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## Retirement timetables!

Do you have a retirement timetable? See our feature box for critical dates to keep in mind!

Summer 2014

# Retiring TIMES

Vermont Municipal Employees' Retirement System

## CONSUMER PROTECTION

### Pension Lending Law Shields Vermonters From Predatory Financial Scams

A new pension lending regulation passed into law during the just concluded legislative session requires any lender offering a loan secured by a pension to be licensed with Vermont's Department of Financial Regulation. The bill, S.223, is the first of its kind to pass a state legislature in the nation.

"This law helps protect Vermonters from being exploited by companies that work to persuade pensioners to sign over the rights to some or all of their future monthly payments in return for a lump-sum amount," said State Treasurer Beth Pearce. "By regulating the practice, companies will be subject to the State's consumer protection laws and can face fines up to \$10,000 per violation for any unlicensed loans or solicitations."

According to the U.S. Securities and Exchange Commission there is a growing problem nationwide of people entering into such loans and being charged exorbitant interest and fees. The lump-sum amount that these companies offer is frequently significantly lower than the present value of that future income stream. Given the business model of these companies, it is unlikely such lenders can become licensed in

(continued pg. 2)

This law is about doing the right thing for retirees and doing the right thing for Vermont.

## ANNOUNCING... *New Employee Contribution Rates*

Changes to employee contribution rates for retirement were made as part of Act 115, the miscellaneous pension changes bill. In the 2014 legislative session, the General Assembly passed the bill which will slightly raise contribution rates for groups B, C and D. No increases were recommended for Group A because the funding status for that group is sufficient to cover pension costs. The rates for groups B, C and D represent an increase that was agreed upon by the Vermont Municipal Employees' Retirement System Board of Trustees, the State Treasurer's Office and employee groups in order to meet the funding needs for the VMER system. The VMERS board annually reviews the employer and employee contribution rates to determine if they are adequate to cover the future financial costs of the system. The VMERS board is authorized to set employers' contribution rates, while employee rates are set by State statute. Employees with questions about the rate change should contact their human resource office.

Section 4 of Act 115 increases the employee contribution rates for three of the four VMERS plans in fiscal year 2015 as follows:

### VMERS EMPLOYEE CONTRIBUTION RATES

DATE OF RATE CHANGE	GROUP A	GROUP B	GROUP C	GROUP D
<b>RATES EFFECTIVE</b> <small>(PRIOR TO JULY 1, 2014)</small>	2.5 percent	4.625 percent	9.5 percent	11.125 percent
<b>JULY 1, 2014</b>	2.5 percent	4.75 percent	9.625 percent	11.25 percent
<b>JANUARY 1, 2015</b>	2.5 percent	4.75 percent	9.75 percent	11.25 percent

# Director's Corner

by Laurie Lanphear, Director of Retirement Operations

Statistics tell us that two-thirds (65 percent) of workers plan to work for pay in retirement, compared with just 27 percent of retirees who report they have actually worked for pay in retirement. Ninety percent of those who plan to work after retirement cite the primary reason is to stay active and involved, closely followed by a desire to have money to buy extras, and to make ends meet.

The good news is that employment with any employer except a municipality that participates in the VMERS has absolutely NO impact on continued receipt of your municipal pension. You may even return to work, after a minimum absence of one month, for a participating municipality as long as your regular weekly hours are under the qualifying amount. If you are regularly scheduled for less than 24 hours a week on a year-round-basis, or less than 30 hours a week for the school year, then you may work and continue to draw your monthly pension.

However, if you return to a job with a participating municipality and work over the minimum number of hours, your monthly pension benefit is impacted in several ways. First, your pension will be suspended upon the date of your new hire. Secondly, you will be enrolled as a contributory member of the VMERS under a new membership on the effective date of your return to active employment. Long-term, if you work for a minimum of five years after your new

membership is established, you will be entitled to a second pension based on your total creditable service and highest three consecutive years of earnings when you once again terminate employment. If you work less than five years under the new membership you will receive a return of your contributions plus accumulated interest after separation from service.

