

In This Issue:

- **Steve Jeffrey Retires**
- **Legislature Approves Employee Rate Change**
- **Retirement Stories in the News**
- **Treasurer Pearce Discusses Retirement Security**

Retiring *TIMES*

Summer 2015



Vermont Municipal Employees' Retirement System



Social Security Turns 80!

Ida May Fuller of Ludlow, Vermont was the first person to ever receive a monthly benefit check on January 31, 1940.

VMERS LEADERSHIP

Long-time Board of Trustee Chair Steve Jeffrey Retires

When Steve Jeffrey started work at the Vermont League of Cities and Towns in 1978, the Vermont Municipal Employees' Retirement System was just three years old. As the 27-year-old new league manager grew in his experience and understanding of Vermont municipalities, so would VMERS grow. Jeffrey was to play a key role in shepherding the system into the 21st century.

"When I started at VLCT there was only one plan offered through VMERS. It took 13 years before you were vested. If you made it to the vesting period, you only received 1 percent times your salary for each year you worked for a member plan, a very small amount," recalled Jeffrey.

He began his 32-year tenure on the Board of Trustees in 1983, ready to "shake things up."

"I was skeptical about the benefit of having a traditional pension plan and thought employees needed more options. We worked hard on the board to grow VMERS beyond the original plan offering and, at the same time, keep the system financially sound for both employees and employers," said Jeffrey.

Looking at the system today, he has succeeded on both counts. The funding ratio for VMERS—the value of the pension plan assets to the system's projected liabilities—stands at 86.2

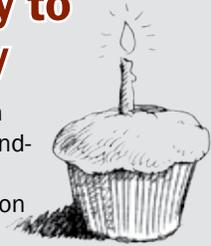
(continued pg. 2)



Steve Jeffrey, the Executive Director for the Vermont League of Cities & Towns, is retiring and stepping down from his seat on the VMERS Board of Trustees.

Happy Birthday to Social Security

Today, more than 40 million retired workers and their dependants receive Social Security benefits of more than \$50 billion a month. In Vermont, benefits were paid to 140,634 people in 2014. This number included 94,631 retired workers who were paid an average monthly benefit of \$1,333. Social Security was created in response to widespread poverty among the elderly, which had grown dramatically as a result of the Great Depression. The goal of the program was to provide a dignified source of retirement benefit for America's workers. How has the program evolved over the years? This timeline chronicles the milestones in the program.



Aug. 14, 1935

President Franklin D. Roosevelt signs the Social Security Act.

March 11, 1937

Ernest Ackerman receives the first one-time lump-sum Social Security benefit.

Aug. 10, 1939

A change in the law adds survivors benefits & benefits for spouses and children.

(continued pg. 6)

News from the Board of Trustees

Hawley Appointed to Board: The VMERS board has appointed Mel Hawley, the city manager of Vergennes, to fill a board of trustees opening created by the retirement of Steve Jeffrey. Hawley was born and raised in Vergennes and has served as that city's manager twice. He began his current tenure as city manager in 2008. He initially served as city manager from 1981 to 1998 and during that time also served as a VMERS trustee for more than 10 years. In between his work for the City of Vergennes, Hawley worked as facilities manager for 10 years at Country Home Products, a marketing and manufacturing company of DR Power. He has a Bachelor of Arts degree in mathematics from the University of Vermont. Hawley will serve the remainder of Jeffrey's four-year term, which will expire on June 30, 2018.

Amons Assumes Role as Chair: At their June trustee meeting, Peter Amons was appointed as Chair to the board. Amons is the Chief Financial Officer for the Rutland City Public Schools. He has served as a trustee since 2008.



Mel Hawley

(Jeffrey Retirement Continued pg. 1)

percent. In comparison, a Boston College analysis of 150 state and local pension plan funded ratios from 2001-2013, found that the average system funding ratio was 72 percent.

VMERS plan offerings have grown considerably since 1978.

There are now four group defined benefit plans offered through the system. Participating municipalities also have the option of offering a defined contribution plan to employees. Benefits have grown. Employees in the defined benefit plans are vested after five years of creditable service. Retirees are now eligible for cost-of-living-adjustments to their retirement benefit and an employer-sponsored health savings plan allows assets to accumulate in an account that may be used to pay for retiree medical expenses.

Jack Mitchell served with Jeffrey for 27 years as a trustee before he retired in 2008. He describes Jeffrey as level-headed and dedicated.

