

Retiring Times

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Retired Municipal Employees

Winter 2002

Message from Vermont State Treasurer James Douglas

During the first weeks after the horrifying and tragic events of September 11, folks from all around Vermont called my office because they were concerned about the security of their pensions and the status of their personal investments. By the one-month anniversary of the attack, the stock market had gained back all the ground it had lost since reopening on September 17th. However, it is true that the markets had been going down for nearly a year and a half before that, so there is a long way to go for a full recovery, but at least the immediate downturn was short lived. During the last quarter of calendar year 2001, the S & P 500 was up 10.70%, but still showed a negative return of 11.89% for the entire year. I think we may be in for a rather wild ride, with extreme volatility in the markets, but I also think that there is a good possibility that this market recovery could be sustained.

In case you were worried, your pensions are just fine. I wrote in an earlier edition of this

newsletter that the pension fund is invested in diversified portfolios just so that it can withstand times such as these. Thus, even though stocks went down in September, the fixed income or bond portion actually went up during the same time period. Bonds account for approximately 30% of the overall portfolio, and real estate and other small investments account for another 10%. These investments all have a low correlation with the stock market, and were also probably ahead for the month. Overall the fund was down, but by far less than the average equity portfolio.

However, I bet that many of you have seen erosion in your personal investments. It is usually more difficult to diversify personal assets, but our Deferred Compensation Plan has funds for all the major asset classes. A word of warning though, remember to "buy low and sell high". If you have a diversified investment strategy, and re-balance your portfolio when needed, you (continued on page 2)

Message from Retirement Operations Director Cynthia Webster

Our world changed on September 11 with the attacks on New York and Washington. Many of us have friends, family, or business associates in those areas. Some of us may have lost a loved one.

The repercussions of that day will extend far into the future, including the call-up of the reserves and national guard into active duty. The disruption in daily life experienced by those individuals and their families will be tremendous. The dangers that they may face are still unknown.

While none of us can prevent those disruptions

of life or eliminate the dangers that the reserves and national guard members will encounter, we can help them when their tour of active duty is over. We can ease their transition back to civilian life and help them attain the goals that they had before war intervened. Here at the Retirement Office, that means giving them full credit towards their retirement for all active duty service. Our members will not lose a single day of credit for the time that they serve our country.

If anyone – you, a member of your family, a colleague, or a friend - is called to active duty (continued on page 3)

Treasurer's Message (continued from page 1)

will have been selling at the top and buying at the bottom. It is usually a mistake to get out of funds that are way, way down. New money can go into other types of investments, but your funds may be back up where they were a few months ago in the not too distant future.

There is historical precedence to support a strong market theory. During the first year following all major domestic crises of the past 100 years, the market fully recovered, and within two years was up an average of 20%. There is no guarantee that this same phenomenon will hold true this time, but we do expect increased capital spending in defense, infrastructure, technology and security, as well as a fiscal stimulus package from the Federal Government. All of these should bring about increases in the stock market over the longer term. Certainly, there are some shorter-term issues that must be resolved first. Lots of people are being

laid off and consumer confidence is low, but as industries gear up and spend, new jobs will be created and people will feel less uncertain about the future. It is a cycle that has repeated itself over and over.

It will take time for people, as well as markets, to heal from the exposure to all the horror wrought in New York, Washington and Pennsylvania on September 11. We, as a nation, have not had to deal with international terrorism at close range before, but we are a strong and determined people. I am fully confident that we will get through this with pride and dignity and will emerge stronger than ever.

As always, if you have any questions or comments, feel free to call me at 828-2301, or toll-free in Vermont at 1-800-642-3191.



Deferred Compensation payments to retirees may now be changed. The Economic Growth and Tax Relief Act of 2001 made this change to 401(k) accounts and other tax-sheltered vehicles. Your Deferred Compensation plan administrator should be informing you about the changes. If you have any questions, please contact your Deferred Compensation plan administrator.

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Signature Required for Changes in Address or Electronic Deposit

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

At the end of January, we send your tax form to the address that we have. If your address is wrong, you will not receive this tax form. If this happens to you, please notify our office and check the address that we have in our records. However, please remember that we do need your change of address in writing and cannot accept it over the phone.

We also require your signature in writing if you want your check deposited electronically in a different bank account. Again, the signature protects you and your money.

Thank you for cooperating with our requirement for a written notice with your signature.

HOT OFF THE PRESS... Don't worry, the Enron scandal has not had a material impact on the Vermont Municipal Employees' Retirement System. The total loss to the system from investments in Enron during the fourth quarter was approximately \$525,000. However, during the same period, the total fund gained **\$10.3 million**. Let's keep the Enron loss to our system in perspective.

