Vermont Municipal Employees' Retirement System Pension Plan Information

plan highlights

Selecting a retirement plan is a one-time irrevocable election made during an enrollment period specified by the Vermont Municipal Employees' Retirement System.

Learn about some of the key features of your plans using this convenient question-and-answer format. For more information on the Defined Contribution Plan, call Fidelity at 1-800-343-0860. For more information on the Defined Benefit Plan, contact VMERS Employee Benefits at 1-802-828-2305.

	Defined Benefit Plan	Defined Contribution Plan
Plan Definition	• In a defined benefit plan you are promised a specific benefit amount at retirement. This amount is generally based on your compensation, the multiplier, and your years of service. The more years of service, the greater the benefit. You will receive the benefit determined under the plan, regardless of the performance of the plan's investments.	• In a defined contribution plan, an account is established on your behalf and contributions are made to the account by you and your employer. The amount of your benefit will be affected by the investments you select, the amount of time you have to invest, and the performance of the plan's investments.
How is my retirement benefit determined?	• The amount of your benefit is based on years of service, age at which you retire, and highest average pay for five consecutive years for members of the Group A plan, three consecutive years for members of the Group B or C plans, or two consecutive years for members of the Group D plan. • If you are a Group A member, the normal retirement multiplier is 1.4% of average final compensation (AFC) earned for each year in Group A. The normal retirement multiplier for Group B is 1.7% of AFC earned for each year in Group B. The normal retirement multiplier for Group C is 2.5% of AFC earned for each year in Group C. The normal retirement multiplier for Group D is 2.5% of AFC earned for each year in Group D.	• Your retirement benefit is the value of your account at retirement. • Your account is portable if you retire or change jobs.

	Defined Benefit Plan	Defined Contribution Plan
How much do I contribute to my pension?	You make mandatory pretax contributions from gross compensation (pay) of • 2.5% for Group A members • 4.5% for Group B members • 9.25% for Group C members • 11% for Group D members	You make mandatory pretax contributions from gross compensation (pay) of • 5% per participant
How much does my employer contribute to my Pension Plan?	Your employer makes a pretax contribution of • 4% for Group A members • 5% for Group B members • 6.5% for Group C members • 9.5% for Group D members (effective 7/1/06)	• Your employer makes a pretax contribution equal to 5% of your gross annual compensation into your account. In addition, employers make a .125% contribution into a separate account to help offset the cost of administering the defined contribution (DC) plan.
How are my contributions invested?	• The Vermont Pension Investment Committee (VPIC) invests all mandatory contributions.	• You select where all mandatory contributions will be invested from the investment options available through your plan. • Fidelity will provide you with the tools you may need to make your investment selections. • You can change your investment selections at any time, even if you terminate or retire. *Guidance is provided by Fidelity Representatives through the use of Fidelity's suite of guidance tools. These tools are educational tools and not intended to serve as the primary or sole basis for your investment or tax planning decisions.*
When do I become vested in or eligible to receive a pension?	• After five creditable years of service, your pension benefit is vested. This means you have the right to receive a monthly benefit during retirement. • You are always vested in your own contributions.	• After the one-year anniversary of your date of hire, you are vested in all employer contributions and any attributable earnings in your plan account. • You are always vested in your own contributions.

Are there any loan or withdrawal privileges?

Defined Benefit Plan

- Loans are not available.

Defined Contribution Plan

- Loans are not available.

When can I take my money out?

Defined Benefit Plan

Group A members

- Normal retirement age is 65 and five years of service or at age 55 and 35 years of service, whichever is earlier.
- You can also take an earlier retirement with a reduced pension at age 55 with five years of service.

Group B members

- Normal retirement age is 62 and five years of service or at age 55 and 30 years of service, whichever is earlier.
- You can also take an earlier retirement with a reduced pension at age 55 with five years of service.
- Members hired who accrue service in the Group A plan but retire in the Group B plan shall have the appropriate early retirement reductions applied to the Group A service.

Group C members

- Normal retirement age is 55 and five years of service.
- Service earned in a prior group retains the percentage of AFC of that group AND the appropriate early retirement reductions if the member collects a pension before the normal retirement age of those groups.

Group D members

- Normal retirement age is 55 and five years of service.
- You can also take an earlier retirement at age 50 with 20 years of service with no reduction in your pension.
- Service earned in a prior group retains the percentage of AFC of that group AND the appropriate early retirement reductions if the member collects a pension before the normal retirement age of those groups.

Defined Contribution Plan

- You may take your money at any time upon separation from the Vermont Municipal System. An early withdrawal penalty may apply if you take your money before you reach age 59½ without rolling it over into another employer's retirement plan or into an IRA.

