



# OUTLOOK

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Focusing on Retirement Issues for Massport Employees Past and Present

## How Your Massport Pension is Funded

“... the vast majority of our members will fund nearly 70% of the cost of their pensions via employee contributions and investment returns on those contributions.”

We thought it might be helpful to provide you with some factual information regarding how our defined benefit pension plan is funded and why it's a sound method for providing retirement benefits at a reasonable cost.

Our retirement plan has three major funding sources: employer contributions, employee contributions and investment income. Employee contributions are mandatory as set by statute and determined by membership date (See chart 1). Employer contributions are made by the Authority based on funding amounts determined by annual actuarial valuations. In recent years, the Authority's annual contribution to the retirement system has

ranged from 1 to 5% of Massport payroll.

The third source, investment income, obviously comes from income generated from a diverse mix of investments.

Chart 2 (see page 3), prepared by our actuary, Stone Consulting, contains an analysis of employee contributions as a percentage of total normal cost (amount necessary to pre-fund benefits as they accrue) for the Massport Employees' Retirement System. Since over three-quarters (82%) of our active members are classified in Group 1, the vast majority of our members will fund nearly 70% of the cost of their pensions via

employee contributions and investment returns on those contributions. And this percentage will get larger over time as employees contributing 5 and 7% retire and are replaced by employees contributing the higher 9% rate.

Chart 3 (see page 3) illustrates the percentage of revenue the MPAERS has received from these three sources from 1979 to 2008. You can see that as we enter our 30<sup>th</sup> year

— continued on page 3

### INSIDE

- For Your Benefit 2
- Eco-Friendly Savings 2
- Transitions 2
- Tax Refund Info 3
- Retirees' Corner 4
- Web Watch 5
- Book Corner 6
- Calendar 6

Chart 1

#### Massport Employee Contribution Rates as a Percentage of Pay

Date of Hire	Contribution Rate
1945-74	5%
1975-78	7%
1979-83	7% + 2% over \$30,000
1984-96	8% + 2% over \$30,000
1996-Present	9% + 2% over \$30,000

It is now easier to find us online! Simply go to <http://retirement.massport.com> and you will be taken directly to the retirement section of Massport's web site.

## For Your Benefit

### Access to Health Insurance Coverage After Leaving Massport

**i**f you are vested, under age 55 and leave employment at Massport (without retiring) you have some options with regard to access to health insurance coverage through the Group Insurance Commission (GIC) that you may not be aware of. By applying to the GIC for what is called "Deferred Retirement coverage" you can

guarantee that, if needed, you will have access to health care coverage for that period of time after Massport employment but prior to retirement. This option is only available if you have 10 years of creditable service (meaning you are vested) and leave your money in the Massport Retirement System until you retire.

You'll be responsible

for paying 100% of the health insurance premium which can be quite costly. But, if you need access to healthcare it may help you bridge the coverage gap until you can get healthcare coverage elsewhere or retire from Massport. Contact the Massport Human Resources department or the GIC at (617) 727-2310 for additional information.

## Transitions

### Condolences

We offer our sincere condolences to the family and friends of both Steve McHugh of Massport's Capital Programs department and Bryan Corbett of Massport's Aviation Operations department. Both Steve and Bryan passed away recently.

We also regret to inform you that the following retiree has passed away:

☞ Dan Johnson

### Congratulations

The following people retired recently and we wish them all the best for a successful future:

- ★ Joanne Eydenberg
- ★ Walter Rich



## Save a Tree?

Our 2008 Comprehensive Annual Financial Report (CAFR) is currently in production and slated for a late June release. If you prefer not to receive a paper copy and would rather access it online, please call or email Matt Wight and he will take your name off our CAFR mailing list. Matt can be reached at (617) 568-3951 or [mwight@massport.com](mailto:mwight@massport.com).

## Annual Member Statements

We're in the process of completing our 2008 active member statements and hope to get them mailed to you before April 15<sup>th</sup>. You may recall our new and improved member statements which include retirement allowance projections at three ages in addition to the standard beneficiary, account balance and current year contributions and interest information. Please contact the retirement office if you have any questions regarding your statement.

