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A recent study shows that although Social Security's "Full Retirement Age" has moved to 66, 65 remains a popular age to withdraw from the labor force.

Summer 2013

Retiring TIMES



Vermont State Teachers' Retirement System

PROMOTING COST SAVINGS

VSTRS Implements Employer Group Waiver Plan - No Change to Benefits

The Vermont State Teachers' Retirement System Board of Trustees has approved a recommendation to implement an Employer Group Waiver Plan (EGWP) for retirees on Medicare. The move is expected to save the state of Vermont up to \$2.5 million annually in Medicare retiree prescription drug costs. The state's unfunded liability related to long-term health costs also is estimated to be reduced by 19 percent or approximately \$160 million. This proposal was developed by the Treasurer's office, in partnership with the Vermont National Education Association and the Vermont Health Educational Initiative.

"This initiative is a great example of how partnerships can result in measures that save taxpayer money," said State Treasurer Beth Pearce. "This partnership allows the State's retiree program to save money on prescription costs, because Medicare

D will cover some of the expenses for retirees' prescription drug plan."

Under EGWP,

the state will contract with CVS/Caremark to provide prescription drug benefits that match the current plan for retirees and dependents enrolled in Medicare A and B. Medicare Part D coverage for prescription drugs is available to everyone with Medicare. EGWP is a program within Medicare D. Vermont's teacher retirement plan will transition to EGWP on January 1, 2014.

"As part of our fiduciary responsibility, we are always looking for ways to enhance services to our retirement system members," said Jon Harris, Chair of the Board of Trustee for VSTRS. "By implementing the waiver plan, we can financially bolster the retirement system and help ensure important benefits remain intact for retirees."

For more, see page 5 memo from NEA and VSBIT.

Benefits

A new law that spells out steps insurance companies must take to find people owed money when a policyholder dies was passed during the recently concluded Vermont legislative session. Work by the State Treasurer and legislators on the law has already helped return money to several thousand Vermonters.

Are You Entitled to Benefits From a Life Insurance Policy?

"It's amazing that there was that kind of money and I knew nothing about it," said Rodger Brassard, on receiving benefits from his mother's life insurance policy. The Burlington area man recently received more than \$5,000 from a policy his mother had originally taken out for less than \$500. Over time, interest payments helped grow the principal. However, Brassard didn't receive the

benefit until four years after his mother's death. He wonders how many others may be due benefits and are not aware of it.

"With today's advances in technology, insurance companies can and should be regularly checking their policyholder lists against death databases and contacting the survivors to whom this money is due," said State Treasurer Beth Pearce.

(continued pg. 3)

Retirement Issues in the News!

What impact does the Medicare eligibility age have on our decision to retire? What do you need to know about pension or settlement income streams and are such loans in your best interest? These are the topics of stories we have pulled from recent news headlines to help you be better informed regarding your retirement.

2013 Retirement Confidence Survey

March 19, 2013. EMPLOYEE BENEFIT RESEARCH INSTITUTE— More than half the people questioned in the 2013 Retirement Confidence Survey reported some level of confidence in their ability to afford a comfortable retirement--13 percent were very confident and 38 percent were somewhat confident. However, with 49 percent reporting they were not too confident or not at all confident, the national survey may indicate a growing awareness by participants of just how much they may need to save for retirement. The Retirement Confidence Survey (RCS) is now in its 23rd year and is the longest-running survey of its kind. Other reasons weighing on worker confidence may include more immediate financial concerns about job uncertainty and debt, as well as concerns about the cost of retirement. Nevertheless, worker savings remained modest, and less than half appeared to be taking the basic steps needed to prepare for retirement, according to the report. Among workers providing this information in the RCS, 57 percent reported less than \$25,000 in total household savings and investments--excluding the value of their primary homes and any defined benefit pension plans.



work longer. But the health insurance exchanges created by the Affordable Care Act are projected to significantly expand access and reduce the premiums for non-employer provided insurance--especially for older workers. If coverage in the exchanges is comparable to Medicare coverage, then workers may be freed to retire on their own terms, and not have to wait for Medicare eligibility.

