

Retiring TIMES

Vermont State Employees' Retirement System



Member Direct Portal Rolled Out to Retirees

In 2019, the Retirement Office implemented a new online tool available to State retirees called Member Direct. State retirees can now log-in to member direct and view and make changes to certain aspects of their retirement account. Retirees can view payment history and pay stubs, view tax withholding and deductions and make changes to their state and federal withholding elections, update personal information i.e. mailing address and banking information, and view their 1099s online. The Retirement Office is excited to announce this new tool and intends to roll out member direct to active members in the first quarter of 2020. If you have questions about member direct or would like to enroll today (retirees only) please visit the following website retire.vermont.gov or call the Retirement Office at (802) 828-2305.

Vermont Wins Go Green Challenge

Prudential Retirement recently held the *Go Green Challenge* to encourage members of Vermont Retirement System's deferred compensation plans to enroll for online delivery of e-statements. The *Go Green Challenge* was a friendly competition that pit Vermont Retirement System against Hawaii's Island Savings Plan in a contest to see which state would have the highest percentage of participants move to online account management, eliminating paper waste. Vermont lived up to its reputation as a green state – 424 Vermont participants elected e-delivery, for an overall 3.55% increase, topping Hawaii. In November 2019, Prudential's Chip Sanville presented the State Treasurer with an award acknowledging Vermont's success. Missed the *Go Green Challenge*? You can go paperless by registering your account on vermont.retirepru.com.

COST-OF-LIVING ADJUSTMENT FOR CALENDAR YEAR 2020

Effective with the pension payments dated January 31, 2020:

Groups A, B, C & D: 1.60%

Groups F: 1.60%

(who retired on or after June 30, 2008)

Groups E & F: 1.00%

(who retired before June 30, 2008)

Make Sense of Your 1099-R Form

The tax statement that is generated for retirees is called a 1099-R. This is the retired version of a W-2 statement issued to active employees. If you receive a pension from a public pension plan in Vermont, you should have received a 1099-R form in the mail no later than January 31, 2020. Please call our office immediately at (802) 828-2305 or toll free in Vermont at 1-800-642-3191 if you do not receive this form when expected.

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.



DIRECTOR'S CORNER

By Erika Wolffig

The Treasurer's Office often gets questions about the difference between Defined Benefit (DB) retirement plans and Defined Contribution (DC) plans.

In a DB system, the employee and employer make contributions to a retirement fund each pay period. These contributions are pooled in a fund overseen by the system board of trustees, and an investment committee, which manage investment decisions. Once the employee serves a certain number of years of service, they become eligible for a monthly retirement benefit that is defined through a formula based on the member's age, average final compensation, and years of service. Benefits are guaranteed to be paid for the remainder of the member's life after retirement.

In a DC system, the employee and employer make set contributions each pay period to an individual retirement account, where the employee has control over their assets and investment decisions. Once the employee serves a certain number of years of service in the system, the contributions and accumulated investment savings belong to the employee for future withdrawal. There is no guarantee that the contribution or investment earnings will generate adequate and reliable income in retirement. The only guarantee offered in this plan is the percentage of contributions that will be made.

If you have questions about the type of retirement plan you're enrolled in, please contact the Retirement Division by dialing (802) 828-2305.