

Raytheon Retirees Newsletter

Volume 3, Number 3

October 2003

Published quarterly as a means of exchanging information and opinion among retirees of Raytheon Company throughout the U.S. and the world, and recording their experiences both before and since retirement. The Association of Raytheon Retirees is not affiliated with nor does it receive any support from the Raytheon Company. The Newsletter is sent electronically or by regular mail to members who have made contributions to the Association.

Campaign for a COLA

The letter below was sent on September 5 to Mr. William Swanson, the new Raytheon Chief Executive Officer:

Dear Mr. Swanson:

It was with pleasure that I heard the announcement by Dan Burnham at the Annual Meeting in April that you would be his successor. Please accept our congratulations and best wishes for the future. We are fortunate to have at the helm of Raytheon one who experienced at first hand the culture of Charlie Adams and Tom Phillips.

This letter is to introduce myself and our organization, the Association of Raytheon Retirees (ARR), which was formed in January 2001 and now has a membership of nearly 3,000 members. The ARR is a non-profit corporation, operated by volunteers. It is open to all retirees and is a national organization, representing all Raytheon retirees. The membership is concentrated mainly in New England, but there are many members in California-Arizona, Texas-New Mexico and Florida.

Two issues are of most importance to the retirees:

- 1) the effect of inflation on a fixed-income pension
- 2) the sharp increases of health-care costs in recent years (especially in 2003)

We have presented our views on these issues to Mr. Burnham on a number of occasions in the past two years and have had only

negative responses to our concerns. In April 2003 we wrote to the members of the Board of Directors condemning the abandonment ten years ago of the long-standing Raytheon practice of granting periodic cost-of-living pension increases. Mr. Burnham promised at the 2003 Annual Meeting that the Board would discuss the subject. Apparently this discussion has not yet taken place as we have heard nothing.

We respectfully request a meeting with you to discuss the restoration of the practice of granting periodic cost-of-living pension increases. We hope that a meeting can be arranged within one month. We feel that we have a good case in the court of public opinion and we are anxious to resolve the issue.

Thank you for your consideration.

Sincerely,
Fred Churchill
President, ARR

As of October 15, there has been no response from Raytheon. Therefore in the next phase of our campaign for a COLA, we will take our case to the court of public opinion. In the next few weeks, in presenting our case to the general public, we will show that Raytheon is being unjust and unfair to its retirees, while professing to practice the highest ethics. We feel that it is wrong for Raytheon to shirk its responsibility for the welfare of the former employees who built the company, and I think the public will agree. We seek social justice and we have a right to it.

ARR Representatives Meet with Raytheon Management to Discuss Pension Fund Performance

By Tom DiPaolo

On March 3rd 2003 a meeting was held at the Raytheon Headquarters, Lexington, MA to discuss proxy resolutions being sponsored by several retirees, which would be presented at the Raytheon Company Annual Meeting in April 2003. This meeting was attended by Fred Churchill, Bruce Nogueira and Tom DiPaolo of the ARR. The Raytheon Company executives attending were Ed Pliner, Senior VP and Chief Financial Officer, Keith Peden, Senior VP Human Resources, John Kapples, VP and Secretary, and Diane Duval Avellar, VP Benefits and HR Systems. In addition to discussing the proxy resolutions we suggested a retiree be allowed to participate in the pension fund performance review meeting, whenever held. We were concerned with the sizable losses suffered in the pension fund investments, especially during 2001 when the Raytheon loss outpaced the losses of Raytheon's peers by a large margin.

Soon after this meeting, Bruce Nogueira and Tom DiPaolo reached a formal agreement with Raytheon to drop two of the proxy resolutions in exchange for the opportunity to meet with the VP Treasurer and the Director of Pensions to review pension fund performance and related matters.

On August 5th, 2003, Raytheon retirees and members of the ARR, Mort Brond, Roland Cherwek and Tom DiPaolo met with Richard Goglia, Vice President and Treasurer and Norman Pao, Director of Pensions to review Raytheon Pension Fund management techniques and controls including fund performance and asset/liability issues.