Investor Alert Issued on Pension or Settlement Income

May 9, 2013. FINANCIAL INDUSTRY REGULATORY AUTHORITY— FINRA and the Securities and Exchange Commission has issued an alert to inform investors about the risks involved when selling their rights to an income stream or investing in someone else's income stream. Anyone receiving a monthly pension or regular distributions from a settlement following a personal injury lawsuit may be targeted by salespeople offering an immediate lump sum in exchange for the rights to some or all of the payments the person would otherwise receive in the future. Typically, the lump sum offered will be less--sometimes much less--than the total of the periodic payments the person would otherwise receive. Retired government employees and retired members of the military are among those being approached with such offers.

At first glance, selling future pension benefits might seem attractive to someone, especially if mortgage, medical or other expenses loom. However, there are several factors investors should consider. Transaction costs--including brokerage commissions, legal and notary fees, and administrative charges--can be high. Before selling away a future income stream, an investor should consider how to replace the cash flow the pension or structured settlement income provides, especially if a person depends on that income stream to pay monthly or other expenses.

Before investing, it is recommended to check to see whether the financial professional selling the product is registered with a state or federal regulator or with FINRA. Visit FINRA's online Broker Check at brokercheck.finra.org. In Vermont, the Department of Financial Regulation can assist in checking the validity of a broker or insurance agent. Go to www.dfr.vermont.gov or call (802) 828-3301.

Impact of Medicare Eligibility and Timing of Retirement

May 2013. CENTER FOR RETIREMENT RESEARCH AT BOSTON COLLEGE— Eligibility for Medicare at age 65 is widely viewed as an important factor in retirement decisions. Researchers are virtually unanimous that health insurance availability generally, and Medicare eligibility at age 65 specifically, influences workers' retirement decisions. A study by researchers of the Center for Retirement Research found that workers without retiree health insurance--those most affected by the availability of Medicare benefits--are especially likely to retire in the month they turn 65. Their increased propensity to retire when they become eligible for Medicare accounts for about 30 percent of the continuing spike in retirements at age 65, now that the Social Security Full Retirement Age has increased to age 66. Various experts advocate increasing the Medicare eligibility age to 67; if so, workers may opt to

Other Legislative News . . .

Besides the Unclaimed Life Insurance Benefits law, legislators passed a pension reform bill. Act 2, formerly H.41, allows judges to order that any public employee forfeit some or all of their pension if they are convicted of certain financial crimes related to their employment. The law applies to felonies like embezzlement, theft, bribery and other crimes that involve an abuse of public office for financial gain. Under the new law, judges may order that some or all of an employee's pension be forfeited. However, the judge must take into consideration the severity of the crime, the amount of money the State or town has lost, the degree of public trust placed in the individual, and whether innocent family members depend on the pension. The new law does not impact cases that are ready to prosecute or have already been prosecuted, nor does it apply to benefits earned by an employee prior to the enactment of the law. The law aims to protect taxpayers in the future when an employee is convicted of fraud or other financial crimes linked to their public office. The VSTRS Boards of Trustees voted to support enactment of this bill.



NEWS... FROM THE RETIREMENT DIVISION

WELCOME TO NEW STAFF MEMBERS

We are pleased to introduce you to three new staff members who have joined the Retirement Division team. Pictured at right are (l to r) Jennifer Burdick, Lesley Campbell and Diane Isabelle. Diane is a financial administrator and works on a wide range of accounting duties for the retirement system. Lesley's focus is on customer service. As a program technician she is one of our front-line staff members answering the phone and addressing questions from members. Jennifer is also a program technician. She works with employer reporting for the municipal and State retirement systems. If you have questions about your retirement plan, be sure and visit our web site at www.VermontTreasurer.gov and click on the heading "Retirement" located on the left side of the page.



RETIREMENT FORMS ARE AVAILABLE ONLINE

On our web site you can access basic forms to print, complete and mail to the Retirement Division office. Go to www.VermontTreasurer.gov and look under Retirement Services for FORMS. There you will find the designation of beneficiary form that you can use to name or change the beneficiary on your retirement account. Our office also requires that any changes to the mailing address for a retiree's pension check be made in writing. To assist you in doing this, you will also find under FORMS a change of address form and a direct deposit form.

