

In This Issue:

- **Make a Grocery Game Plan**
- **COLA Increase Announced**
- **Treasurer Pearce Comments on Local Investments**
- **Understanding Your 1099-R Form**



Managing food costs!

Food costs can be challenging to manage at any stage in our lives. See our feature on page six for creating a grocery game plan.



RETIREMENT IN THE NEWS

Check Out These Stories Related to Aging and Retirement!

There's a **positive** trend in retirement plan participation nationwide. The percentage of workers who participate in an employment-based retirement plan increased in 2013 for the first time since 2010--both among all workers and private-sector workers, according to a recent report from the Employee Benefit Research Institute. Specifically, the percentage of all workers participating in an employment-based retirement plan increased to 40.8 percent in 2013, up from 39.7 percent in 2010. The number of workers participating rose to 64.2 million in 2013, the highest number since 2007. This report from EBRI, a private, nonpartisan, nonprofit research institute, is just one story related to retirement and aging we thought would be of interest to *Retiring Times* readers. In this edition, we've summarized a few headline-grabbing stories to get you thinking about your retirement.



Trustee Board Seeks Alternate Member

The VSTRS Board of Trustees is seeking an active member to serve a 4-year term on the board as the Active Alternate Member Representative. A Trustee serves as a fiduciary of the system and is responsible for governance of its operations. The alternate representative will serve as a voting trustee in the absence of the Active Member Representative. If

interested, send a letter to the board with your qualifications and explain why you wish to serve. Address letters to: VT State Treasurer's Office, Retirement Division, VSTRS Executive Secretary of the Board, 109 State Street, Montpelier, Vermont 05609. Alternates are expected to attend all board business meetings. In-house meetings are typically held quarterly and conference calls are held monthly during the interim months.

For more information, contact the teachers' retirement system at 1 (800) 642-3191 (within Vermont only) or (802) 828-1266.

Are Generation Xers Less Prepared for Retirement?

August 14, 2014. EMPLOYEE BENEFIT RESEARCH INSTITUTE— Are Gen Xers in worse shape than the Baby Boom generation when it comes to having enough money for retirement? Not if you take into account future contributions and the current trends in automatic plan design features, according to the Employee Benefit Research Institute (EBRI).

A new report by EBRI notes that projections by some other organizations have alleged that Generation Xers (those born between 1965-1974) will have a smaller likelihood of generating adequate retirement income than their older Baby Boom cohort (those born between 1948-1964).

"Unfortunately, these studies appear to be plagued by either explicitly ignoring future contributions to 401(k) plans or the recent auto-enrollment changes now found in many 401(k)-type plans," said Jack VanDerhei, EBRI research director and author of the report. "Calculating

Ignoring decades of potential future contributions exaggerates the percentage of workers simulated to run short of money.

(continued pg. 2)

(Retirement in the News Continued pg. 1)

retirement income adequacy is very complex and it's important to use reasonable assumptions and current data if you want credible results."

The EBRI report notes that significant plan design changes accelerated by the Pension Protection Act of 2006 has led many 401(k) sponsors to adopt automatic enrollment features to their retirement plan (including auto-escalation of contributions). Auto-enrollment has been found to have a significant positive impact on retirement readiness, especially for lower-income workers. By comparison, EBRI's Retirement Security Projection Model® (RSPM) incorporates the crucial factor of future worker contributions to defined contribution retirement plans--as well as the impact of auto-enrollment and auto-escalation in 401(k) plans. One of the major findings in each of the annual EBRI RSPM studies since 2010 is that the overall retirement income adequacy prospects for Gen Xers is approximately the same as Early Boomers and Late Boomers.

Read more: www.ebri.org/pdf/PR1092.GenX.14Aug14.pdf

How Much Should People Save for Retirement?

July 2014. CENTER FOR RETIREMENT RESEARCH AT BOSTON COLLEGE. The National Retirement Risk Index (NRRRI) shows that half of today's working families are "at risk" of not being able to maintain their standard of living once they retire. This result is not surprising given that half of private sector workers do not have an employer-sponsored retirement plan and that many who do have a plan save relatively little. The question is how much households would have to save in order to maintain their pre-retirement living standards.

The NRRRI model suggests a targeted income replacement rate for all income levels of 73 percent.

NRRRI Target Replacement Rates	
Income Group	Target Replacement Rate
All	73 percent
Low income	80 percent
Middle income	71 percent
High income	67 percent

(Source: Authors' calculations.)

