

Vermont State Teachers' Retirement System

Volume 3, Issue 3

July 2004

DIRECTOR'S CORNER LEGISLATIVE UPDATE

The Vermont State Legislature adjourned on May 20, 2004. The session brought only a few changes to the VSTRS in the form of "housekeeping" changes. Below is a list of the notable issues from provisions contained in H.0768 that will affect members of the system.

- Clarifies that a person who is issued an emergency license by the state board of education does not qualify for membership in the State Teachers' Retirement System of Vermont.

Emergency licenses are issued to individuals who do not have the necessary qualifications to become a licensed teacher. They are issued for one year only and cannot be renewed.

- Mandates that a member hired on or after July 1, 2004, must have a minimum of five years of service in order to qualify for any type of retirement benefit.

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INVESTING BASICS: what, why, and how

The Vermont State Teachers' Retirement System is a Defined Benefit plan. That means the assets of the trust fund are invested following a strict Guidelines & Investment Policy, and your benefit is guaranteed. However, to ensure you have adequate resources in retirement, you should also be involved in a personal savings plan. Here are some tips to help you make choices in your investments.

Despite today's relatively low rates of inflation, increases in prices of goods and services still eat away at the purchasing power of your money over time. Even when inflation is increasing at an annual rate of only 2%, one dollar has the purchasing power of 98

cents after one year and 82 cents after 10 years.

Now imagine how inflation might increase your future living costs and reduce the purchasing power of your money after you retire. If inflation matched the U.S. historical average of 3%, your expenses could more than double in 25 years. What can you do? Consider investments with the potential to outpace inflation, even after you retire.

Financial experts agree: Two of the most important investment concepts for individuals to understand are asset allocation and



diversification. These two time-tested strategies may work hand in hand to help you assemble a mix of investments that fits your needs.

Asset Allocation

What? Asset allocation is the way you divide your savings among the major investment categories,

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STRAIGHT FROM THE BOOK

Straight From the Book will be a series of informational articles regarding your retirement benefits. The information will come straight from the VSTRS handbook, and is available to you in entirety on the Web at www.vermonttreasurer.gov. For further information or clarification about any of the topics in the series, or what you read on the Web, please contact the Retirement Office at 802-828-2305 or 1-800-642-3191, toll-free within Vermont.

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RETIREMENT TIPS (continued from page 1)

or “asset classes”—stocks, bonds, and short-term investments.

Why? Your asset allocation can directly affect the potential amount you may earn from the money you invest and the risk you may lose some of your money.

How? Choose a mix of investments that’s appropriate for your goals, risk tolerance, and time horizon. For example, if retirement is only a few years away, you may find it appropriate to increase the percentage of money you “allocate” to bonds, which may be less risky than stocks.

Diversification

What? Diversification involves se-

lecting a variety of investments within each asset class that may perform differently to help reduce risk—a variety of stock investments, for example.

Why? Investments in different asset classes, industries, or parts of the world may not react the same to economic changes or other developments. By diversifying, you create the possibility that one investment may rise in value when another falls.

How? Consider reading up on your investments to see if you have a variety from different categories.

Quick Tip: Including investments from markets outside the U.S. is one route to

diversification. Explore international investing, obtain reports and information, and do your “homework”. International investments may be riskier than domestic investments and involve currency and liquidity risks.



Source: *Fidelity Investments*, spring 2004 newsletter

DIRECTOR’S CORNER LEGISLATIVE UPDATE (continued from page 1)

Under current law, members who retire and are 62 years or older are not required to have five years of service to be eligible for a retirement benefit.

- Includes in statute the current Board policy that mandates a member must have a minimum of ten years of service at the time of retirement in order to receive the system’s share toward their medical premium.

This ten-year requirement to qualify for the system’s share of the medical coverage has been in effect since the board established the policy effective July 1, 1995.

If you have any questions regarding any of the above changes or the impact of the changes, please let us know.

Treasurer’s New Web Site

The Treasurer’s Office proudly launched a new and improved Web site on May 6, 2004, after many months of preparation and hard work.

Please browse the information on the Web at www.vermonttreasurer.gov and let us know what you think.

Your suggestions should be referred to the staff behind the scenes, our own computer technicians: **Dan Fine**, Technical Services Director, who has over 30 years of Vermont State Service; **Lane Safford**, Network Administrator, also has 15 years worth of Vermont State experience; and **Darryl Smith**, Systems Developer, who has three years of State Service, and lots of prior experience. Without the expertise and dedication of these dedicated staff members, our technical needs and ability to communicate with you would be

significantly reduced.

They can be reached by calling 802-828-2301 and selecting option 6.

The new Web site should provide the latest information available on a variety of topics, including among other interesting items, your retirement plan, Retirement Board activities, and VSTRS trust fund performance.



