

# Retiring TIMES

Vermont State Employees' Retirement System



Retiring Times – Winter/Spring 2021



## Pension Report and Legislative Update

In order to fulfill the promise of paying members' future retirement benefits, each retirement system (VSERS for state employees, and VSTRS for teachers) has developed a funding plan. The primary objective of funding is to equitably allocate costs between generations of taxpayers and provide retirement security to members and retirees who then have the assurance their current and future benefits will be paid. The funds come from three sources: employee contributions, employer contributions, and investment income interest. Interest earned on investments from the retirement fund is the largest source of funds used to pay benefits.

Any gap between assets and liabilities is called the unfunded actuarial accrued liability (UAAL). The most recent valuation found that the gap for VSERS is \$1.04 billion. The gap for VSTRS is \$1.93 billion. Together, these amounts represent an increase of \$604 million over previous projections. To address these funding pressures, the Retirement Boards passed a motion directing the Treasurer to work with stakeholder groups to identify and review recommendations to lower the unfunded liability back to earlier projections.

These recommendations were outlined in a report that was presented to the Governor and General Assembly on January 15, 2021. Of the \$604 million target, the report identified recommendations to reduce the UAAL by \$474 million, while lowering the actuarial determined employer contribution (ADEC) by \$85.4 million. Additionally, the report presented an other post-employment benefits (OPEB) funding proposal that would bring down liabilities, without impacting benefits, by \$1.68 billion.

The Treasurer recommends that: 1) the State maintain a defined-benefit (DB) system for current and future retirees; 2) any benefit changes to the retirement systems NOT be made for existing retirees; 3) that the State continues to fully fund the actuarial determined employer contribution (ADEC); and 4) various options to reduce the unfunded liability and the employer contribution. These recommendations are currently being reviewed this legislative session.

While the Boards of Trustees and Treasurer can advocate for certain policy changes, the General Assembly and Governor will have to decide what, if any, changes to adopt. Treasurer Pearce is in regular contact with union leadership, lawmakers, and the administration, as hearings continue in legislative committees. At the same time, The Treasurer's Office is reviewing all of the feedback we hear from public employees around Vermont.

## COST-OF-LIVING ADJUSTMENT FOR CALENDAR YEAR 2021

Effective with the pension payments dated January 1, 2021:

Groups A, B, C & D: 0.00%

Groups F: 1.00%  
(who retired on or after June 30, 2008)

Groups E & F: 1.00%  
(who retired before June 30, 2008)

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## Make Sense of Your 1099-R Form

The 1099-R form is the income tax document for retired members, much like the W-2 tax document issued to active employees. If you are receiving a pension from a public plan in Vermont, you should receive a 1099-R form in the mail. These forms are mailed to the address on file for all retirees no later than January 31 each year. The 1099-R forms are also accessible online at [retire.vermont.gov](http://retire.vermont.gov). Please note, if you have not registered for an account you must begin by requesting an enrollment pin. The enrollment pin will be mailed to you the following business day. If you need assistance, please contact our office at [tre.retirementoffice@vermont.gov](mailto:tre.retirementoffice@vermont.gov) or 1-802-828-2305.

This information is intended to assist retirees by explaining what each box on the 1099R represents. The descriptions below only identify the boxes that are used by the Vermont Retirement Systems for reporting your pension to IRS.

- BOX 1** Displays the gross amount of the pension you have received during the preceding calendar year, before any deductions have been withheld.
- BOX 2a** Displays the taxable amount of the pension you have received during the preceding calendar year. In some cases, boxes 1 and 2a reflect the same amount. If the amount in box 2a is smaller than the amount in box 1, it means that you made contributions into the retirement system while actively employed that you paid taxes on, and therefore, those same already-taxed contributions will not be taxed again in retirement.
- BOX 4** Displays the total amount that has been withheld for federal taxes, based on your filing status, during the preceding calendar year. If the amount in box 4 is blank, then you have either elected not to withhold federal taxes, or your filing status results in a -0- withholding.
- BOX 5** Displays the portion of the total pension reflected in box 1 that is not taxable. If box 5 is blank, it means that your pension is fully taxable. NOTE – this box can be confusing as it appears to indicate that insurance premiums should be displayed here. Our system does not use this box for insurance premiums, nor is it a deduction of any kind.
- BOX 7** Displays the IRS code for a pension distribution.
- BOX 12** Displays the total amount that has been withheld for Vermont State taxes, based on your filing status, during the preceding calendar year. If the amount in box 12 is blank, then you have either elected not to withhold Vermont taxes, or your filing status results in a -0- withholding.
- BOX 13** Displays the state to which the withholding was paid and the payer's federal identification number.
- ACCOUNT NUMBER** Displays your unique retirement system identification number.

### Pension Reform Continued

We recognize that any discussion about pension reform is painful. The Treasurer's Office is focused on ensuring our retirees are held harmless and future retirees have adequate and reliable income in retirement. The January 15 report was a starting point for dialogue. While we fully expect the General Assembly to act, there is no plan in place at present and it is premature to speculate on what changes may take place. We want to assure you that the Treasurer's Office has advocated that any changes be communicated to employees with sufficient lead time to ensure fair notice to all employees that may be affected.

## Services During COVID-19

State Offices remained closed to in-person visits during the COVID-19 public health emergency, but our staff is available to assist your needs. If you have questions, the easiest way to reach us is by using the follow email: [tre.retirementcorrespondence@vermont.gov](mailto:tre.retirementcorrespondence@vermont.gov).

You can also call the Retirement Division at (802) 828-2305. If you leave a message, please leave your name and number, and staff will return your call between the regularly scheduled business hours of 7:45 a.m. to 4:30 p.m., Monday through Friday.

## Sign Up Today to Receive Retiring Times by Mail

We appreciate your interest in Retiring Times. You have the option to receive a paper copy of this newsletter by mail or an electronic version via email. To make a request for either format, send an email to [treasurers.office@vermont.gov](mailto:treasurers.office@vermont.gov) and we'll add you to the distribution list.

## Member Direct: Sign Up Today

The Retirement Office released a new online tool to members in April 2020 called Member Direct. You can access Member Direct by visiting [retire.vermont.gov](http://retire.vermont.gov). Member Direct allows both active employees and retirees to access their retirement account online. We are excited to announce this new tool to you!

Having trouble enrolling? Please visit the Treasurer's Office website for instructions on how to enroll at:

<https://www.vermonttreasurer.gov/content/member-direct>

## Treasurer's Office Prepares Small Business Retirement Plan Launch

The Treasurer's Office is preparing to launch a new program for Vermont small businesses that do not currently offer a retirement savings plan to their employees. When launched in 2021, the Green Mountain Secure Retirement Plan will allow employers to enroll in an easy-to-use retirement plan they can provide to their employees. Employers with 50 or fewer employees who do not currently offer a plan are eligible for the plan. If you know of a Vermont business that would be interested to learn more about the Green Mountain Secure Retirement Plan, please have them contact the Treasurer's Office by emailing:

[treasurers.office@vermont.gov](mailto:treasurers.office@vermont.gov).