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Winter 2016

Retiring TIMES



Vermont Municipal Employees' Retirement System



Quality Work & Quality Living

Take advantage of wellness activities to build healthy lifestyle habits.

OPTIMAL LIVING

Program Provides Motivation and Resources to Work Strong

Would you want to live to be 100? According to U.S. Census Bureau projections, by 2050 one-in-five Americans will be 65 or older and at least 400,000 will be 100 or older. While many of us don't imagine we'll live to be 100-years-old, we do hope to enjoy our golden years engaged in life and healthy enough to enjoy our retirement.

One program aims to give active municipal employees the tools they need to live strong—now and in the future. The Vermont League of Cities and Towns offers municipalities that are members of its Property and Casualty Intermunicipal Fund a wellness program called PACIF WorkStrong. The program offers train-the-trainer classes, one-to-one wellness consultations and follow-up support. PACIF also provides an Employee Assistance Program for all of its members' employees.

"We have been offering a wellness program to municipalities for 22 years," said Heidi Joyce, VLCT wellness consultant. "We want to help municipalities create a safe and healthy workplace. We want people to be able to learn from each other and encourage positive health practices year-round."

Wellness involves caring for the "whole" person—physically, mentally, socially and emotionally.

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PACIF covers approximately 5,000 full- and part-time municipal employees. Joyce notes that as the employee population is aging, there are more concerns regarding weight and stress management.

"A large number of municipal employees are in sedentary occupations. While we expect administrative employees working at desks to be seated for extended periods of times, we often don't consider the long hours first responders or highway employees may be seated as they are on patrol or are plowing our roads," said Joyce.

Joyce hopes to provide employees with opportunities

(continued pg. 4)

Applying the . . .

Six Dimensions of Wellness Model

The National Wellness Institute defines wellness as an active process through which people become aware of, and make choices toward, a more successful existence. Today, wellness involves more than just physical well-being. This model illustrates a personal holistic approach to wellness.

- **Occupational:** Achieving personal satisfaction and enrichment in your life through work.
- **Physical:** Recognizes the need for regular physical activity.
- **Social:** Encourages contributing to your environment and community.
- **Intellectual:** Recognizes the need for creative and stimulating mental activities.
- **Spiritual:** Recognizes our search for meaning and purpose in human existence.
- **Emotional:** Encourages awareness and acceptance of your feelings.



Image courtesy of National Wellness Institute, Inc.

Director's Corner

by Laurie Lanphear, Director of Retirement Operations

The retirement office has received numerous calls from retirees since the announcement that there would be no cost-of-living increase for retired members in January of 2016. This is not surprising since cost-of-living adjustments (COLAs) have resulted in an increase in pension payments in all but one of the 40+ years since the COLA legislation was enacted on July 1, 1972. The one exception occurred in January of 2010 when, based on a negative CPI as of the previous June 30, the COLA actually decreased pension payments for the majority of retired members.



In order to understand this unusual circumstance, it is important to recall what the COLA is intended to do. There is statutory language in all three Vermont public defined benefit retirement systems that specify how adjustments shall be made to retired members' pension payments in January, based on the Consumer Price Index as of the previous June 30. These same statutes define the Consumer Price Index as the Northeast Region Consumer Price Index for all urban consumers, designated as CPI-U. The CPI-U is designed to reflect the inflation rate on June 30 each year, as compared to the previous June 30. This comparison can be loosely described as "the buying power" of the dollar. According to the Northeast Region CPI-U, the inflation rate on June 30, 2015 was zero, meaning there was no change in the value of the dollar from the same time last year. Therefore, under existing law, there can be no COLA in 2016.

For more information about what is contained in the Northeast Region CPI-U, go to:

www.bls.gov/regions/mid-atlantic/news-release/consumerpriceindex_northeast.htm

Retiree Update

JAN FEB MAR APRIL MAY JUNE JULY AUG SEPT OCT NOV DEC

2015	16	6	15	23	8	11	88	14	32	13	19	5
2014	22	9	11	15	16	12	93	15	20	17	14	5
2013	20	10	7	9	12	10	63	25	19	15	12	10
2012	20	9	9	13	14	7	60	14	11	20	17	10