When you terminate your post-retirement work, your suspended (original) pension will resume once again and, if eligible, you will receive regular cost-of-living adjustments. However, you will not be able to change your survivorship option or beneficiary on the first retirement. If your post-retirement work resulted in a second VMERS membership, a retirement specialist will go over your options with you for the second account.



## Retiree Update

	JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
<b>2014</b>	22	9	11	15	16	12						
<b>2013</b>	20	10	7	9	12	10	63	25	19	15	12	10
<b>2012</b>	20	9	9	13	14	7	60	14	11	20	17	10
<b>2011</b>	18	3	9	8	8	17	63	15	10	9	9	7
<b>2010</b>	12	3	4	7	9	12	52	19	11	13	5	10

## GASB Note:

GASB 67 and 68 is the new pension accounting standards that recently went into effect. There are many misconceptions about the new standards. While the accounting standards will have an impact on the financial statements, the basic financial realities of pensions have not changed. Financial statements do not create pension obligations. Instead, they make existing obligations more transparent and comparable. There will be more auditing and actuarial requirements. There will also be requirements to break out data by individual communities participating in VMERS, but these requirements will not change the fundamental funding procedures, which are already in place and are set by the VMERS Board of Trustees.

Your benefits are not going to change. One thousand dollars owed to a retired employee in ten years under the current standards will remain \$1,000 owed in ten years under the new standards. If you wish to learn more, visit the Treasurer's office GASB information page at:

[www.VermontTreasurer.gov/retirement/gasb](http://www.VermontTreasurer.gov/retirement/gasb)

## (Lending Law Continued pg. 1)

Vermont. The State's strong consumer protection laws will subject these companies to enforcement action if they continue to do business in Vermont without a license.

"We are very pleased to see Vermont take the lead as the first state in the county to essentially ban this unscrupulous practice," said Greg Marchildon, AARP Vermont state director.

The Financial Industry Regulatory Authority and SEC also warns people to steer clear of investing in these products. These pension purchasing or structured settlement companies, sometimes called factoring companies, may package these loans as income streams to retail investors with commonly advertised yields from 5.75 percent to 7.75 percent. However, these products may have expensive commissions. Since the investment may not be a registered security with the SEC it is difficult to find reliable information about these products. These products are illiquid, which means that they could be difficult to sell and the investors' "rights" to the income stream they purchased could face legal challenges.

"To me this law is about doing the right things for our retirees and doing the right thing for Vermont. I'm very proud that we were able to support this bill," said Pearce.

## FOSSIL-FREE INVESTMENT OPTION

There is a new fossil-free mutual fund investment option for employees contributing to the State's deferred compensation plan. The 457 plan is a supplemental retirement savings option that allows an individual to save money for retirement by having the funds contributed

to the plan before taxes. Employees interested in Socially Responsible Investments (SRI) may now choose from five investment options. The new SRI option is the Pax World Global Environmental Markets (PGINX), which excludes fossil-fuel companies from the

fund portfolio. SRIs are specialized funds that invest only in companies that meet a defined criteria of ethical operations, social benefits and environmental standards. Other SRI fund options employees may choose from are: Calvert Bond Portfolio A (CSIBX), Vanguard FTSE Social Index Institutional (VFTNX), Pax World Balanced (PAXWX) and the PIMCO Total Return III Institutional (PTSAX). Contributions employees elect to make to the deferred compensation plan are in addition to the defined benefit pension program. The Vermont State Retirement System makes available a 457 plan to eligible employees within the State, municipal and teachers' systems.

The same fossil-free mutual fund investment option is also available to participants in both the State and municipal

defined contribution plans. Defined contribution plans are modeled after private sector 401(k) plans. A defined contribution plan is offered to State and municipal employees within the Vermont State Retirement System who are either ineligible to participate in a traditional defined benefit pension plan or are in positions where they elect to place their retirement savings in the plan.

SRI funds are one of many investment options individuals may choose to invest in within the 457 plan or defined contribution plan.

