

Retiring Times

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The Newsletter of the Vermont Municipal Employees' Retirement System

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".

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Message from Retirement Operations Director Cynthia L. 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

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Treasurer's Message (continued from page 1)

If you have a diversified investment strategy, and re-balance your portfolio when needed, you 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.

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Director of Retirement Operations:
Cynthia L. Webster
133 State Street
Montpelier
Vermont 05633-6901
828-2305 or 1-800-642-3191
(In-State)

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Editor: Joseph Bahr

New Tax Law Changes Rules on Purchasing Time

You have time that you could purchase, but you don't have the money. What can you do? The Economic Growth and Tax Relief Act of 2001 could help you.



for transferring funds from these accounts to the retirement system to purchase additional years of time. Many types of time can be purchased: military service, employment with another municipality in Vermont or any other state, employment with state government in Vermont or any other state, or employment as a teacher in a public school system.

Under the new law, you can now purchase retirement time with money from tax-sheltered vehicles, such as 401(k), 457, and IRA accounts. You pay no penalty or tax

If you have questions or would like to discuss transferring money from a tax-sheltered account to purchase retirement time, please call the Retirement Office at 828-2305 or 1-800-642-3191. (Toll-free number can only be used from a phone in Vermont.)

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. (If the individual was not an active member and contributing to his or her retirement fund at the time that they were called to active duty in the military, then they 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

Changing Careers? What About Your Pension Benefit?

So you just couldn't refuse that new job – more pay, better hours, or just a new direction in life. But as you head out the door on your last day of work for a municipality, don't forget about your pension. You still have rights to that retirement plan.

What are these rights? Basically, you still control the retirement plan and must make a decision on what to do with it.

If you are "vested" in the retirement plan because you have earned at least five years of service to-

wards retirement, then you have three options:

- First, you can collect an early retirement if you are 55 or older.
- Second, you could retain your account until normal retirement age and then collect a monthly pension. Normal retirement age is 65 for Group A, 62 for Group B, and 55 for Groups C and D.
- Third, you could take a refund of your accumulated contributions plus interest; this option, however, terminates all retirement benefits.

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Changing Careers (continued from page 3)

Unless you withdraw your accumulated funds, you should notify the retirement system of any change of address. The system will still have your retirement funds and must have your current address to provide you with information and choices on your retirement plan.

If you are not “vested” because you have not earned at least five years of service towards retirement, then you have two choices.

- You can temporarily leave the money in the system. If you temporarily leave the money in the retirement system, you have three years to either become a municipal employee with retirement credits again or to withdraw your retirement funds.
- Or you can immediately take a refund of your accumulated contributions.

So if you are changing your employment or reducing the hours of your employment, please contact the Retirement Office for more information on



these options at 802-828-2305 or 1-800-642-3191 (Toll free calls must be dialed from within Vermont.). A retirement counselor can help you select the best choice for your particular situation.

If you aren't changing your employment, then pass the word along to former colleagues who may benefit from this information.

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 Retirement System in perspective.

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

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