Association of Raytheon Retirees, Inc.
336 Baker Avenue
Concord, MA 01742

Officers:

President: Fred Churchill
Vice-President Benefit Affairs: Bruce Nogueira
Vice-President Membership: Walter Justice
Vice-President NRLN: Walter Justice
Newsletter Editor: Fred Churchill
Social Activities: Jane Arsenault
Secretary/Treas: Fred Churchill

They were well prepared for the meeting and answered all our questions in an open and honest manner. We were given a handout which included information on performance, asset mix, comparisons to various related indices and an outline of the Pension Fund Governance Investment Committee.

They demonstrated that changes have been implemented during the past year or so which should enhance management controls, provide more timely response to negative developments, and ensure that the asset mix is maintained within targeted levels. It appears that the check and balance systems were less stringent during the late 1990's and early 2000's when the stock market was rising rapidly, permitting the equities to rise near the 85% level of the total fund, peaking in March 2000. This heavy weighting towards equities produced significant gains for several years but unfortunately also contributed to the significant losses in fiscal 2001 amounting to \$2.7 billion, or a 20.5% loss.

Asset allocation target ranges which appear reasonable are now established and performance monitoring tools are in place for

each asset manager and asset class. These controls should provide the means to produce competitive long term returns and minimize losses during market declines.

We also briefly discussed the proxy resolution which I sponsored at the last Raytheon Annual Meeting requesting the measurement date for the pension fund be changed to December 31 from October 31, for purposes of annual financial reporting. This resolution was defeated at the Annual Meeting but management has assured us they will likely adopt this change within the near future. This change will provide more accurate data when we are comparing Raytheon's pension performance to its peers.

The attendees, Mort Brond, Roland Cherwek and I agree this initial meeting went relatively well and Raytheon Management demonstrated a willingness to continue this dialogue concerning pension fund matters. A sincere thank you is extended to Rich Goglia, Norm Pao and Jack Kapples for helping us to arrange this meeting.

As stated in a note to Rich Goglia, we have, as retirees, an inherent interest in the management and performance of the pension fund assets and appreciate the company's willingness to share pension related data with us on a regular basis in the future.

Bruce Nogueira Addresses Cape Cod Retirees Group

The Raytheon retirees' Cape Cod Association holds two luncheon meetings annually. On September 12 at Christine's restaurant in Dennis, Bruce Nogueira, VP-Benefits for ARR, was the guest speaker and addressed 150 Cape Cod retirees and guests.

Mike Briana, President of the Cape Cod Retirees' Association, selected the topic for

discussion: retiree medical costs and the new Raytheon Medicare "PLUS" plan.

Bruce summarized his article on "Retiree Medical Costs" published in the June issue of the ARR Newsletter. He characterized the new "PLUS" plan as a catastrophic type coverage. In other words, the plan would pay, in most cases, only if substantial medical costs (over \$8750) are incurred as an outpatient, or if a hospitalization extends beyond 60 days, or beyond 20 days in a skilled nursing home.

For most retirees there would be no payment under the Medicare supplemental "PLUS" plan, but the plan does protect against the unexpected health problem, with huge medical expenses, that could happen to any of us.

Considerable discussion with the retirees centered on the \$1750 out-of-pocket maximum which is a new feature under the "PLUS" plan. First, since Medicare pays 80% of most outpatient expenses, it is your 20% co-pays that must accumulate to \$1750. That means that you must have at least \$8750 total outpatient medical expenses to reach the \$1750 maximum. Unless there are multiple surgeries in one year, it is likely that very few of us will reach the annual \$1750 maximum. One of the few is a Cape Cod retiree who had two outpatient surgeries, one on each eye within a two-week period, and his total bills exceeded \$10,000. Several retirees have written to ARR that they view the \$1750 as the equivalent of an additional, hidden premium of \$146/month deducted from their pension checks.

