

# Retiring Times

Volume 3 Number 1

Municipal Employees

February 2003

The Newsletter of the Vermont Municipal Employees' Retirement System

## Message from Board Chair Steve Jeffrey

We seem to have piqued the interest of a number of Vermont Municipal Employee Retirement System members with our last newsletter insert ("Employer Rates Unchanged for 2004"). In it we gave you the good news that the System remains funded above the level required to meet our current and future pension obligations and that employer and employee contributions rates would remain at their historically low levels at least through June of 2004. We also felt it necessary to give people fair warning that "if we see investments are not providing a safe future for our retirees' pensions, we may well find ourselves in a position to require raising the amount we must contribute beginning in July of 2005."

There are basically two types of pension plans – defined *benefit* and defined *contribution*. The defined benefit programs set the amount that retirees will actually receive when they retire (hence, the "benefit" is "defined"). The benefits VMERS members will receive are defined in state statute.

The defined contribution plan has the employee and (in most cases) the employer contributing a set amount of money each year of employment that, with investment earnings, will be available in a lump sum upon the employee's retirement (the contribution is "defined"). Each has its strengths and weaknesses. The strength of the defined benefit program is that retirees can count on a set amount of retirement income each month. In order to ensure that there is enough money available for those benefits means that the amount that employees and employers are obligated to contribute may go up or down, depending on how well the investments do. Investment income represents nearly 90% of the pensions paid out, so good returns are an essential component of a well-funded retirement plan.

The strength of the defined contribution system is that the amount you and your employer contribute is set, and you get to invest it according to your own needs and comfort level. If you do well on the stock market, you get a much larger retirement check. Remember the high flying 1990s and the run up in the stock market. However, if your investments do poorly, your retirement check may not support you sufficiently. Many employees across the nation who invested in defined contribution plans during the first two years of the millennium literally saw their life savings substantially reduced, altering their projected retirement dates and economic expectations.

VMERS offers both kinds of plans to municipal and eligible school staff. The overwhelming majority of us are in the defined benefit "alphabet soup" plans A, B, C or D. As the charts on page three show, we continue to exceed the funding levels necessary to provide for our pension obligations in these defined benefit plans. Excellent returns on our investments until 2000 allowed us to reduce rates for both employers and employees for the first time in the System's twenty-nine year history. For the past year, things have again been good with our investments exceeding our goals – the Treasurer's Office reports that VMERS added \$35.9 million to its portfolio in 2003. In between, returns were not so good, and those losses need to be offset.

Continued good returns will keep rates lower, but both employers and employees need to be continually aware that their contribution levels are the "safety valve" to guarantee pension payments. VMERS will keep you posted on the progress of the fund and alert you as early as possible to any changes we see on the horizon.

## PENSION TRUST FUNDS YEAR ENDED JUNE 30, 2003

### SOURCES OF FUNDS: Municipal Employees' Retirement Fund

Employee Contributions	\$ 5,000,479
Employer Contributions	\$ 5,707,184
Other Income	\$ 17,855,452*
Investment Income	\$ 2,630,247

### APPLICATION OF FUNDS: Municipal Employees' Retirement Fund

Retirement Benefits	\$ 4,929,747
Refunds	\$ 639,170
Administrative Expenses	\$ 118,038
Other Expenses	\$ 546,692
Addition to Net Assets Held in Trust for Pension Benefits	\$ 24,959,715
Total Value of Pension Fund	\$197,494,538

\* "Other Income" includes contributions for past service for two municipalities that joined the Vermont Municipal Employees' Retirement System this fiscal year.