## Quickie Tax Refunds Can Be Costly

The Massport retirement system would like to once again caution members about tax preparation services that advertise “Instant Money” refund loans during the tax season. These loans are better known as “Refund Anticipation Loans” or RAL’s.

A Refund Anticipation Loan is a short-term loan that is paid back to the issuer by your refund from the IRS. In previous years, the Consumer

Federation of America and the National Consumer Law Center have issued warnings about these high cost, high interest loans. Taking such a loan costs an average of \$32 to \$130, and typical borrowers get their refunds just 10 days earlier than they normally would. For example, a \$3,000 RAL can cost between \$60 and \$110 dollars. With such a short loan period, this is like paying an annual percentage rate

of 73% to 134% - an exorbitant interest rate for a low-risk loan!

Consumers should also be aware of additional fees disguised as administrative or e-filing fees that could considerably increase the cost of the RAL. Such fees can cost between \$25 and several hundred dollars.

In many cases, you can get your refund very

quickly on your own for free. If you file your tax return electronically and request direct deposit to your bank account, your refund will generally arrive in less than two weeks.



### FUNDING — continued from page 1

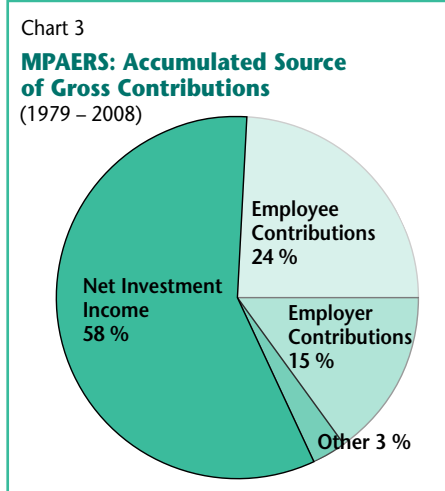
as a defined benefit plan, our largest revenue source has been investment income. This demonstrates the advantage of pre-funding benefits over time. As the pension fund grows, more and more future benefits are paid from the investment income of the plan. The Authority does bear the risk that plan net assets might decline due to fluctuations in the market value of the plan. So this means that the Authority is required by statute to make up any investment losses incurred by the Plan. But on the flip side, during strong market environments when investment returns

are robust, the Authority is rewarded with lower contribution rates. It makes for a valuable proposition on both sides of the table. The Authority is able to provide pension benefits to its long-term employees at a reasonable cost and employees who retire from the Authority get a lifetime statutorily guaranteed annual retirement allowance that doesn’t fluctuate with interest rates and the stock market.

Chart 2  
**Massport Employee Contributions as a Percentage of Total Normal Cost**  
as of January 1, 2008

Group	Number of Employees	Total Normal Cost	Expected Employee Contributions	Employer Normal Cost	Employee Contributions as a % of Normal Cost
1	965	12.9%	8.8%	4.2%	67.8%
2	54	12.4%	8.5%	3.9%	68.5%
4	160	18.3%	9.0%	9.3%	49.0%
Total	1179	13.8%	8.8%	5.0%	63.8%

Source: Stone Consulting



## 2009 Financial Fair

On January 14, 2009, the Massport Retirement System hosted its 4<sup>th</sup> Employee Financial Fair at the Logan Office Center. Massport employees were able to visit with representatives from a variety of organizations and attend education sessions on asset allocation, retirement plan basics, and Social Security.

We would like to thank all those who attended and helped to make this year's fair a success!



**Above: Steve Richardson of the Social Security Administration presents an overview of Social Security to Massport employees.**



**Far left, Julie Bernick of Consumer Credit Counseling Services (CCCS). Left, New England Teamsters Federal Credit Union's Carol McNelley and Jack Colamaria with Massport employee, Brian Holt.**



**Bottom: Employees browse the fair's tables.**

## Retirees' Corner

### Timing Change on Retiree Affidavits

As a Massport retiree, in years past you've received your annual affidavit form in the March to April timeframe. Starting this year and going forward, affidavits will instead be

mailed in June.

We're hoping this will ensure the mailing reaches our snowbirds back from their winter migrations and assists some of our more senior retirees who

have trouble getting out in colder weather to get their affidavits notarized. Please be on the lookout for your affidavit in June and return it promptly to avoid an interruption in your benefit.

