



- **Bill Changes Index for COLA Calculation**
- **Socially Responsible Investment Funds Now Available**
- **Meet the New State Treasurer**
- **Planning for Care of Aging Parents**

Vermont State Teachers' Retirement System

July 2011

# Retiring *TIMES*

Volume 11, Issue 1

## Legislative Update

### *New Cost-of-Living Adjustment Index Selected*

The index used to calculate the cost-of-living adjustment to retired teacher pensions has been changed. In the just concluded legislative session, the State Legislature passed an amendment in Act 63, the appropriations bill, that changes the index used to make COLA adjustments applied to eligible pension benefits in January of every year.

Since January of 1973, cost-of-living adjustments applied to eligible retired teacher pensions have been based on the Consumer Price Index for all urban consumers, also known as the CPI-U.

"There has been concern expressed over the past several years that the CPI-U may not be the best index to determine the actual cost of living fluctuations experienced in rural Vermont. After conducting considerable research over the fall and winter, representatives from the Vermont Retired State Employees' Association successfully lobbied to change the index to the Northeast Region Consumer Price Index," said Cynthia Webster, Director of



(continued pg. 3)

### *403(b) Plan Now Offers*

## Socially Responsible Investment Funds

The approximately 1,400 members of the VSTRS 403(b) program now have the option of placing money in two Socially Responsible Investment (SRI) funds. The VSTRS board approved the addition of the SRI option in April and members may now place money in the funds.



"We were responding to member interest in having socially responsible investment options within the 403(b) plan," said VSTRS Board Chair Jon Harris. "The two SRI funds that will now be offered will give our members another solid investment option for their retirement dollars."

SRI funds invest in companies that operate ethically, provide social benefits and are sensitive to the environment. A popular focus for such funds recently has been environmentally friendly or "green" companies and mutual funds, Sudan-free and Iran-free investments, and "terror-free" investments. Below is a description of the two new SRI fund options.

(continued pg. 2)

#### **Calvert Equity Fund A (CSIEX)**

The investment seeks growth of capital. The fund normally invests at least 80 percent of assets in equity securities. It invests primarily in the common stocks of U.S. large-cap companies. The fund defines large-cap companies as those whose market capitalization falls within the range of the S&P 500 index. It seeks to invest in companies and other enterprises that demonstrate positive environmental, social and governance performance as they address corporate responsibility and sustainability challenges.

#### **PIMCO Total Return II Instl (PTSAX)**

The investment seeks maximum total return. The fund normally invests at least 65 percent of total assets in a diversified portfolio of fixed-income instruments of varying maturities. It invests primarily in investment-grade securities, but may invest up to 10 percent of total assets in high-yield securities. The fund also invests up to 10 percent of total assets in preferred stocks. Its investments may not go to issuers who engage in the operation of gambling casinos, the provision of healthcare services, or the manufacture of alcohol, tobacco products, pharmaceuticals, pornography or military equipment.

## Recent Retiree Update

	2011	2010	2009	2008	2007
JANUARY	8	14	24	9	18
FEBRUARY	5	15	14	13	13
MARCH	11	6	6	8	14
APRIL	10	10	4	7	5
MAY	11	7	8	6	13
JUNE	6	18	7	3	6
JULY		437	247	317	327
AUGUST		22	16	17	35
SEPTEMBER		17	18	16	19
OCTOBER		12	11	11	15
NOVEMBER		12	6	15	11
DECEMBER		9	8	7	10

# CONGRATS!

## Director's Corner

by Cynthia Webster, Director of Retirement Policy & Outreach

Our office has received many calls from concerned retirees asking about the impact that moving to a single-payer health care system might have on the excellent medical benefit plans currently available in retirement. Here's an update on what has transpired.



