MassHousing Retirees

Winter 2023-24 Newsletter

RETIREE LUNCH

OCTOBER 19, 2023

The first time the lunch was held in person since March 2020. Thirty-one retirees made the trip into Boston to get together with colleagues.

WELCOME TO THE BOARD

Rachel Madden -MH CFO was appointed to the Retirement Board as Ex-Officio in January of this year. We know that she will be a valuable addition to the Board.

THIS WAS AN ELECTION YEAR-AT MASSHOUSING AS WELL-

Antonio Torres was unopposed in the Board Member election for 2024. He will represent the Board for another 3-year term.

Congratulation Antonio.

MASSHOUSING RETIRMENT BOARD

Michael Fitzmaurice, Chairman; Rachel Madden, Ex-Officio; Antonio Torres, elected member; Thomas Flynn, appointed member and Paul Hynes Esq., former MassHousing employee and fifth member.

One Beacon Street

Retirement Checklist

One Year before Retirement

*Request a benefit estimate from our office to ensure your account is in order

**Contact your employer to confirm the health insurance coverage for which you will qualify as a retiree

***Apply for and purchase service credit enhancements, if applicable, for which you have not yet established credit.

3-4 months before retirement

*Request an Application for Superannuation Retirement with Option Selection Form from our office and submit your completed application and option selection from to the retirement office.

1 month before retirement

*Provided your application was timely filed and complete, expect your first payment on the last business day of the month following your effective date of retirement. After the bank prenotes your account the next month will be directed deposited.

Visit the Resources Tab on our website at www.MassHousingRetirement.com to download the appropriate forms and applications.

Gen Xers Still Falling Short of Retirement Savings Expectations

While Gen Xers expect to need more than $1 million to comfortably retire, the majority of pre-retirees believe they will fall significantly short of this goal, new research from Schroders reveals.

Reported by

REMY SAMUELS- NCPERS December 18, 2023

Americans in Generation X are facing the largest retirement savings gap of all current generations, and many say they have not yet done any retirement planning, according to a new research study from Schroder Investment Management Ltd. According to Schroders, 45% of non-retired Gen Xers also said they have not done any retirement planning, compared to 43% of Millennials and 30% of Baby Boomers.

Americans in Generation X are facing the largest retirement savings gap of all current generations, and many say they have not yet done any retirement planning, according to a new research study from Schroder Investment Management Ltd., a subsidiary of Schroders PLC.

Non-retired Americans between the ages of 43 and 58 (Gen X) estimate that, on average, it will take $1,112,183 in savings to retire comfortably, yet they expect to have just $661,013 saved, the Schroders 2023 U.S. Retirement Survey found. The resulting savings gap of $451,170 topped the expected shortfall facing Millennials and Baby Boomers.

Deb Boyden, Schroders' head of U.S. defined contribution, says Gen X is the first generation relying mainly on 401(k) and other defined contribution plans in retirement, as opposed to pensions. Consequently, many of these investors did not have access early in their careers to plan features that have become more widespread in recent years.

"They missed the automation features such as auto-enrollment, auto-escalation, default QDIAs and target-date funds that really allow for individuals to have that automation and increase their savings over time without really thinking about it," Boyden says. "So it's no surprise that 61% of non-retired Gen Xers are not confident in their ability to achieve their dream retirement."

According to Schroders, 45% of non-retired Gen Xers also said they have not done any retirement planning, compared to 43% of Millennials and 30% of Baby Boomers.

In addition, Schroders found that Gen Xers are allocating an average of 32% of their retirement assets to cash, despite their time horizon and sizeable retirement savings gap. When asked why they are investing their retirement assets in cash, about 63% of Gen Xers said they fear losing their money, and nearly one-quarter (24%) reported they are not sure how to best invest their savings.

Boyden says the lack of automation also affected these results, as many Gen Xers missed out on being defaulted into TDFs that offer more investment diversification. Boyden adds that Gen X is a more "skeptical generation," and if people in that cohort are taking their retirement savings into their own hands, they may believe cash is a more secure way to save.

"What we can do to help with that, as plan sponsors or advisers, is to educate [employees] about diversification in retirement allocations," Boyden says. "Each generation comes with a different way of thinking, so we really want to identify those specific cohorts and provide specific education … that is going to resonate with them."

Gen Xers are also preparing to make do with less support from Social Security in retirement. According to the survey, 11% of non-retired Gen Xers said they will wait until age 70 to file for Social Security, thereby receiving their maximum benefit payments, while 47% reporting being concerned Social Security may run out of money.

