

utlook



Focusing on Retirement Issues for
Massport Employees Past and Present

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For our Active Members: **Anti-Spiking Provisions and Your Massport Pension**

You may have heard colleagues mention how their retirement calculations were impacted by a salary “spike”. What these members are referring to are the so-called “anti-spiking provisions”. We want to clarify what they are and how they affect retirement allowance calculations.

The Legislation

Chapter 176 of the Acts of 2011 (commonly referred to as “Pension Reform III”) added restrictions to the salary amounts we are able to apply to the final average salary we use to calculate your pension.

What is anti-spiking?

The intent of anti-spiking rules is to prevent the backloading of salary during an employee’s last few years of employment for purposes of increasing a pension. At the time the legislation was enacted there had been some well publicized cases of individuals receiving inflated pensions due to large salary increases received in years prior to retirement. Similar provisions had been enacted in other states across the country and legislators in Massachusetts followed their lead.

So how does anti-spiking work?

When you retire, we calculate your final average salary (which is a component of your retirement allowance calculation). Under the anti-spiking provisions, as part of calculating your salary average,

we are also required to determine whether or not the salary used for any given year exceeds 10% of the average earnings for the previous two. Any earnings over the 10% limit cannot be included in a retirement allowance calculation. Therefore, when a “spike” occurs, the earnings for that year are capped at 110% of the average earnings for the previous two years.

Are there exceptions?

Yes, there are certain types of wages that are exempted from this calculation. They include:

- wage adjustments as result of a collective bargaining agreement (CBA)
- a change in hours of employment
- increases due to a “bona fide change in position”

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For vacation buybacks, consistency is key.

Plan on buying similar amounts of vacation at a similar time each year before retirement. While we can't guarantee you'll totally avoid a salary spike, we can tell you that with some consistency you can potentially reduce significant impacts.

For Your Benefit

SMART Plan Limit Increases for 2026

If you contribute the max to the SMART Plan, please note the limits have increased for calendar year 2026.

Annual Limits

The 2026 maximum contribution is \$24,500.

Age 50 and Over Catch-up

If you are, or become, age 50 in 2026 you may contribute an additional \$8,000 for a total of \$32,500.

Age 60 - 63 Catch-up

If you are between the ages of 60 and 63 in 2026 you may contribute an additional \$11,250 for a total of \$35,750.

3 Year Catch-up Provision

If you contributed less than the maximum at any point in the past, you may be eligible for the 3 year catch-up program. Under this provision you can contribute a maximum of \$49,000 (\$24,500 plus an additional

\$24,500) in 2026. Please contact SMART Plan Retirement Plan Advisor, Leilany Acosta, for details. Leilany can be reached at (508) 930-2540 or leilany.acosta@empower.com.

2026 Employer Match

The Authority will continue the deferred compensation match program in 2026 and will match up to \$3,000 in eligible pre-tax* employees' contributions to the 457 deferred compensation plan. Distributions are made approximately two and a half weeks after the end of each quarter. The 2026 match schedule is: April 10th, July 10th, October 9th, and December 31st. Quarterly match amounts are reported and can be verified on both your weekly paystub or direct deposit notification and quarterly Empower statements.

** Roth 457 contributions are not eligible for the Authority employer match*

HERO Act reminder for Massport Veterans

In August 2024 Governor Healey signed into law Chapter 178 of the Acts of 2024, commonly referred to as "The HERO Act." If you are an active member of the Massport Employees' Retirement System (MPAERS), are a veteran, and have not yet purchased your military service, this legislation is important and will impact you.

The HERO Act sets one year from date of vesting as the new deadline for purchasing military service towards your retirement creditable service. So, in effect, a member's deadline is the date he or she reaches 11 years of creditable service.

If you have not yet entered into an agreement with the retirement system and you have less than 11 years of creditable service, you have until you reach your 11th year of creditable service to make the purchase or initiate a weekly payroll deduction. Please note that creditable service transferred from another Massachusetts retirement system counts towards your 11 years of creditable service.

Veterans may purchase up to 4 years of retirement credit for up to 4 years of military service. The cost is 10% of your salary when you first became a member of a retirement system for each year of military service you want to purchase. There are three payment options: (1) roll over funds from your SMART Plan or another qualified plan; (2) initiate a weekly payroll deduction installment plan with the MPAERS not to exceed 5 years; or, (3) submit a personal check.

It is very important to understand that if you do NOT initiate a military buyback before you complete 11 years of creditable service, you will not be eligible for a military service purchase in the future. The MPAERS Board and staff will have no flexibility regarding these rules.

