

GOVERNOR PATRICK SIGNS LANDMARK PENSION REFORM

Standing with Senate President Murray & Speaker DeLeo, Governor approves comprehensive action to end abuses, restore public trust

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BOSTON- Tuesday, June 16, 2009 - Governor Deval Patrick, joined by Senate President Therese Murray and House Speaker Robert DeLeo, today signed landmark pension reform legislation that will close loopholes and eliminate abuses, helping to restore public confidence in government and reduce long-term costs to the state's retirement system.

"Today, we make good on a promise to the public to restore trust in government," said Governor Patrick. "I am proud to be standing alongside Senate President Murray and Speaker DeLeo and commend the Legislature for taking this critical step to eliminate the abuses and gamesmanship that for too long have threatened the system's credibility and ultimate sustainability for all public workers."

"This is a major step forward," Senate President Therese Murray said. "We have, once and for all, put an end to the most serious abuses and answered the public outcry for significant changes in our pension system. This was a bi-partisan, cooperative effort to fix a system that allowed too many to take unfair advantages. Not only have we ended these abuses, we will also continue to look at more complex issues within the system for more comprehensive reforms and savings for the Commonwealth."

"When I became Speaker in January, I vowed that pension reform would be one of the first items that the House would address. For the public to have trust and confidence in public officials we have to bring government pension standards in line with everyone else. We cannot allow excesses to persist," Speaker DeLeo said. "With this reform of our pension system, together, we are doing what so many doubted we could do - bringing real reform to Beacon Hill."

The legislation includes critical reforms that will apply to both current and future employees as well as elected officials, ensuring that necessary change can begin immediately. The Special Commission on Pension Reform continues to examine additional issues, including instituting dollar limits on benefits, reforms to disability retirements and system administration improvements. The commission's report on a broader pension system overhaul is due on September 1st, and the Governor stands ready to work with legislators on additional reforms based on those recommendations.

The law signed by Governor Patrick today targets glaring loopholes that have allowed some to exploit the system and unfairly boost their public pensions. Among the loopholes the law closes is the so-called "one day, one year" provision that allows elected officials to claim an entire year of credible service for working one day in a calendar year. The law also removes a provision that allows elected officials to claim a "termination allowance" based on the failure to be nominated or re-elected.

In addition, the law also:

- Defines "regular compensation" to specifically exclude certain monetary benefits like housing, lodging, travel, automobile usage or annuities for the purposes of a pension benefit calculation;
- Strikes current provisions that allow certain officials to establish pension credit for service in positions that have no compensation. Officials and employees currently serving in a position earning \$5,000 or less in compensation will be ineligible for credible service after their current term expires, or by July 1, 2012, whichever occurs first;
- Reforms dual-service pensions so that an individual cannot combine the compensation from two positions to artificially increase one's pension. An individual who is a member of two or more systems will receive benefits as if retiring separately from each system, unless they are vested in both systems before January 1, 2010;
- Extends the "vesting" requirement of elected officials from 6 years to 10 years;
- Eliminates a loophole that allows individuals receiving pension benefits to return to work and receive a full salary in addition to pension benefits if the individuals are classified as "consultant" or "independent contractor; and
- Allows for other reforms to increase efficiency in the retirement system, such as the direct deposit of retirement benefits.

Pension reform is a cornerstone of the Governor's change agenda, and he has previously commended legislators for seizing this opportunity for reform and working to fix a broken system, particularly as the Commonwealth continues to face unprecedented fiscal challenges. Work to strengthen the state's transportation network and ethics and lobbying rules continues, and Governor Patrick has said he is hopeful a consensus will soon be reached on those matters as well.