

04.06.09 - Pension Reform Testimony

Governor Deval L. Patrick

**Pension Reform Testimony before the Joint Committee on
Public Service**

State House, Boston, MA

Monday, April 6, 2009

As prepared for delivery

Chairman McGee, Chairman Spellane, Members of the Committee:

Thank you for holding this hearing and for your focus on reforming the public pension system.

At the outset, let me be clear that I support the defined benefit system that we have in place today in state government. I see it as part of the bargain we have with workers who serve the public at frequently below-market compensation. But the rules must be tightened so that loopholes are eliminated and the system is financially sound, and so that special benefits for a select few are removed. Until we do, the abuses of a few will continue to undermine the public's confidence in the system as a whole.

I respectfully urge this Committee to recommend the following reforms.

1. MBTA. First, align the MBTA pension system with the best elements of the state pension system. Specifically, end the "23 years and out" rule, where MBTA employees start receiving a pension earlier than any reasonable retirement age. As you know, we have already proposed this remedy in our transportation reform bill; but it is important enough to pursue here as well.
2. Regular compensation. Second, limit the definition of "regular compensation" to wages and salary for the purposes of calculating annual benefits. Specifically, exclude non-salary items, such as a housing allowance, retirement annuity, or transportation allowance.
3. Year and a day rule. Third, end the "one day, one-year" provision, by which some public employees receive an entire year of pension credit for as little as one day of work. Credit should be granted only for actual time employed.
4. Voluntary job producing service credit. Fourth, eliminate the provisions that allow employees to purchase pension credit at minimal cost for service as an unpaid local official.

5. Section 10 termination benefits. Fifth, end the rule that enables elected officials who are not re-elected to start collecting their pensions early, and tighten up the rules for employees with 20 years of service who are terminated or whose pensions are abolished.

6. Dual service. Sixth, eliminate pension boosts due to holding multiple jobs concurrently.

7. Spousal Early Retirement. Seventh, eliminate double pensions by changing provisions which allow some employees to qualify for two public pensions.

8. Disability retirement while filling in for supervisor. Eighth, change the salary formula on Accidental Disability Retirement calculations to so as not to over-inflate benefits based on a temporary supervisory assignment.

9. Spousal Early Retirement. Ninth, repeal the "spousal early retirement" provision whereby if two public employees are married and one retires, the other gets to retire early at full pension benefits.

This series of reforms will streamline the pension rules and address some deep-seated and longstanding public grievances about the system. The Senate passed a very good bill last week that contains many of them, and we look forward to House action on these measures promptly. But this must only be the beginning. Our Special Commission on Pension Reform is working on other reforms.

These include such topics as a pension cap and further clarification of disability retirement rules. They should also include basing pensions on workers' entire service history, not just the 3 top years, and what the financial implications are of all of the choices under consideration. We are looking forward to working on these issues with the Committee and your colleagues in the House and Senate, with organized labor, state employees and other who are interested. But ultimately we must have action. For over 20 years, the public has been calling for it.

David Sullivan, General Counsel at the Executive Office for Administration and Finance, is here and available to answer your questions. Thank you.