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Vermont State Teachers' Retirement System

July 2007

# Retiring *TIMES*

Volume 7, Issue 1

## Legislators Pass Retirement Bill

### Act 13 Creates “Spring Cleaning” Impact on State Statutes

Legislative leaders rolled up their sleeves and helped bring completion to a long overdue clean-up of language in state statutes related to the Teachers' Retirement System. Act 13 contains 49 sections that make technical changes to create consistent language. The Act also modifies state statutes to reflect ever-changing federal law requirements.

**“Such clean-up work is important in clarifying how the retirement system works and in promoting clear communication.”**

– Cynthia Webster, Director of Retirement Policy & Outreach

Reflecting back on the 2007 legislative session, Cynthia Webster, the Director of Retirement Policy and Outreach for the State Treasurer's Office, said such clean-up work is important in clarifying how the retirement system works and promoting clear communication.

“One painstaking area of change was to modify state statutes to reflect that funds were deposited to and administered out of a single fund for each of our three defined benefit pension plans—one for state employees, one for state teachers, and one for municipal employees,” Webster explained. “Previously, our state statutes referred to a wide range of sub-funds that did not accurately reflect the true fiscal accounting that was operating within the larger funds.”

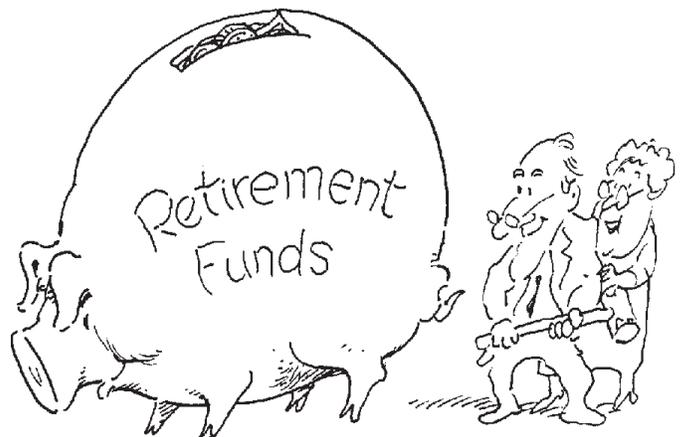
Webster also noted that Act 13 made no significant changes to the retirement system or the way benefits are calculated and administered. Below is a brief sum-

mary of the items pertaining to the Teachers' Retirement System contained in Act 13. (continued pg. 5)

### What does Act 13 do? It . . .

- Adopts current federal law requirements for public pension plans into state law.
- Reduces the number of funds identified to be consistent with current accounting practices.
- Defines the formula for calculating the average final compensation.
- Defines an individual's monthly pension check to equate to the maximum retirement option.
- Creates a new definition for “Fund.”

(continued pg. 5)



**Thinking about your retirement? We're happy to help you with questions on your pension funds. Call us at 1 (800) 642-3191.**

# Director's Corner

by Cynthia Webster, Director of Retirement Policy & Outreach

I am pleased to provide you with an update on the progress of our new automation process called VPAS or the Vermont Pension Administration System. The entire staff has worked diligently with representatives from Levi, Ray and Shoup, Inc. to document our current processes and design the "to-be" processes and procedures that the new system will be able to accommodate. As you may recall from a previous newsletter, the Treasurer's Office initiated this process out of a need to replace our current pension legacy system that is more than 30 years old. This new system will not only give members more ready access to retirement information, it will enable the Retirement Division to manage our large State Retirement System database more efficiently and allow for ongoing upgrades to our data management capabilities.

We will begin our transition of the active data in February 2008. Once the active members are transitioned, we will turn our attention to the retired members for transition approximately one year later.

A side benefit of going through this process is being able to spend time truly thinking about each and every aspect of the way we administer the plan benefits on a daily basis. A significant amount of the changes addressed in the comprehensive retirement bill summarized in this newsletter were a result of identifying areas where we needed to clarify certain processes or codify our existing practices. We will continue this important work over the next year with an eye to ensuring that the administration of the plan is well-defined by either statute or internal written procedures.

If you have specific ideas or suggestions of ways in which our office can improve the way we provide service to our members, communicate the benefits of the respective retirement plans, or extend our outreach activities to members and retirees around the state, please e-mail me at [cynthia.webster@state.vt.us](mailto:cynthia.webster@state.vt.us) or call me at (802) 828-2302. I welcome and appreciate your input.



## Medical Coverage Update:

### VEHI Wins Health Care Coverage Bid & New Dental Plan Authorized

State agencies are required to send all contracted services out to bid at least every four years. In compliance with this requirement, the Treasurer's Office issued a Request for Proposals (RFP) in early spring to provide health care coverage for retired teachers. The winning bid was received from the Vermont Education Health Initiative (VEHI) and, as a result, VEHI will continue to provide the Blue Cross/Blue Shield health care plans available to retired members for the past eight years.