The State Legislature sent a bill to the Governor that begins a process that could lead to the transition to a single-payer system by 2017. The bill, now signed into law as Act 48, does three primary things: first, it changes state law to comply with the new federal law on health care reform. The State will create a Vermont health benefit exchange so people without insurance, businesses and other groups can shop for health care insurance. State and teacher retirees will continue to be covered by their health benefits. The second part creates a board that will make decisions on how to control health care costs and oversee how Vermont may become a single-payer state. The third part of the Act, creates broad parameters for a single-payer system—including that all Vermonters could be covered because they are Vermonters. Employers would still have the option of continuing coverage if they choose. Several executive branch studies are initiated by this law, and reports to the legislature are due to be filed as early as next January. Our office will keep you posted as new information and developments become available to share.

## Q&A Care of an aging parent

As with all aspects of financial planning, proactive plans are critical for the care of an aging parent. There are many options to examine when looking at living arrangements. Below are some ideas to consider when evaluating the question of whether it makes sense to have aging parents live with adult children.

- Encourage parents to share their personal and financial records. Otherwise, it will be difficult to assist them. Understand, however, that it may be difficult for parents to share this information. They may consider this information "private" or fear a loss of control. Explain that you aren't being "nosy," but simply want to be well prepared to help if needed.
- Find out the location of important documents such as a will, marriage and birth certificates, military records, a living will, financial account information, mortgages and debts, and tax returns. Caregivers will need this information to pay bills and handle other transactions for aging parents.
- Create a "caregiver budget." Make a list of estimated expenses and determine how much the aging parent, the caregiver, and/or siblings will contribute. Review and revise as needed. Sometimes, an aging parent will have sufficient resources (possibly following the sale of their home) to pay the full cost of their care. For example, if they become a part of a five-person household with \$2,500 of monthly expenses, they might contribute one-fifth (\$500).
- If aging parents cannot pay for their care in a child's home, siblings should arrange a payment plan. The child who takes a parent in may want to keep a running tab of caregiving expenses to send periodically to the others to request payment. If siblings can't or won't pay their fair share, the child providing the care may be able to recoup expenses from the parent's estate before it is divided among heirs.
- Know the tax breaks available to caregivers. A major one is the ability to claim a parent as a dependent if the caregiver provided more than half of his or her total support for the calendar year and the parent had a gross annual income less than the exemption amount. For additional details on tax exemptions, consult a tax professional or visit [www.irs.gov](http://www.irs.gov).
- Get help when needed. A good place to inquire about community services for the elderly in Vermont is to call the toll-free Senior HelpLine at 1-800-642-5119. Callers are automatically connected to their local Area Agencies on Aging and an Information, Referral and Assistance specialist. There is no charge for their assistance.

*Information from "Aging Parents—Confronting the Issues as a Family." Excerpts reprinted with permission from the National Endowment for Financial Education. Go to [www.smartaboutmoney.org/LifeEventsFinancialDecisions](http://www.smartaboutmoney.org/LifeEventsFinancialDecisions) to read the entire article.*

## (SRI Fund Options Continued)

The 403(b) plan is available to all employees of Vermont supervisory unions who have chosen to offer the plan. The plan is administered by Great-West Retirement Services. For more information on socially responsible investing or to begin investing in the new funds, call the local Vermont office at either (802) 229-2391 or toll-free (800) 457-1028 and press option two. Members also may visit the plan web site at [www.VSTRS403b.com](http://www.VSTRS403b.com).

# UPDATES FROM THE RETIREMENT DIVISION: Retirement Projections & Staff Changes

## Personnel Changes in the Treasurer's Office

With the departure in January of State Treasurer Jeb Spaulding and Retirement Operations Director Michael Clasen to positions in the Governor's administration, personnel in the Treasurer's Office have shifted responsibilities to accommodate the change. As Deputy Treasurer Beth Pearce assumed duties as Treasurer, Stephen Wisloski stepped into the deputy position, vacating the Director of Investment and Debt Management. We are pleased to welcome Matt Considine as our new Director of Investment. Long-time Chief Retirement Specialist Laurie Lanphear assumed the duties of Deputy Director of Retirement Operations. Among retirement staff,

customer response representative Monica Chiren is starting work as Administrative Services Coordinator and Tina Ryan will assume her duties at the front desk no later than the end of July. Congratulations to all on their new positions!