FEES FOR 457(b) PLAN LOWERED

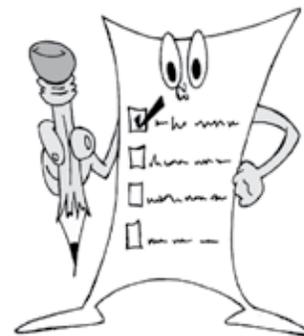
The per participant fee for the State of Vermont 457 Deferred Compensation Plan has been reduced by 30 percent. The deferred compensation program has been available since 1979 as a savings option for State employees, municipal employees and employees of participating school supervisory unions. The change is effective starting in the first quarter of 2016. The per participant fee will be lowered to 7 basis points, down from 10 basis points. The program is administered by EMPOWER Retirement. The Treasurer's office collects 12b-1 fees from EMPOWER, as well as a per participant fee that is a percentage of assets invested in the plan. These amounts are then used to pay administrative fees to EMPOWER.



For example, with 7 basis points, participants would pay \$7 in fees for every \$10,000 invested. The reduction is a part of the Treasurer's office ongoing work to implement cost saving measures wherever available. It was determined that fees could be reduced based upon future projections of fee collections and expenses. This is the third reduction in participant fees made since 2011. As of June 30, 2015, there were 6,908 participants in the savings program. Total assets in the plan were valued at \$401.73 million.

UNDERSTANDING THE 1099-R

The tax statement for retirees that is generated and distributed in January is called a 1099-R. If you receive a pension from the Vermont State Retirement System, you should receive a 1099-R form in the mail no later than January 31, 2016. If you have not received your form by this date, please contact us by calling (802) 828-2305 or toll free in Vermont only at 1-800-642-3191.



We have posted an article on our retirement web page that explains what each box on the form represents. Go to: www.VermontTreasurer.gov and click on the "Retirement" heading on the left side of the page. Once on the retirement page, look for "Make Sense of Your 1099-R Form."

Make Your Future a Good One with the Retirement Estimator

If the alternate 2015 of the *Back to the Future* film series were accurate, we'd be easing along on hover boards, navigating skyways in flying cars, and enjoying the luxuries of self-lacing sneakers and self-fitting jackets. In 1985, after making it back to the future from 1955, Marty joined Doc for a drive 30 years into the future. That future is now.

In that imagined 2015, we conduct business by fax and watch multiple channels of entertainment on the wall. In some ways, the real 2015 is far more advanced than the imagined one of the movies. You don't see any computers or online services in the movie — let alone the computers most of us carry around with us in the form of smartphones and tablets.

In the real 2015, you can do a far better job of predicting your own future. Just visit the Retirement Estimator. With the Retirement Estimator, you can plug in some basic information to get an instant, personalized estimate of your future benefits. Different choices in life can alter the course of your future, so try out different scenarios such as higher and lower future earnings amounts and various retirement dates to get a good prediction of how it can change your future benefit amounts.

As Doc said in the final moments of the film series, no one's future has been written yet. "Your future is what you make it. So make it a good one."

With the information you get from the Retirement Estimator, you'll have a better idea of what types of savings and pensions you may need, and at what age you should consider retiring — to make your future the best it can be.

You don't need a converted DeLorean or flux capacitor or even a team of creative filmmakers to predict your future. Just visit the Retirement Estimator and predict your own! And, when you're ready to put that future in motion, apply for benefits online.

This story is by Jim Borland, Assistant Deputy Commissioner, Communication, Social Security Administration.

How the Retirement Estimator Works

The retirement estimator gives estimates based on your actual Social Security earnings record. Please keep in mind that these are just estimates. Social Security can't provide your actual benefit amount until you apply for benefits. That amount may differ from the estimates for several reasons.

- **Your earnings may increase or decrease in the future.**
- **After you start receiving benefits, they will be adjusted for cost-of-living increases.**
- **Your estimated benefits are based on current law. The law governing benefit amounts may change because, by 2034, the payroll taxes collected will be enough to pay only about 79 cents for each dollar of scheduled benefits.**
- **Your benefit amount may be affected by military service, railroad employment or pensions earned through work on which you did not pay Social Security tax.**

The Social Security retirement estimator gives estimates based on your actual Social Security earning record.

To use the retirement estimator, go to:

www.socialsecurity.gov/retire/estimator.html

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(Wellness Continued pg. 1)

to incorporate movement into their schedules. She visits municipalities and trains employees on how to lead daily warm-up and stretching sessions at work. She provides all of the training materials. Joyce also holds one-to-one consultations. Acting as a personal health coach, Joyce will conduct a fitness evaluation, discuss nutrition, and make suggestions for adopting strength, flexibility, and cardiovascular activities.