Bruce reviewed some alternative private medical plans-such as Medex-Bronze and AARP 65 MA Supp.1 Plan which could be bought separately if you elected Raytheon's Pharmacy Only Plan. But he cautioned the

retirees to run their own numbers on these alternatives to see if they really would save when all factors are considered. This alternative of a private plan coupled with the Pharmacy Only Plan probably would not be cost effective for pre-1995 retirees because Raytheon shares in 50% of their retiree medical premiums.

Bruce encouraged retirees to use the mail order prescription feature of the MEDCO plan to save on their drug expenses.

Although this year's retiree medical costs have increased substantially, both from premium hikes and benefit reductions, Bruce expressed hope that the 2004 rates for 65+ retirees will be about the same as this year, or maybe even slightly lower.

Tom DiPaolo, a Director of ARR, addressed the retirees about ARR's efforts over the past two years to persuade Raytheon management to restore the periodic pension increases that stopped in 1993. Both Tom and Bruce encouraged the retirees to join ARR in order to increase the size of our organization, and strengthen our position in discussions with Raytheon.

Who Can You Trust?

With all the business scandals these days, it seems that you can't trust anyone in the corporate and financial world anymore. This is particularly troubling since we all need reliable, unbiased information when making crucial decisions on personal financial issues such as investments, retirement income, long term care insurance, estate planning, and mortgages. Traditionally, you would use the services of a broker or insurance sales representative to advise you on these issues. But because of the sales commissions involved, their advice may be biased. The good news is that now there is an alternative - a fee-only financial planner. Fee-only

planners do not accept commissions and do not sell any product. Their only business is giving you impartial advice. Rather than getting sales commissions, they charge you a fee directly. Some planners charge a flat fee or an hourly fee. Others charge a retainer fee for an on-going relationship.

Because experts recommend that you look for a fee-only planner, many commission-based advisors now advertise their services as "fee-based". This can be confusing since "fee-based" services usually mean that the advisor charges you a fee in addition to accepting commissions. One way of ensuring that an advisor is strictly "fee-only" is to find a member of the National Association of Personal Financial Advisors. NAPFA is a national professional organization whose members are all fee-only financial planners. In addition to requiring that members not accept commissions, they impose rigorous professional standards. They have requirements for education and experience that ensure a high level of competence. An overwhelming majority of their members have the Certified Financial Planner (CFP®) qualification. The CFP designation is the 'gold standard' in the financial planning community. NAPFA also requires its members to offer comprehensive planning in all areas of personal finance, and to maintain their expertise with continuing education.

You can find NAPFA members in your area by going to their web site (www.napfa.org). As a service to our Association of Raytheon Retirees members, we are arranging for some of the NAPFA members in the Massachusetts and New Hampshire area to provide free lectures on personal financial planning topics. These individuals are qualified to speak on a range of topics, including investing, insurance, retirement, tax planning, estate planning, elder issues, and how these

topics interrelate. If you have suggestions for particular topics, you can send email to JeanFullerton@comcast.net or write to the ARR so the topics with the most interest will be included in the forthcoming lectures.

A Memory of Walt Chamberlain

By Bob Worthington

In the early 1970's I had the opportunity to meet Walt at the Raytheon Flight Test Hangar at the Bedford-Hanscom facility. I had the task to design a part of an experimental transmitter and install it in a pod under the wing of the Raytheon B-25 aircraft. Walt was very helpful with guidance and encouragement. The task was completed and the test results were successful, with an award for a further contract for a transmitter in a new missile design. Walt had a good, positive attitude and was a leader for the Raytheon Missile System Division. I learned many lessons on airborne designs from Walt. He was a joy to work with and will be missed.

