

ELIZABETH A. PEARCE  
STATE TREASURER

RETIREMENT DIVISION  
TEL: (802) 828-2305  
FAX: (802) 828-5182




UNCLAIMED PROPERTY DIVISION  
TEL: (802) 828-2407

ACCOUNTING DIVISION  
TEL: (802) 828-2301  
FAX: (802) 828-2884

STATE OF VERMONT  
OFFICE OF THE STATE TREASURER

**TO:** Joint Fiscal Committee

**FROM:** Beth Pearce, State Treasurer 

**DATE:** September 8, 2015

**RE:** Number of individuals applying for Retirement Incentive

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This letter is to apprise you of the status of the Retirement Incentive program enacted into law by the General Assembly and to request authorization to increase the retirement ceiling from the current level of 300 to 311.

We received 311 applications by the deadline established on August 31, 2015. In accordance with the law, a lottery was conducted on September 1, 2015 to determine which employees would be eligible to receive the incentive. We then mailed retirement packets on September 2, 2015 to the 300 selected employees. Included with the packet was all of the necessary retirement paperwork as well as employee specific estimate information. Also included was an informational bulletin explaining the process associated with the retirement incentive. A copy is attached for your reference.

Attached is a listing of 2015 Retirement Incentive applications by Agency/Department as of September 1, 2015. The Joint Fiscal Committee may, per the enabling legislation, increase the retirement ceiling past the current level of 300 applications. The decision to exceed 300 (with 3/4 of the positions held vacant) retirements under this program is a policy decision based on an analysis of the State's ability to perform key services. While the Treasurer's Office cannot make a determination as to the actual number of employees who will be interested in the retirement incentive, based on the experience in 2009 for a similar effort, we would expect that some employees will change their minds and not follow through with the retirement process. While the number of final retirements under this program will likely be less than 300, my office would need the Joint Fiscal Committee to approve the current level of 311 in order to accommodate all applications.

If the Joint Fiscal Committee at their meeting on September 15, 2015 votes to approve additional slots above 300, we will notify those remaining employees as soon as possible following the meeting.

**2015 Retirement Incentive Applications by Agency/Department  
September 1, 2015**

Agency of Commerce and Community Development	4
Agency of Agriculture, Food and Markets	4
Agency of Human Services	2
Agency of Natural Resources	1
Agency of Administration	1
Agency of Transportation	57
Buildings and General Services	11
Office of Child Support	6
Corrections	22
DAIL	13
DCF	31
DEC	17
Defender General	6
Financial Regulation	3
DII	4
DMV	14
DVHA	1
Agency of Education	9
Finance and Management	1
Fish and Wildlife	4
Forests, Parks and Recreation	6
Health	23
Human Resources	4
Human Service Board	1
Labor	15
Libraries	5
Liquor Control	2
Lottery	1
Mental Health	7
Military	5
Natural Resources Board	4
Public Safety	6
Public Service	2
Public Service Board	3
Tax	13
Vet's Home	3
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Total	311

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STATE OF VERMONT  
**OFFICE OF THE STATE TREASURER**

September 2, 2015

**To: VT State Employees Who Were Selected in the Lottery for the 2015 Retirement Incentive**  
**From: Vermont Retirement Systems**

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We are writing to update you on the 2015 Retirement Incentive contained in Section B. 1104.1 of Act 58 of the 2015 Session of the Vermont General Assembly.

We received 311 applications and in accordance with the law conducted a lottery to select the initial 300 eligible employees. You were selected as part of the lottery and will receive the incentive benefits if you follow through with the retirement process outlined below.

**PLEASE NOTE: It is important that you contact our office in writing no later than September 15, 2015, if you decide not to pursue the retirement incentive and are not planning on retiring at this time. This information is necessary in order to track the number of employees who are retiring and to offer your "slot" to an employee who was not selected in the initial lottery. If you are retiring, we encourage you to communicate with your supervisor/appointing authority as soon as possible. Please see the "Last Day of Employment and Providing Notice of Resignation" requirements discussed below.**

**Retirement Process**

Included with this letter is an *Informational Bulletin* which provides an explanation of the many components related to retiring from the State of Vermont. We suggest that you read the information in this Bulletin carefully as it may answer some of your immediate questions about the retirement process. We have also included an FAQ from the VTHR Payroll Team.

We have also included *estimates* of your monthly retirement benefit, assuming that you stop working either September 19<sup>th</sup> or September 30<sup>th</sup>, for an effective retirement date of October 1, 2015. The reason for these two different stop work dates is that the date you elect to stop working affects the amount of your monthly retirement benefit. (Please review the enclosed estimates for more information.) You will note that the amount of your monthly benefit also depends upon which retirement *option* you select. If you provided our office with survivor data, the optional survivorship retirement benefit amounts were calculated using this data. Please refer to the *Informational Bulletin* for more information about each *option*.