## MEET WITH A 457 PLAN REPRESENTATIVE

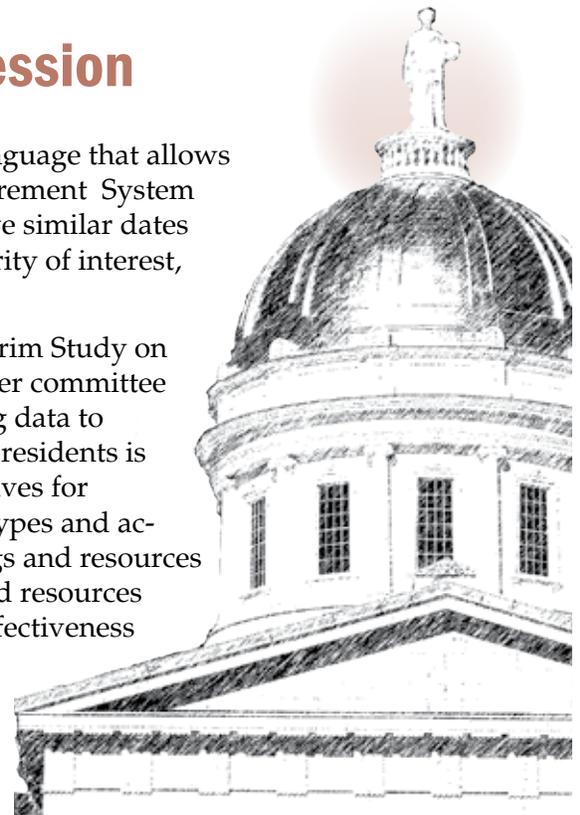
Retirement planning doesn't stop the day you walk into your post-working years. Whether you're retired or still working, meeting with a deferred compensation plan counselor can help ensure your money is invested wisely. Great-West Retirement Services manages the State's plan. Call their local office at 1 (802) 229-2391 to schedule an appointment. There's more information at [www.vermont457.com](http://www.vermont457.com).

## WELCOME NEW STAFF MEMBERS

The Retirement Division is pleased to welcome two new staff members to our office. Josh McCormick assumed the newly created position of Administrative Services Coordinator. He oversees the front desk in retirement and also supports the retirement boards and the disability retirement review process. Angella Mitchell is a financial administrator and works on a wide range of accounting duties for the retirement system. Welcome to the Retirement Division team!

## Legislative Newsbriefs from the 2014 Session

- **Miscellaneous Retirement Bill:** Act, 115, formerly H. 871, expands language that allows a municipality to elect to offer the Vermont Municipal Employees' Retirement System (VMERS) to one or more groups of employees to include those that have similar dates of hire, in addition to criteria already established that includes a similarity of interest, needs, and general conditions of employment.
- **Act 179:** Formerly H.885, this bill contains a section that creates an Interim Study on the Feasibility of Establishing a Public Retirement Plan. A seven-member committee chaired by the State Treasurer is charged with collecting and evaluating data to determine whether a state-wide public retirement plan for all Vermont residents is needed and evaluate the availability of retirement options and alternatives for Vermont citizens. Information the committee will review will include types and access to current employer-sponsored retirement plans, amount of savings and resources needed for a financially secure retirement, actual amount of savings and resources currently available to Vermont residents, and current incentives and effectiveness of incentives to encourage retirement savings. The committee will also look at other programs or incentives the State could pursue in combination with, or instead of, a retirement plan. The committee is charged with filing a report to the General Assembly of its findings and recommendations by January 15, 2015.



# VMERS Members Have Questions on Medicare & Social Security

The Retirement Division staff receives questions weekly from system members about Medicare and Social Security. Here's a sample of the most common questions we receive. For more detailed information on Medicare, go to [www.medicare.gov](http://www.medicare.gov) or call their toll-free number at 1-800-633-4227. For information on Social Security, go to [www.socialsecurity.gov](http://www.socialsecurity.gov) or call toll-free 1-800-772-1213.

## What is Medicare?

Medicare is our country's health insurance program for people age 65 or older. Certain people younger than 65 may qualify, including those who have disabilities, permanent kidney disease or Lou Gehrig's disease. Medicare has four parts.