VEHI is a purchasing agent that also provides health care plans to all school districts in Vermont. The claims experience of both active and retired members are pooled to-

gether when calculating the annual premiums for both groups. In addition, purchasing health plans through VEHI allows for continuity of benefits when active employees retire.

In other health care coverage news, legislation passed in the last session will allow the Retirement Board to offer dental coverage for retired members--subject to a successful RFP process. This is an important benefit that the system was unable to offer in the past. The Retirement Board recently authorized the Retirement Office to issue a Request for Proposal for a retiree dental plan(s) which may be available within the next year.

### VEHI will continue to provide the Blue Cross/Blue Shield health care plans available to retired members for the past eight years.

It is expected that the coverage will be offered as a one-time option to all retired members and their eligible dependents. Retired members will receive an enrollment packet outlining the plan(s) available, the cost of each, and the enrollment period during which to sign up for coverage. Anyone retiring on or after the effective date of the plan may elect the coverage at the time of retirement.

## Protect Your Personal Information When Online



to your entire hard drive and any financial information you have stored there. Not all free software is bad. However, if you do decide to download it, take the time to read the end-user licensing agreement and make sure you know what you're saying "yes" to by using the software.

**Phishing.** Criminals use this technique to troll through the Internet, much like an angler drags bait through the water to catch fish. Unfortunately, you're the fish and the bait being used can appear in the form of an e-mail or pop-up message. The "bait" may appear to be from a legitimate financial institution such as a bank, credit union, credit card company, or online store. They tell you there are problems with your account and ask you to click on a link to update your information. Ignore these requests. Legitimate businesses will not ask you to update information in this fashion. If you want to double-check the legitimacy of the message, call the company using a phone number from a statement or other neutral resource and check to see if the request is valid.

*Information above attributed to materials from the National Endowment for Financial Education.*

### Straight from the Retirement Book

## What is the process for drawing my monthly pension benefit?

If you are contemplating leaving your current employment, it is important to understand how your retirement benefits will be impacted and what, if any, action you should take. Here are some important guidelines.

- If you separate from service and are eligible to immediately draw your retirement benefit, it is strongly recommended that you contact the Retirement Division for an estimate of benefits and the paperwork to complete. The earliest you can draw your retirement benefit is age 55 with five years of service, or at any age upon attainment of 30 years of service.
- If you are not eligible to draw your retirement benefit immediately following separation from service, but have over the required five years to be vested, you may allow your contributions to remain in the system and draw your vested, deferred benefit when you reach eligibility for an early or normal retirement. You are encouraged to contact the Retirement Division if you are eligible for a vested benefit at least three months prior to the date when you could begin to draw your benefit. This will allow our office to provide you with an estimate of benefits and the appropriate

The internet can be a great resource for information and commerce, but be wary of these popular schemes that criminals use to get your personal information:

**Spyware.** You've heard the saying, "Nothing is completely free." This can certainly be true as it relates to free software downloads, even those forwarded to you by people you know. Some downloads install spyware onto the hard drive of your computer, without your consent, which monitors or controls your computer use. Spyware may be used to send you pop-up ads, monitor your Internet surfing or record your keystrokes, which can lead to identity theft. To avoid spyware, don't install software unless you know exactly what it is and the reputation of the company offering it. Also, if your anti-virus software doesn't include a spyware blocker, install such software separately and learn how to use it and update it regularly.

**Freeware.** While any type of free software can pose a problem, file-sharing especially poses a challenge. If you don't check the software's sharing permissions, you could unknowingly provide access

paperwork with which to file for your benefit. Important: unlike Social Security, your retirement benefit does not increase once you reach normal retirement age 62; therefore, there is no advantage of waiting to draw your benefit until a later date.

- As a contributory member of the retirement system, you always have the option to request a refund of your contributions plus accumulated interest upon separation of service. If you have the required five years to be vested, withdrawing your contributions may not be your best option as you will forfeit your accrued service and all rights to a future retirement benefit as a result. If you have less than five years of service, you may withdraw your contributions immediately or allow them to remain in the system for up to six years before you will be required to withdraw them. This allowable absence period is valuable as it allows you time to return to teaching before you lose your already accrued service.

For more information, please contact the Retirement Division at 1-800-642-3191.

**Retired?  
Retiring Soon?**

**Consider joining the Vermont Retired Teachers' Association. Help protect your pension and benefits. Best \$10 investment in town!**

Contact Frank Hubbard at 363 Cliff Street, St. Johnsbury, VT 05819, or call (802) 748-3429. Email at [Fhub@kingcon.com](mailto:Fhub@kingcon.com).