The following forms are included in this packet and must be **completed and returned to our office no later than September 30, 2015.**

- 1.) *APPLICATION FOR RETIREMENT BENEFITS (this form must be signed in the presence of a notary)*
- 2.) *DIRECT DEPOSIT SIGN-UP FORM*
- 3.) *VERMONT TAX WITHHOLDING INSTRUCTIONS AND FORM*
- 4.) *FEDERAL TAX WITHHOLDING INSTRUCTIONS AND FORM*
- 5.) *VERMONT RETIREE MEDICAL INSURANCE FORM*
- 6.) *COORDINATION OF HEALTH INSURANCE BENEFITS FORM*
- 7.) *VERMONT STATE EMPLOYEES RETIREE DENTAL PLAN INFORMATION AND FORM*

#### **Retirement Seminars**

We have scheduled a number of group retirement seminars to provide information about the retirement system and process beginning Thursday, September 10, 2015 and running through Friday September 18, 2015, in the 4<sup>th</sup> Floor Conference Rooms in the Pavilion Building, located at 109 State Street in Montpelier. Retirement Specialists will also be available to meet with individuals to answer specific questions during this same time period. **Seating for each of these seminars is limited and you will need to call our office at 1-800-642-3191 (toll-free in Vermont) or at 802-828-2305, in order to reserve your seat.** While we have scheduled numerous seminars, employees need only attend one seminar. The dates and times of the retirement seminars are as follows:

**Thursday – September 10 – 8:30 AM, 10:30 AM, and 1:30 PM, conference room 428**

**Friday – September 11 – 8:30 AM, and 10:30 PM, Governor's conference room**

**Monday – September 14 – 8:30 AM, 10:30 AM, and 1:30 PM, Governor's conference room**

**Tuesday – September 15 – 8:30 AM, 10:30 AM, and 1:30 PM, conference room 428**

**Wednesday – September 16 – 8:30 AM, 10:30 AM, conference room 428**

**Thursday – September 17 – 8:30AM, 10:30 AM, and 1:30 PM, conference room 428**

**Friday – September 18 – 8:30 AM ad 10:30 AM, Governor's conference room**

#### **Last Day of Employment and Providing Notice of Resignation**

You must stop working on or before September 30, 2015, in order to have an October 1, 2015, effective retirement date. Given the short time frames the Administration has agreed to waive the required two-week termination notice. Typically, a minimum of a two-week notice is required in order to be paid your full annual leave payout if your balance is greater than 160 hours. This means that employees can have all of their annual leave payout and not be limited to receiving compensation for no more than 160 annual leave hours had they not given a two week notice. We do however recommend, for departmental planning purposes, employees provide as much notice as possible to their respective

supervisor/appointing authority. Please note that if you work any time after September 30, 2015, you will be ineligible to retire effective October 1, 2015, and therefore be ineligible for the retirement incentive. The only exception to this requirement is if your Department requests approval from the Secretary of Administration to retain you in order to continue the normal operation of business. The law does allow an employer to stagger the retirement dates of multiple retiring employees if necessary to continue the normal operation of business; however no retirement date associated with the incentive shall be later than March 1, 2016. The Secretary of Administration will work with Agencies/Departments on a case by case basis for requests to extend retirement dates.

### **Incentive Payments**

The VTHR Division will manage all payroll and tax issues associated with the incentive payments which will be paid through the normal payroll process. According to Vermont law, the payments will be made in two equal installments. The first must be made within 90 days of the retirement date and the second payment must be made within 30 days of the one year anniversary of the retirement date.

**Taxes:** The retirement incentive payments will be subject to Income Tax, Social Security Tax and Medicare Tax. Taxes will be assessed at a flat rate of 25% for Federal, 6.0% for State and a combined rate of 7.65% for Social Security and Medicare Tax. The retirement incentive payments are not subject to retirement tax.

The retirement incentive payments are **not eligible** to be deposited into your 457 Deferred Compensation account.

The first installment of the incentive payment will be included as wages earned on the W-2 issued in the year of retirement. The second installment, which is being deferred a year, will be included as wages earned on the W-2 issued for the year the second installment is paid.

**Social Security Benefits:** Wages which are earned in a year prior to the year they are paid usually do not affect the benefits payable under the Social Security annual earnings test. However, in order for the Social Security Administration to not include these earnings in the earnings test, these prior period amounts (second installment of incentive payment) must be reported to them as such. The VTHR Division will be filing an Employer Report of Special Wage Payment (SSA-131) with the Social Security Administration when the second installment of your retirement incentive is paid to you.

The VTHR Division strongly encourages each of you to speak directly with your tax advisor to better assess the impact these payments may have on your tax returns.

Thank you for your cooperation and patience. Please let us know if you have any questions. Retirement staff can be reached by calling **1-800-642-3191 (toll-free in Vermont) or at 802-828-2305.**