For all topics: Please contact the Retirement office if you have any questions!

What is the most common reason spikes occur?

By far, the most frequent cause for salary spikes for Massport employees is inconsistency with regard to the purchase of vacation buybacks*. Another, less common, cause for a salary spike is a salary adjustment that is not due to one of the exceptions listed on page 1.

How can I reduce or avoid a salary spike?

For vacation buybacks, consistency is key. Plan on buying similar amounts of vacation at a similar time each year, especially within three to five years (five to seven years for those hired on or after April 2, 2012) before retirement. This will help minimize the impact of the spiking calculation.

While we can't guarantee you'll totally avoid a salary spike, we can tell you that with some consistency you can potentially reduce significant impacts**.

Example:

This member's actual three-year salary average for 2025, 2024 and 2023 is \$108,098. However, because the member's earnings exceeded the 10% limit for 2024 his final average salary is capped at \$106,340. This is due to one 3 week vacation buyback purchased in 2024:

| Year | Salary Average | Average of prior 2 years salary (a) | 10% of 2 year average (b) | Capped Amount (a) + (b) |
|------|----------------|-------------------------------------|---------------------------|-------------------------|
| 2025 | \$110,535 | \$106,880 | \$10,688 | \$117,568 |
| 2024 | \$113,027 | \$97,956 | \$9,795 | \$107,751 |
| 2023 | \$100,733 | \$94,894 | \$9,489 | \$104,383 |
| 2022 | \$ 95,179 | | | |
| 2021 | \$ 94,609 | | | |

Actual 3 Year Salary Average:

$\$110,535 + \$113,027 + \$100,733 = \$324,295 / 3 = \$108,098$

Capped 3 Year Salary Average:

$\$110,535 + \$107,751 + \$100,733 = \$319,019 / 3 = \$106,340$



Anti-spiking - the 100% Salary Increase Rule

This is much less common but is nonetheless a second anti-spiking provision included in Chapter 176. It says that if within your last five years of service you receive a salary increase of more than 100% between any two consecutive years, five year salary averaging (instead of three) must be applied to your retirement allowance calculation.

Example:

A member of a local retirement system served as a city councilor for 20 years before being elected mayor for a three-year term. As city councilor she received \$10,000 per year in regular compensation and as mayor \$100,000. Because this member's salary increased by more than 100% between 2009 and 2010, her salary average will be based on 5 years instead of 3. So what would have been a \$100,000 average using three years prior to the anti-spiking legislation becomes \$64,000 when the new anti-spiking rule is applied.

| Year | Salary |
|------|-----------|
| 2012 | \$100,000 |
| 2011 | \$100,000 |
| 2010 | \$100,000 |
| 2009 | \$10,000 |
| 2008 | \$10,000 |

3 Year Salary Average:

$\$100,000 + \$100,000 + \$100,000 = \$300,000 / 3 = \$100,000$

5 Year Salary Average:

$\$100,000 + \$100,000 + \$100,000 + \$10,000 + \$10,000 = \$320,000 / 5 = \$64,000$

* You must be eligible to count vacation buybacks as part of your final average salary at retirement. New rules apply per the Supplemental Regulation Concerning Vacation Buybacks approved by the Retirement Board on October 26, 2023. Please contact the retirement office for more information.

**Salary spiking calculations are performed once after a member retires when calculations are finalized. Member self-service calculations do not include potential impacts of spiking. Retirement staff does not provide spiking determinations prior to a member's retirement.

Retiree Corner

A Message from our friends in People and Culture (formerly known as Human Resources): Medicare Premium Reimbursements*

Attention Retirees, Survivors and Beneficiaries!

If you are 65 or older and currently receive bi-annual reimbursements for your Medicare Part B premium from Massport you must submit documentation when your premium amount changes (typically at the start of each year) to Massport's People and Culture department. This will ensure that your premium reimbursement amount is adjusted and that you are reimbursed up to the current standard premium amount. Valid documentation includes your Social Security COLA notice or a Medicare bill.

Reminder for Retirees under age 65

If you are a retiree, beneficiary or survivor and under age 65, you will be required to enroll in Medicare Parts A and B prior to your 65th birthday. The Medicare enrollment window is from 3 months before to 3 months after your 65th birthday. We recommend enrollment begin 3 months before your 65th birthday to avoid potential loss of coverage. **Late enrollment will result in a higher premium payment for life, so enrolling timely is important. If you miss the deadline you will be assessed an additional 10% premium penalty for every year you are late to enroll.** This is assessed annually and added to your Medicare B premium payment.