"It's really a crisis of confidence across the board," Boyden says. "Either individuals are going to take [Social Security] as soon as they can, which means they would forgo the full benefits of waiting to take Social Security until age 70, or they're going to work longer and put off taking Social Security until later."

Besides ensuring their assets are invested in a diversified portfolio, Boyden says Gen Xers should be taking full advantage of their employer's match in order to build their nest egg and ultimately get closer to those retirement goals.

She adds that the lack of retirement confidence across generations underscores the need for more in-plan products that help employees in retirement.

"That's something that the industry has talked a lot about, but we really haven't seen adoption quite yet," Boyden says. "We think with [Gen X and Baby Boomers] merging into retirement, it's important to have … that safety net in decumulation as well."

The Schroders survey was conducted from February 13 through March 3 by 8 Acre Perspective among 2,000 U.S. investors between the ages of 27 and 79.

If yo

Max

follo

Effect

*Ref
perc
that

Marking the Milestones-Active and Retired

Keep these important birthdays in mind as you get closer to retirement.

Marking the Milestones

Age	Milestone
50	You can start making “catch-up” contributions to your retirement accounts, including your 401(k) and IRA.
55	You can begin to access money from your 401(k) penalty-free if you will be at least age 55 in the year you stop working.
59½	You can start making penalty-free withdrawals from your retirement accounts, including any 401(k)s and IRAs.
65	Apply for Medicare, or you may be penalized.
70	Claim your Social Security benefits if you haven’t already.
73	Begin taking withdrawals, known as required minimum distributions (RMDs), from most retirement accounts.

Out of State Taxation of Benefits

While your MassHousing Retirement Pension benefit is not taxed as a benefit recipient as long as you live in Massachusetts, different states, however, have different rules as it pertains to your MassHousing government benefit. Below is a link to the Massachusetts Department of Revenue website as to what they reasonable believe to be accurate as far as the taxation of your MassHousing government benefit in other states.

If you are considering moving to another state post-retirement, you are strongly suggested to contact that state's Department of Revenue, or equivalent, to inquire how specifically your MassHousing government pension will be taxed.

MassHousing is not bound by the information and accepts no responsibility if there is any incorrect information.

For more information go to Mass.gov-search for View other states tax treatment- the link will View other states tax treatment of out-of-state government pensions should pop up.

Mass.gov

Retired in 2023

Margaret O'Connell
Sheila Magnan
James Fortune
Elizabeth Garufo
Cynthia Lacasse
Susan Sheffer
LaVergne Randolph
Henry Mukasa
David Harraghy

Retired in 2024

Kathleen Ryan
Albert Martinez
Sam John
Mark Stahley
(So far)

Congrats to each of you!
Relax and enjoy!

Deceased in 2023

Sheldon Gilbert
Bruce Klink
Charlotte O'Hearn
Cynthia Reed-Workman
Frank Sorensen
Linda Wynn

Our condolences go out to the families.
They will be greatly missed.

Best Wishes for a Happy and Healthy 2024 to all our MassHousing Retirees, Members and your Families

Q&A for Newsletter 2024

What does it mean to be vested after 10 years?
To be vested — which means ownership in a retirement plan — you must meet two requirements: age and service credit. That means you must reach a certain age and have enough working years under your belt to collect your pension.

Can you collect Social Security and a state pension in Massachusetts?
Yes, however, federal law requires the reduction of Social Security benefits received when an individual is entitled to both a Social Security benefit and a Massachusetts public pension.

What is the Windfall Act in Massachusetts?
The windfall elimination provision (WEP) is a modified benefit formula that reduces the Social Security benefits of certain retired or disabled workers who are also entitled to pension benefits based on earnings from jobs that were not covered by Social Security and thus not subject to the Social Security payroll tax.
More information on the WEP and GOP on the Mass Retirees website.

Do Massachusetts state employees get health insurance after retirement?
Yes, as a retiree you may continue, change, or enroll in health coverage with the GIC, and may enroll in the GIC retiree dental Plan. Municipal employees, check your eligibility here. Enrollment and changes must be received within 60 days of retirement.

What pensions are exempt in MA?
Pension income received from a contributory annuity, pension, endowment or retirement fund of the U.S. Government or the Commonwealth of Massachusetts and its political subdivisions are exempt.

Is our Retirement benefit taxed?
Only Federal tax is taken from the benefit. Mass (state) does not tax your benefit, but if you move your new state may apply a state income tax. Link below.

What is the Massachusetts retirement cola for 2023?
The budget includes a cost-of-living adjustment (COLA) effective July 1, 2023, providing a 3% increase on the first $18,000 of your retirement benefit. This results in a maximum increase of $540 per year or $45 per month (3% x $18,000/year = $540/year; $540/year ÷ 12 months = $45/month).