#### Retirement Board of Trustees

Chair: Steve Jeffrey

Ex Officio Member:  
Jeb Spaulding, Vermont  
State Treasurer

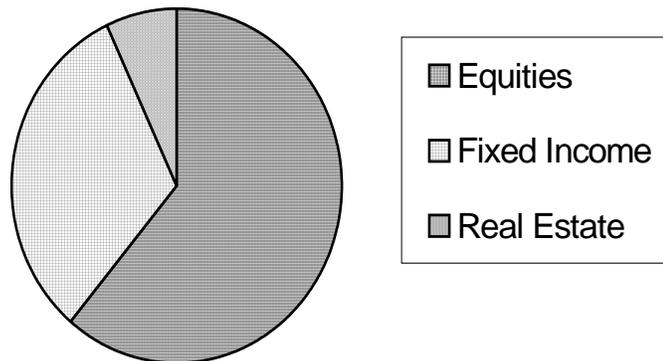
Governor's Delegate:  
Marie Duquette

Municipal Employees:  
W. John "Jack" Mitchell  
David Lewis

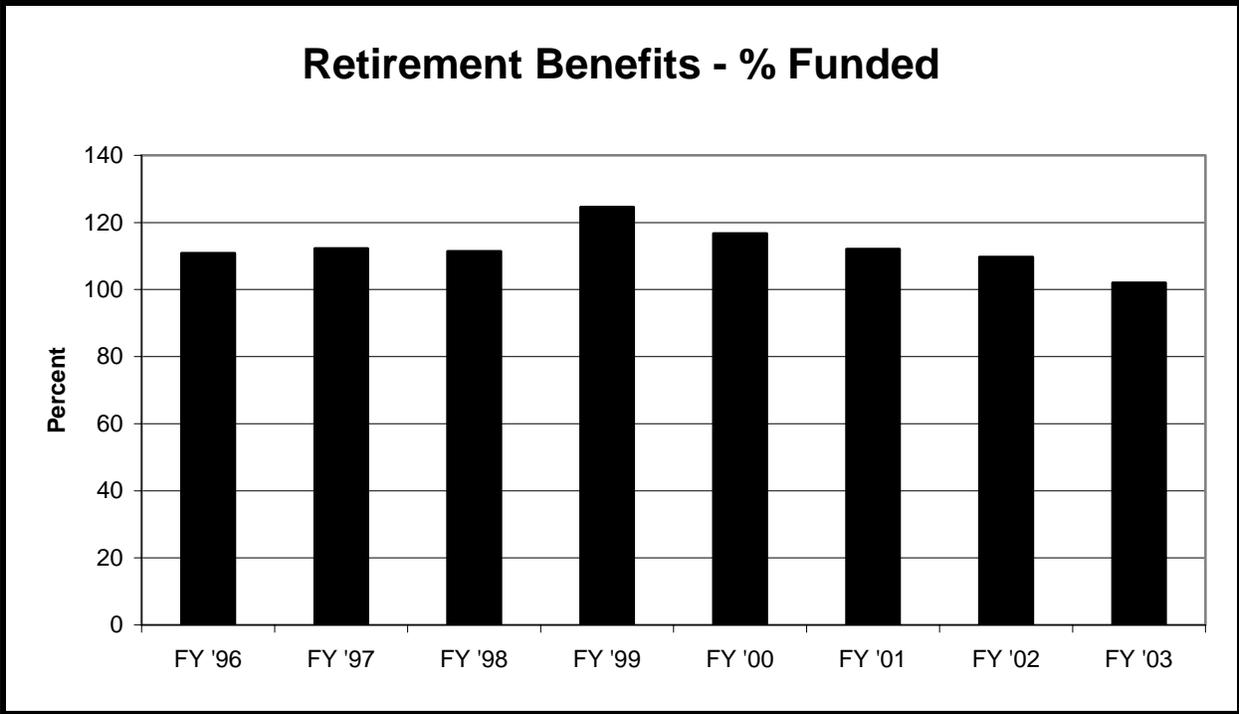
Director of Retirement  
Operations:  
Cynthia Webster  
133 State Street  
Montpelier  
Vermont 05633-6901  
Phone: 828-2305 or  
1-800-642-3191 (In-State)

Retiring Times is published quarterly by the Vermont Municipal Employees' Retirement System.  
Editor: Joseph Bahr

