

Retiring Times

Volume 3 Number 1

State Employees

March 2004

The Newsletter of the Vermont State Employees' Retirement System

Message from Board Chair Warren Whitney

As the Chairman of the Vermont State Employees' Retirement System (VSERS) Board of Trustees, it is my pleasure to provide the following report to "the Stock holders"; that is, to you as the employees/owners of the system.

The VSERS Board oversees the Defined Benefit (IRC 401(a)) plan, per Vermont law. Generally, Defined Benefit plans guarantee a pension to long-term employees, based on a formula considering her/his salary and number of years worked. The State of Vermont, our employer, is responsible to maintain a retirement fund that is sufficient to provide these future pension payments.

The Board has quarterly investment meetings and monthly benefits-related meetings. The purpose of the investment meetings is to review the returns on pension fund investments, and take any prudent actions necessary to assure health of the System. A measure of the health of any system, including a retirement system, is the ability of the pension fund to cover all current and projected expenses. As of June 30, 2003, the actuarial funding ratio was 97.5%. (See the "Retirement Benefits—Percent Funded" graph on the following page for historical funding ratios.) In the public sector, 97.5% is a very stable and sound system, and we are working to keep it strong.

The Board has adopted prudent investment policies in an effort to assure a high rate of return and protect assets from unreasonable risk. One of those policies is our Target Asset Allocation, indicating a percentage

blend of investments in stocks (sometimes called Equities), Bonds (sometimes called Fixed Income) and Real Estate/Alternative Investments. (See the "Target Asset Allocation of Pension Funds" graph for an approximate breakdown of investment types.)

This past year has been a great year for the System. For the Fiscal year of July 2002 to June 2003, investment income added assets of over \$24 million to the fund. The calendar year of January 2003 to December 2003 was even better! The return on investment, in excess of benefits paid out, is over \$177 million.

The VSERS Board is also statutorily responsible for oversight of the Deferred Compensation (IRC 457) plan. FY 2003 was busy in the deferred compensation arena. We welcomed a new administrator/record keeper for our plan, Great West Retirement Services. We have increased personal services (person to person and group meetings) and improved technology through the 457 online website. The Board invites you all to visit the site, and explore the many options available, including on-line allocation changes and investment return tracking for your personal deferred compensation portfolio. You'll notice great brochures developed by a group comprised of Treasurer's office staff, VSERS Board, and Great West folks. The materials have received two national first place awards for marketing this year. We encourage you to take a look at these brochures, and know the materials will assist you in your Retirement planning for the future.

PENSION TRUST FUNDS YEAR ENDED JUNE 30, 2003

SOURCES OF FUNDS: Vermont State Retirement Fund

Employee Contributions	\$ 12,171,186
Employer Contributions	\$ 24,394,933
Other Income	\$ 813,168
Investment Income	\$ 40,435,216

APPLICATION OF FUNDS: Vermont State Retirement Fund

Retirement Benefits	\$ 41,614,187
Refunds	\$ 923,964
Administrative Expenses	\$ 970,394
Health/Life Insurance	\$ 9,917,398
Other Expenses	\$ 369,383

Addition to Net Assets Held in Trust for Pension Benefits	\$ 24,019,177
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Retirement Board of Trustees

Chair: Warren Whitney, VSEA

Members:

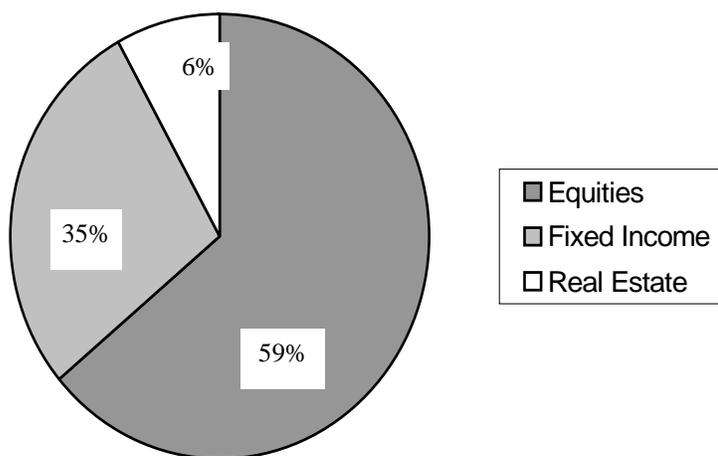
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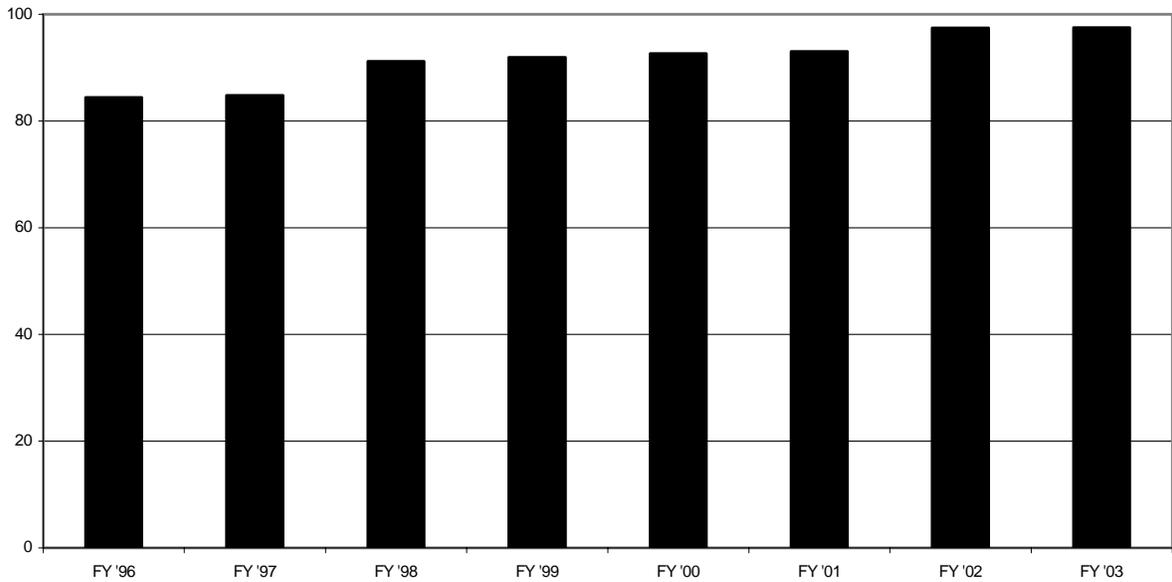
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Target Asset Allocation of Pension Funds