Post-Retirement Public Employment Waivers ended January 1, 2023

During Covid-19 public services was at an increased demand. The earning restrictions of pay amount and hours a retiree could work was lifted. That waiver has now been suspended.

In the absence of further legislative extension, effective January 1, 2023, the limitations for post-retirement employment are reinstated. Retirees are restricted to working for a public employer no more than 1200 hours in a calendar year and may earn no more than the difference between the current salary paid in their former position minus their retirement allowance. On January 1st following one full year of retirement, retirees can earn an additional $15,000 from such employment.

When either the earnings or the hours limitations are met in a calendar year, the retiree must cease working or risk recoupment of excess earnings by the retirement board.

If you have questions regarding your post-retirement earnings, please email JPetty@masshousing.com.

Current Salary 2023	$60,000
*Retirement Allowance	-$40,000
Allowable Public Sector Earnings	$20,000
Add $15,000 after one full CY	$35,000

COLA

Last year's one-time increase to the COLA of an additional 2% was voted and approved on by the MassHousing Retirement Board. It resulted in an additional $320 for retirees whose pension exceed $16,000 for a total of $800. The Board recognizes that neither the One-time COLA increase nor the annual COLA adequately covers the impact of inflation, but it is important to recognize the beneficial cumulative results of granting the maximum COLA. The Board has always voted for the maximum COLA and has steadily increased the COLA base:

Effective Date	COLA Base	% of Base	Annual COLA
July 1, 2000	$12,000	3%	$360.00
July 1, 2012	$13,000	3%	$390.00
July 1, 2019	$15,000	3%	$450.00
July 1, 2022	$16,000	3%	$480.00
July 1, 2023	$17,000	3%	$510.00
July 1, 2024	$18,000	3%	$540.00

If you retired before June 30, 2011, and received the maximum COLA, your pension has increased by the following amounts:

Effective Date	% Increase	Maximum Benefit	Cumulative Maximum Benefit
2012 FY	3%	$390.00	$390
2013	3%	$390.00	$780
2014	3%	$390.00	$1,170
2015	3%	$390.00	$1,950
2016	3%	$390.00	$2,340
2017	3%	$390.00	$2,730
2018	3%	$390.00	$3,120
2019	3%	$450.00	$3,570
2020	3%	$450.00	$4,020
2021	3%	$450.00	$4,470
2022*	3% + 2% *	$480.00+$320	$5,270
2023	3%	$510	$5,780
2024	3%	$540.00	$6,320

*Reflects the one-time increase of 2% to the COLA percentage pursuant to Chapter 269 of the Acts of 2022 that was paid for Fiscal Year June 30, 2023.

NCPERS PERSist | Winter 2024 |

The Inflation Reduction Act's Impact on Medicare Part D and Retiree Healthcare Plans

By: Alisa Bennett, Cavanaugh Macdonald Consulting

The Inflation Reduction Act of 2022 (IRA) was signed into law on August 16, 2022. Of particular interest to public sector retiree healthcare plans and retirement systems are the changes to Medicare Part D and drug pricing. These provisions are relevant even to retirement systems who do not sponsor retiree healthcare plans because a significant portion of a retiree's pension benefit goes to healthcare costs.
The provisions applicable to members with Medicare Part D plans include:

- The copay for insulin is capped at $35 per month.
- Price negotiations will take effect in 2026 for 10 drugs covered by Medicare, increasing to 20 drugs in 2029.
- Drug companies will pay rebates for drugs used by Medicare beneficiaries if prices rise faster than inflation.
- The 5% coinsurance for catastrophic coverage in Medicare Part D is eliminated in 2024, there will be a $2,000 cap on Part D out-of-pocket spending in 2025, and annual increases in Part D premiums will be limited for 2024-2030.

Prescription drugs are expensive and are only becoming more expensive with biologics and other specialty drugs being approved. These drugs represent a positive outcome for preservation and quality of life of the users, but someone has to pay for them.