(Unclaimed Life Insurance Continued pg. 1)

"I couldn't be more pleased that Vermont now has a law on the books that requires companies to make a good faith effort to contact beneficiaries and expedite payments, even before these funds reach the unclaimed property program in my office."

Pearce worked with Vermont's State Legislature to achieve passage of the law during the recently concluded session. The law requires life insurance companies to use various data bases to cross-reference against their lists of life insurance policies to determine if policy holders have passed away. In the event the beneficiary cannot be located, it requires that the monies be sent to the State Treasurer's Office unclaimed property fund so that efforts may be made to locate the beneficiary.

The Treasurer's Office receives other unclaimed property besides insurance proceeds. Check online at www.MissingMoney.Vermont.gov.

Brassard received his money as a result of a multi-state initiative that prompted audits within several national life insurance companies. Vermont was one of the states leading the initiative. Recently, the Treasurer's office received more than \$2.2 million in unclaimed property from life insurance audits. Overall, more than \$1 billion has been returned nationally to beneficiaries as a result of the reviews and another \$820 million has been sent to state unclaimed property programs.

"This is about consumer protection," said Pearce. "People buy life insurance policies to assist their family members. We want to make sure those funds get into the hands of the beneficiaries as quickly as possible."

While Vermonters may search online through unclaimed property for old insurance policy benefits, national estimates indicate there are potentially more policies that have not yet been surrendered. The Treasurer's office has created a special web page with guidelines to assist people in searching for old, forgotten policies. The page may be accessed by going to MissingMoney.Vermont.gov and clicking on the link "Life Insurance Policies."

Your QUESTIONS

Our staff answer hundreds of questions from system members each week. Below is one question we are asked frequently.

Q: How will our medical insurance be impacted by health care reform?

Our office receives many calls from retirees who are concerned about how their medical coverage may be impacted by health care reform. Vermont has enacted a statute designed to create a universal, comprehensive health system by 2017 — sometimes called "single payer." This means that medical plans provided by the retirement systems will not be impacted at all until 2017.

We will keep you apprised as the planning develops for the new system to make sure you understand how it will impact you. In the meantime, Vermont is implementing the federal reforms under the Affordable Care Act. You may also have



seen advertising regarding the new Vermont Health Connect. This online insurance marketplace will allow individuals, families and small businesses in Vermont to compare health plans and select one that fits their needs and budget. Active and retired system members who already are enrolled in medical plans through the State of Vermont or retirement systems **do not** have to make any changes to their medical coverage. Vermont Health Connect is for Vermonters who: (1) do not have health insurance; (2) who currently purchase insurance for themselves; (3) who have Medicaid or Dr. Dynasaur; (4) who are on Cata-mount or the Vermont Health Access Program; (5) who are offered "unaffordable" coverage by their employers; and (6) are small businesses in Vermont with 50 or fewer employees that provide coverage for their employees.

Partnerships

Working Together Brings Timely Solutions

by Beth Pearce, Vermont State Treasurer

I am pleased with the progress we've made in 2013. The legislative changes detailed in this edition of Retiring Times speak to what can be accomplished when we work together for solutions. To highlight this, I'd like to share the story of one Vermonter who benefited from our hard work on unclaimed property.

As a member of the National Association of Unclaimed Property Administrators (NAUPA), I learned that millions of dollars of life insurance benefits were going unclaimed. Many beneficiaries were not aware that they were missing out on this property. Something had to be done. The Vermont Treasurer's office joined with several other states to initiate audits of life insurance companies, holding them to a higher standard of accountability.

As Senior Vice President, and more recently President of NAUPA, I advocated for greater engagement on this matter. I testified before the National Council of Insurance Legislators to develop model legislation for use in the states. Thanks to the willingness of the Governor and state legislators, our effort at the national level was implemented in Vermont. We worked together for solutions, creating a law to make sure life insurance companies notify individuals if they have unclaimed policies. For Vermonters like Wayne Prevost, it was well worth the effort.