For those of you not yet retired, under current regulation we are required to send out annual affidavit forms to our retirees who must in turn get these forms notarized and returned to us.

# Web Watch

For those of you who have access to the Internet, there is a wealth of information to be found there. In this section we highlight web sites that we have found helpful, informative, interesting or just plain fun.

## Turn Gift Cards into Cash

10% of the money spent every year on gift cards (literally billions of dollars) never turns into actual gifts.



Chances are you have some unredeemed or half-used gift cards sitting around. There's real money in those cards, and you can cash them in at a gift

card marketplace. At **swapagift.com**, you can buy gift cards at a discount, or offer your own gift cards for sale or trade. Cards from certain stores can be sold directly to the website operators, who can even arrange to pay your bills with your unused gift cards.

## Personal Finance Tips from the Dad Next Door

"Nickel" is the blog moniker of a thirty-something father of four, and **fivecentnickel.com** is the Internet journal that chronicles his personal finance journey. For the past three years, Nickel has shared his near-daily thoughts on saving and investing money for the good of his family. He covers a broad range of topics such as: setting up allowances for the kids,



choosing an online savings account for your rainy day fund, getting rid of ants the do-it-yourself way, finding the best credit card deals, changing your driving habits to improve your car's gas mileage, and how to make a frugal lifestyle work for your family.

## Find Scholarship Money

When you are planning for the significant expenses of higher education, don't overlook the benefit of



searching for scholarships. Organizations all over the country offer up a multitude of scholarships that are just waiting to be found. You

can cast your scholarship fishing nets far and wide at **www.scholarshipexperts.com**, which will match your (or your loved one's) customized profile against a database of 2.4 million scholarships. Another friend on the stormy seas of tuition financing is **www.meritaid.com**, which is working to be the definitive resource for listing merit scholarships from the school of your choosing.



\* Legal note: The Retirement System is not responsible for the content of these web sites or for the accuracy and completeness of the information contained in them.

# Book Corner

The retirement library at the Logan Office Center houses a wide variety of books on personal finance topics including retirement planning, saving, budgeting, investing, estate planning, homebuying, and basic money management themes. Stop by and check them out.

## ■ Make Money, Not Excuses

by: Jean Chatzky

Jean Chatzky has heard every excuse in the book for why some women choose not to manage their own

financial matters.

She used to swear by them herself!

*Make Money, Not Excuses*

is her guide to conquering

those financial fears and finally taking control of your money. Chatzky lays down the ground rules for getting organized, cutting your expenses, boosting

your income, and investing for your future. "Maps to a Million" sprinkled throughout the book illustrate how small changes like paying your bills online, postage-free, can lead to big bucks when it comes time to retire.

## ■ Saving for Retirement (without living like a pauper or winning the lottery)

by: Gail MarksJarvis

Sometimes it may feel like winning the lottery would be more realistic than trying to wrap your head around the complexities of today's world of investing. Chicago Tribune personal finance columnist Gail MarksJarvis assures this is not true, and that the average person can make sense of investing concepts in less time than

it takes to plan a vacation. *Saving for Retirement (without living like a pauper or winning the lottery)* will take you one step at a time through the fundamentals of IRAs, mutual funds, index funds, and asset allocation. If you're curious about the benefits of investing and want some help understanding financial lingo, this is the book for you.



# Calendar

## April

**8** Passover begins at sundown

**10** Good Friday

**12** Easter Sunday

**15** Tax day!

**17** Quarterly employer match to 457 plan

**20** Patriots Day: Massport offices closed

**27** Retirement checks mailed

**29** Retirement Board Meeting: Logan Office Center Board Room, 9:00 a.m.

**May**  
**10** Mother's Day

**25** Memorial Day: Massport offices closed

**26** Retirement checks mailed

**27** Retirement Board Meeting: Logan Office Center Board Room, 9:00 a.m.

**June**  
**17** Bunker Hill Day: Massport offices open

**21** Father's Day

**24** Retirement Board Meeting: Logan Office Center Board Room, 9:00 a.m.

**25** Retirement checks mailed

## Retirement Board & Staff

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