"I came from the labor side and Steve came

from the management side," said Mitchell. "Between the two of us, our goal was to look out for the members in the system and give them the best retirement we could. We shared that goal."

Jeffrey has chaired the board of trustees for the majority of his tenure. Those who served with him uniformly expressed appreciation for his leadership role.

"Under Steve's leadership, VMERS was always more than fully funded. He brought knowledge, experience and energy to his role as chairman of the board. He did a great job," said former Vermont Governor Jim Douglas, who served as State Treasurer from 1995-2003.

Jeffrey attributes the current strong status of VMERS to decades of cooperation between the VLCT, State Treasurer's Office, employee groups, the State Legislature and administration. He says continuing that cooperation in the future will be key to keeping the system healthy.

"The current low interest environment will pose a financial challenge to the system that will require groups to set aside individual agendas and consider first what is necessary to keep VMERS functioning as a system that will well serve employees, municipalities and Vermont as a whole in the future," Jeffrey said. "With 85 percent of the actual benefit payment comprised of interest earnings on the pension fund, a solution to bridging any funding shortfalls will require cooperation. VMERS funding is a shared responsibility between the employer and the employees."

And just because he is stepping down from the VLCT and the VMERS board of trustees doesn't mean he'll be leaving Vermont. Jeffrey and his wife are both retiring from their long-term careers

"Calvin Coolidge once said his conception of public duty was to face each problem as though his entire record in life was to be judged by how he handled it. Steve Jeffrey practiced this sentiment throughout his entire career. He exemplified professionalism and integrity in everything he did."

— State Treasurer Beth Pearce

"Steve is Mr. Municipality. He lives and breathes municipality. He is probably the most revered municipal worker in Vermont and VMERS is a large part of that. The fact that Steve ran the board for as long as he did and had the best interests in mind for employees and employers, was crucial to the success of the system."

— David Lewis, Trustee, 1998-2008

"He chaired the board in a way to solicit everyone's opinions and draw out all ideas. I am pleased to follow him along as chair. I know that I cannot match his knowledge and skills and I find that humorously annoying."

— Peter Amons, Board Chair, 2015

"Steve is a consummate professional who carefully balances the needs of plan participants with the needs of municipal employers in this state to help guide VMERS through difficult financial environments. I will miss his insightful thoughts."

— Tom Golonka, Trustee, 2010-present



The board and the Treasurer's office wish Jeffrey the best in his retirement and thank him for his many years of service.

and plan to make the most of their "free" time enjoying the state that has been their home for almost 40 years.

"When you're 27, retirement seems a long way off," said Jeffrey. "I appreciate everyone who supported me, challenged me and joined with me in building a system that should benefit employees and employers for many years to come."

Director's Corner

by Laurie Lanphear, Director of Retirement Operations

With the news that Social Security turned 80 years old this year, I was inspired to look into the history of VMERS. While just half that age, at 40 years old, VMERS has still experienced many notable changes. Here are just a few of the historic highlights.



- **July 1, 1975** – The Vermont Municipal Employees' Retirement System (VMERS) defined benefit plan was established to provide municipalities that did not have a formal and funded retirement plan an option to offer to their eligible employees. Municipalities could vote not to join, but historical records reflect the majority of eligible municipalities opted in. Since 1975, many of those municipalities who did not originally join, have since elected to participate. There were 902 employees who became charter members of the system.
- **July 1, 1987** – A group B plan, with higher benefits, was added. The original level of benefits was renamed the group A plan.
- **July 1, 1992** – The group C plan was established, primarily to address the need expressed by many municipalities to offer a higher benefit plan with an earlier retirement date to their police and fire employees. Within two years, it was necessary to revise the benefit levels of the group C plan to stabilize the contributions rates.
- **July 1, 2000** – The group D plan was established, with a benefit structure very similar to the benefits offered to Vermont state law enforcement personnel. The group D plan was restricted to sworn police officers, firefighters, fire officers and emergency medical personnel.
- **July 1, 2000** – A defined contribution plan was established that could be offered by the participating municipalities as an alternative to the defined benefit plans.
- **July 1, 2007** – A Retiree Health Savings (RHS) plan was created to assist vested members to pay for health care expenses in retirement.



Today, the VMERS continues to provide security and stability for thousands of municipal employees throughout their active and retirement years. As of June 30, 2014, the total active members in each group plan were: group A - 2,626; group B - 3,176; group C - 724 and group D - 138. The market value of the VMERS assets was \$534,525,477, funding the guaranteed monthly allowances to 2,359 retired members.

