

THE COMMONWEALTH OF MASSACHUSETTS

State Board of Retirement

ONE ASHBURTON PLACE, BOSTON, MA 02108-1607

NEWSLETTER



Timothy P. Cahill

Welcome to the 2nd edition of the Active Employee Newsletter

Thank you for your positive responses to our first newsletter. We have provided replies to some of the questions you submitted regarding your retirement benefits in the "Frequently Asked Questions" section on page two.

I am pleased to report that the assets of the PRIT Fund, which is used to pay retirement benefits, reached a record \$40.2 billion last quarter. This is great news for state employees and retirees! More information is available on page three.

As a member of the state employee retirement system, I know first hand the importance of planning for retirement. If you have specific questions about your retirement or would like to speak with a retirement counselor, contact the State Board of Retirement at 617-367-7770 or 800-392-6014 (Massachusetts only). Please take advantage of our walk-in service at One Ashburton Place, Room 1219.

This newsletter contains helpful information regarding the retirement system. Should you have any comments or suggestions for future newsletters, please contact the State Board of Retirement (contact information is listed on this page).

Thank you for your service to the Commonwealth.

Timothy P. Cahill
Treasurer and Receiver General
The Commonwealth of Massachusetts

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STATE BOARD OF RETIREMENT

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Treasurer Timothy P. Cahill

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Ralph White

Elected Member

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One Ashburton Place, Room 1219
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OFFICE HOURS

7:45 a.m.–5:00 p.m. M–F

PHONE

(617) 367-7770 or

Toll Free: 1-800-392-6014
(Mass. only)

Automated Phone Options

Retirement Counselor . . . 1
Disability 2
Survivor Benefits 5
Buyback 6
Withdrawal/Refund 7
Direct Deposit 8

FAX

(617) 723-1438

EMAIL

SRB@tre.state.ma.us

WEB SITE

www.mass.gov/treasury

Frequently Asked Questions

How or why do state workers who have prior private-sector employment receive reduced social security benefits upon state retirement than they would otherwise? Are there any exceptions to this rule or initiatives to change the way this is calculated?

Your state retirement benefits may be impacted in two ways by federal social security law. The Windfall Elimination Provision ("WEP") primarily affects people who earned a pension from working for a government agency and also worked at other jobs where they paid Social Security taxes long enough to qualify for retirement or disability benefits. It also may affect you if you earned a pension in any job where you did not pay Social Security taxes, such as in a foreign country. Social Security will contact the Retirement Board and request the date the individual was first eligible to retire.

Your Social Security benefits will be reduced if:

- You reached 62 after 1985; or
- You became disabled after 1985; or
- You first became eligible for a monthly pension based on work where you did not pay Social Security taxes after 1985, even if you are still working.

The Government Pension Offset ("GPO"), except in certain circumstances, reduces Social Security benefits you receive through a spouse or as a result of being a widow/er. Your Social Security benefits will be reduced by two-thirds of your government pension.

For more information on the reduction of your social security benefits through the WEP or GPO, please visit the Social Security Administration's web site at www.ssa.gov/pubs/10045 or www.ssa.gov/pubs/10007 or contact your local Social Security Office.

Can you give an explanation of the new SSA-1945 form and how the provisions explained on the form impact state employees?

The federal government requires State and local government employers to disclose the effect of the Windfall Elimination Provision ("WEP") and the Government Pension Offset ("GPO") to employees hired on or after January 1, 2005, in jobs not covered by Social Security. Section 419(c) of Social Security Protection Act of 2004 requires newly hired public employees to sign a statement that they are aware of a possible reduction in their future Social Security benefit entitlement. For more detailed information about this law, and to view a copy of the statement concerning employment in a job not covered by Social Security (Form SSA-1945), refer to the following web site: www.socialsecurity.gov/form1945

How do I calculate retirement benefits for part-time employees?

As a result of a Massachusetts Judicial Supreme Court decision in the case of *Madden v. CRAB* (2000) and the Board's regulations, if you worked part-time prior to January 28, 1993 for the state and paid into the State Retirement System you will get full-time credit provided you did not take a refund, or if you bought back service prior to January 28, 1993.

All part-time state service after January 28, 1993 is pro-rated according to the percentage of part-time worked. The State Board promulgated the part-time regulation on January 28, 1993.

If a person is going to benefit from the *Madden* decision and their last three years are less than full-time, the pension is calculated based on the formulas below and the member will be paid based on the higher of the two calculations:

- 1) Actual part-time service prior to 01/28/93 and full-time salary equivalent for three years salary average.
- 2) Full-time service prior to 01-28-93 and actual earnings for three year salary average.

Feel free to contact the Board's Retirement counselor division for more information regarding part-time service credit.