STRAIGHT FROM THE BOOK (continued from page 1)

Who manages my retirement plan?

MANAGEMENT OF THE SYSTEM

The general administration and responsibility for formulating administrative policy and procedures of the Retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of six members. They are the State Treasurer, the Commissioner of Education, the Commissioner of Banking, Insurance, Securities and Health Care Administration, two elected active members, and one appointed retired member.

The Board appoints an executive secretary that acts as executive officer for the Board. The administrative functions of the VSTRS are managed by the Director of Retirement Operations and carried out by the staff. Board meetings are open to the public and members are welcome to attend at any time. Administrative appeals or other claims should be addressed to the Board (in care of the Executive Secretary) for action at its next meeting.

RETIREE ELECTRONIC DEPOSITS

"Electronic Deposit" refers to the transfer of money from the Retirement Office directly to your bank account. It eliminates the need for a monthly pension check, which can be stolen, misplaced, or delayed in the mail.

The electronic deposit of your monthly pension check ensures that your money will be available to you in your bank account on the last working day of each

month. Via electronic deposit, your pension check can be directly sent to any bank account (checking or savings) in Vermont or anywhere in the U.S. There is no cost for this service.

To activate electronic deposit, please contact your bank to inquire about electronic deposit procedures and to obtain your account number.

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TREASURER'S OFFICE TELEPHONE SYSTEM

On May 12th, the State Treasurer's Office instituted an automated telephone system that we hope will provide more efficient and timely service to all callers.

When a caller dials 802-828-2301 or the toll-free 800-642-3191 (within Vermont), the recorded greeting presents six options, starting with the Retirement Office. If the caller is not comfortable with an automated system, he or she can either stay on the line until an operator answers, or immediately dial "0" to reach a person.

The same technique will work with after-hours calls, and a voice-mail message can be left. Of course, callers seeking the Retirement Division can also call 802-828-2305 directly.

Another helpful feature of the new system is a staff directory. A caller can choose to hear the employee directory, and then select the person with whom he or she wishes to speak.

Many callers do know the person or the division they are trying to reach, so the "menu" of staff members of subject matter is helpful.

The office staff worked carefully with the Telecommunications Division and Verizon (the telephone company that provides service to the State) in order to develop a simplified system that would not overwhelm callers. As we gain experience with the new system, we can make changes as necessary. So far,

Retirement Board of Trustees

Chair: **Joe Mackey**, *Active Teachers*

Vice-Chair: **Jon Harris**
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Executive Secretary: **Cynthia Webster**
Director of Retirement Systems
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828-2305 or 800-642-3191 (In-State)

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Editor: **Donna Holden**

we have found that the system works quite well, and Treasurer's office staff members are spending less time forwarding calls to divisions other than their own.

Should you have suggestions or comments concerning the new system, please contact Barbara Agnew in Treasurer Jeb Spaulding's office; her direct number is 828-1452.

DID YOU KNOW...

“Total spending every year on haircuts and hair styling by American consumers is more than \$22 billion.”

ELECTRONIC DEPOSITS *(continued)*

Then call or write the Retirement Office for a form to complete the change to electronic deposit of your pension check.

The form will require your signature and the bank account number that should receive your monthly pension check. After the Retirement Office processes the electronic deposit form, your next pension check will be sent directly to your bank account.

Currently, **88.87%** of all retirees use automatic deposit. We are aiming for 100% participation in the electronic deposit format. For more information or to change to electronic deposit, please contact 828-2305 or 800-642-3191 (toll-free within Vermont).

We May Have Money For You!

The Vermont's Treasurer's Office may have unclaimed property for you. Vermont's Unclaimed Property (UP) Law requires corporations, business associations, financial institutions, and insurance companies to annually report and deliver property to the Treasurer's Office after there has been no customer activity on the account for several years. UP consists of bank accounts, uncashed insurance proceeds, utility deposits, money orders, stock dividends, bonds and interest payments, money from courts and other governmental agencies, safe deposit box contents, and more. The law prevents holders of UP from using your money and taking it into their business income. By centralizing funds in one place, it is easier to look for forgotten funds. The State guarantees that this money will be held forever until claimed by the rightful owner. State Treasurer Jeb Spaulding says, "Our job is to make every effort to find the rightful owners and return their funds to them."

There is no fee or time limit to file a claim. Citizens are encouraged to contact the Unclaimed Property Division by calling 802-828-2407, or toll-free in Vermont 1-800-642-3191. You may also check the UP section on our Web site at www.vermonttreasurer.gov. A claim can be filed by the original owner, heirs of the original owners, a representative of an estate, or a beneficiary or co-owner.

Vermont State Teachers' Retirement System
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