# VSTRS Pension Fund Continues Positive Momentum

## Continued Collaboration Required to Ensure Long-Term Solutions

by Jeb Spaulding, Vermont State Treasurer



As a member of the Board of Trustees of the Vermont State Teachers' Retirement System (VSTRS) and custodian of the funds for this retirement plan, I appreciate the opportunity to provide a short status report to you. The Board of Trustees and this office encourage proactive adoption of practices to protect the long-term viability of the retirement plans for the benefit of current and future retirees. Pension benefits are essentially IOUs or

promises to employees that accumulate while they are working and that are cashed in at the time of retirement. These benefits are also a partnership, with both teachers and the State making ongoing contributions to the plan.

The VSTRS retirement plan is on sound financial ground. We continue to have excellent investment performance in the VSTRS pension fund, posting returns of 12.8 percent for the 12-month period ending March 31, outperforming the nationwide public pension fund median return of 10.9 percent and well above actuarial benchmarks of 8.25 percent. Although the plan had a funded ratio of only 84.6 percent for the last completed fiscal year, the Legislature has now appropriated the full actuarially required amount for two years in a row. A disciplined approach to benefit structure and management of pension assets combined with faithfully appropriating the actuarially required amount each year going forward should steadily improve the funded ratio. I encourage you to look at the various financial reports on our web site at <http://www.vermonttreasurer.gov/pension/teacherReports.html>.

Despite the positive position we are currently in, difficult challenges lie ahead. As people live longer, it is becoming increasingly common for them to draw benefits for a period longer than they spent in employment. It is not uncommon for teachers to retire with full benefits in their mid fifties. This is a far different picture than when our retirement plans were first enacted, and very expensive. For the last few years, pension and retiree health benefit payments have been increasing by roughly \$5 million to \$7 million per year.

In addition, in the near future we must tackle new accounting rules that have long-term impacts on the retirement funds. These rules require states to account for retiree health benefits on an accrued basis in a manner similar to traditional pen-

sion benefits. Like most other public systems, Vermont's practice has been to handle the obligation for these benefits on a "pay-as-you-go" basis. That can no longer continue. If Vermont were to pre-fund for these obligations, as best practice dictates, at current benefit levels the additional cost is estimated to be more than \$20 million per year.

**The Legislature has now appropriated the full actuarially required amount for two years in a row.**

In order to protect retirement benefits for current and future teachers and in order to be able to assure taxpayers that these benefits are affordable and fair to all parties, we must ensure that pension and retiree health provisions will be appropriate, affordable, and adequately funded far into the future. Finding fair and sustainable solutions to the above challenges will require a collaborative effort involving this office as well as the Administration, the Legislature, the Board of Trustees, and the Vermont-NEA. I look forward to working together to address these challenges in a manner that provides for the long-term retirement security of our valued state employees and retirees.

### Retirement Board of Trustees

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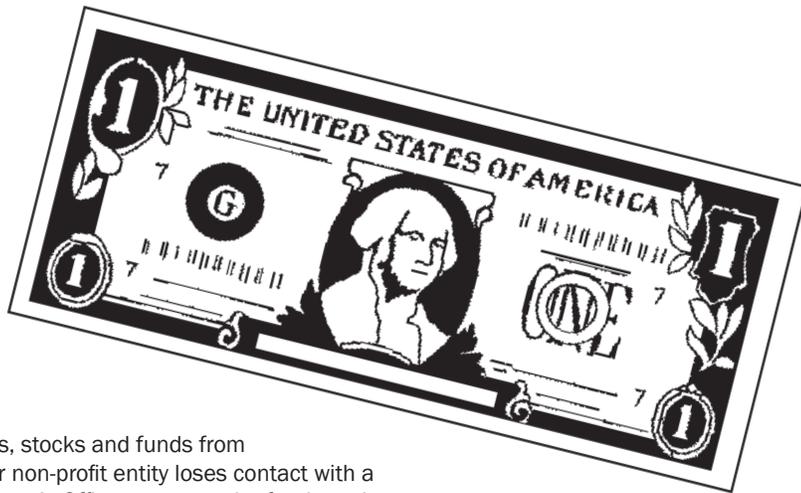
Editor: **Lisa Helme**

#### ELECTION UPDATE

Jon Harris recently won re-election to the Board over contender Jeff Isham by a vote of 776 to 392. Jon will serve a 4-year term. This is his third term on the Board. He represents active members of the TRS.

# It's Your Money — CLAIM IT!

Within the past 12 months, the State Treasurer's Office has returned more than \$3.6 million in unclaimed property to more than 6,000 people. A recent informational campaign by the office aimed to increase awareness among Vermonters about unclaimed property and, ultimately, reunite more people with their money. The state currently holds more than \$42 million in unclaimed financial property.