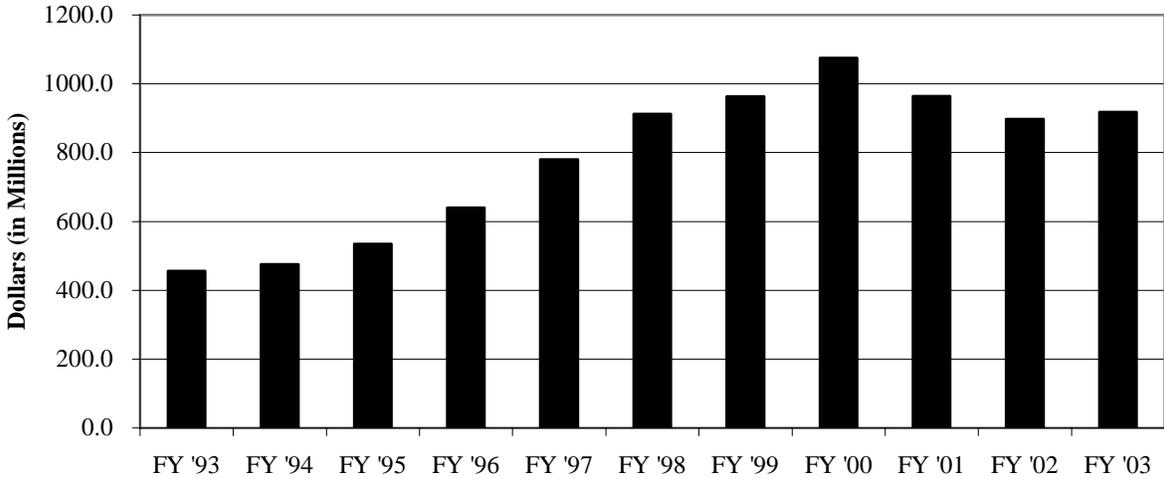
"Target Asset Allocation" refers to the policy guidelines that are developed by the Board. Actual asset allocation varies as the investment managers attempt to earn the highest return on the funds.

Retirement Benefits - Percent Funded



“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.

Value of Pension Fund



Investment managers for the pension fund are Alliance, Delaware, Baring, Rothschild, HLM, Loomis Sayles, UBS, Lazard, and Deutsche.

VRSEA Represents Retired State Employees

The Vermont Retired State Employees' Association (VRSEA) represents retired state employees at the legislature and on the Vermont State Employees' Retirement System Board. They advocate for improved pension benefits, increased life insurance payments, and broader health insurance coverage for retirees and their spouses.

If you are not already part of their 1,600-member organization, they would like you to contact them. Contacting them will not involve any cost to you other than the price of a single postage stamp.

You may contact Ms. Ruth Macy at PO Box 456, Barre, VT 05641 or Mr. Joseph Healy at 33 Terrace Street, Montpelier, VT 05602.

Deferred Compensation Money Transfer Note

Effective February 12, 2004, the State of Vermont 457 Deferred Compensation Plan will implement a 90-day fund transfer restriction for all three international funds: T. Rowe Price International Stock Fund, Templeton Developing Markets, and Templeton Foreign Fund. Any participant

who transfers money out of one of these Funds will not be able to transfer money back into the Fund for a period of 90 calendar days, regardless of where the money is invested. For further information, please contact your Great West Retirement Services representative at 1-800-457-1028.

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