Important Dates to Remember

February 2006

Monday, February 20 | George Washington's Birthday (*observed*)

March 2006

Friday, March 17 | Evacuation Day

Reminder:

**Please Notify your
Human Resources
Coordinator of any
Change of Address**

PRIM Board Update: December 2005

The Pension Reserves Investment Trust (PRIT) Fund is a pooled investment fund established to invest the assets of the Massachusetts State Teachers' and Employees' Retirement Systems, and the assets of county, authority, district, and municipal retirement systems that choose to invest in the Fund. The PRIT Fund was created by the Legislature in December 1983. The nine-member PRIM Board is responsible for the management of the PRIT Fund. The Treasurer and Receiver General of the Commonwealth is a member *ex officio* and serves as the chair. The State Employees' Retirement System also has two representatives on the Board: the members of that Retirement System elect one and one is an Elected Member of the State Employees' Retirement Board.

Market Recap – December 2005

DOMESTIC EQUITY MARKETS:

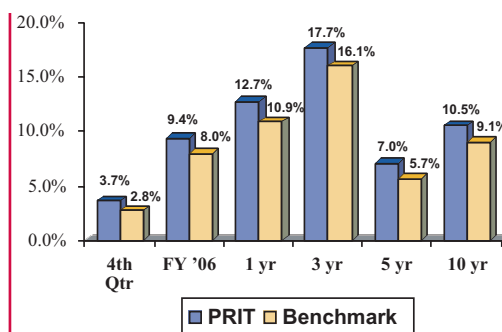
Index	Month	4th QTR
S&P 500 (ex-tob.)	-0.03%	2.06%
DOW	-0.70%	2.07%
NASDAQ	-1.23%	2.49%
Wilshire 5000	0.14%	2.22%
Russell 2500	0.23%	1.81%

INTERNATIONAL & EMERGING MARKETS EQUITIES:

Index	Month	4th QTR
MSCI EAFE	4.65%	4.08%
MSCI EMF (net)	5.92%	7.20%

FIXED INCOME & HIGH YIELD MARKETS:

Index	Month	4th QTR
LB Aggregate	0.95%	0.59%
ML HY Master II	0.92%	0.66%
TIPS	1.23%	0.11%



The PRIT Core Fund ended December 2005 with \$40.2 billion, up \$4.2 billion from the beginning of the year, net of redemptions. For calendar 2005, the PRIT Core Fund returned 12.72%; exceeding the policy benchmark return of 10.85% by 187 basis points. The PRIT Core Fund returned 3.02% for December and 3.67% for the 4th quarter.

For more information about PRIM Board, please visit their website at www.mapension.com



Board Election Reminder

The State Board of Retirement will conduct a regularly scheduled election for one of its two Elected Member positions on its five-member Board.

This Elected Member will serve for a 3-year term without compensation beginning May 1, 2006.

In the upcoming weeks, be sure to check your mail for election details and ballots.

Benefit Statement Enhancement and Reminders

State Board of Retirement Beneficiary Details Included on This Year's Employee Benefit Statements

In cooperation with the GIC, active employees who participate in the State Retirement System will receive State Board of Retirement ("SRB") beneficiary details. This is a great opportunity for you to check who the

Keeping your SRB beneficiary designation up-to-date is essential. As a member of the State Employees' Retirement System, you have the ability to provide certain benefits or payments to a designated beneficiary or

made to your retirement account should you die **before** your retirement. This beneficiary designation is also used for payment of any unused vacation and sick time owed.

An SRB beneficiary form will be enclosed in the packet you receive from the GIC so you may update your SRB beneficiary designation. Be sure to carefully review the information provided for accuracy. You may add or change your beneficiary designation.

Every year in late January, the GIC (Group Insurance Commission) sends you an overview of your benefits to help you keep your records up-to-date.

Is your State Board of Retirement beneficiary information up-to-date?

SRB has on file as your beneficiary. Keep in mind that your GIC beneficiary is used for life insurance purposes, and is not valid for retirement purposes. Alternately, your SRB beneficiary is not valid for GIC life insurance payouts.

beneficiaries should you die while still in active service and **before** your retirement. You may designate a beneficiary to receive the lump sum payments of any accumulated retirement deductions and interest that had been

Please be advised the State Board of Retirement will not release beneficiary information over the phone. If the beneficiary information is not accurate or there is no beneficiary listed, the Board strongly recommends you complete the beneficiary change form in order to update your beneficiary record. ■

SMART Plan

The New Year brings new opportunities to save your salary (pre-tax) into the Massachusetts employees deferred compensation plan (the "SMART Plan"). If you are not enrolled in the SMART Plan, you can sign up and contribute as little as \$20 per month. Your contributions will automatically be deducted from your paycheck and deposited into your SMART Plan account. To join, contact your SMART Plan Representative to request an Enrollment Kit by calling 1-877-457-1900, option 2.

If you are currently enrolled in the SMART Plan, now is a good time to

review your saving strategy for 2006. The normal contribution limit will increase. In addition, you may qualify to make additional "Catch-up" contributions that would increase your maximum contribution limit. If you would like to increase your current contribution, please visit a SMART Plan Representative located at the State Retirement Board office or phone 617-376-3900, ext. 380, or visit **www.mass-smart.com**.

Every pre-tax dollar saved now will make a difference in the quality of your retirement later. ■