Regardless of whether or not we live to the ripe old age of 100, a wellness program aims to help us get there in the best of physical and emotional health. For more information, contact Heidi Joyce via email at hjoyce@vlct.org or by calling (802) 262-1932.

Information about PACIF WorkStrong offerings is available on the league's web site. Go to www.vlct.org and click on the orange "Loss Control Services" button on the right side of the page.



Milton Public Works employees demonstrate a side stretch at a "Stretch Zone" that VLCT PACIF set up for the Vermont Municipal Highway Association's 2015 Field Day and Expo. Employees are (l to r) Dan Sweeney, Mark Bissonnette, Dustin Keelty, Keith Spaulding, Chris Lamphere, John Devlin and Larry Blow. (Photo courtesy of VLCT Ione Minot)

Take the FINRA Investor Knowledge Quiz!

FINRA, the Financial Industry Regulatory Authority, is an independent, not-for-profit organization with a public mission: to protect America's investors by making sure the securities industry operates fairly and honestly. FINRA writes and enforces rules governing the activities of nearly 4,400 brokerage firms; examines firms for rule compliance; fosters market transparency and educates investors. Having some basic knowledge of investment terms and products can help you make better decisions as you save for retirement. Take this quiz and test your knowledge!

(1) If you own a company's stock . . .

- A. You own part of the company B. You have loaned money to the company C. You are liable for the company debts

(2) If you buy a company's bonds . . .

- A. You own part of the company B. You have loaned money to the company C. You can vote on shareholder resolutions

(3) In general, investments that are riskier tend to provide higher returns over time than investments with less risk.

- A. True B. False

(4) Which best explains why many municipal bonds pay lower yield than other government bonds?

- A. They are lower risk B. There is a greater demand for muni bonds C. Muni bonds can be tax-free

(5) If a company files for bankruptcy, which of the following securities is most at risk of becoming virtually worthless?

- A. Company's preferred stock B. Company's common stock C. Company's bonds

Answers are upside down below. To receive the latest Investor Alerts and other investor news, go to www.FINRA.org.

1.A. Stocks are known as "equities" because each stock share represents a small percentage of ownership in the country. **2.B.** Bonds are loans that investors make to a corporate or government body in exchange for regular interest payments and the return of principal at a future date. **3.A.** Stock and bond markets tend to reward risk-taking over the long-term. However, high-risk investments such as small-company stocks can be very volatile. The less willing you are to risk your investment the more you should consider investments that provide regular returns with less volatility. **4.C.** Muni bonds are usually exempt from federal income tax. Even with lower yields than other gov't bonds, their after-tax rates of return are attractive to investors in higher tax brackets. **5.B.** Shareholders of common stock have the last claim on any assets & may receive nothing if secured & unsecured creditors' claims are not fully repaid.

Understanding Your Retirement Statement

Each year, actively employed members of the Vermont Municipal Employees' Retirement System are mailed a computer printed statement that estimates the actual benefits an individual would receive through VMERS in the event of death, disability or retirement. New VMERS members receive their first statement, as part of the annual mailing, after they have worked one complete fiscal year. Members who have earned retirement benefits from VMERS and one or both of the retirement systems for teachers and State employees are "mixed members." To receive a statement, those members must contact the retirement office directly and request a statement be prepared and sent to them. To contact the retirement office, call (802) 828-2305 or toll free in-state only at (800) 642-3191. Below is an example of the statement section mailed to members that details an individual's retirement benefits. Be sure and carefully check your *entire* 2015 State Retirement Statement to verify that the retirement office has accurate information on your account, such as date of membership, beneficiary and address.

The example below is for Group A and B members of VMERS. If you are a member of Group C or D, please consult our web site to better understand your retirement statement. Go to VermontTreasurer.gov/retirement.

RETIREMENT

NORMAL RETIREMENT FROM THE SYSTEM:
Your estimated pension starting on **Normal Retirement Date** and payable for life is **Normal Benefit** a month. Normal retirement is **Normal Clause**. Your actual pension will depend on when you choose to retire.

You have accrued **Accrued Percentage** % of average final compensation at retirement effective **Effective Date**.