## Kinship Care Resources Available

U.S. Census Bureau reports indicate that more than 2,000 Vermont children live with relatives and without their parents being present. These children, and the relatives raising them, may not be aware that they are eligible for a variety of services and support. These services include VSAC support, free medical insurance, free hot lunch at school, and eligibility for the child-only Reach Up federal grant offered through the Vermont Department of Human Services. These services are for the children, not the adults, and are not impacted by the income of the adults. If you are aware of families in this situation, please share with them the following web address for Vermont Kinship Care Kids: [www.kinshipcarekids.com](http://www.kinshipcarekids.com). For more information, contact Linda Deliduka at the Kinship Information Network via email at [linda@deliduka.com](mailto:linda@deliduka.com).

— Notice submitted by Linda Deliduka, who also serves as a retiree alternate to the VSTRS Board of Trustees.

## Vermont Pension Investment Committee Update - by Stephen Rauh, VPIC Chair

The Vermont Pension Investment Committee, or VPIC, oversees the investment of the assets of the Vermont State employees', teachers' and municipal employees' retirement plans, as well as the Burlington employees' retirement system. The combined assets of the four retirement plan portfolios were approximately \$3.4 billion as of May 1, 2011.

Since the financial market meltdown in 2008, much of VPIC's work has focused on restructuring the portfolio so it is better positioned to perform in what many analysts are calling the "new normal" – an extended period of slow economic growth, historic federal budget deficits, and high levels of federal government and consumer debt. Overall, the restructuring has reduced the portfolio's investment in traditional common stocks and bonds and has increased exposure to a number of alternative strategies including commodities, risk parity, global asset allocation and hedge funds. These alternative strategies have improved portfolio diversification and reduced the portfolio's exposure to the volatility of the stock market.

Portfolio performance has rebounded sharply over the past two years as investment markets recovered from the lows reached in late 2008 and the first quarter of 2009. Taking into account the performance of assets in all four retirement systems, the asset-weighted gross return for the 12 months ending May 31, 2011 was 20.6 percent. VPIC's asset performance has steadily improved since the market crash several years ago.

VPIC is currently working to strengthen the ongoing monitoring of its investment managers and to further develop its risk management capabilities. VPIC will be ably assisted in this effort by the recent hiring by the State Treasurer's Office of a new Director of Investments, Matt Considine, MBA, CFA. Matt is an experienced equity portfolio manager with pension fund investment experience. VPIC also continues to retain the services of an investment consultant, NEPC of Cambridge, MA, to assist the committee in investment manager selection, asset allocation, and performance reporting and analysis. Detailed information on pension plan investments can be found on the State Treasurer's web site at [www.VermontTreasurer.gov/pension-funds](http://www.VermontTreasurer.gov/pension-funds).

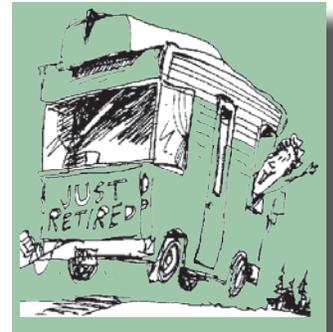
## 'Tis the Season to Retire!

The summer months remain the busiest time of year for the Retirement Division staff, as we process system-wide more than half of all retirements for the year. For calendar year 2010, the division processed 1,091 retirements. Of those, 60 percent were processed during June, July and August. The majority of summer retirees are from the teachers' system. From January through June 2011, we have processed 161 retirements through the State system, 63 municipal retirements and 51 through the teacher system. We anticipate processing more than 400 teacher retirements in July, followed by 50 retirements each from the State and municipal systems. The staff also is busy closing out the fiscal year and recording the current year contributions and corresponding service credit for all active employees in each of the three retirement systems. There are currently more than 781 reporting entities and more than 26,000 contributing employees. An important goal of the division is to process all retirements in a timely manner. We appreciate your patience as we work to respond to all inquiries for information and service this time of year.