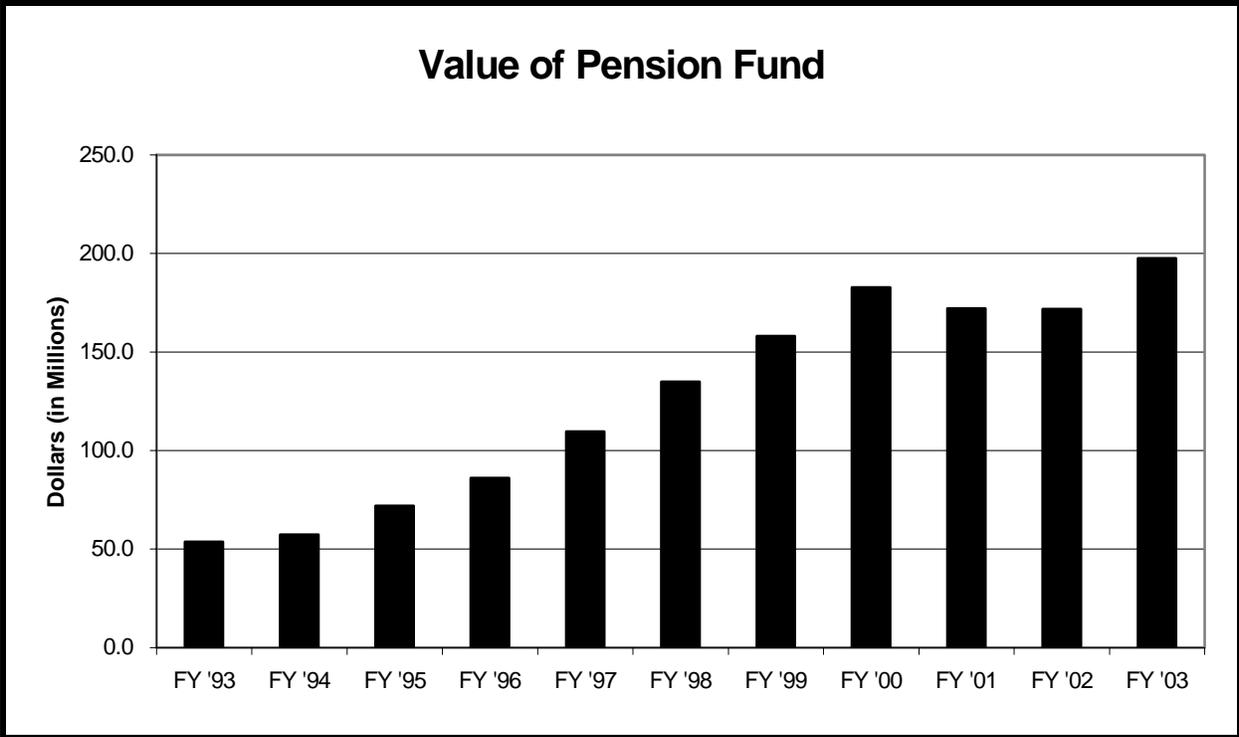
### Target Asset Allocation of Pension Funds



"Target Asset Allocation" refers to the policy guidelines that are developed by the Board. Actual asset allocation varies as the investment managers attempt to earn the highest return on the funds.



“Percent Funded” refers to the ability of the pension fund to cover all current and projected expenses. 100% Funded means that the pension fund will cover all expenses.



Investment managers for the pension fund are Delaware, Alliance, Lazard, Seix, and UBS.

## Official Notice      Municipal Trustee Election      Official Notice

Municipal employees elect three members to the Board of Trustees of their retirement system. The term of one elected member, Steve Jeffrey, ends on July 1, 2004. Steve holds one of two employee representative positions on the Board of Trustees.

All members of the Municipal Employees' Retirement System are eligible to vote in this election and are also eligible to run for the position.

The Board adopts procedures for the annual election. Those procedures state that any member who would like to be a candidate for the Trustee position must submit a nomination by May 7, 2004. A nomination must contain the signature of at least five municipal employees who are active members of the retirement system. Nominations should also include a brief biographical sketch that includes the individual's qualifications and describes why the candidate wishes to serve as a Trustee. This information will be contained on the ballot that is sent to members.

Trustees are responsible for the investment of the retirement funds and operation of the retirement system. They serve for a term of three years and may run for re-election at the end of their term. (Steve Jeffrey is running for re-election.) Trustees are expected to attend all meetings of the Board of Trustees, which usually include six to eight meetings each year.

If only one person is officially nominated for the position of Trustee, no election will be held. In this case, the Board of Trustees will simply appoint the sole nominee to the vacant Trustee position.

If you would like more information on nominations or election procedures, please contact the Municipal Employees' Retirement System at 802-828-2305 or 1-800-642-3191. (Toll-free calls must be made from within Vermont.)

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

PRSR STD  
U.S. Postage  
**PAID**  
Burlington, VT  
Permit No. 601