EARLIER RETIREMENT:
The earliest date you could retire from the System is **Early Retirement Date**. Your estimated pension from the System would be **Early Benefit** a month for life starting on **Early Retirement Date**.

All the estimates above assume you continue as a municipal employee in Vermont at your current level of earnings until you retire.

IF YOU TERMINATED EMPLOYMENT as a Vermont municipal employee on **Effective Date**, you would be entitled to your choice of (1) a return of your accumulated contributions and interest of **Total Balance** or (2) an estimated pension of **Accrued Benefit** a month for life starting the first of the month following normal retirement age for your group.

Vesting Clause

FROM SOCIAL SECURITY:
You can obtain a free comprehensive Statement of Benefits that will include your estimated benefits under early and normal retirement by calling the Social Security Administration at 1-800-772-1213.

Normal Retirement Date & Normal Clause

Your normal retirement date is the date under the retirement plan in which there is no reduction in your pension benefit based on your age or service credit. For members of Group A, your normal retirement date is the date you turn age 65, with at least five years of creditable service, or as early as age 55 and the completion of 35 years of service. For Group B members, your normal retirement date is the date you turn 62, with at least five years of creditable service, or as early as age 55 and the completion of 30 years of creditable service.

Normal Benefit

It is the benefit under the plan that you are projected to have earned upon reaching your normal retirement date.

Accrued Percentage & Effective Date

You earn retirement service credit for the time that you are employed and are enrolled as an active member in the system. This credit is represented in your pension benefit calculation as a percentage. When calculating your retirement benefit, we determine your Average Final Compensation (AFC). The AFC for Group A is based on the highest five consecutive fiscal year earnings. For Group B members, AFC is the average of the three highest consecutive years of earnings. By law, the maximum pension benefit cannot exceed 60 percent of the AFC for each group. The accrued percentage in your annual retirement statement lets you know where you stand in relation to reaching the 60 percent threshold.

Early Retirement Date & Early Benefit

Your current annual retirement statement is based on the data we have as of June 30, 2015. Under the plan are provisions that allow members to retire before their normal retirement date, but at a reduced monthly benefit. Group A and B members may retire as early as age 55 if they have a minimum of five years of creditable service. A 6 percent reduction per year will be imposed for each year a person retires before reaching their normal retirement date. For example, Group A members with a normal retirement age of 65 and retiring early at age 59 would incur a 36 percent reduction in their monthly benefit. (6 years early X 6% = 36% reduction) Group B members with a normal retirement age of 62 and retiring early at age 59 would incur an 18 percent reduction in benefit. (3 years early X 6% = 18% reduction) Prior to retiring early, members are encouraged to get an up-to-date estimate to learn the actual financial impact on their monthly benefit.

Terminated Employment Options

A member is considered vested in the system after earning five years of creditable service. Vesting gives a member the right to keep all of their service credits and qualify for a monthly benefit upon reaching normal retirement age for their group. Vested members also may withdraw their contribution balance and interest instead of receiving a pension. This section of your annual statement tells you what your contribution balance is and what your pension benefit would be if you leave your contributions in the system. The vesting clause tells you whether or not you are currently vested in the system.

Wellness in Winter! Stay Healthy this Season



Want to stay healthy this winter? The Vermont Department of Health offers these recommendations to stay well in winter.

- Get vaccinated against the flu.
- Install a carbon monoxide detector in all sleeping areas.
- Make non-alcoholic beverages available at parties.
- Move more.
- Turn off the TV.
- Skip the buffets.
- Get your home tested for radon gas.
- Use an EPA-certified woodstove.
- Make sure wood is dry and seasoned.
- Wash your hands often.
- Stay home if you are sick!

“Staying healthy and keeping everyone around you healthy requires preparation, but the payoff is you can enjoy everything Vermont has to offer during the winter months,” said Dr. Harry Chen, Commissioner of the Vermont Department of Health. “A cup of tea in front of the fireplace after a long cross country ski — it doesn’t get any better than that.”

Actions that everyone can take to stay healthy and keep illness from spreading include covering your mouth and nose with a tissue or your sleeve every time you sneeze or cough, using a hand sanitizer if soap and water are not available, and keeping your hands away from your eyes, nose and mouth.

For more tips on how to stay prepared, safe and healthy this winter, visit: www.CDC.gov/features/winterweather.