## (Legislative Update Continued)

Retirement Policy and Outreach.

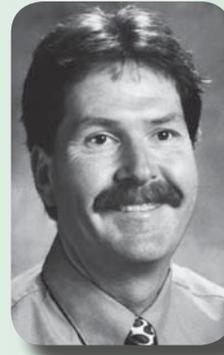
Research by the association revealed that, although slightly more volatile due to the fact that it represents a smaller area, the Northeast Region Consumer Price Index has averaged slightly higher overall than the CPI-U for the past 10 plus years. The association made the case that the northeast index more accurately reflects the buying power of the dollar in Vermont, as opposed to the entire United States. The new index will be used to determine the cost-of-living adjustments that will be applied to pensions in January of 2012.



## Two Appointed to Board of Trustees

The Board of Trustees for the Vermont State Teachers' Retirement System is made up of six members, plus two alternates. By statute, the six trustees include three ex-officio members: the Commissioner of Education, the State Treasurer and the Commissioner of Banking, Insurance, Securities, and Health Care Administration; two trustees and one alternate, who shall be members of the system and who shall be elected by the members of the system for a term of four years (two years for the alternate), and one trustee and one alternate, who shall be elected by the Board of Directors, Association of Retired Teachers of Vermont, who shall be retired members of the system, and who shall serve for a four-year period.

The member trustee position held by Jon Harris, as well as the alternate position held by Terry Buehner, expired on June 30, 2011. A mailing was sent to all active, inactive and terminated vested members soliciting nominations for the two positions. The Retirement Division received only one petition for the trustee position and one petition for the alternate trustee position. According to the rules established by the Board of Trustees, in the event only one petition is received for a vacant position, the board has the authority to appoint the petitioner(s) to the position without having to hold an elec-



**Jon Harris**  
Fine Arts & Tech Ed Teacher  
Mt. Mansfield Union HS



**Justin Norris**  
Math Teacher  
Essex High School

tion. At a meeting held on June 9, 2011, the Board of Trustees duly appointed Jon Harris to serve as member trustee for the period beginning July 1, 2011 and ending June 30, 2015, and Justin Norris to serve as alternate member trustee to serve for the period beginning July 1, 2011 and ending June 30, 2013.

We are pleased to have two such outstanding teachers to represent members of the teachers' system on the board.

— by Cynthia Webster, Executive Secretary of the Board and Treasurer's Office Director of Retirement Policy and Outreach

## From the Retirement Book: **Transferring Membership Between Systems**

As a member of a defined benefit plan, the monthly pension allowance that you will receive in retirement is directly related to the total number of years of creditable service you have at the time of retirement. The more years of creditable service you have, the higher the benefit. Given that fact, it is important that you take advantage of every opportunity to increase your creditable service to ensure a comfortable and adequate income in retirement.

3 V.S.A., § 495(b) states, "Any person who is a member of a retirement system (in Vermont) may transfer his/her membership to another retirement system (in Vermont) within one year after acceptance of employment, which makes it possible or mandatory for him/her to participate in such other retirement system if such acceptance of employment would make it impossible for him/her to continue as a contributing member of the retirement system of which he/she has been a member." This is a unique feature that is only available between the three public pension plans in Vermont.

An example of this language might be if you are a member of the Vermont State Employees' Retirement System (VSERS) and separate from service to take a job within a municipality that offers the Vermont Municipal Employees' Retirement System (VMERS). You can no longer contribute to the VSERS because you are no longer a State employee, but you are required to belong to the VMERS due to your new employment. You may request to transfer your membership from the VSERS to the VMERS within a year of your new municipal employment with no loss of creditable service. Under this scenario, if you continue to work for the municipality until you retire, you will be eligible for a monthly retirement allowance based on a combination of your transferred State service and your municipal service.

