



Supplemental Retirement Plans Transition to Prudential

The Office of the State Treasurer, along with the three Retirement Boards, have been extremely busy over the past year working on behalf of all participants in the following State of Vermont supplemental retirement plans:

- State 457 Deferred Compensation Plan
- State Defined Contribution Plan
- Municipal Employees 457
- Deferred Compensation Plan
- Municipal Defined Contribution Plan
- Municipal Retiree Health Savings Plan
- Teachers 403(b) Plan
- Single Deposit Investment Account Plan

About a year ago, a firm with expertise in retirement plans was retained to assist with facilitation of a Request for Proposal (RFP) competitive bidding process to select a Third Party Administrator(s) (TPAs) for the above-referenced plans. The RFP was extensive and encouraged interested TPAs to bid on various scenarios that included administering one or more of the plans. After extensive review and finalist presentations, Prudential Retirement was selected to administer all of the plans. **Defined benefit plans are not impacted by this change and will continue to be administered by the Vermont Retirement Division and overseen by the Retirement Boards.**

The benefits of moving to Prudential include 1) 51% decrease in participant administrative fees; 2) in-State Retirement Counselors to answer questions, provide one-on-one consultations and

educational meetings, plus Participant Service call center representatives to assist with questions or transactions; 3) improved retirement education website; and 4) enhanced asset allocation tool.

It is important to note that during the transitional process, participants' money will continue to be received and invested on their behalf. There will be a brief "blackout period" when money may not be withdrawn or transferred to another investment vehicle while the actual funds are transferred to Prudential, but the funds will be fully invested through the process.

Employees and retirees who participate in one or more of the supplemental retirement plans have been receiving on-going communications regarding the transition process and critical dates when the actual funds will be moving to Prudential in February of 2018. Copies of the detailed notices that have been sent to participants in September, November and December may be viewed by going to the following informational website: vermont.retirepru.com. There is also a Vermont Transition Toll-Free Line: 877-RET-VERM (877-738-8376) where you may call if you have additional questions.

If you do not currently participate in one of the supplemental retirement programs addressed in this transition for which you are eligible to join, you are strongly encouraged to view the website listed above to learn more about the benefits of becoming an active contributing member with the goal of building a more secure retirement for the future.

2018 COLA Information

A cost-of-living adjustment (cola) will be applied to the pensions of our retired members in January of 2018. Based on the Northeast Region CPI-U, each retired member that has been receiving a monthly pension allowance for at least twelve months will receive a **.75% cola** in their January payment, which will be made on January 29, 2018. **This cola is applicable to members of groups A, B, C and D.**

Pensions Offer the Most Secure Retirement

by Beth Pearce, Vermont State Treasurer

Vermont's educators, state and municipal employees make important contributions to our communities and to the economic vitality of our state. As Treasurer, it is my responsibility to match your dedication to ensure that all system members can achieve a secure retirement. The defined benefit (DB) pension plans the state manages are one of the tools by which we ensure assist in preparing Vermonters for financial well-being in retirement

Research shows that retirement savings invested through DB systems provide the best value for taxpayers. Dollar for dollar, DB plans perform better than other alternatives. By pooling assets, we maximize investment returns over the long-term, achieving the necessary scale to assist in a secure retirement for plan participants.

The security of DB plans is extremely important for the economic well-being of the state. DB plans are good for both employers and employees. When retired workers have adequate and reliable income, they buy products and services in our local communities.

For every retirement dollar spent locally, the value of our DB plans is multiplied. 2016 research compiled by the National Institute on Retirement Security (NIRS) found that Vermont pension disbursements generated \$386.5 million in economic output. This economic ripple effect adds to the vibrancy of Vermont's cities and towns.

Given New England's demographic profile, retirement security is critically important to the health of our region and state. The impacts of the Great Recession continue to pose challenges to retirement security across the country. Additionally, national health care cost increases continue to put pressure on both private sector and state budgets, making a comprehensive health care approach more necessary than ever before.

The Treasurer's Office has worked with governors and lawmakers to make prudent decisions to address investment losses experienced during the Great Recession. Employee groups have been important partners in our work to ensure that the pension funds are strong. Thank you for stepping up to the plate to work with us and address issues. Vermont gets things done when we work together.

We need to continue our disciplined approach so all Vermonters have adequate and reliable dollars in retirement. DB plans are an important part of the solution. As Treasurer, I will continue to work to ensure that all Vermonters can achieve a lifetime of financial well-being and dignity in retirement.

