Vermont State Employees' Retirement System Pension Plan

plan highlights

Selecting a retirement plan is a one-time irrevocable election made during the first few months of eligible employment.

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

	Defined Benefit Plan	Defined Contribution Plan
Plan definition	• In a defined benefit plan, you are promised a benefit at retirement that is generally based on your compensation and your years of service. If you retire after working most of your career at one employer, you are more generously rewarded than if you changed jobs more frequently. 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/or your employer. The amount of your benefit will be affected by 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 36 consecutive months for group F members). • If you are a group F member, the normal retirement calculation is 1.67% times years of service in the group F plan, and 1.25% times years of service in the group E plan (if any) times highest 36 consecutive months of earnings. If you are a group D member, the normal retirement calculation is 3.33% times years of service times your final salary (providing you have 12 or more years of service), otherwise 1.67% times years of service times your final salary.	• Your retirement benefit is the value of your account at retirement. • The amount of your benefit depends on contributions to your plan each year and the performance of your chosen investment options.
How much do I contribute to my pension?	• If you are a group F or D member, you make a mandatory pretax contribution of 6.4% of your gross compensation.	• You make a mandatory pretax contribution of 2.85% of your gross compensation.
How much does the state of Vermont contribute to my Pension Plan?	• The amount the state contributes varies. An actuary determines your employer's contribution to the plan on an annual basis based on benefit obligations and plan investment performance. • The state's contribution is not designated for individual employees' accounts.	• The state makes a pretax contribution equal to 7% of your gross compensation to your account each year.
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 among 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 provided by Fidelity is educational in nature, is not individualized, and is 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 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 one year and 11 months of service, you are vested in all employer contributions in your pension plan account. • You are always vested in your own contributions.

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Are there any loan privileges?	• Loans are not available.	• Loans are not available.
When can I take my money out?	• If you became a member of the system before July 1, 2008, normal retirement age is 62 or 30 years of service, whichever is earlier. • If you became a member of the system on or after July 1, 2008, normal retirement age is 65 or when your age and years of service equal 87. • You can also take an earlier retirement with a reduced pension at age 55 with five years of service.	• You may take your money at any time upon separation from the state of Vermont. Federal income taxes and an early withdrawal penalty may apply if you separate from service before age 55 and take your money before age 59½ without rolling it into another employer's retirement plan or into an IRA. • Your account is portable whether you retire or change jobs.
What are my distribution options at retirement?	• Guaranteed, fixed monthly income for your lifetime. • Survivorship options are available to provide continued payments to your beneficiary after your death. • Take full refund of your contributions plus any interest earned. • Upon death of a member, a dependent can continue to receive health insurance if a survivorship option was chosen at retirement.	• Leave balance in the plan. • Lump-sum retirement benefit. • Periodic payments. • Purchase a lifetime annuity. • Roll your balance into another qualified plan or an IRA. • Upon death of the member, a dependent cannot continue to receive health insurance.
What distribution options are available to my designated 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 and age 55 or older, or if you have a minimum of 10 years of service at any age, your designated dependent beneficiary will have the option of receiving a lump-sum payment or a pension benefit according to your age and service at the time of death. • Health insurance continues to dependent beneficiary if under survivorship benefit.	• Your designated beneficiary will receive the full vested market value of your account.
What, if any, additional benefits do I receive as a retiree?	• Health, dental, and life insurance are available if you retire (minimum of age 55 and five years of service; or 30 years if in the Group F Plan if you were hired prior to July 1, 2008; or when age and years of service equal 87 if you were hired after July 1, 2008) directly from the state of Vermont and you meet/agree to conditions associated with each type of coverage.	• Health, dental, and life insurance are available if you retire (minimum of age 55 and five years of service) directly from the state of Vermont and you meet/agree to conditions associated with each type of coverage.
Where can I go for more information on these plan features?	• Contact VSERS Employee Benefits at 1-802-828-2305.	• Call Fidelity Investments at 1-800-343-0860 to speak to a representative.

Compare: Defined Benefit vs. Defined Contribution

The following comparison summarizes the advantages and disadvantages of the Vermont State Employees' Retirement System's Defined Benefit Pension Plan and the Vermont State Employees' Retirement System's Defined Contribution Pension Plan. This general summary is provided as a tool to help you determine which plan may be most appropriate for you.

Defined Benefit

Advantages

- Investment risk is assumed by the Board of Trustees
- Benefits are more predictable
- Benefit provided is based on preretirement final average salary
- Typically provides more income for career employees—rewards long service
- Offers inflation protection during retirement through cost-of-living adjustments (COLAs)
- Members cannot outlive benefits
- Recognizes outside, non-covered service credit such as military or other public service
- Disability benefits
- Upon death of a member, dependent can continue health insurance if a survivorship option was chosen at retirement

Disadvantages

- Investment risk is assumed by the Board of Trustees
- Investment decisions made by the Vermont Pension Investment Committee (VPIC)
- Limited portability of benefits
- Benefits significantly reduced if employee retires early (prior to normal retirement)

Defined Contribution

Advantages

- Employee assumes all investment risk—superior investment performance may result in additional benefits
- Account balances are portable
- Simple plan to understand—value easily determined
- Typically provides more retirement income for non-career employees
- Employee assumes responsibility for retirement income cash flow
- Employee assumes responsibility for inflation protection
- Shorter vesting period for employer contributions

Disadvantages

- Employee assumes all investment risk—poor investment performance may result in inadequate benefits
- Employee responsible for contributing funds to retirement income
- Benefits are not related to preretirement income (to maintain comparable standard of living)
- Employee assumes responsibility for retirement income cash flow
- Employee assumes responsibility for inflation protection
- Must purchase an annuity to ensure guaranteed lifetime monthly retirement income
- No disability benefits
- Upon death of member, a dependent cannot continue to receive health insurance

Defined Benefit Plan information was provided by the state of Vermont.

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 an 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.

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

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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