The replacement percentage rate varies by household income, since Social Security's progressive benefits replace a higher portion of pre-retirement income for lower-income households than for those with higher incomes. For example, the middle income household will require 71 percent of pre-retirement income to maintain pre-retirement living standards. This amount breaks down as follows: 41 percent of pre-retirement income from Social Security, 4 percent from a reverse mortgage, and 6 percent from imputed rent, which means that the rest – 21 percent – needs to come from retirement savings plans. In the case of housing, the projections calculate two distinct sources of income: the rental value that homeowners receive from living in their home rent free – "imputed rent" – and the amount of equity they could borrow from their housing wealth through a

(continued pg. 4)

Vermont Taxes RESOURCES ONLINE!

As we head into the 2015 tax season, the Vermont Department of Taxes can help you get ready with helpful resources on their website at www.tax.vermont.gov. The department has issued more than 30 fact sheets on a variety of tax topics on their "Publications" web page. Here are just a few topics you might find helpful.



- **Have you heard of Vermont Use Tax? If you make purchases on the internet or in a state that does not collect sales tax, chances are you owe use tax in Vermont. The fact sheet "Vermont Use Tax for Individuals" explains what it is and the circumstances requiring you to file use tax.**
- **If you plan on filing for a Property Tax Adjustment or Renter Rebate, you may be looking for help to figure the right amount of household income, essential for determining eligibility for both programs. Look for the fact sheet "Vermont Schedule HI-144: How to Determine Household Income."**
- **Vermont offers a property tax exemption that is a minimum of \$10,000 for qualified disabled military veterans. To learn more details, read the fact sheet "Veterans and Property Taxes: What You Should Know."**

Be sure to obtain your tax forms early for timely filing. The "Vermont 2014 Income Tax Return Booklet" and tax forms are available on the department's web site at www.tax.vermont.gov. If you prefer, you may order paper forms by calling 1-855-297-5600 or emailing taxforms@state.vt.us. Please provide your name, mailing address, form name or number, and daytime phone number. Allow about 7 to 10 business days to receive forms.

Who is the average active and retired VSTRS member?



ACTIVE MEMBERS: 9,952
RETIRED MEMBERS: 8,086

AVERAGE AGE OF ACTIVE: 46
AVERAGE AGE AT RETIREMENT: 62

AVERAGE YEARS OF SERVICE CREDIT
ACTIVE: 13.15

AVERAGE ANNUAL EARNINGS
ACTIVE: \$56,981
AVERAGE ANNUAL PENSION
RETIRED: \$18,230

Make Sense of Your 1099-R Form

The tax statement for retirees that is generated and distributed in January is called a 1099-R. Every year, our office receives numerous questions regarding how to read the tax statement. This article is intended to assist retirees by explaining what each box on the 1099-R represents. The descriptions below only identify those boxes on the form that are used by the Vermont State Retirement System for reporting your pension to the IRS.



BOX 1 Displays the gross amount of the pension you have received during calendar year 2014, before any deductions have been withheld.

BOX 2a Displays the taxable amount of the pension you have received during calendar year 2014. In some cases, boxes 1 and 2a reflect the same amount. If the amount in box 2a is smaller than the amount in box 1, it means that you made contributions into the retirement system while actively employed that you paid taxes on, and therefore, those same already-taxed contributions will not be taxed again in retirement.

BOX 4 Displays the total amount that has been withheld for federal taxes, based on your filing status, during calendar year 2014. If the amount in box 4 is blank, then you have either elected not to withhold federal taxes, or your filing status results in a -0- withholding.

BOX 5 Displays the portion of the total pension reflected in box 1 that is not taxable. If box 5 is blank, it means that your pension is fully taxable. NOTE – this box can be confusing as it appears to indicate that insurance premiums should be displayed here. Our system does not use this box for insurance premiums, nor is it a deduction of any kind.

BOX 7 Displays the IRS code for a pension distribution.

BOX 12 Displays the total amount that has been withheld for Vermont State taxes, based on your filing status, during calendar year 2014. If the amount in box 12 is blank, then you have either elected not to withhold Vermont taxes, or

your filing status results in a -0- withholding.

BOX 13 Displays the state to which the withholding was paid and the payer's federal identification number.

ACCOUNT NUMBER Displays your unique retirement system retirement number.

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Local Investment

Treasurer's Office Works to Support Vermont's Economy

by Beth Pearce, Vermont State Treasurer



Supporting economic development in Vermont through local investments is an essential part of our future plans in growing Vermont's economy and in building communities that are sustainable and livable. The State Treasurer's Office has the opportunity to invest locally through several avenues. As I've previously discussed, keeping our public pension plans fiscally healthy and providing secure retirement income to Vermont State employees, teachers and municipal employees is a local investment that benefits the overall economy.