- **Part A** is hospital insurance that helps pay for inpatient care in a hospital or skilled nursing facility, some home health care and hospice care.
- **Part B** is medical insurance that pays for doctors' services and many other medical services and supplies that are not covered by hospital insurance.
- **Part C** are Medical Advantage plans offered by private companies and approved by Medicare. Choosing a Medical Advantage Plan means the person will receive all medical services through this provider. With one of these plans, you do not need a Medigap policy because these plans generally cover many of the same benefits a Medigap policy would, such as extra days in the hospital after you have used the number of days that Medicare covers. In order to join a Part C plan, a person must already have parts A and B.
- **Part D** helps pay for prescription drug coverage. Plans may be compared online at the Medicare web site. Vermont's Senior HelpLine also can help answer questions on prescription drug programs. Call 1-800-642-5119.

## When should I apply for Medicare?

Three months before you turn age 65 you should sign up for Medicare. If you do not sign up then, you risk experiencing a lapse in your medical coverage. (see chart below) Also, if you do not enroll in Medicare Part B during your initial enrollment period your premium will increase 10 percent for each 12-month period you were eligible to enroll. If you are 65 or older and are covered under a group health plan, either from your own or your spouse's *current* employment,

YOU SHOULD SIGN UP FOR MEDICARE THREE MONTHS BEFORE YOU TURN AGE 65.	
Time of Enrollment	Part B Medicare Coverage Start Date
One to three months before you reach age 65	The month you reach age 65
The month you reach age 65	One month after you reach age 65
One month after you reach age 65	Two months after the month of enrollment
Two or three months after you reach age 65	Three months after the month of enrollment

One frequently asked question about Medicare is when someone should sign up. This chart shows when your Medicare Part B becomes effective based on when you enroll. (Chart courtesy Social Security)

you have a "special enrollment period" in which to sign up for Medicare Part B. This means that you may delay enrolling in Part B without having to wait for a general enrollment period and paying the 10 percent premium surcharge for late enrollment.

The rules allow you to:

- Enroll in Part B any time while you are covered under the group health plan based on current employment; or
- Enroll in Part B during the eight-month period that begins following the last month your group health coverage ends, or following the month employment ends—whichever comes first.

## How does a pension impact Social Security?

If you get a pension from work where you paid Social Security taxes, that pension will not affect your Social Security benefits. However, if you get a pension from work that was not completely covered by Social Security—for example, the federal civil service, some state or local government, or work in a foreign country—your Social Security benefit may be reduced.

## How can I view my account?

Workers age 18 and older can go online, create a personal account and request their Social Security statement. Go to [www.socialsecurity.gov/myaccount](http://www.socialsecurity.gov/myaccount) to review your account.

## DO WE HAVE YOUR CURRENT ADDRESS?

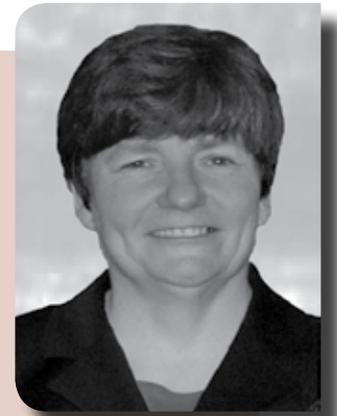
If you are a retiree receiving a monthly benefit, you must notify the Retirement Division in writing of any change in address.



# The Retirement Bubble

## What it means to you

by Beth Pearce, Vermont State Treasurer



If you research retirement savings options, the odds are you'll find references to something called the "retirement bubble." The retirement bubble describes the correlation between American's personal saving habits and the possibility that many retirees will not have adequate money on hand to meet all of their needs after exiting the workforce. Some speculate that widespread under-saving could cause an economic bubble to form and burst, forcing retirees to look beyond their personal nest eggs to make ends meet.

Several Vermonters have asked whether there is any truth to the notion that we face a retirement bubble that jeopardizes retirement security. First, let me state that your pension benefits are safe. We recognize the value of your public service and are committed to matching it with adequate and reliable dollars in retirement. That is our promise. While there is work to be done to improve personal finance and money management skills at the state and national level, we are taking proactive steps to make Vermont a leader in financial education.