The Retirement Division processes hundreds of transfers between the three retirement systems each year. This is a very valuable opportunity afforded to members that allows for a combined pension in retirement that recognizes and rewards all service rendered as a public employee in Vermont. A word of caution, however, there may be circumstances where combining retirement memberships is not advantageous to you. This is particularly true if you are eligible to draw a pension from one system and still work and accrue a benefit in another. You also might be giving up a valuable benefit, such as access to health insurance, that is available through one system, but not another. If you find yourself in a situation where you are eligible to transfer a membership, your best option is to talk with a retirement specialist in our office to determine what your best course of action might be.



# Meet Vermont's New State Treasurer

## Update on Treasury Activities Highlights Resources for all VSTRS Members

by Beth Pearce, Vermont State Treasurer

I am very pleased to introduce myself as the new State Treasurer of Vermont and give you some information about my background and the Treasury's initiatives and programs. First, while I was appointed by Governor Shumlin to the position of State Treasurer in January, I am not a new face in the Treasury. I have served as Deputy Treasurer since 2003. In that role I was responsible for a full range of operations, including retirement administration of the three state-



wide systems for State employees, teachers, and municipal employees. I have more than 30 years of experience in government finance at both the state and local levels. Government finance, treasury management and administration are my life's work. I can assure you that the Treasurer's Office will continue building on the prudent, professional and customer-service-oriented approach of the last several years.

The recent economic recession presented significant challenges for all of us. Vermont has been proactive in its response to these challenges, maintaining a disciplined fiscal approach. Our tradition of working through our problems in a constructive and collaborative manner has also paid off. Over the past several years, teachers have worked with the Treasurer's Office and the State Legislature to address pension funding changes to benefits and contributions. While difficult, these changes have put the pension system on firmer ground. I appreciate teachers stepping up to the plate to help us maintain retirement systems that provide a solid foundation for retirement security and are fair and affordable to teachers and taxpayers alike.

The Treasurer's Office continues to advocate for policies to reach full funding of the retirement programs. Even in a tough budget year, the Governor's budget recommended and the legislature funded the required contribution recommended by our actuary. I am proud of the work of the Treasurer's Office, the Vermont NEA, and your retirement trustee board to keep pension funding at the top of the State's priority list. This is important because, on average, 70 percent of the dollars used to pay retirement benefits come from investment returns. We must continue to make the required contributions so that we can maximize the return on our investment. Be sure and read the newsletter article by Stephen Rauh, chair of the Vermont Pension Investment Committee, about how we have taken significant steps to maximize our pension investment returns, while reducing volatility.

The Retirement Division staff is dedicated to assisting you with your retirement plans. Every day our staff interacts with teachers who express concern about whether their pen-

sion, Social Security and personal savings will provide them with adequate income. Our office is here to help you plan for retirement following a career in public service. We offer a mix of supplemental retirement options through our 457 deferred compensation program. I'm pleased to announce that we will be able to reduce participant fees in the 457 plan from 15 basis points to 12 basis points. This is the second rate

**"The Treasurer's Office continues to advocate for policies to reach full funding of the retirement programs. I am proud of the work of the Treasurer's Office, your retirement trustee board, and the Vermont NEA to keep pension funding at the top of the State's priority list.**

reduction over the past five years. We will continue to look for additional savings in all of our programs. Teachers should also look closely at our statewide 403(b) Investment Plan. The plan offers a range of high-quality, low-cost investment options that allow employees to deduct money from their wages on a tax-deferred basis.

I encourage you to check out the financial literacy resources on our web site. Our office has worked for the last four years to provide Vermonters with information on basic personal finance in areas such as budgeting, credit, teaching kids about money, and retirement planning. The President's Advisory Council on financial literacy defines it "as the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being." That's a pretty hefty challenge. However, as Vermont citizens increase their understanding and practice of sound money management skills, the financial well-being of both the individual and the State will improve.