The taxable portion of a distribution from a qualified plan is taxed as ordinary income in the year withdrawn. If you are under age 59½ at the time of the distribution, a 10% early withdrawal penalty may apply. If a distribution is eligible to be rolled over, but is not directly rolled over to an eligible plan or IRA, 20% mandatory withholding of federal income tax applies. Be sure you understand the federal and state tax consequences of any distribution before you initiate one. You may want to consult your tax advisor about your situation.

- Your account is portable if you retire or change jobs.

	Defined Benefit Plan	Defined Contribution Plan
How does my retirement income change with the cost of living?	Under the VMERS defined benefit (DB) plan, upon attainment of normal retirement age for the group you retired from and receipt of 12 pension checks, retirees are eligible for a cost of living adjustment (COLA) each January 1 based on the change in the Consumer Price Index (CPI) as of the preceding June 30. The maximum COLA a Group A member may receive each year is 2%; the maximum a Group B, C, or D member may receive is 3%.	A cost of living adjustment is not applied on the defined contribution plan. Instead the value of plan contributions and any earnings less withdrawals has the potential to grow based on the investment performance of the account. Keep in mind, investing involves risk. The value of your investment will fluctuate over time and you may gain or lose money.
What are my distribution options at retirement?	• Guaranteed, fixed, monthly income for your life. • Take full refund of your contributions plus any interest earned.	• Leave balance in the plan. • Lump sum retirement benefit. • Periodic payments. • Purchase a lifetime annuity. • Roll your balance into another qualified plan or IRA.
What distribution options are available to my beneficiary if I die before retirement?	• If you are not vested, your designated beneficiary will receive a lump sum of your contributions, including any earnings. • If you are vested, your designated beneficiary will receive a lump sum or, if your designated beneficiary is also your dependent, a pension benefit according to age and service of the employee.	• Your designated beneficiary will receive the full vested market value of your account.
What, if any, additional benefits do I receive as a retiree?	• Disability benefits are provided to those employees with a minimum of five years of creditable service upon approval by a medical board. • Retiree Health Savings Plan available to all DB members with a minimum of 5 years of contributory service. This Plan is accessible after commencement of retirement benefits for reimbursement of medical and insurance expenses incurred in retirement.	N/A
Where can I go for more information on these plan features?	• Call VMERS at 1-802-828-2305.	• Call the Fidelity Retirement Benefits Line at 1-800-343-0860 to speak to a Fidelity Retirement Services Specialist.

Information: Defined Benefit & Defined Contribution

The following information summarizes some of the advantages and disadvantages of the Vermont Municipal Employees' Retirement System's Defined Benefit Pension Plan and the Vermont Municipal Employees' Retirement System's Defined Contribution Pension Plan. This general summary is provided for your consideration as a tool to assist you in determining which plan may be most appropriate for you.

Defined Benefit

Advantages

- Monthly disability payments are available and will continue through your period of disability
- Investment risk is assumed by the Vermont Municipal Employees' Retirement System
- Benefits are more predictable
- Benefit provided is based on preretirement final average salary
- Typically provides more income for career employees—rewards long service
- Members cannot outlive benefits
- Benefit increase with each year worked
- Benefit increase each year in retirement after age 62 and after receipt of 12 pension checks based on a cost of living adjustment (up to a specified maximum amount based on the group plan)
- Individuals do not direct investments
- Retiree Health Savings Plan available to assist with medical and insurance expenses after retirement
- Investment decisions made by VPIC

Disadvantages

- Benefits significantly reduced if employee retires early
- Limited portability of benefits

Defined Contribution

Advantages

- Employee assumes all investment risk—superior investment performance may result in additional benefits
- Account balances are portable
- Portability features potentially provide opportunity for non-career employees
- Employee assumes responsibility for retirement income cash flow
- Employee has flexibility to invest so as to try to offset inflation
- Personal control of investments by the participant
- A DC investor is not limited in what may potentially be left to his or her heirs

Disadvantages

- Employee assumes all investment risk—poor investment performance may result in inadequate benefits
- Benefits are not related to preretirement income (to maintain comparable standard of living)
- Employee assumes responsibility for retirement income cash flow and inflation protection
- Must purchase a private annuity to ensure guaranteed lifetime monthly retirement income
- Members could outlive benefits

Guarantees are subject to the claims-paying ability of the issuing insurance company.

The Defined Benefit information in this brochure was provided by the State of Vermont.

This document only provides a summary of the main features of the VMERS Pension Plans. The plan documents will govern in the event of any discrepancies.

Unless otherwise noted, transaction requests confirmed after the close of the market, normally 4 p.m. Eastern time, or on weekends or holidays, will receive the next available closing prices.

Before investing in any mutual fund, please carefully consider the investment objectives, risks, charges, and expenses. For this and other information, call Fidelity at 1-800-343-0860 or visit www.fidelity.com for a free prospectus or, if available, a summary prospectus. Read it carefully before you invest.

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