



## A WISER Solution

This past summer, the Women's Institute for a Secure Retirement (WISER) published "The Female Factor 2008." The report documents issues women must plan for to have a financially secure retirement and offers a potential solution.

Many factors limit women's retirement income. Income in retirement depends largely on the amount of money a person earns while working. Women notoriously earn less than men. They earn on average less per hour. Over a lifetime of work, women tend to work fewer years in total and more often in part-time work because of caregiving responsibilities. As the report notes, "The difference in pay has a striking cumulative effect. A typical 25-year-old woman with a college degree will

make about \$523,000 less in wages over her lifetime than a typical college-educated man. This amount, or even a portion of it, with accumulated interest, could itself represent a comfortable retirement nest egg."

The amount of one's Social Security benefit also depends on earnings. According to the report, in 2005, nearly 46 percent of all female beneficiaries relied on Social Security for 90 percent of their retirement income. Even though the Social Security formula replaces a larger percent of a low-wage worker's preretirement income, higher-wage earners still receive a larger monthly benefit.

Longevity presents another challenge to women. Women have a life expectancy six years longer than that

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## PROJECT'S WORK ADDS UP

Over **4,800**  
workers and retirees helped

More than  
**\$34 million**  
in benefits recovered

## At Last—Gender-Neutral Annuities

Women in the United States must overcome significant barriers to a financially secure retirement (see "A WISER Solution"). One of them—smaller payouts from annuity contracts—has been eliminated in Massachusetts.

On July 31, 2008, Massachusetts governor Deval Patrick signed into law an "act relative to equitable coverage for annuity policies." Chapter 229 of the Acts of 2008 requires that "for any contract issued on or after January 1, 2009, a mortality table shall

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## Cooperation Brings Benefits

“Cooperation is the thorough conviction  
that nobody can get there unless everybody gets there.”

—Virginia Burden Tower, author

When we take on a case, the cooperation we receive frequently is less than you might expect. But when cooperation happens, pension participants benefit. The Pension Action Center recently worked closely and cooperatively with a pension plan administrator and four plan participants. Together, we succeeded in locating and obtaining a combined total of more than \$45,500 in benefits for the four participants. During the process, which involved extensive research and communication, the collegial tone and attitude among all parties helped ensure success.

The plan administrator was an external nonprofit consultant, working as interim executive director under a contract to help overhaul the management and operations of a struggling 115-year-old Pennsylvania settlement house. The four participants had worked in a day-

care center at the settlement house as teachers, aides, and social workers from the 1970s to the 1990s. All had stayed in touch over the years by phone and at reunion picnics.

In the spring of 2008, the four participants received written notice that they might be due pensions from the settlement house. But the benefits application paperwork directed only that they contact “Employee Plan Services” in Boston—at a phone number that was out of service. When the participants phoned the settlement house for assistance, they were simply and repeatedly told by the Human Resources/Operations manager that the settlement house had no information and could not help them. The participants consulted with one another, one of them found the Pension Action Center, and they all phoned us and sent their paperwork.

We then contacted the settlement house’s newly installed interim executive director—also acting as pension plan administrator—who turned out to be extremely cooperative, in contrast to the HR/Operations manager. After we sent the plan administrator extensive documentation on the four plan participants, she began working with the settlement house’s board of trustees, financial advisors, and insurance company. Though not everyone at this point in the process was cooperative (several times the process got stuck in the bureaucracies), the six of us called and e-mailed one another every week until we met with success. The plan administrator eventually met personally with each of our four clients to give them their benefit checks, which on average totaled \$11,375 apiece—proving that cooperation does pay.

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## Helpful Retirement-Income Websites

### [www.pensionaction.org](http://www.pensionaction.org)

is the website of the New England Pension Assistance Project, which provides assistance to New Englanders on public and private pension issues.

### [www.pensionhelp.net](http://www.pensionhelp.net)

is a national pension help site launched by the Pension Rights Center.

### [www.pensionrights.org](http://www.pensionrights.org)

is the website of the Pension Rights Center in Washington, D.C.

### [www.socialsecurity.gov](http://www.socialsecurity.gov) or [www.ssa.gov](http://www.ssa.gov)

is the official website of the Social Security Administration.