Prevost, an 89 year old WWII veteran who has lived in Vermont for more than 68 years, was unaware that his sister had listed him as a beneficiary on her life insurance policy. Vermont's audit effort allowed the State of Vermont to identify his sister's bequeathment and take action to return it to its rightful owner. As a result, Wayne was reunited with more than \$7,000 of unclaimed property. As he put it, the money was a major windfall because "it's something

to fall back on" in retirement.

The results of working together for solutions are not limited to consumer protection reforms. The Treasurer's office is dedicated to giving Vermonters the tools to make smart money decisions. Likewise, we work as a team to preserve and improve your retirement security. Whether strengthening our consumer protection laws, achieving greater cost savings in retiree prescription drug plans, or providing accountability when fraud is committed, we're making progress through partnership.

When we work together, we are better able to identify need and find creative solutions to address it with action. It worked for Wayne, and we're dedicated to making the Treasurer's office work for you.



We work as a team to preserve and improve your retirement security. We're making progress through partnerships.

Recent Retiree Update

	2013	2012	2011	2010	2009
JANUARY	12	13	8	14	24
FEBRUARY	16	12	5	15	14
MARCH	6	6	11	6	6
APRIL	8	9	10	10	4
MAY	10	2	11	7	8
JUNE	10	4	6	18	7
JULY		405	409	437	247
AUGUST		28	13	22	16
SEPTEMBER		12	10	17	18
OCTOBER		13	7	12	11
NOVEMBER		13	10	12	6
DECEMBER		14	2	9	8

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VEHI & VSTRS Announce New Partnership with Medicare D Program

Same Comprehensive Drug Coverage, Plus Big Savings for Retirement System

For the last 15 years, the Vermont Education Health Initiative (VEHI), in partnership with the Vermont State Teachers' Retirement System (VSTRS), has provided teacher retirees and their dependents with Blue Cross Blue Shield of Vermont (BCBSVT) health benefit plans. That includes "wrap-around" or supplemental coverage when retirees reach Medicare eligibility.

This means teacher retirees in VSTRS have two comprehensive systems of health insurance when they turn 65: (1) Medicare and (2) VEHI/BCBSVT supplemental coverage (e.g., the JY Carveout and the \$300 Comprehensive Carveout Plans). VSTRS also offers a third, non-VEHI option for Medicare-eligible retirees called "Medicomp C/Vermont Blue 65."

Important: If you are a retired teacher but not yet Medicare eligible...or are a teacher retiree in the MediComp C/Vermont Blue 65 Plan, the information in this article does NOT apply to you. The Medicare D drug coverage purchased privately by retirees in Medi-comp C/Vermont Blue 65 will NOT be affected by the plan transition discussed below.

On January 1, 2014, VEHI and VSTRS, in partnership with BCBSVT, will begin offering pharmacy benefits defined by the federal government's Medicare Part D Pharmacy Program to Medicare-eligible teacher retirees. This federally regulated program, for Medicare recipients only, is referred to as an Employer/Union-Only Group Waiver Plan (EGWP). For Medicare-eligible teacher retirees in VSTRS, this new prescription plan will be called "Blue Medicare Rx". Why are VEHI and VSTRS partnering with BCBSVT to offer a Medicare Part D Plan? Because this will allow VEHI to offer Medicare-eligible teacher retirees comprehensive medication coverage, AND save VSTRS millions of dollars each year. Between now and January, we will provide more information about the transition to Blue Medicare Rx. For now, here is a basic introduction to the benefits of the program.

(1) Will "Blue Medicare Rx" work for Medicare-eligible retirees like the current drug benefit does?

Yes. With Blue Medicare RX, your doctor will issue a prescription, your local pharmacy will fill it, and if you have a drug co-payment, you'll pay it. Just like now. And VEHI, BCBSVT, and VSTRS will take care of all the administrative and financial requirements of your pharmacy plan. Just like now. Rest assured that VEHI, VSTRS and BCBSVT are working together to ensure minimal disruption as a result of this transition. If there are any impacts, we will communicate directly with you or your physician to ensure you have the medications you need.

(2) Will the medications offered now by VEHI be the same as those offered by Blue Medicare Rx?