When it comes to Medicare, costs are shared between various entities:

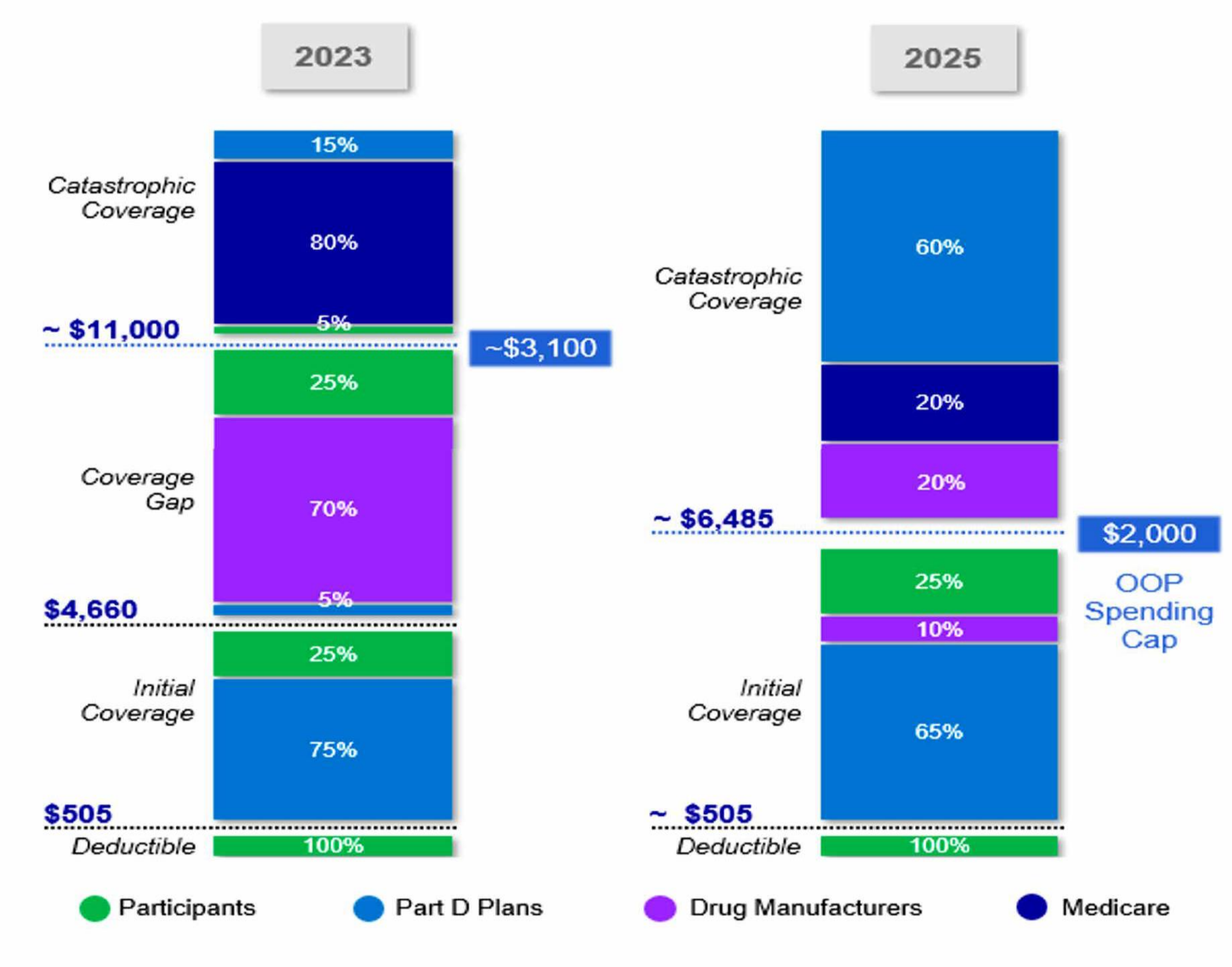
- the Federal Government,
- the Health Plan (commercial Part D plan or employer sponsored plan),
- the participant in the form of premiums and/or out of pocket costs such as deductibles, coinsurance and copays,
- and the drug manufacturers in the form of price concessions and rebates.

The IRA is intended to lower drug prices and catastrophic retiree costs, but plan design changes shift costs from one payer to another. A potential implication of these provisions is that the drug companies will attempt to make up any lost revenue on Medicare beneficiaries by increasing costs for everyone else. This would impact the active employee population as well as pre-Medicare retirees.

The limits on price increases to that of general inflation could impact launch prices, meaning that the drug manufacturers could increase the initial price of a new drug that enters the market to protect against restrictions on their ability to increase prices later.

Drug negotiations do have the potential to encourage additional lower cost biosimilars. The law limits biologics eligible for Medicare negotiation to those which have been on the market for 11 years and which do not have a biosimilar version in the pipeline. This may alter incentives for brand-name biologic companies and drive more low-cost biosimilars.

By 2025, the Medicare Part D plan design will cap participant out of pocket spending at $2,000 and alter the cost sharing between the participant, the Part D Plan, the drug manufacturers and Medicare. The chart below shows how this will work.



