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Fact Sheet

PENSION ACTION CENTER, GERONTOLOGY INSTITUTE

McCORMACK GRADUATE SCHOOL OF POLICY AND GLOBAL STUDIES

Summary of Mass State Pension Reform Law Chapter 176 of the Acts of 2011

By Ellen A. Bruce, JD

Massachusetts passed significant changes to its public pension system meant to create cost savings for the state and to encourage employees to work longer. Most of the changes apply only to people hired after April 2, 2012. Below is a summary of the most important changes.

Changes benefit formula for workers hired after April 2, 2012

Changes salary calculation to be averaged over five consecutive years instead of three years.

Raises the retirement age: The minimum age at which a state worker in Group 1 (regular state workers) can retire and receive a pension will increase from age 55 to age 60. The full retirement age is also raised for Groups 1 (age 67), 2 (hazardous job) (age 62), and 4 (public safety) (age 57).

Reduces actuarial accrual rate: The implication of changing the factor is a reduction in benefits.

Median Benefit of Full Career Retirees by Number of Years in Retirement

Factor	Group 1	Group 2	Group 4
.0250	67+	62+	57+
.0235	66	61	56
.0220	65	60	55
.0205	64	59	54
.0190	63	58	53
.0175	62	57	52
.0160	61	56	50
.0145	60	55	50

Example

Group 1 worker who has worked 20 years and retires at age 65 with a salary history over the past five years of $40,000; $41,000; $42,000; $43,000; $44,000

Group 1 Worker hired prior to April 2, 2012

20 years x (factor of .025) x $43,000 (high 3-yr. average) = $21,500/yearly benefit

Group 1 Worker hired after April 2, 2012

20 years x (factor of .0220) x $42,000 (high 5-yr. average) = $18,480/yearly benefit

If this employee works two more years, with a $1,000 raise each year:

22 years x (factor of .025) x $44,000 (high 5yr average) = $24,200/yearly benefit

Benefit improvements for current employees

1. Increases the base benefit on which a Cost of Living Adjustment is calculated from $12,000 to $13,000.
2. Allows a one-time switch from the Optional Retirement Plan to the state retirement plan.
3. Allows one-time opportunity for members in a same-sex marriage who retired prior to May 17, 2004, to elect Option C.
4. Increases minimum disability retirement for teachers and municipal employees with more than 25 years from $10,000 to $15,000.
5. Increases minimum monthly survivor allowance for spouse of a worker who died prior to retirement from $250/month to $500/month.

Prevents abuses in the system

1. Members convicted of a crime may have their benefits forfeited from the date of the offense.
2. Requires that members be in a job classification at least a year prior to retirement to be considered in Group 2 or 4.
3. For members hired after April 2, 2012, who hold jobs in different Group classifications, their benefits will be pro-rated based on the time they served in each group classification. Employees hired prior to April 2, 2012, can opt to have their benefits pro-rated.

General administrative improvements

1. Requires training for Retirement Board members.
2. Sets up commissions on the classification system, retiree health care, and disability pensions.
3. Requires the State Treasurer to study ways to increase participation in deferred compensation plans and requires the Secretary of Administration and Finance to commission a comprehensive analysis of costs and benefits of further reforms.