Financial property, such as tax refunds, unclaimed paychecks, stocks and funds from inactive bank accounts become "unclaimed" after a business or non-profit entity loses contact with a customer for a period of years. The property is sent to the Treasurer's Office to protect the funds and centralize search efforts for the original owners. The state never assumes ownership of the funds. The funds are held in trust and invested for the benefit of state residents until the rightful owner or heir is found.

"Our goal is to return as much money to rightful owners as possible, and we have had a couple of very busy years," said State Treasurer Jeb Spaulding. "There are an awful lot of happy Vermonters who have discovered unclaimed funds thanks to the work of our Unclaimed Properties Division personnel. I'm proud of this office's efforts."

Recent advertising helped publicize the web site and 800 phone number that are available for people to use to check for funds. Vermont residents are urged to search the unclaimed property web site listed below or call the toll-free in Vermont phone number, **1-800-642-3191**. For most financial properties, there is no time limit to file a claim, nor is there any fee for this service through the Treasurer's Office.

**[www.MissingMoney.Vermont.gov](http://www.MissingMoney.Vermont.gov)**

## (Retirement Bill Passed, Continued)

"Act 13 also helped create needed guidelines in some areas of state statute that should enhance our ability to better serve our members," said Webster. "For example, previous to Act 13, if a member died and that person had not designated a beneficiary for their benefit payments, we were unable to easily transfer any appropriate funds to the closest next-of-kin. Within Act 13, guidelines are now in place that allow us to do that."

You may review the entire content of the above acts by going to [www.leg.state.vt.us](http://www.leg.state.vt.us).

## AT A GLANCE . . .

How many members are there in the Vermont State Teachers' Retirement System? Take a look!\*

Active Members	10,696
Retired	4,879
Inactive	2,777
Inactive Vested	759

\* Totals above as of June 30, 2006, for a grand total of 19,111.

## What does Act 13 do? Continued . . .

- Adopts current federal law requirements for public pension plans into state law.
- Reduces the number of funds identified to be consistent with current accounting practices.
- Defines the formula for calculating the average final compensation.
- Defines an individual's monthly pension check to equate to the maximum retirement option.
- Creates a new definition for "Fund".
- Removes sections that are no longer relevant.
- Establishes language to ensure no loss of creditable service if a member goes on a leave of absence as a result of a work-related injury and receives worker's compensation payments while on leave.
- Modifies the application requirements to allow a member to submit a retirement application up to 90 days before or after separation of service.
- Establishes guidelines for the payment of residual benefits under and over \$1,000 after an active member or retiree death in absence of designated beneficiary.

# Four Key Estate Planning Documents Identified at Seminar

Most people are not eager to think about end-of-life decisions. However, Barre Attorney Michael Caccavo tries to stick to the “basics” when discussing estate planning documents, making it easier to consider such issues.

“When I say everyone, I mean EVERY person over age 18 and able to sign a document should consider completing four basic life and estate planning documents,” said Caccavo.

Caccavo recently discussed these documents with a group of more than 30 state employees as part of a Pre-Retirement Issues session conducted by personnel from the Retirement Division of the State Treasurer’s Office. The all-day session covered a variety of topics including deferred compensation plans, the future of Social Security, and how Vermont’s retirement system works.

The four essential estate planning documents listed by Caccavo were a will, a durable power of attorney, an advance health care directive, and a HIPAA release.

“I am seeing less reliance on wills as people take advantage of passing on their property through death and beneficiary designations now built-in to many financial products, such as life insurance and individual retirement accounts,” explained Caccavo.

“However, for property that does not have such designations, a will allows you to clearly indicate what you would like to have happen with your property after death.”

A will only disposes of property that goes into a Probate Estate and not property owned jointly or with named beneficiaries. It does require a proceeding in Probate Court.

A durable power of attorney allows you to name someone as

your agent to make business-related decisions for you. Caccavo said it’s helpful for disability planning and as an alternative to a guardianship.

An advance health care directive allows you to appoint someone to make medical decisions for you when you can’t make them yourself. It also can specify burial and funeral arrangements and replaces what used to be called a “Living Will.”

**“I am seeing less reliance on wills as people take advantage of passing on their property through death and beneficiary designations now built-in to many financial products.”**

**– Michael Caccavo, Counselor At Law**

Finally, Caccavo recommended people fill out a HIPAA release. The release authorizes the hospital, doctor, and any other medical professional to share personal medical information and discuss your condition with those you specify in the document. He said this is particularly useful if you’re not able to sign a release when admitted to a hospital. With the release in-hand, your family and other designated individuals would be able to legally receive information on your medical condition.

*EDITOR NOTE: The Retirement Division asks a wide variety of speakers to present at their sessions, but does not endorse one representative over another. Please consult the attorney of your choice for estate planning questions.*

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