

Retiring Times

Volume 3 Number 2

Teachers

March 2004

The Newsletter of the Vermont State Teachers' Retirement System

Message from Board Chair Joe Mackey

The State Teachers' Retirement System is a government-supported retirement plan for teachers in Vermont. The plan is guaranteed by the State of Vermont – our benefits cannot be abolished or changed without the express consent of the Legislature and Governor. This gives our retirement plan far more security than in private industry.

The system requires that educators and the state contribute to the retirement plan. Educators have always fulfilled their obligation, but the State of Vermont has not and does not contribute its full share. This year alone, the State has budgeted an amount that is nearly \$20 million under the actuary's recommended contribution. It's time for us to reach out to our legislators and ask for a fully funded appropriation to the system and for the State to live up to its obligation.

The Teachers' system enjoyed a 23.8% gain in 2003, which more than offset the losses for the previous two years, when the return was minus 4.0% in 2001 and minus 7.5% in 2002. This has been accomplished in part by following a relatively conservative asset allocation and having the discipline to rebalance it. However dramatic our rebound in investment performance is, it cannot overcome the basic problem of underfunding. In 1979 our system was underfunded by \$3 million. Given the returns we have actually earned since then, if the system had received that \$3 million, the return

on that money would now be in excess of \$41 million. Under-funding the system puts an undue burden on the taxpayers of the state — now and in the future. I encourage you to contact your legislators and ask that they fully fund our retirement system.

The under-funding problem will not be eliminated in a single year. Thus, it is also important that you encourage your legislators to develop a plan to bring the State Teachers' Retirement System into a fully-funded status. This will require a sustained commitment to fully fund appropriations for our retirement plan until we attain 100% actuarial funding. The plan is currently at only 90% of the actuarial funding level. That is an increase from an actuarial funding level of 82% in 1996. The good news is that this increase shows that a 100% funded plan is not only possible but also feasible with a good stock market and full funding from the State of Vermont.

I am pleased to say that Vermont State Treasurer Jeb Spaulding, with the Board's support, has implemented several new initiatives that are expected to contain costs, enhance service, and hopefully continue to increase investment performance. During his first year, the Treasurer has also built a team of professionals that augments our present dedicated staff. As chair of the VSTRS it is a pleasure for me to work with the Treasurer and all of his staff to help secure a bright future for us all.

Pension Trust Funds Year Ended June 30, 2003

SOURCES OF FUNDS: State Teachers' Retirement Fund

| | |
|------------------------|---------------|
| Employee Contributions | \$ 18,820,703 |
| Employer Contributions | \$ 20,446,282 |
| Other Income | \$ 438,166 |
| Investment Income | \$ 52,506,838 |

APPLICATION OF FUNDS: State Teachers' Retirement Fund

| | |
|-------------------------|---------------|
| Retirement Benefits | \$ 50,409,313 |
| Refunds | \$ 1,109,174 |
| Administrative Expenses | \$ 763,527 |
| Health/Life Insurance | \$ 6,634,738 |
| Other Expenses | \$ 702,568 |

