

# Retiring TIMES



Vermont State Employees' Retirement System

## Treasurer Pieciak: State of the Pensions

**Our public pension systems** provide a win-win economic solution for our public sector workforce, our towns and schools, and the State. For workers, they provide a reliable monthly pension payment, providing those who've made a career serving our communities with financial security in retirement. For public employers, pensions provide a valuable recruitment and retention tool.

Our pension systems have faced their share of challenges in recent years. Years of underfunding and significant losses during the Great Financial Crisis of '08-'09 put stress on the System. However, reforms made over the past decades have put the Systems on a solid and sustainable path.

This year marked an important milestone for our pension systems. 15 years ago, the State committed to a 30-year plan to get our plans to full funding. This past July 1, we passed the halfway mark!

The first 15 years saw substantial increases in the State's annual payments while also experiencing a steadily decreasing funded ratio for the State and Teacher Systems.

However, that trend has been reversing in the past couple years. With funded ratios continuing to rise, the State System just reached 70% funded, the Teacher System is now almost 60% funded, and annual increases in the State's payments are moderating.

The Municipal System remains around 75% funded and will continue to see incremental increases in employee and employer contributions.

I recognize the annual investment in the pension

systems from the State, municipalities, and public employees is substantial. But it's important to remember that these payments are investments, allowing us to leverage significant investment returns that directly reduce costs to taxpayers. Last year alone, the State earned over \$400 million in investment income thanks to the good work of the Vermont Pension Investment Commission.

These positive trends are years in the making and are a testament to the collaborative efforts of the Retirement Boards, Legislature, and key stakeholders throughout the years.

Most recently in 2022, the Legislature's unanimous passage of Act 114 demonstrates that there is a broad consensus that our pension systems provide real value to the State and local governments, the public sector workforce, and the State's taxpayers. It shows that when we work together, invest in our Systems, and make prudent decisions, we can save billions of dollars.

Our pension systems have a strong foundation, a sound plan for the next 15 years, and dedicated trustees keeping watch over the systems. It is critical that we maintain our funding discipline in the years ahead to capitalize on the investments made over the last 15 years.

I'm proud to report that the state of our pensions is strong, and I look forward to working with fellow Vermonters to keep them that way as we move forward.

**MIKE PIECIAK**

*Vermont State Treasurer*



## ACT 114 UPDATE

**The Retirement Division** continues to implement Act 114.

Pension reforms like Act 114 often present programmatic challenges well after they are implemented.

Staff has focused on identifying any challenges that arise and making sure they are addressed quickly so that the intent of Act 114 is achieved.

During the last legislative session, we also proposed (and the Legislature enacted) technical fixes to the language.

# DIRECTOR'S MEMO:

In addition to the arrival of new team members discussed elsewhere in this letter, 2023 was an exciting year in the Retirement Division. The year began with a continued return to normalcy as the COVID-19 pandemic receded. Practically speaking, this meant a greater presence in our Montpelier office in the historic Pavilion Building.

## The Flood

Of course, everything changed on July 10, as the skies opened and staff were sent home early to be able to beat the rising waters. We woke up the next day to find the town and our building flooded.

Fortunately, with the lessons of the pandemic fresh in our mind, we were able to pivot quickly and effectively to remote work. Beginning the week of the flood, we used our emergency back-up location in Barre as a hub for physical processes. However, once it became clear that remediation of the Pavilion Building would be a monthslong effort, we secured temporary offices in Waterbury and used them throughout the balance of 2023.

We are only now starting to use the Pavilion Building, and we plan to embark on some office renovation to accommodate our higher staffing numbers before returning completely in the Spring. For those who wish to have in-person meetings, we are open for business in both Waterbury and Montpelier and ask that you make a reservation before coming in.

## Other Business

Aside from the flood, it was business as usual in the Retirement Division. We continued the work of implementating the Pension Reform Legislation (Act 114) passed in 2022. This meant reworking COLA formulas for new retirees, creating a new retirement group in the State system for certain Corrections and Mental Health workers and reforming the contribution rates for active employees.

We also completed Experience Studies for all three systems. These studies look at the Systems' assumptions and determine whether changes should be made. We used to do these every 5 years but have moved to conducting them every 3 years to ensure we can course correct quickly when needed. That work was conducted primarily through the summer and the Boards approved the respective Studies in September 2023. In contrast to the 2020 Experience Studies, the 2023 Studies did not result in substantial changes to the Systems' financial position.

If you would like to see additional information on the Systems' funding, demographics, and other items, [please click here](#) for a presentation that Treasurer's Pieciak and I gave to the Joint Public Pension Oversight Committee at the end of 2023.

## STATE SYSTEM HIGHLIGHTS:

The major work for the State System this year was the implementation of new Group G – a plan for Corrections and certain Mental Health employees.

Under the leadership of Operations Director, **Nicole Weidman**, and Chief Retirement Specialist, **Dawn Neddo**, staff visited every prison, parole office, and mental health facility in the State last winter, sometimes making multiple trips, to educate employees about their option to join Group G. The effort was a success and members who elected to join Group G were transitioned this summer without incident.

