as the Defined Contribution and Deferred Compensation plans) and carries out the day-to-day operations of the retirement system. When you call the retirement office with a question or concern,

you are speaking to one of the people who work in the Treasurer's Office.

Sheldon Prentice represents the Governor on the Board of Trustees. The legislation that created the statewide retirement system for municipal employees also mandated the involvement of the Governor's Office in the governance of the system.

The three municipal representatives are Steve Jeffrey, W. John "Jack" Mitchell, II, and David Lewis. Steve Jeffrey is currently the Chair of the Board of Trustees. He is the Director of the Vermont League of Cities and Towns (The League of Cities and Towns is also part of the municipal employees' retirement system.)

W. John "Jack" Mitchell works for the Barre Town School District, is a town selectman, and holds several other positions in Barre Town.

David Lewis is the Town Manager for Killington.

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Webster's Message (continued from page 1)

We also intend to include a ***Question and Answer*** section as space permits where we will provide short, plain-English responses to frequently asked questions.

I would like to encourage you to write Joe and let him know what type of articles or specific questions you would like addressed in future newsletters. He may be reached at the following:

Joe Bahr, Information & Education Specialist
Vermont State Treasurer's Office
133 State Street
Montpelier, Vermont 05633
OR
e-mail: jbahr@tre.state.vt.us

Our goal is to make this newsletter as helpful and educational as possible for ***you***, our valued members.

Cynthia L. Webster

Health Care Stipend Being Reviewed

Last year, the Board of Trustees approved a health care stipend of \$360 for the fiscal year that ends June 30, 2001. The stipend is paid at the rate of \$30 a month.

The health care stipend was authorized last year because the pension fund had a healthy surplus of assets. The Board will revisit the stipend on an annual basis. In June, your pension check stub will have a message on the health care stipend for the fiscal year that begins on July 1, 2001.

This stipend is a temporary solution for a long-term concern (no health care plan for retirees) and is not a guaranteed benefit.

Military Service Survey Results

Every member was mailed a survey on his or her military history in November. The results have now been tallied. These results include the State Employees', Teachers', and Municipal Employees' Retirement Systems.



Among active members, 577 people returned surveys. They had a total of 3,358 years of military service, including the national guard and reserves. Just over half of those years either are or could potentially go toward earning a military pension. Under current Vermont law, these years of military service cannot be used for a civilian government pension if they are already being used for a military pension.

Among retired members, 1,123 people returned surveys. They had a total of 5,498

years of military service, including guards and reserves. Just under half of all the years that were reported either are or could potentially go toward earning a military pension, and thus under Vermont law cannot be used for a civilian government pension.

The survey was one part of a comprehensive study by the Vermont State Treasurer's Office on credit for military service in the retirement systems. This study was mandated by the 2000 Legislature to determine how much military service is being used for retirement credit in Vermont, how that compares with the rest of the country, and whether any adjustments to current law should be considered.

The study resulted in four recommendations (continued on page 4)

Military Survey (continued from page 3)

from the State Treasurer to the Vermont Legislature. First, Vermont law should be amended to permit individuals who served in the guards or reserves to earn credit towards both a military and civilian government pension for military service. Second, Vermont should provide a one-time stipend to beneficiaries of the State Employees' and Teachers' Retirement System who served in the military and met the legal eligibility criteria, but were unable to obtain credit prior to retirement. Third, Vermont should give credit towards retirement for all periods of absence to serve in the military – regardless of when served – if the individual returns to work within a specified period of time after military service. Fourth, Vermont should give members of the Municipal Employees' Retirement System an option to purchase military service comparable to the existing provisions for State employees and teach-

ers, provided the option is cost-neutral to the retirement system. (“Cost neutral” means that the price of purchasing the military service time would – with interest and other gains in value – be able to pay for the increased pension benefit to the member.)

Meet Your Board (continued from page 2)

The three municipal employees on the Board of Trustees serve three-year terms. Each year, municipal employees elect one of these members. This year, Steve Jeffrey's term expires. Municipal employees will be electing a successor (or re-electing Steve Jeffrey) soon. Nominations for candidates are due by May 11 and the election will be held in May and June. Only current municipal employees are eligible to be nominated or to vote in the election for Trustees. You will be informed of the election result through this newsletter.

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