The National Institute on Retirement Security recently updated their annual calculations on the economic impact of retiree spending of pension benefit income. Public pension benefit payments paid to Vermont residents in fiscal year 2011-2012 had a total economic impact of \$427.7 million. The ripple effect of retiree pension benefit income supported 3,131 jobs that paid \$126.6 million in total compensation to Vermont's workers. It also supported \$69.7 million in annual federal, state, and local tax revenue. As our 2015 Vermont legislative session convenes, I remain committed to supporting policies and approaches that will further secure our pension fund and encourage local investment.

Whether its pension income or capital financing, support for local investment is essential to growing Vermont's economy.

Another approach I have taken to supporting local investment is as the Chair of the Local Investment Advisory Committee. The committee's general goal is to increase economic development activity in Vermont and create jobs by committing up to 10 percent of the Treasurer's office average available cash in local investments. These are funds that may be committed at the discretion of my office. Investment commitments to date total \$25 million. Our first public hearing to solicit input in the areas of capital needs and potential investments was held in August. Of particular focus was how best to allocate an additional lending capacity of up to \$10 million, as suggested in Act 199 of 2014. We have now held a number of public hearings to gain new insight on some of the barriers to capital financing in your communities relating to renewable energy, affordable housing, infrastructure, water/wastewater systems, economic development, transportation, and the financing of student higher education.

The committee will submit its findings to the State Legislature in January with the objective of identifying investment opportunities for the Treasurer's office, as well as making recommendations to reduce financial, transactional and regulatory barriers to the flow of resources. We plan to review existing programs, identify barriers and potential new resources. I want to thank everyone who has contributed to this effort. Together, we can all support efforts to keep Vermont's economy vital and stable for all of us to enjoy – both now and in our retirement years.

(Retirement Continued pg. 2)

reverse mortgage. The takeaway here is that a quarter of retirement income must come from retirement savings plans for low-income households, one third for the middle income and half for the high income.

How much will households need to save over their work-lives to generate the required amount of saved retirement income? Again, nothing is simple. Saving can be measured in any number of ways, given the pattern of income and consumption in the target model. The concept reported here measures net saving – positive saving less amounts required to pay off debts – divided by income from the age at which debt is repaid to age 65. The required annual savings rate produced by these calculations is: 11 percent for low income; 15 percent for the middle income household; and 16 percent for high income.

Read more: <http://crr.bc.edu/briefs/how-much-should-people-save>

Editor Note: The State Treasurer's Office offers a free workshop that teaches participants how to determine their own personal savings retirement rate. The name of the workshop is Keeping the Gold in Your Golden Years. If you would like to register for a future class, email your name, phone number, and town of residence to lisa.helme@state.vt.us.

TOP 3 REASONS

WHY YOU SHOULD SAVE THROUGH THE 457(b) PLAN:

- 1. EASE OF CONTRIBUTING.** Contributions are automatically deducted from your paycheck & invested in your retirement savings account.
- 2. TAX DEFERRED INVESTING!** Reduce your taxable income now.
- 3. STRONG INVESTMENT LINEUP.** There's a wide range of diversified offerings. Those include a new fossil-fuel-free mutual fund and three more Socially Responsible Investment funds.

THE 457(b) PLAN IS A SUPPLEMENTAL RETIREMENT SAVINGS OPTION WHERE YOU CAN SAVE MORE MONEY FOR RETIREMENT.

Great-West Retirement Services manages the State's plan. There is also a 403(b) plan offered by Great-West through participating school supervisory unions. Call 1 (802) 229-2391 for an appointment.

More info at www.vermont457.com.

COLA INCREASES EFFECTIVE JAN. 1

Based on the Northeast Region Consumer Price Index for all urban consumers as of June 30, 2014, the cost-of-living adjustment (COLA) that will be applied to pension payments on January 1, 2015 are as follows: group A, 1.9 percent increase; groups B and C, 1 percent increase. In order to qualify for a COLA, you must have received at least 12 pension checks prior to January 1. Group C members who retired under an early retirement also must have reached normal retirement age prior to January 1.



and mailed statements contain information regarding earnings, tax contributions, and estimates for future retirement, disability, and survivors benefits. In 2011, the Social Security Administration stopped mailing annual benefit statements in order to save millions on annual printing and mailing costs. Advocates for senior citizens asked for mailings to be resumed because of the many older Americans who do not have access to or fluency on the internet. The Social Security Administration encourages workers to sign up for a secure online account to view their statements. To sign up, go online to: myaccount.socialsecurity.gov.