### [www.wiserwomen.org](http://www.wiserwomen.org)

is the website of the Women’s Institute for a Secure Retirement, which educates and advocates for women’s long-term financial security.

## Retain Retirement-Income Documents

To do our taxes, we are told to gather all our documents so that we can prepare our taxes correctly and take advantage of the tax breaks that are available to us. This annual reminder about tax documents prompts us to tell readers about the documents they should retain to protect their retirement income.

Documents rule in pensions. To ensure that you receive the retirement income that you have earned, keep and maintain documents in a safe place.

Keep a permanent record of all the jobs you've had, including the name and address of each employer and the dates that you started and left each employer.

The Employee Retirement Income Security Act (ERISA) of 1974 and the Pension Protection Act of 2006 define two important documents that participants in retirement-

benefit plans should have and keep: **The Summary Plan Description (SPD)** provides basic information about the plan, including the plan's name; where it is located; and the name, address, and telephone number of the plan administrator. It must describe how to become eligible; how you become vested; what your benefit-payment options are and when you may receive benefits; how you can get plan documents; and what protections you have under ERISA. It must be updated every five years.

### **Individual Benefit Statement**

– Traditional pension plans must automatically provide statements to employees once every three years, unless they notify employees once a year that statements are available. In retirement savings plans, such as 401(k) plans, where em-

ployees have control over their investment choices, statements must be provided quarterly. Other individual accounts, such as profit-sharing and 401(k) plans where employees do not control their investments, must provide statements annually.

Keep your records with employers (current and former) up to date. Let them know when you move or need to change your beneficiary. This is particularly important if you are vested in a pension plan from a previous employer.

Though everyone says you can get rid of your income-tax returns after seven years, don't. An income-tax return is the way to prove to a pension plan administrator that you did not receive a lump-sum payout. We have had many cases where a copy of an old income tax-return was the difference between receiving a benefit or not.

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## A WISER Solution *(con't from page 1)*

of men (women are expected to live to age 80, while men are expected to live to 74). The question then is, will women have enough money to last throughout their years of retirement? In addition, women must consider the possibility of reduced income through widowhood or divorce.

This combination of challenges requires that women plan early and carefully for their retirement income. "The Female Factor 2008" suggests that a lifetime annuity (see "Gender-Neutral Annuities" sidebar) is a financial product that women should investigate more fully than they have historically.

According to the report, lifetime annuity contracts provide many benefits. Most obviously, a lifetime annuity provides a monthly benefit for life. You cannot outlive the annuity. Also, you can purchase different types of annuities to meet different familial and financial needs. Annuities can eliminate the problem of having to decide how much money to withdraw each month from a 401(k) or IRA.

Annuities also have their limitations. They are gender-specific, so in 48 states (not Massachusetts), a woman will pay more than a man for the same benefit. The fees associated with an annuity must also be examined closely. Annuities

that are not indexed to inflation lose their purchasing power over time. Once you purchase an annuity, generally the terms cannot be changed. And most important, unless you have substantial savings, you will be unable to purchase an annuity that provides an adequate monthly payment.

Nonetheless, exploring how an annuity could figure into your retirement income is a prudent step. WISER, in collaboration with The Actuarial Foundation, has published "Making Your Money Last a Lifetime," which examines the pros and cons of buying an annuity. You can download this report at [www.wiserwomen.org](http://www.wiserwomen.org)

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## At Last—Gender-Neutral Annuities *(Con't from page 1)*

only be applied to an individual or group annuity or pure endowment contract on a gender-neutral or gender-blended so-called basis.”

Historically, women have received a smaller monthly benefit from these contracts because they live longer. For example, if you went to

[www.immediateannuities.com](http://www.immediateannuities.com) at the time of this writing, a 65-year-old man in Massachusetts paying \$100,000 for a single life annuity with no payments to beneficiaries would receive \$675 per month for the remainder of his life. The same annuity policy sold to a 65-year-old woman living in Massachusetts

would provide her with \$630 per month. On January 1, 2009, this will no longer be true. Women in Massachusetts will now receive annuity payments that—like Social Security—do not discriminate based on longevity.

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