Director's Message (continued from page 1)

during these troubled times, please save the following information on how to obtain retirement credit for their time on active duty.

First, the municipality should report to us that an employee has been called to active duty. That will notify us of the reason for the cessation of retirement contributions from the member. The individual does not need to contact us when he or she is called to active duty – the employer will do this.

Second, the individual should contact the Retirement Office as soon as possible after returning to work. He or she should let us know that they were called to active duty and that they have now returned to work. To be eligible for retirement credit, they must return to work within 90 days of discharge from active duty.

We will request just a few basic facts. Those facts should all be on the DD214 or other discharge paper that they received. We will need a copy of the DD214 or other discharge paper, the day that they began active duty, and the day that they finished active duty. We will then determine the amount of retirement credit that they have earned while on active duty.

This provision to extend retirement credit covers all periods of active duty, whether it is just a few weeks or a few years. The retirement credit will

be based upon the full-time or part-time work that they were doing prior to being called to active duty. (Individual who were not active members and contributing to their retirement fund at the time that they were called to active duty in the military cannot obtain a retirement credit when they finish their military service.)

Third, if members are injured while on active duty in the military and are unable to return to their employment for a municipality, they should still contact us. The intent of the law is to give them full credit toward retirement, and we will try to fulfill that intent of the law. We would also consider disability retirement benefits for members who are permanently disabled and unable to work. A disability retirement would provide a retirement pension upon confirmation of their disabled status by the Board of Trustees. Their pension amount would be determined by the number of years of employment for the municipality.

Any message about active duty military service can be unsettling and distressful. It reveals just how dangerous the world has become in recent months. But let us not despair. Let us have faith in ourselves and our country. We will endure. We will do more than endure – we will be stronger, better, and more compassionate for having experienced hardship. More than ever, we will be a beacon to the world of the strength of a democratic nation.

Cynthia L. Webster

Retirement Office Web Page

You may have used the web to send e-mail. You probably have seen your children or grandchildren “surfing the web.” If you use the web, you may have already discovered the Retirement Office's web page. If you haven't yet used the web, it's a good place to start. Our web page is easy to find and even easier to use.

To find us, simply type www.tre.state.vt.us/Retirement. Our address tells you two things. First, the “vt” indicates that we are part of the State of Vermont. The “us” indicates that we are in the United States. The “tre” means that we are within the Treasurer's Office. Being a part of the

State of Vermont and the Treasurer's Office is a real advantage for the web page – from the Retirement Office site you can link to the Treasurer's Office and from there to any other department of the State of Vermont. So after you check out the Retirement Office web page, use the links to obtain information on state parks, highway conditions, child care service, care of the elderly, or any function of Vermont State Government.

But don't do that just yet – first explore the Retirement Office web page. Start by clicking on “Vermont Municipal Employees Retirement System.” You will find it on the far left-hand side of (continued on page 4)

Web Page (continued from page 3)

the page. When that page comes up, click on "Brochure."

The "Brochure" covers everything about your retirement plan - just look at the table of contents. To read about any topic, click on that part of the table of contents and you will be sent to the correct page. To return to the table of contents, click on "Back" at the top of your screen. By moving back and forth between the table of contents and various topics, you can learn about all of the topics of interest to you.

After you have finished with the "Brochure", try the entries labeled "Board Members", "Board Agenda", and "Board Minutes." These pages will describe your Board of Trustees and inform you of their management of your retirement system.

Now you can start working the links to other places in Vermont State Government. Start with the Treasurer's Office. To get there, click on "Back to State Treasurer's Site" on the left-hand side of the page.

On the State Treasurer's page, click on "Abandoned Property" on the left-hand column.

This unit of the Treasurer's Office tries to find the rightful owners of bank accounts, bonds, stocks, and other property when the owner cannot be found by the business with the funds. If you want to see if they have any property of yours or of your friends, click on "Look Up A Name" and enter your name or a friend's name. When you are done, you can return to the Treasurer's Office page by clicking on "Back" until you reach it or by clicking on the house at the top of the page (The "house" is a symbol for "home page", which is the main menu for a web page.)

At the Treasurer's Office page, you may be interested in some of the items listed on the right-hand side of the page. Recommended are the press releases and the Tobacco Settlement Report. If you are a town clerk, the marriage and dog license forms are under "Accounting" on the left-hand side of the page.

Below these items are the links to other web pages, including the State of Vermont. You will undoubtedly find something of interest to you. So find yourself a computer and enjoy the wonderful world of the web. Just be sure to start with the Retirement Office web page at www.tre.state.vt.us/Retirement

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