Part of Medicare A and B enrollment includes transitioning to a Massport sponsored Medicare supplemental plan. This needs to be coordinated with Massport's People and Culture benefits team. Please contact **Kelly Nichols** at knichols@massport.com or **(617) 568-3986** for assistance with Medicare enrollment and changes to your Massport healthcare coverage.

**Massport reimburses the standard Medicare premium only to eligible retirees. Additional Medicare B premium charges for high wage earners or penalties for late enrollment are not reimbursable.*

Retirees turning age 59½

If you retired from Massport before the age of 59, you will receive two 1099R forms for the tax year in which you turn age 59½. Per IRS rule, we are required to identify and separate out the pension payments you receive both before you turned 59½ and after. *This rule only applies for the tax year in which you turn 59½.*

Each 1099R form will be different and you will need both forms when filing your taxes for that year. One form will reflect pension payment amounts for the months before you were 59½ and Box 7 of this form will indicate a distribution code of 2. The other form will reflect pension payment amounts from the month you turned 59½ on and this form will show a distribution code of 7 in Box 7.

If you have any questions, please contact the retirement office at **(617) 568-3951**.





Vacation Buyback Reminder

Active Members hired before May 1, 2018

If you are an active member who participated in the Authority's vacation buyback program prior to May 1, 2018, you **may** continue to have vacation buybacks treated as regular compensation **provided:**

- You **consistently** participate in the Authority's vacation buyback program by purchasing vacation for at least half of the years you are eligible to participate from 2024 to the date of your retirement, and;
- The vacation buybacks were not made only in the final three (3) years of employment for members who joined the retirement system prior to April 2, 2012 or the final five (5) years of employment for a member who joined the retirement system on or after April 2, 2012.

Retirement contributions **will be** deducted from any future vacation buybacks.

Active Members with hire dates after May 1, 2018

If you are an active member with a hire date on or after May 1, 2018, any vacation buybacks you have purchased since then or will purchase in the future **will not** be considered regular compensation for retirement purposes. Therefore, retirement contributions will not be deducted.

Active Members who did not participate in the Authority's vacation buyback program prior to May 1, 2018

If you are an active member with a hire date prior to May 1, 2018 but did not participate in the Authority's vacation buyback program prior to May 1, 2018, any vacation buybacks you purchased since May 1, 2018 and will purchase in the future **will not** be considered regular compensation for retirement purposes. Retirement contributions will not be deducted from any future vacation buybacks.

We understand that this issue can be confusing and complex and we are here to answer any questions you may have.

Transitions

The following is a list of retirees and members who passed away as well as members who have retired recently.

We regret to inform you that the following retirees have passed away:

Anthony Bonanno
Thomas Comeau
Riley Corddry
Richard Cruse
Robert D'Entremont
Laurence Ennis
Tatyana Nakhimovsky
J. Donnell Sullivan
Laura White

We also offer condolences to the family and friends of **Mark Christy**, Working Foreperson in the Parking Facilities department at Logan Airport, who passed away on February 18, 2026.

Congratulations to our newly retired members. We wish them all the best:

Daniel Bray
Jean Chervil
David Domingo
James Dorgan
Jude Fokum
Henry Gubnitsky
Michael Hadley
Michael Holzman
Benjamin Jackson
John Lonergan
Pamela MacPherson
Catherine McDonald Ferrara
Carla Myers
Jeffrey Nelson
William Rogg
Petrit Sasa
Dolores Sullo
Peter Taggart
Eddie Tyson

Calendar

April

- 2 Passover begins at sundown
- 3 Good Friday
- 5 Easter Sunday
- 9 Last day of Passover
- 10 Quarterly employer match to 457 plan

15 Tax Filing Day

20 Patriots Day (Massachusetts):
Massport offices closed

30 Retirement Board Meeting, 9 am

May

21 Retirement Board Meeting, 1 pm

25 Memorial Day
Massport offices closed

June

17 Bunker Hill Day (Massachusetts)
Massport offices open

19 Juneteenth Independence Day
Massport offices closed

21 Summer begins

30 Retirement Board Meeting, 9 am

July

3 Independence Day observed
Massport offices closed

4 Independence Day
Happy 4th of July!

10 Quarterly employer match to
457 Plan

30 Retirement Board Meeting, 9 am

Annual Member Statements

We're in the process of completing our 2026 active member statements which will be mailed to you by June 2026. These statements include retirement allowance projections at three ages in addition to the standard beneficiary, account balance and current year contributions and interest information. We encourage you to take this opportunity to review your beneficiary designations. Please contact the retirement office if you have any questions regarding your statement or wish to change your beneficiaries.



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