There was also a significant discussion in the Legislature about the nature of retiree health benefits, focusing on whether and how changes can be made in the type of insurance coverage offered to State retirees. This resulted in an amended statute that requires agreement among stakeholders before any changes can be made.

## COST-OF-LIVING ADJUSTMENT FOR CALENDAR YEAR 2024

This year, inflation increased by 2.20%, as measured by the Northeast Region CPI-U for the year ended June 30, 2023.

Based on statutory formulas, what this means for current retirees who qualify for a COLA is the following:

- **Group E and F members who retired by June 30, 2008 – 1.10%.**
- **All other VSERS retirees – 2.20%**

Please note that Act 114 made changes to the COLA provisions applicable to certain VSERS members. However, these changes will not affect members who are eligible to receive a COLA this year.

Generally speaking, if you were retired or eligible for normal retirement as of June 30, 2022, you will continue to be subject to the old COLA rules, while newer retirees who do not meet that criteria will be subject to the new COLA rules set forth in Act 114.

For more information on COLAs and the new statutory provisions, please see our Summary as well as our 2024 COLA memo.

## STAFFING UPDATES

In 2023, the Legislature approved 3 new positions in the Retirement Division. These new positions will allow us to better serve our members and our participating employers. With one departure this year, we have been fortunate to bring on 4 new full-time staff. These new staff members bring with them a wealth of experience in the private sector, Vermont state government, and other public retirement systems. Here are our newest team members who joined in 2023:

- **Nadine Perkins** joined the Retirement Division as a Financial Administrator II in December. Prior to her time with the State of Vermont Nadine worked at the Wyoming Retirement Systems for 16 years. During her time with the Wyoming Retirement Systems Nadine held various roles like Payroll Supervisor, Lead Benefit Specialist and Benefit Specialist.
- **Noah Bianchi** joined the Retirement Division as a Financial Administrator II in December. Noah joins our team after a few years in the financial services industry working most recently for Key Bank as their Lead Teller. Noah is currently pursuing his master's degree in Business Administration with a concentration in accounting.
- **Howard Dindo** joined the Retirement Division as an Administrative Coordinator II in April. Prior to joining our team Howard was the Operations Manager at FedEx Ground from 2022–2023. Howard has also worked as a supervisor at Aris Solutions and BCBSVT as well as a New Business Case Manager at National Life Group.
- **Valerie Bowman** joined the Retirement Division as our new Administrative Coordinator II in November 2023. Valerie has 22 years of service with the State of Vermont working with BGS, DMV, and most recently the Division of Fire Safety.

## WELLNESS UPDATE:

### Simple Steps to Stay Healthy This Season

Germs can be hard to avoid this time of year. But there's a lot you can do to keep yourself and your loved ones healthy.

### Get vaccinated.

Now is the time to take one of the most important steps to protect against serious illnesses from flu, COVID, and for some, RSV.

- Everyone 6 months and older should get this year's COVID-19 and flu vaccines.
- Babies and adults ages 60 and older can get added protection from RSV immunizations.

### Prevent the spread of germs.

Simple steps like washing your hands often with soap and water, avoiding contact with others if you or they are sick, covering up coughs and sneezes, and wearing a mask—especially if you or the people you are around are at higher risk of getting very sick—can lower your chances of getting sick or spreading viruses.

Find more at [healthvermont.gov/prevent-covid](https://healthvermont.gov/prevent-covid).

# Make Sense of Your 1099-R Form

The 1099-R form is the income tax document for retired members, much like the W-2 tax document issued to active employees. If you are receiving a pension from a public plan in Vermont, you should receive a 1099-R form in the mail. These forms are mailed to the address on file for all retirees no later than January 31 each year. The 1099-R forms are also accessible online at [retire.vermont.gov](https://retire.vermont.gov). Please note, if you have not registered for an account you must begin by requesting an enrollment pin. The enrollment pin will be mailed to you the following business day. If you need assistance, please contact our office at [tre.retirementoffice@vermont.gov](mailto:tre.retirementoffice@vermont.gov) or 1-802-828-2305.

This information is intended to assist retirees by explaining what each box on the 1099-R represents. The descriptions below only identify the boxes that are used by the Vermont Retirement Systems for reporting your pension to 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.

## EMPOWER MIGRATION:

In February 2024, anyone who has Defined Contribution or Deferred Compensation plan (previously with Prudential), will have that account migrated to a new Empower Platform. You will not experience any disruptions in service or changes in fees, and no action is required on your part.

What you will experience is a new look and feel when you log in to view how your investments have progressed. As we move closer to February 2024, you will receive additional information, like Client Readiness Communications, sharing more information on the new ways in which Empower can assist such as:

- Smart planning and investment advice for customers
- A complete financial view in the Empower Personal Dashboard
- Meaningful conversations with Empower financial professionals