Yes. Bear in mind, though, that there will still be a clinical review process under Blue Medicare Rx, just as there is today, for certain classes of drugs (they are listed in your VEHI Benefit Booklet). This is to ensure, like the system we have today, that you are getting the most effective drug treatment at the most affordable cost. VEHI and BCBSVT are committed to making sure the Blue Medicare Rx clinical review process works as well for you in the future as the current process does.

(3) Will I have to shop for a Medicare D plan now?

No. You will still be a VEHI member with VEHI/BCBSVT insurance coverage purchased by VSTRS, and you will get all your health and pharmacy benefits through your VEHI plan. You will never have to shop for a drug plan, UNLESS you decide to drop your VEHI plan and get drug coverage from another source, or if you move to VSTRS's MediComp C/Vermont Blue 65 Plan.

(4) How can this program save the Vermont Teachers' Retirement System so much money and offer the same medications to Medicare recipients?

Substantial price discounts mandated by the Affordable Care Act (also known as "ObamaCare") for the Medicare Part D program make it possible to offer the same medications to Medicare-eligible retirees but at a much lower cost to VSTRS. And if VSTRS saves money each year, your health care costs will be lower over the long term.

(5) Will my drug co-pays be the same?

Yes. You will pay the same drug co-pays as every other member of VEHI (\$5, \$20 or \$45 starting July 1, 2013, depending on the drugs prescribed.)

(6) Will I be subject to the "donut hole" costs in Medicare D?

No. That's because VEHI's coverage will "wrap around" the Medicare D program...just like it "wraps around" Medicare's health benefits now. VEHI's wrap coverage will "close" the donut hole for you.

(7) Will my premium contributions to VSTRS be paid for in the same way?

Yes. They will continue to be deducted by VSTRS from your pension checks.

(8) If I have questions or encounter problems with my drug (or medical) coverage in the future, can I still contact VSTRS or VEHI for help?

Yes. VSTRS and VEHI will still be managing your insurance coverage. You can always contact us and we will assist you with any concerns. More information about Blue Medicare Rx is coming. VEHI and VSTRS will be sending and publishing more information about Blue Medicare Rx—your Medicare Part D program offered in partnership by VEHI, VSTRS and BCBSVT—in the months to come.

If you have questions or concerns in the meantime, contact Mark Hage, Director of Benefit Programs at VT-NEA, at 802-223-6375, ex. 2420. Thank you.

Vermont State Teachers' Retirement System

Office of the State Treasurer
109 State Street, 4th Floor
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Why is it important to schedule an appointment with a retirement counselor prior to retirement and what is discussed during the appointment?

Director's Corner

by Laurie Lanphear, Director of Retirement Operations

Statistics reflect that far too many people spend more time planning their next vacation than planning for what might represent a third of their lifetime – their retirement years. With members retiring in their late fifties and early sixties, it is entirely possible to spend more than 20 years in retirement. It is critical that everyone start planning for those golden, rewarding years as early as possible. To successfully plan for the optimum time to retire and to ensure you will have adequate income, you must understand all of your options and the financial impact of each. Moreover, at the actual time of retirement, there are a number of decisions you must make, some of which cannot be changed after retirement commences.



The Retirement Division sends Annual Benefit Statements to all active members each year. This tool is designed to assist members throughout their active years to keep track of the growth of their future retirement benefit. As you get closer to retirement, you will need to fine-tune the details based on your anticipated retirement date. If you're in your last year of employment, I highly recommend you contact our office for an estimate of benefits under all of the options available. At the same time, you should schedule a one-hour appointment with one of the retirement counselors. Make a date when your spouse or significant other can come with you so you can both understand how the decisions you will be making will impact you. The retirement counselor will go over your retirement options, the amount you will be eligible to receive under each option and the consequence of each option to your chosen beneficiary. Dental insurance, health insurance, life insurance (if available), electronic banking, tax withholdings and future cost-of-living adjustments will be discussed. Employment after retirement, and how it might impact receipt of your retirement benefits, will be covered. If you're looking to purchase service to add to your retirement allowance, the retirement counselor also will discuss the cost and value of making the purchase and assist you with the appropriate paperwork.

If you are considering retiring within the next year, I encourage you to schedule an appointment to come to Montpelier. You can reach us by calling (802) 828-2305 or toll-free in Vermont at 1(800) 642-3191.