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Make Sense of Your 1099-R Form

The tax statement for retirees that is generated and distributed in January is called a 1099-R. This information is intended to assist retirees by explaining what each box on the 1099-R represents. The descriptions below only identify those boxes on the form that are used by the Vermont State Retirement System for reporting your pension to the IRS.

- BOX 1** Displays the gross amount of the pension you have received during the preceding calendar year, before any deductions have been withheld.
- BOX 2a** Displays the taxable amount of the pension you have received during the preceding calendar year. In some cases, boxes 1 and 2a reflect the same amount. If the amount in box 2a is smaller than the amount in box 1, it means that you made contributions into the retirement system while actively employed that you paid taxes on, and therefore, those same already-taxed contributions will not be taxed again in retirement.
- BOX 4** Displays the total amount that has been withheld for federal taxes, based on your filing status, during the preceding calendar year. If the amount in box 4 is blank, then you have either elected not to withhold federal taxes, or your filing status results in a -0- withholding.
- BOX 5** Displays the portion of the total pension reflected in box 1 that is not taxable. If box 5 is blank, it means that your pension is fully taxable. NOTE – this box can be confusing as it appears to indicate that insurance premiums should be displayed here. Our system does not use this box for insurance premiums, nor is it a deduction of any kind.
- BOX 7** Displays the IRS code for a pension distribution.
- BOX 12** Displays the total amount that has been withheld for Vermont State taxes, based on your filing status, during the preceding calendar year. If the amount in box 12 is blank, then you have either elected not to withhold Vermont taxes, or your filing status results in a -0- withholding.
- BOX 13** Displays the state to which the withholding was paid and the payer's federal identification number.
- ACCOUNT NUMBER** Displays your unique retirement system identification number.

Treasurer and Attorney General Warn Vermonters to be on Alert Against Unclaimed Property Scams

State Treasurer Beth Pearce and Attorney General T.J. Donovan are warning citizens about phone solicitations and websites that falsely claim citizens must pay a fee to locate and retrieve unclaimed property. Vermont citizens are advised to search the State's free unclaimed property database before accepting services from other entities.

In recent months, several Vermont residents have reported that for-profit enterprises have contacted them by phone, letter or email offering unclaimed property search services for an upfront fee. "Unclaimed property" describes assets like uncashed checks, lost valuables, forgotten security deposits, misplaced insurance policies, investments or estates.

The Vermont State Treasurer's Office maintains a database of unclaimed property. The Treasurer's Office's unclaimed property program is a consumer protection initiative to benefit all citizens. **No commissions or fees are charged through this free service.** Vermonters can easily search the State unclaimed property database by visiting MissingMoney.Vermont.gov or by calling 1-800-642-3191.

With over \$80 million waiting to be claimed in Vermont alone, Treasurer Pearce and Attorney General Donovan urge Vermonters to first check with the Treasurer's Office's Unclaimed Property Division before pursuing other search options. Further, the Attorney General and Treasurer remind Vermonters that any unclaimed property service provider operating in the state must be registered with the Treasurer's Office.

If you have questions about a solicitation or want to learn more, contact the Treasurer's Office's Unclaimed Property Division by visiting MissingMoney.Vermont.gov or calling 1-800-642-3191. If you have questions about how to identify a

scam and how to protect yourself, contact the Attorney General's Consumer Assistance Program (CAP) at 1-800-649-2424 or visit CAP online at consumer.vermont.gov.

Federal Tax Changes and Your Retirement

By Laurie Lanphear,
Director of Retirement Operations



In December the President signed a new tax bill into law that makes many changes to federal tax law and the way employers must withhold earnings from employees' paychecks. In recent weeks, retirement staff in the Treasurer's Office have received a number of inquiries about whether the new law is expected to impact retiree savings decisions or retirement income.

Based on guidance provided by the Internal Revenue Service (IRS), the Treasurer's Office will process January 2018 pension payments using 2017 tax tables. Any changes in early 2018 will be based on updated IRS guidance. The Treasurer's Office anticipates these changes will be implemented in February 2018.

We encourage you to review with your financial advisor if and how these changes could impact your finances. Please contact the Retirement Office if you would like to change your current withholding amounts.

You're receiving this paper edition of the Retiring Times Newsletter because you requested it.

If you wish to end paper copies, please email Treasurers.Office@Vermont.Gov or call the Retirement Division at (802) 828-2305.