I hope you will utilize the resources of our office and take steps to maximize your options so you can achieve and maintain a lifetime of financial well-being. We want to hear from you. We maintain an e-mail address for customer feedback on retirement and treasury operations at [Treasurers.Office@state.vt.us](mailto:Treasurers.Office@state.vt.us). I encourage you to drop us a note on our services. I look forward to serving with your Board of Trustees and working with the Treasurer's Office staff to bring you efficient, responsible and high quality services.

### Retirement Board of Trustees

**Jon Harris**, Chair, Active Teachers

**Joe Mackey**, Vice Chair, Retired Teachers' Association

**Tom McConnell**, Active Teachers

**Beth Pearce**, Vermont State Treasurer

**Thomas Candon**, Banking, Insurance, Securities & Health Care Administration

**Vaughn Altemus**, Department of Education

Director of Retirement Policy and Outreach, Executive Secretary of the Board: **Cynthia Webster**; Deputy Retirement Operations Director: **Laurie Lanphear**; Newsletter Editor: **Lisa Helme**

109 State Street, 4th Floor, Montpelier, Vermont 05609-6901 (802) 828-2305 or (800) 642-3191 (in-state) *Retiring Times* is published twice yearly by the Vermont State Teachers' Retirement System.

## Vermont State Teachers' Retirement System

Office of the State Treasurer  
109 State Street, 4th Floor  
Montpelier, VT 05609-6901

PRSRT STD  
U.S Postage  
**PAID**  
Burlington, VT  
Permit No. 21

# Vermont's Aging Population - Who's taking care of whom?

Vermont's older adult population is growing at a rapid pace. The fastest growing segment of the state's population is now 85 years and older, as reported within Vermont's most recent State Plan on Aging. According to U.S. Census Bureau projections, there will be 214,964 Vermonters over the age of 60 in 2030. As Vermonters age, questions regarding living arrangements, expenses and other quality-of-life issues demand our attention.

A 2010 survey of AARP Vermont members, related to health and liveable community issues, revealed that 65 percent of AARP Vermonters would prefer to receive long-term care services in their homes. Caught in the middle of this trend are those adults caring both for dependents at home and aging parents. The State Plan on Aging reports that in Vermont, as in the

rest of the nation, family and friends provide the bulk of the long-term-care services to individuals requiring such care. While most Vermont family caregivers of older adults are themselves age 60 or older, a substantial number of Vermonters receive care from family and friends who are younger than 60.

How does someone balance these personal and financial demands? One option families consider is whether it makes sense to have aging parents move in with an adult child. On page 2 of this newsletter, you'll find helpful suggestions for evaluating whether this option would work for your family.

"Family living arrangements can be a difficult topic to bring up for discussion," said Lisa Helme, Director of Financial Literacy for the State Treasurer's Office. "We know both through research and personal experience that talking about our finances is a difficult subject at any time of life. However, if the subject is discussed before it reaches a crisis point, everyone will feel less pressure and be more able to explore available options."

**According to U.S. Census Bureau projections, there will be more than 200,000 Vermonters over the age of 60 in 2030.**

The National Endowment for Financial Education (NEFE) gives this positive example of proactive discussions. Three siblings are discussing the issue of caring for their mother, even though she is currently independent and in good health. They decide to jointly pay the premiums for a long-term care insurance policy for her because having her move in with any of them is not feasible. By taking this step, they are transferring the risk of the high cost of care, whether at home or in a nursing home, to a third party. The mother's financial assets also will be preserved for inheritances instead of being spent down on long-term care services.

NEFE provides a web site for individuals to evaluate their finances for retirement. If you are nearing retirement, or are already retired, examining how you will pay yourself throughout your retirement years will help you assess your future living arrangements. Go to [www.myretirementpaycheck.org](http://www.myretirementpaycheck.org).