For very expensive drugs, the participant's current 5% share in the catastrophic phase can be significant. Under the 2025 design, plan participants out of pocket costs will be capped at $2,000 which is protection for those with very high-cost drugs. At the same time, drug manufacturers will have some liability in the catastrophic phase which could potentially encourage them to bring down costs on very expensive specialty drugs. Stakeholders will be watching carefully to see how the cost impacts of the law unfold over the next few years. U

Stakeholders will be watching
Carefully to see how the cost impacts
of the law unfold over the
Next few years.

Alisa Bennett, FSA, EA, MAAA, is a President and Consulting Actuary at Cavanaugh Macdonald Consulting. Alisa has 30 years of consulting experience providing healthcare and pension actuarial valuation services to public sector clients. Alisa is a Fellow of the Society of Actuaries and an Enrolled Actuary.

PERAC PENSION NEWSFLASH

February 15, 2024 | Commonwealth of Massachusetts | Public Employee Retirement Administration Commission

Commission Appoints Next Executive Director

The Public Employee Retirement Administration Commission (PERAC) has voted to select PERAC Assistant Deputy Director Bill Keefe as its new Executive Director, succeeding outgoing Director John Parsons. “After a comprehensive six-month search process involving over 30 applicants, multiple interviews, and public interviews with three finalists, I am confident that the Commission overwhelmingly has made an excellent choice in Bill,” said PERAC Chairman Phil Brown. “Bill possesses the experience and qualities needed to meet the challenges ahead, and the members and beneficiaries of our retirement systems will be well served under his leadership, as our systems have been under John’s.”

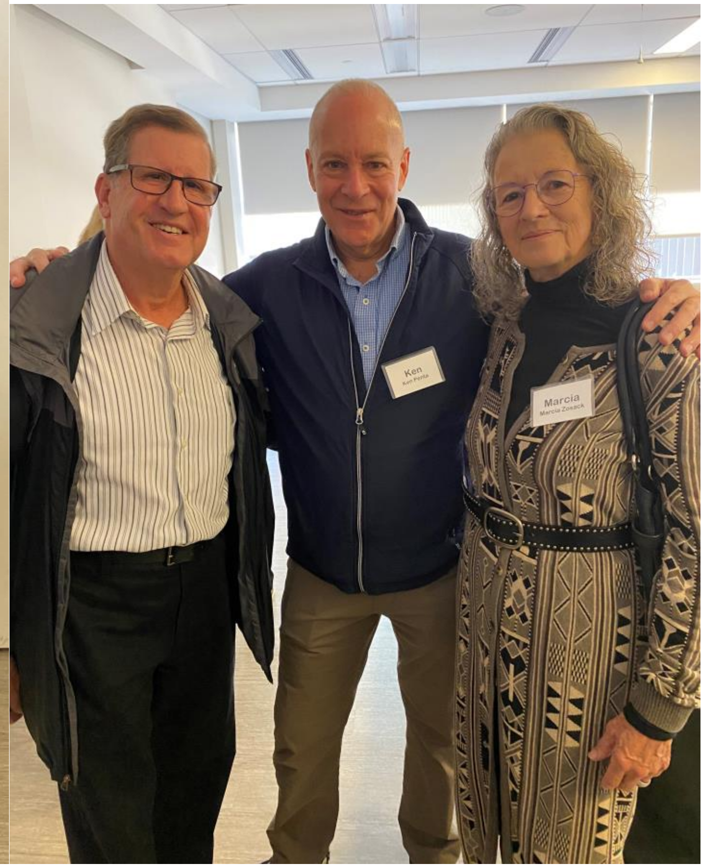
As required by statute, a contract is being finalized, and Keefe will assume his new role in March. Parsons retires after 5 years in the position and 43 years in state government.

Parsons commended the Commission on a comprehensive and transparent process and added, “Bill represents the best in government leadership. His background and proven success at the State Auditor’s Office and at PERAC make him the right choice, and I’m thrilled that the Commission has chosen him as the next Executive Director.”

Prior to joining PERAC in 2019, Keefe served in a variety of capacities over 23 years in the Office of the State Auditor, most recently as the Director of Audit Planning under former State Auditor Suzanne Bump. At PERAC, Keefe has served as its legislative director and overseen the Audit, Compliance, and Communications units. Keefe holds a bachelor’s degree in Journalism and Political Science from Syracuse University and is a former reporter and editor at the Metro West Daily News. He resides in Arlington and is the father of three children.

PERAC’s mission is to provide regulatory oversight and guidance for the effective, equitable, and ethical operation of the Commonwealth of Massachusetts’ 104 public pension systems. The Commission generally meets monthly, on the second Wednesday of the month.


Barbara


Ken
Marcia


Bob
Tom