Legislature Approves New Employee Contribution Rates

Changes to employee contribution rates for retirement were made as part of Act 18, the miscellaneous pension changes bill. In the 2015 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 10 of Act 18 increases the employee contribution rates for three of the four VMERS plans in fiscal year 2016 as follows:

VMERS EMPLOYEE CONTRIBUTION RATES

DATE OF RATE CHANGE	GROUP A	GROUP B	GROUP C	GROUP D
RATES EFFECTIVE <small>(PRIOR TO JULY 1, 2015)</small>	2.5 percent	4.75 percent	9.75 percent	11.25 percent
JULY 1, 2015	2.5 percent	4.875 percent	9.875 percent	11.35 percent
JANUARY 1, 2016	2.5 percent	4.875 percent	10 percent	11.35 percent

Retirement Issues in the News!

Whether you are retired now or looking forward to stepping out of the work force in the future, the stories below were taken from recent news headlines to help you be better informed about topics related to your retirement investment.

Retirees Delay Claiming Social Security Benefits

May 12, 2015, CENTER FOR RETIREMENT RESEARCH — More people are claiming retired-worker benefits at a later age. This pattern is consistent with increased labor force participation at older ages and the rise in the average retirement age. With lower Social Security replacement rates, vanishing traditional pensions, and longer lifespans, many people will need to work longer to ensure a secure retirement. Working longer directly increases current income; it avoids the actuarial reduction in Social Security benefits; it allows people to contribute more to their 401(k) plans; and it shortens the period of retirement. For both women and men, claiming their Social Security benefit before they reach full retirement age has dropped, while claiming at or above the full retirement age has increased. The percentage of those waiting until their full retirement age, or the age at which they're entitled to full benefits, rose from 17.5 percent in 1996 to 28.1 percent in 2009 for both men and women. Workers claiming benefits at the age of 62 dropped from 56 percent in 1996 to 35.6 percent in 2013 for men and from 62.8 percent in 1996 to 39.5 percent in 2013 for women. Nevertheless, in 2013 more than a third of insured workers claimed Social Security benefits as soon as they became eligible. The question is whether this decision appropriately reflects the individual and family circumstances of these individuals.

EDITOR NOTE: Social Security notes that if a worker begins receiving benefits before his/her full retirement age, the worker will receive a reduced benefit. A worker may choose to retire as early as age 62, but doing so may result in a reduction of as much as 30 percent.

Fed Issues Report on Economic Well-Being

May 27, 2015, FEDERAL RESERVE SYSTEM — The Federal Reserve Board's latest survey of the financial and economic conditions of American households finds that individuals' optimism about future financial prospects has increased significantly. The 2014 Survey of Household Economics and Decisionmaking, provides new insights into American's economic

security. Sixty-five percent of adult respondents consider their families to be either "doing okay" or "living comfortably" financially, an increase of 3 percentage points from the 2013 survey. Looking forward, households are increasingly optimistic. Twenty-nine percent of survey respondents say they expect their income to be higher in the year following the survey, compared to 21 percent of 2013 respondents. The survey results also suggest that many individuals are not adequately prepared for retirement. Thirty-one percent of non-retirees have no retirement savings or pension, including nearly a quarter of those older than 45. Even among individuals who are saving, fewer than half of adults with self-directed retirement savings are mostly or very confident of their ability to make the right investment decisions when managing their retirement savings.

EDITOR NOTE: The State Treasurer's Office has an investment education page within the financial literacy section of the web site. Go to www.MoneyEd.Vermont.gov and click on the Investment Ed Resources link on the right. On that page is a link to a beginning guide to investing from the U.S. Securities & Exchange Commission.

Fine Tune Your Skills to Spot Investment Fraud

June 10, 2015, FINANCIAL INDUSTRY REGULATORY AUTHORITY — The FINRA Investor Foundation, in collaboration with Doorways to Dreams (D2D) Fund, has launched a new educational tool in the form of an interactive game to help investors spot the psychological persuasion tactics used by con artists. The game, available for play on desktop or by downloading the phone or tablet mobile application, is designed to help investors outsmart investment fraud criminals. According to the Financial Fraud Research Center, Americans lose up to \$50 billion per year to fraud. To play the game, go to:

<http://www.conemifyoucan.org>.