Addition to Net Assets Held in
Trust for Pension Benefits \$ 32,592,669

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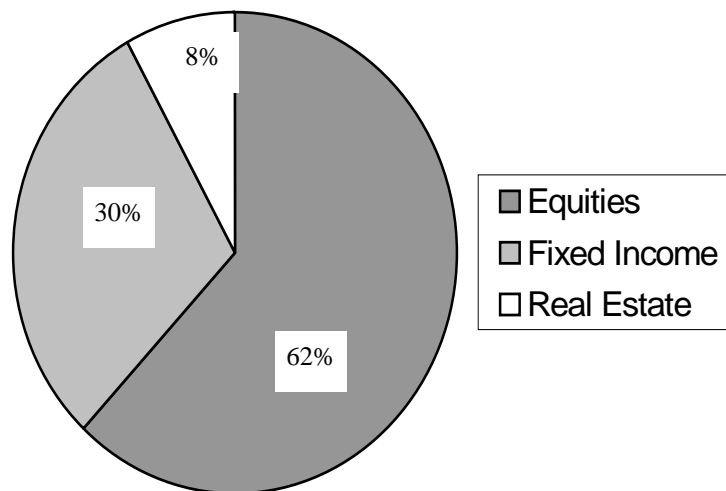
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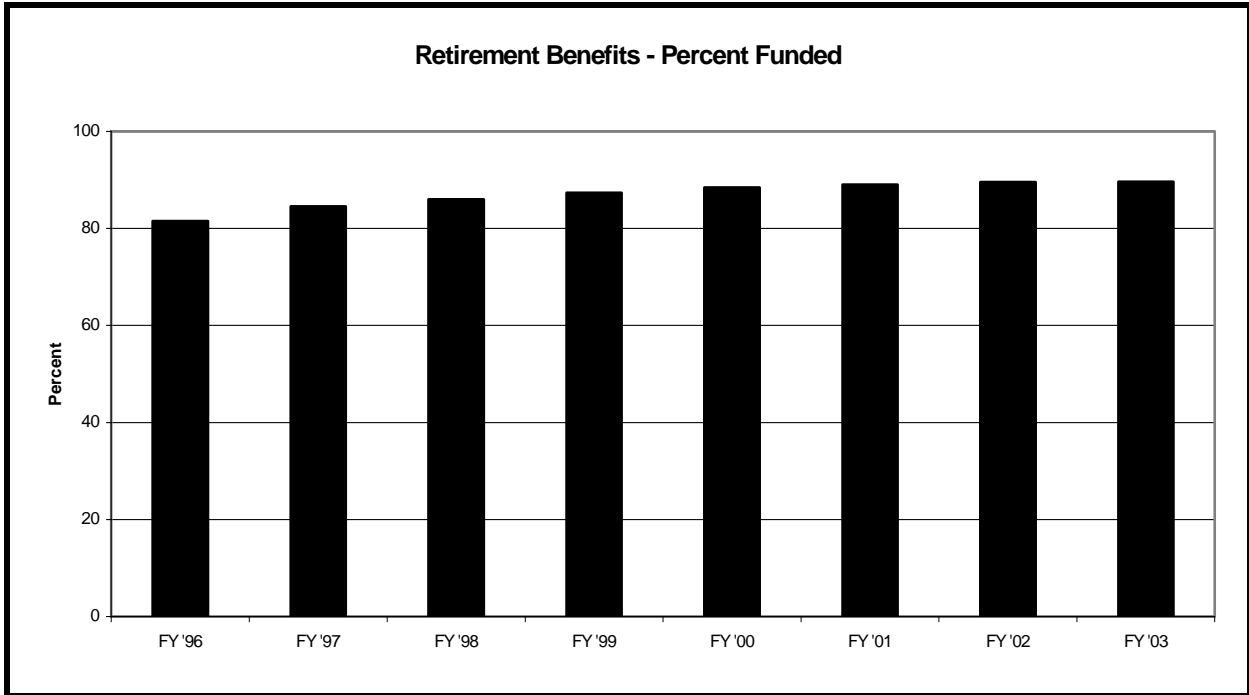
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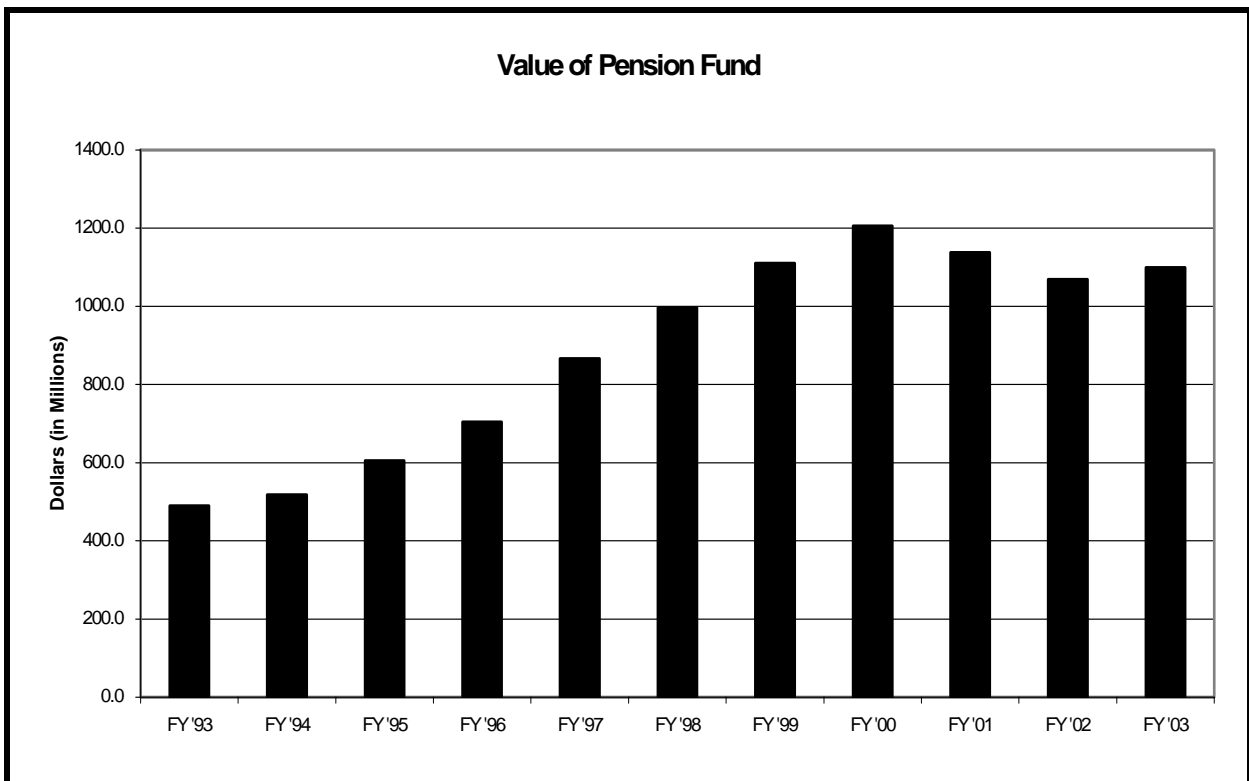
Target Asset Allocation of Pension Funds



"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.



“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.



Investment managers for the pension fund are SSGA S & P 500 Index, Delaware, Fidelity, J & W Seligman, Loomis Sayles, Delaware, and Putnam.

Health Insurance Open Enrollment in May

May is open enrollment month for health plans. Members can select a different health plan, add an eligible dependent(s), or enroll in the health plan of their choice if they are not currently covered. The new rates are on our web page at www.tre.state.vt.us/Retirement/strs.html and will be in our next health insurance newsletter, which you will receive in April.

Active members can choose from any of the three health plans: JY, \$250 Comp, and VHP. Retirees can select any health plan up to age 65, but then must select either the JY or \$250 Comp plans.

The JY and \$250 Comp plans offer identical coverage, but the \$250 Comp plan is much

less expensive. For a retiree under the age of 65, JY will cost \$1,500, but \$250 Comp will cost only \$930. Even after adding the maximum deductible and co-pays on covered medical services, the \$250 Comp plan is at least \$70 less expensive than the JY plan for a single person. Savings increase if two people are on the health plan.

Our health insurance newsletter should be mailed in early April. When you receive it, please read the material carefully before making any decisions. The Retirement Office urges both active and retired teachers to carefully consider the various health plans and to select the one that is most cost-effective for their needs.

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