SSA TO RESUME MAILING STATEMENTS

The Social Security Administration has announced it will resume mailing paper statements every five years. Statements will be mailed to workers who are not yet receiving Social Security at three months before their birthday when they turn ages 25, 30, 35, 40, 45, 50, 55 and 60. After age 60, people will receive a mailed statement every year. The agency expects to mail nearly 48 million statements each year. Anyone who has already registered to receive a statement electronically via a "my Social Security" account will not be mailed a statement. To date, more than 14 million people have established a "my Social Security" account online. The online access enables individuals to immediately access their Social Security statement. Both the electronic

Retiree Update

	JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
2014	14	8	9	8	9	9	346	22	20	5	11	4
2013	12	16	6	8	10	10	361	34	13	11	6	11
2012	13	12	6	9	2	4	405	28	12	13	13	14
2011	8	5	11	10	11	6	409	13	10	7	10	2
2010	14	15	6	10	7	18	437	22	17	12	12	9

Director's Corner

by Laurie Lanphear, Director of Retirement Operations

Many individuals who retire from their career employment expect and plan to work at least part-time after retirement. The reasons vary, and may include the desire to supplement income, the need to keep busy, or the wish to explore a life-long interest or pursuit. Whatever the reason, the good news is that it is entirely possible and practical to work after retirement, provided you understand the rules and the potential impact to your pension benefit.

For a retired teacher, the only income that would impact continued receipt of your teacher's pension is earnings as a teacher or administrator in a public school in Vermont, or in an independent school that participates in the Vermont State Teachers' Retirement System. If you elect to return to teaching service in one of the above institutions, you are limited in the amount you may earn as a teacher and still continue to receive your retirement allowance. The amount you may earn is outlined in statute as being no more than 60 percent of the average teacher's salary for the prior fiscal year. The allowance earnings for a retired teacher for the 2014/2015 school year is \$33,600.

If you are retired and earn more than the allowable earnings, the consequence is significant. You will have your pension benefit "frozen" and will be required to return any pension payments made to you by the retirement system since the beginning of the fiscal year on July 1, 2014. You will also be re-enrolled as an active, contributing member of the Teachers' Retirement System retroactive to July 1, 2014. If you wish to avoid the above consequence, you must keep your earnings as a teacher or administrator under the allowable cap. If you have questions about this important issue, please contact the retirement office at 1-800-642-3191.



Vermont State Teachers' Retirement System

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Montpelier, VT 05609-6901

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GROCERY GAME PLAN!



- Before you head to the store, plan your meals for the week. Include meals like stews, casseroles, or stir-fries, which “stretch” expensive items into more portions.

- To get the best price, check the sales flyers usually released mid-week. Particularly note sales on meat and seafood--often the most expensive items on your list. Use coupons, but only for items you know you'll use.

- Eat before you shop. Grocery shopping hungry can lead to impulse buys and unhealthy food choices.

- Locate the unit price on the shelf directly below the product. Use it to compare brands and package sizes to determine which is more economical.

- Grab from the back. Stores typically stock shelves from back to front, placing the newest items behind the older ones. Reach in back for the freshest items especially in the produce, dairy, and meat aisles.

- Look up and down for savings. Stores often stock the priciest items at eye level. You can save big looking at the upper and lower shelves too.

- Buy the larger size of low-fat plain yogurt instead of individual flavored yogurts. Then add your own flavors by mixing in fruits.
- Get your creative juices flowing. Spice up leftovers by using them in new ways. Try leftover chicken in a stir-fry or over a garden salad, or to make chicken chili. Remember, throwing away food is throwing away your money!

- For fruits and vegetables, buying in-season produce is usually less expensive and at peak flavor. If you won't eat it right away, consider canned or frozen produce. If you buy items without added salt or sauces they are as nutritious and often cost less.

- To lower meat costs, buy the family-sized pack and freeze what you don't use.

- Low-cost protein foods include beans and peas, such as kidney beans, split peas and lentils. Don't forget about eggs! They're a great low-cost option and easy to prepare.

- Cook once and eat all week! Prepare a large batch of favorite recipes on your day off and freeze in smaller containers. Use them throughout the week and avoid spending money on take-out meals.

- If a sale item has run out, ask the store for a rain check. This allows you to pay the sale price after the item is restocked.

Whether retired or still employed, we all want to make the most of our food budget. The smartest shoppers know that saving money is more than luck. Here are some suggestions from the U.S. Department of Agriculture to help you stretch your food dollars!