Our commitment to retirement security for all Vermonters is not without challenges. State population characteristics show an upward trend in the number of individuals entering retirement. Vermonters are older than the national average for age by state. By 2030, it is projected that at least 29 percent of Vermont's population will be age 60 or older. Some might assume that growth of this magnitude could cause or exacerbate a retirement bubble. At the Treasurer's office we regularly monitor the membership of Vermont's retirement systems and make periodic adjustments to keep the funds stable. Plan participants will receive their benefits regardless of upward population pressures.

**State population characteristics show an upward trend in the number of individuals entering retirement.**

The measure of the Treasurer's office's success is not limited to benefits paid out to retirees. We believe that the best defense against the retirement bubble is for Vermonters of all ages to create and implement a personalized savings plan. It is well documented that Americans do not put aside enough money for retirement. The Social Security Administration finds that 53 percent of married couples and 74 percent of unmarried persons receive 50 percent or more of their income from Social Security. In 2012, the average monthly Social Security benefit received by Vermonters was \$1,263; approximately \$733 (37 percent) below the 2012 Vermont Livable Wage.

For many, Social Security and pension benefits alone are not adequate to cover the day-to-day costs of retirement. Retirement system participants can prepare for future needs by taking advantage of the State's deferred compensation and defined contribution plans to build their savings. We encourage consideration of this option as a practical step to growing your nest egg. You can also check with your financial advisor to decide what savings options fit your short, medium and long-term goals. If you have questions about saving for retirement, you're not alone. There are many resources available to assist you in making smart money decisions. The Treasurer's office provides tools to assist Vermonters of all age groups to learn useful money management skills. Visit our website and click on the "financial literacy" link. You can access resources to help you use a budget or plan for monthly spending; learn how to regularly save some of today's money for tomorrow's needs; manage credit use to avoid over-extending yourself; and invest funds to allow your money to grow.

The Treasurer's office is committed to providing each and every Vermonter with reliable, adequate income and a secure retirement. We've already made great strides through our plan options and educational efforts. But to take the air out of the retirement bubble once and for all, we need to continue our advocacy until every Vermonter has the tools and knowhow to retire with dignity. That's our pledge, and we look forward to working with you to make it a reality.

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## Retirement Board of Trustees

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# Retirement Timetable - Keep These Critical Ages in Mind!

**AGE 55** You can retire early. If you retire, quit or are fired from your job starting the year you turn 55, you might be able to withdraw from tax-deferred savings plans without owing a 10 percent tax penalty, provided you qualify for one of the exceptions spelled out in federal tax code.

**AGE 59½** You can generally withdraw money from your personal tax-deferred savings plans (IRAs, annuities) and from your employer-sponsored savings plans if you've retired from the job without owing a 10 percent tax penalty.

**AGE 60** You can receive Social Security benefits if you are a widow or widower.

**AGE 62** You may be eligible for full pension benefits from your employer, depending on the plan. You can begin to receive reduced Social Security benefits if you choose. Your Social Security benefits will increase, however, with every year you wait to collect them.

**AGE 65** You can receive full pension benefits from most employers, as well as full Social Security benefits if you were born in 1937 or earlier. If you are a widow or widower, you can receive full Social Security benefits if you were born before January 2, 1940. If you were born later than 1937, you reach what's called full retirement age based on the year of your birth. If you were born between 1938-1942, it's 65; 1943-1954, it's 66; 1955-1960, it increases annually from 66 and two months to 67. If you were born in 1961 or later, your full retirement age is 67. At 65, you normally also qualify for Medicare benefits.

**AGE 70** You should begin to collect your Social Security benefits if you haven't already, because your benefit has reached its maximum.

**AGE 70½** You must begin withdrawals from your traditional IRAs, but not from Roth IRAs. You must also begin withdrawals from employee-sponsored retirement plans, such as a 401(k), unless you're still working!

SaveAndInvest.org. ©2014 FINRA Investor Education Foundation. This timeline is general in nature and is not specific to VMERS. For details on your plan, go to [www.VermontTreasurer.gov](http://www.VermontTreasurer.gov).