Great West Changes Name

As a part of the Vermont Municipal Employees' Retirement System, employees have the opportunity to save additional money for retirement through a tax-deferred 457 (b) plan. That plan is managed by Great-West Retirement Services. In January, 2015, Great-West was renamed Empower Retirement. The Empower name unites the retirement business of Great-West Financial, Putnam Investments, and Great West Financial Retirement Plan Services. The services that VMERS members receive through the 457 (b) plan will not change. Members may still access their account information by going to www.vermont457.com. Members using the URL www.gwrs.com, will be automatically redirected to the new URL www.empower-retirement.com/participant. While the phone response greeting will include a new Empower greeting, the numbers remain the same: toll free (800) 457-1028; Vermont direct line (802) 229-2391; and fax to (802) 229-2637.



RETIREMENT SECURITY

Support of the Retirement Fund is a Shared Responsibility

by Beth Pearce, Vermont State Treasurer



The State Treasurer's Office is dedicated to providing retirement security to the 48,000 retired and active members of the Vermont Retirement System. As Treasurer it is my goal to make sure that fees and costs are reasonable and that retiree contributions and taxpayer dollars are managed in a way that is both prudent and cost-effective. Most importantly, I am committed to ensuring that all members can retire with dignity and security.

As we look at trends nationally, Vermont is not alone in dealing with recent difficult economic realities or in confronting tough budgets. What makes Vermont special is that we come together to meet challenges and focus on innovative solutions rather than avoiding responsibility or kicking funding decisions down the road. By focusing on solutions that are inclusive and working through our partnerships with employee groups and other stakeholders, we can continue to get things done the right way in Vermont. That's the Vermont way of tackling tough issues.

As Treasurer, I am committed to a strategy of fiscal prudence with the aim of providing long-term retirement security and pension systems that are affordable to both taxpayers and our members. Retirees who are secure in retirement buy goods and services and support our local economy. In short, a strong and well-funded pension system is good for Vermont's economy and retirees.

I am committed to a strategy of fiscal prudence with the aim of providing long-term retirement security and pension systems that are affordable.

With investment earnings comprising approximately 70 percent of the retirement fund income, the importance of the State Legislature making the full actuarial appropriation is critical to ensuring the financial stability of the State employees' and teachers' systems. It was a challenging budget year. I want to thank the Governor and the State Legislature for funding the Actuarial Required Contribution (ARC) consistently since 2007.

As a State, we assume a shared responsibility to support our retirement system with Vermont's teachers, State employees, and municipal employees when they sign up to teach our kids, plow our roads, protect our streets, and fix our bridges. I have a duty as a fiduciary to be a steward of their retirement dollars. It is a privilege and honor to serve as Vermont's State Treasurer. I look forward to working with you to preserve retirement security and to continue to address the financial challenges that lie ahead. Thank you for your service to the State and your communities.

Retiree Update

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

2015	16	6	15	23	8	11	82					
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
2011	18	3	9	8	8	17	63	15	10	9	9	7
2010	12	3	4	7	9	12	52	19	11	13	5	10

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Summer 2015

Retirement Board of Trustees

Peter Amons, Chair, Employee Representative
Beth Pearce, Ex Officio Member, VT State Treasurer
David Rowlee, Employee Representative
Tom Golonka, Appointed Employer Representative
Mel Hawley, Employer Representative

Retirement Operations Director: **Laurie Lanphear**
 Newsletter Editor: **Lisa Helme**

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Social Security Turns 80 . . . Jan. 31, 1940

(Continued from pg. 1)

Ida May Fuller of Vermont receives the first monthly benefit check in the country from Social Security for \$22.54. During her lifetime, she collected \$22,888 in benefits.

Aug. 1, 1956

Monthly benefits for the permanently and totally disabled are available.

July 30, 1965

Medicare is signed into law, providing health insurance for the elderly.

Oct. 30, 1972

Supplemental Security Income (SSI) is established. The SSI payment is made on Jan. 1, 1974.

Oct. 1, 1988

Social Security implements its nationwide 800-number telephone service. By calling 1-800-772-1213, you can use their automated telephone services to get recorded information and conduct some business 24 hours a day.

May 1, 2012

my Social Security launches, making the Social Security statement available online. Go to www.ssa.gov/myaccount to create a secure online account to track your earnings, get an estimate of your future benefits and make changes.



This classic poster was distributed in 1936 during the initial issuance of Social Security numbers through U.S. post offices and with the help of labor unions. (Image courtesy SSA)

August 14, 2015

Social Security turns 80 years old! Today, an estimated 165 million workers are covered under Social Security.