

Retiring Times

Volume 1 Number 2

Active Teachers

Summer 2001

Message from Vermont State Treasurer James Douglas

We all hear about how little Americans save. Will you have enough for retirement? I know, you have your pension plan and social security, but will that be enough when the time comes? A three-legged stool is often used to describe retirement needs for most individuals. The three legs consist of: 1) a pension plan, 2) social security and 3) personal savings. No stool will stand alone on only two of these three legs.

I hope you have already invested in a tax-advantaged savings plan. You have three options: traditional IRA's, Roth IRA's and, as teachers, you have access to a 403(b) savings plan. A 403(b) plan is nearly identical to its corporate counterpart, the 401(k) plan. Vermont NEA has endorsed two providers of such plans, and the Federal government has recently increased your pre-tax contribution limit to \$11,000 for next year. Your school district will have information on which 403(b) plans

are available to you. In addition, the contribution can be directly deducted from your paycheck. It is a wonderful way to save for retirement – with before-tax dollars.



Do you think that you cannot afford to save? I bet you can. It can often be difficult to put aside a little bit out of each paycheck, but even a little bit of money put aside in a tax-deferred savings plan can grow to a tidy nest egg when compounded over time. If you save just a minimum of \$20 every two weeks over a 30-year time horizon, you could have nearly \$60,000 when you retire at the end of those 30 years, if your investments compound at only 8%. Besides, since your contributions are pre-tax, you will see a bi-weekly paycheck reduced by only \$16.25 because you save \$3.75 in taxes. If you

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Message from Director of Retirement Cynthia L. Webster

It was a relatively quiet year at the State House for active teachers. The primary thrust for teachers in the Legislature was an increase in the amount of medical premiums paid by the system for retired teachers. After many versions of the initial draft, a provision was finally included in the Appropriations Bill to increase the retirement system's share of a retiree's premium from 50% to 65%. The applicable standard plan was also changed for FY 2002 only from the JY Plan, which is the most expensive, to the \$250 Comprehensive Plan.

The following housekeeping items for active teachers were also passed:

- ▶ provision to allow active teachers who take an approved leave of absence to serve in the military to receive full retirement credit providing they return to work within a specified period of time.
- ▶ a change in the criteria for a teacher's

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Treasurer's Message (continued from page 1)

are in a higher tax bracket, your tax savings are even greater.

If you don't have 30 years until retirement, your money will still compound and grow. Besides, now that you are a little older, perhaps you can afford to save more than the minimum out of each paycheck. Even after 10 years, the \$20 minimum could grow to over \$7500 and a \$200 contribution per paycheck could grow to more than \$75,000 - three times what you contributed. At present, the maximum you can contribute each year is 25% of your salary, or \$10,500, whichever is less. Most 403(b) plans offer a variety of different investment options. Often the majority of these are mutual funds, including domestic stock funds, international stock funds, bond funds, blended funds and annuities.

Another tax-advantaged savings plan available in

Vermont is the Vermont Higher Education Investment Plan offered through the Vermont Student Assistance Corporation (VSAC). This plan helps parents save the money necessary to provide for a college education for their children. The contributions are after-tax, but when withdrawals are made for qualified higher education expenses, the income is exempt from Vermont State Income Tax and is scheduled to be exempt from Federal Income Tax next January 1.

I urge all of you to consider investing in some tax-advantaged savings plan. I have been contributing to them for years, and it has been terrific to watch my assets grow. Now is the time to start saving; a little bit can go a very long way when it has a long time to grow before you retire.



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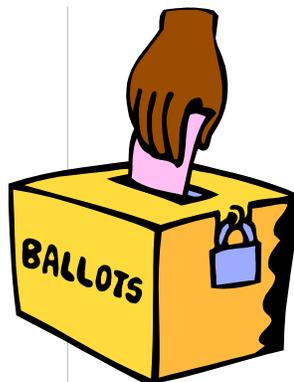
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Election Results for Board of Trustees

The Vermont State Teachers' Retirement System held an election for a trustee position this spring. Both candidates – Christine Landon and Joseph Mackey - had excellent qualifications.

A total of 1,495 votes were received by June 7 and counted. The results were 635 votes for Christine Landon and 860 votes for Joseph Mackey. This very close election was won by the incumbent, who will serve another three-year term on the Board of Trustees.

The Retirement Office congratulates both candidates and thanks teacher representative Murdo "Tony" Campbell for witnessing and helping with the count.



dependent beneficiary to receive a survivorship benefit upon the death of the teacher. The criteria was changed from a requirement that the teacher be age 55 with 10 years of service to age 55 with 5 years. The 20 year service requirement if the teacher is under 55 was not changed.

- removal of the restriction that disqualifies an active teacher who served in the military during the Korean or Vietnam Conflict periods to receive a grant of credit if they are eligible to receive a military pension for *non-regular* military service. Non-regular military service is defined as guard or reserve duty. This provision

brings Vermont into compliance with the federal law.

PLEASE NOTE: If you have a minimum of 15 years of creditable service in the retirement system, and served a minimum of one year of full-time service during the Korean or Vietnam Conflict periods, but were previously unable to receive a grant of credit because you were receiving or eligible to receive a military pension for guard or reserve service, you should contact the Retirement Division for the appropriate paperwork to apply for the grant at this time.

Cynthia Webster

Changes in Your Health Plan

The cost of the health care plans has increased dramatically in the last four years. To maintain high-quality choices and to combat these cost increases, some exciting changes will be made in the health care plans. These changes will take effect next summer (July 1, 2002) and are briefly summarized below.



The JY plan will still be offered, even though Blue Cross Blue Shield would have liked to eliminate it. The price for this plan will be roughly the same. The “prior authorization” provisions will be more clearly identified, but it will still be a high-quality health insurance plan. Other changes will be minor and most members of this plan will probably see them as improvements.

The VHP plan will also continue to be offered. The most dramatic change in this plan is the elimination of referrals for in-network specialty care in most situations. However, the fee for all specialty providers will rise to \$15. The visit fee for the pri-

mary care physician will remain at \$5.

The \$250 Comp Plan will be the only one that does not change. It has become the “standard” plan for determining the Retirement Office’s portion of the costs for health insurance premiums for retirees. (See Message from Retirement Operations Director for more information on this change.)

A new plan will also be added. It is a “catastrophic” or “major medical” insurance plan with a \$1,000 deductible. In exchange for its high deductible, however, premiums will be approximately 30% less than the JY plan and 20% less than the Dual Option plan.

The Retirement Office purchases these medical plans from VEHI (Vermont Education Health Initiative, a non-profit managed by VT-NEA and VT School Boards Insurance Trust). VEHI has worked with Blue Cross Blue Shield on the new

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plans to improve their features while maintaining affordability.

Watch for details of these plans from VEHI and Blue Cross Blue Shield. Information will be sent to all retirees this fall and next spring on the new health care plans. VEHI will also hold informational meetings throughout the state for all teachers, active and retired.

Did you know...?

This year, 195 teachers retired. The number has been slowly rising for a number of years. Veterans of the Retirement Office can recall when only 125 or 130 teachers retired each year.

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