

Retiring Times

Volume 1 Number 2

Retired Municipal Employees

Summer 2001

Message from Vermont State Treasurer James Douglas

We all hear about how little Americans save. Will you have enough for retirement? I know, you have your pension plan and social security, but will that be enough when the time comes? A three-legged stool is often used to describe retirement needs for most individuals. The three legs consist of: 1) a pension plan, 2) social security and 3) personal savings. No stool will stand alone on only two of these three legs.

In addition to external tax-advantaged savings plans such as IRAs, the State of Vermont offers a Deferred Compensation Plan that is available to all state and municipal employees. The plan administrator is Citistreet, and they have an office at 138 Main Street in Montpelier. Their phone number is (802) 229-2500 or toll-free at (800) 333-8701. If your munici-

pality does not offer this plan, encourage it to do so. It is a wonderful way to save for retirement – with before-tax dollars.

Do you think that you cannot afford to save? I bet you can. It can often be difficult to put aside a little bit out of each paycheck, but even a little bit of money put aside in a deferred comp savings plan can grow to a tidy nest egg when compounded over time. If you save just the minimum \$20 every two weeks over a 30-year time horizon, you could have nearly \$60,000 when you retire at the end of those 30 years, if your investments compound at only 8%. Besides, since your contributions are pre-tax, you will only see your bi-weekly paycheck reduced by \$16.25 because you save \$3.75 in taxes.

(continued on page 2)

Message from Retirement Operations Director Cynthia Webster

The Legislature was kind to the Vermont Municipal Employees' Retirement System (VMERS) once again this year. The Board of Trustees and the Retirement Office jointly proposed several statutory changes that were well-received in the State House. The following enhancements apply to all defined benefit group plans effective July 1, 2001.

- Members can purchase *up to five years* of military service on a cost neutral basis if they meet specific eligibility criteria.

The eligibility criteria set forth in statute include a minimum of 15 years of creditable service and a minimum of one year of full-time military service prior to becoming a member of the system. The purchase of military service must be made prior to commencement of retirement benefits, and is not available to members who are receiving a pension for a career military retirement.

- Members can receive retirement credit

(continued on page 4)

Treasurer's Message (continued from page 1)

If you are in a higher tax-bracket, your tax savings are even greater.

If you don't have 30 years until retirement, your money will still compound and grow. Besides, now that you are a little older, perhaps you can afford to save more than the minimum out of each paycheck. Even after 10 years, the \$20 minimum will have grown to over \$7500, which is three times what you contributed. At present, the maximum you can contribute each year is 25% of your salary or \$8500, whichever is less. Next year, the limit rises to \$11,000.

The Deferred Comp Plan has 18 different mutual fund investment options. Most of these are domestic stock funds, but there are

international stock funds, bond funds and blended funds as well. If you feel insecure about investing, the folks at Citistreet will be glad to assist you. In addition, they offer three pre-assembled portfolios that have an asset mix all set for you. All you need to do is determine how many years you have until retirement and how much risk you are willing to assume. More risk usually means higher rates of return, but you have to be able to sleep at night too.

I urge all of you to consider the Deferred Compensation Plan. I have been contributing to it for years, and it has been terrific to watch my assets grow. Again, if your employer does not offer the plan, ask him to consider it. It won't cost him anything, and you will be able to start saving a little extra for your eventual retirement.

Retirement Board of Trustees

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
133 State Street
Montpelier
Vermont 05633-6901
828-2305 or 1-800-642-3191 (In-State)

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

Election Results for Board of Trustees

Two candidates ran for the single Trustee position. Steve Jeffrey, Executive Director of the Vermont League of Cities and Towns, was the incumbent running for re-election. Michael Hall, Sergeant with the Manchester Police Department, was the challenger.

With 605 votes, Steve Jeffrey was the winning candidate.



Michael Hall received 219 votes. A total of 824 votes were counted. Congratulations to both men for a fine race between two well-qualified candidates.

Steve will begin his new term on the Board of Trustees on July 1, 2001. His term runs for three years.

Three Trustees are elected by active (current municipal employees) members of the Municipal Employees' Retirement System. The other two elected members are W. John "Jack" Mitchell and David Lewis. Their terms are also for three years. Members vote on one of the three elected Trustee positions each year.

Federal Tax Relief Bill May Affect Pension Checks

The US Congress recently passed a tax relief bill. If the taxable portion of your monthly pension check is for an amount greater than \$2,392 for a single retiree or \$4,158 if you are a married retiree, you will have a small reduction in federal income taxes. If the taxable portion of your monthly pension check is less than \$2,392 for a single retiree or \$4,158 for a married retiree, then your federal income tax will not decline.

The taxable portion of your pension check consists of all contributions by your employer and all pre-tax contributions by you. The portion of your pension check that you contributed to your retirement account through paycheck deductions while you were working and that were taxed at the time of your paycheck deduction are not taxed when you receive your pension check.

Health Care Stipend Available for Another Year

The Retirement System offered a monthly \$30 health care stipend during the last fiscal year (July 1, 2000 – June 30, 2001). The Board of Trustees for the Vermont Municipal Retirement System voted to continue the stipend at least through the next fiscal year (July 1, 2001 - June 30, 2002). The \$30 stipend is to help defray medical costs since the Municipal Retirement System does not offer

health insurance.

The stipend is not a guaranteed benefit of the Municipal Retirement System. It is available now because the funds in the Retirement System are adequate to cover the cost of the stipend. Should the level of those funds decrease, the stipend could be eliminated by the Board of Trustees.

Electronic Deposit of Pension Checks

“Electronic Deposit” refers to the transfer of money from the Retirement Office directly to your bank account. It eliminates the need for a monthly pension check, which can be stolen, misplaced, or delayed in the mail. The electronic deposit of your monthly pension check ensures that your money will be available to you on the last working day of each month in your bank account. Via electronic deposit, your pension check can be directly sent to any bank account (checking or savings) in Vermont or anywhere in the U.S. There is no cost for this service.

To start electronic deposit, please contact your bank to inquire about electronic deposit

and obtain your account number. Then call or write the Retirement Office for a form to start electronic deposit of your pension check. The form will require your signature and the number of the bank account that should receive your monthly pension check. After the Retirement Office processes the electronic deposit form, your next pension check will be sent directly to your bank account. Currently, 77% of all retired municipal workers use electronic deposit. For more information or to change to electronic deposit, please contact Tina Kawecki at 802-828-3795 or 800-642-3191 (The toll free number is only available for calls from within Vermont. Out-of-state callers must use 802-828-3795.)

Director's Message (continued from page 1)

during a period of absence to serve in the military.

- Members can accrue the maximum amount for each group plan they have participated in, which will then be combined to arrive at a single monthly retirement benefit. This is advantageous to the long-term municipal employee who has participated in several plans and earned more than the maximum benefit allowed in the plan from which he or she retires. For example, a member who has served 20 years in group A, 10 years in group B and 5 years in group C will retire with 58% of his or her average final compensation under the new legislation. Under the previous statute, the most the member would have received was 50%, the maximum for the group C plan.

- *Employers*, on behalf of employees, can upgrade service accrued in a prior group plan. The Municipal Board of Trustees will now determine the schedule for payment by employers for the upgrade of employees.

- The Municipal Board of Trustees can determine the schedule for payment of any unfunded liability created when a municipality enters VMERS and transfers prior service accrued by their employees. This is attractive for non-participating municipalities when considering a transfer of their existing retirement system to VMERS.

As always, please contact the Retirement Office at 1-800-642-3191 if you have questions about these changes and how they may affect you.

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

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