

GOVERNOR PATRICK OUTLINES PRIORITIES FOR COMPREHENSIVE PENSION REFORM

Meaningful steps to close loopholes and end abuses of public employee pension benefits

BOSTON- Sunday, March 22, 2009 - In advance of expected legislative debate on pension reform legislation, Governor Deval Patrick today outlined his priorities for closing loopholes, ending abuses and restoring the public's trust in state and municipal retirement systems. Pension reform is a critical component of the Governor's Massachusetts Recovery Plan to help change the way government does business and secure the state's economic future.

"The gaming of the public retirement system by a few undermines the system's credibility and ultimate sustainability for all public workers and makes citizens question the integrity of their government. This is unacceptable," said Governor Patrick. "I applaud Senate President Murray, Speaker DeLeo and all of my partners in the Legislature for their commitment to addressing loopholes and outdated practices, especially at this time of economic hardship."

Citing the work of the Legislature's Joint Committee on Public Service's Blue Ribbon Panel on Pension Classification and the House Special Committee on Pensions, Governor Patrick recommended the following provisions to end the most extreme cases of pension abuse be included in reform legislation being considered in the House:

MBTA: Align MBTA Pension System with State System - Uncommon and excessive benefits in the MBTA pension system exacerbate the transit agency's finances which is burdened by \$8 billion of debt. Special perks such as the "23 years and out" rule that allow employees to start receiving a pension earlier than any reasonable retirement system should be abolished. Although the Governor proposed this remedy in his transportation reform bill, it is important to pursue this much needed modification in pension reform legislation as well.

Regular Compensation - Limit the definition of "regular compensation" to only wages and salary for the purpose of calculating annual benefits, ending the practice of including non-salary items such as housing and transportation allowances and retirement annuities to calculate the benefit.

One Day/One Year - Remove the "one day, one year" provision which currently grants some public employees an entire year of creditable service for as little as one day of work which can boost a pension by thousands of dollars a year. Pension credit should be accrued only for actual time employed.

Pension Credit Buyback - Prohibit the purchase or so-called buyback of pension credit for years served as an unpaid local official in positions such as a town moderator. Purchasing credit for this type of service requires a minimal monetary contribution yet provides as much credit and benefits to a pension as full-time salaried work. Additionally, when such service buybacks occur towards the end of an employee's

career, the pension system does not benefit from investing the funds for years which would generate returns to support the employee's enhanced pension.

Section 10 Termination Benefits - Eliminate for new hires and elected officials and tighten eligibility and oversight on so-called Section 10 termination benefits which allow employees with 20 years of service who are terminated or whose positions are eliminated to begin collecting an enhanced pension before the standard minimum age of 55.

Dual Service - Eliminate "dual service" pension enhancements to prohibit public employees from collecting two pensions at the same time.

Double Pensions - Eliminate double pensions by changing provisions which allow some employees to qualify for two pensions. Currently, judges with other vested service can collect two pensions because state pension law provides judges with a separate pension benefit.

Disability Retirement - Change the salary formula for Accidental Disability Retirement calculations to end the practice of paying exaggerated future benefits on the basis of a short-term temporary assignment to a higher salaried supervisory position. Currently, the employee's disability retirement is calculated based on the higher temporary position, regardless of the amount of time spent in that position.

The Special Commission on Pension Reform charged with examining a broad range of additional issues will hold its first meeting next Tuesday, March 31st. These issues include dollar limits on pension benefits, disability retirement reforms, other post-retirement benefit changes and system administration improvements. The Governor is prepared to work with legislative leaders on these matters once the Commission completes its work.

"The economic crisis presents us with significant opportunities to confront issues we have avoided in the past," said Governor Patrick. "There is broad consensus that our pension system is in dire need of reform. If we can seize this opportunity and others like it, our Commonwealth will be stronger in the long run."

Pension reform is a key part of Governor Patrick's Massachusetts Recovery Plan. The plan, unveiled last week, will combine state, federal and, where possible, private efforts to provide immediate and long-term relief and position the Commonwealth for recovery in the following ways:

- **Deliver immediate relief** by investing in the road, bridge and rail projects that put people to work today and providing safety net services that sustain people who are especially vulnerable during an economic crisis;
- **Build a better tomorrow** through education and infrastructure investments that strengthen our economic competitiveness, prepare workers for the jobs of the future and support clean energy, broadband and technology projects that cut costs while growing the economy; and
- **Reform state government** by eliminating the pension and ethics loopholes that discredit the work of government and revitalize the transportation networks that have suffered from decades of neglect and inaction.