DUES 2003

If you have not paid your dues for 2003, please send a check for \$15 to:
Association of Raytheon Retirees
336 Baker Avenue
Concord, MA 01742

Tel: 978-369-8410

Fax: 978-369-8419

Web Site: www.raytheonretirees.org

Email: ARR@raytheonretirees.org

In Memoriam

1995	William E.	Wilson
1996	Joseph W.	Ryan
	Donald J.	Wilson
1997	William	Messina

	Normand	Michaud
	George R.	Spencer
1998	C. Donald	Shaw
1999	William N.	Bahrikis
2001	Jon A.	Cabbe
2002	John A.	Robertson
2003	Robert E.	Allen
	Marc R.	Beauregard
	William J.	Bevans
	Stephen J.	Buckley
	William R.	Button
	Paul P. Sr.	Cathcart
	Walter V.	Chamberlain
	Armand J.	Christian
	Walter H.	Palmer
	Gerrit B.	Postema
	Jane M.	Puzon
	Norbert	Sa
	Burton B.	Stuart
	Francis J.	Toupin

New Members

As of September 30, 2003 the total membership is 2,832. The total list of names is available on our web site

www.raytheonretirees.org. The 66 new members who joined from July 1 to September 30 are listed below:

Jean A. Alonso, Robert H. Berry, Jimmy A. Bishop, Leo Borghi, Yvonne S. Bradbury, John C. Bradbury, Michael J. Breslin, Anthony M. Briana, Patricia A. Brigham, Bolek Brunak, Charles W. Capehart, Donald M. Castle, Frank Cefaioli, Frederic F. Jr. Chesley, Harold T. Coffin, Arliss Gale Colbaugh, Arthur W. Jr. Cooper, Mary Ellen Cordeiro, Robert Crompton, Marvin Cruse, Julius Dorfman, Bernard H. Dougherty, Ronald V. Dronseiko, McGhee A. Ellis, Daniel J. Ferrante, Thomas H. Flanigan, James Gereg, James P. Gray, James C. Heath, Robert J. Higginbottom, Paul O. Johnson, George B. Jones, Neil J. Jorgensen, Paul E. King, John H. Kinnick, Harry S. Kuzyk, Arthur D. LaFortune, Arthur

R. Lavoie, Robert R. Lemerise, Mary-Jeanne Lemerise, David H. Levesque, Clifton B. Liliedahl, Robert A. Maguire, Frances Martel, William J. McKenna, James J. Monaghan, Bill Sr. Moniz, Henry G. Moulton, Judith Pangraze, Charles P. Pilla, George P. Pilla, Herman J. Radford

Daniel R. Regan, Jean Sammarco, George H. Sampanis, Vivian Sawaya, Mary P. Scott, Michael Segal, Joseph A. Sharron, Benno Silberman, Robert N. Snyder, Daniel P. Sullivan, Joan E. Tenney, James R. Ward, Maurice F. Watson, Edward Zierhoffer

ASSOCIATION OF RAYTHEON RETIREES, INC.

MEMBERSHIP APPLICATION
(NEW MEMBERS ONLY)

Last Name:	First Name:
Street Address:	
City:	State: Zip:
Email:	Home Phone:
Name of Spouse:	
Date of Retirement:	Age at Retirement:
Years at Raytheon:	
Work Location:	

My Main Concern Is:	I'd Like to Volunteer to Work On:
<input type="checkbox"/> Pension Security	<input type="checkbox"/> Newsletter
<input type="checkbox"/> Ad Hoc COLA Increases	<input type="checkbox"/> Legislative Committee
<input type="checkbox"/> Pension Law Reform	<input type="checkbox"/> Mailing
<input type="checkbox"/> Pension Fund Representation	<input type="checkbox"/> Clerical Work
<input type="checkbox"/> Health Benefits	<input type="checkbox"/> Recruiting
<input type="checkbox"/> Social Activities	<input type="checkbox"/> Pension Calculations
<input type="checkbox"/> Newsletter	<input type="checkbox"/> Phone Tree Calling

Comments:

Please send completed form and contribution (\$15 Annual) to:
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