

H2354

In July 2004 the Massachusetts Legislature voted to reduce the penalty of those selecting Option B from 3-5% to 1-2% and the Option C amount they reduced in most instance in half or even thirds.

A brief history shows that on retirement one must choose which Option upon which they plan to have their pension based. There are three Options, Option A, Option B or Option C. Among present retirees there exists three different penalties for Options B and C based on the year of retirement, and the same is true of an Option C Survivor.

For those who retired prior to January 1988, their Option B and Option C were factored based on gender as well as age. For those who retired prior to 1988 and took Option B, there is nothing left in their fund to leave to a beneficiary. Their pension is decreased by a larger percentage as compared to those who retired after July 2004.

Those who are retired after 1988 and prior to July 2004 do not have gender factored into their penalty, but Option B penalty is 2% greater than for those retired after 2004; and the Option C penalty is double or triple the Option C penalty for those retired after July 2004. This is unfair.

Some statistics regarding the bill show the average pension for teachers retired prior to 1988 is well under \$19,000. The average pension for teachers retired between 1988 and 2004 is under \$30,000. The average teachers' pension for those retired after the 2004 date is over \$45,000. Presently, the average pension for those retiring under Retirement Plus is over \$55,000. It makes no sense to have the greater penalty on those with the smaller pension and the smaller penalty on those collecting the greater pension.

For all who retired under the State Retirement System prior to 1988 the average pension is under \$15,000. The average pension for those retired between 1988 and 2004 is under \$25,000. The average pension for those retired after 2004 is under \$35,000. Presently, the average pension is \$35,000.

H2354 would adjust the penalty of those who selected Option B/ Option C or are survivors and the members retired prior to July 2004. As of May 1, 2013 there are 9,000 retired from the MA Teachers' Retirement System that fall into this category.

We are asking in H2354 that the adjustment to the pension of these 9,000

be a flat rate, as it would take years to recalculate that many pensions and at too great a cost. We want the money spent on the benefit not on new job positions.

The PERAC Valuation Report for 2004 was used to determine the average pension for teachers and the State.

H2354 makes the following increases to the pensions of those who retired prior to July 2004 and took the above-mentioned options:

Teachers: Option B \$542
Option C \$1800
Survivor \$1200

State: Option B \$395
Option C \$1200
Survivor \$900

Any of the other 104 retirement systems that elect to accept the provisions of this act will use the figures of the State.

The increases may be a little more generous to the older retirees but they have borne the penalty the longest.

The cost of this bill will be around \$9M but the cost is decreasing an average of about \$38,000 a month.

As of last August there were 11,735 teachers who retired with an Option B/C or are survivors of members who retired after July 2004. The increased amount in pension for this number last year was conservatively estimated at \$25M. If we can afford the \$25M for those whose pensions are 2, 3, even 4 times higher than some of the older retirees and is an increasing amount--- then we can afford the \$9M and that is a decreasing amount.

We hope the Members of Public Service will seriously consider correcting this unfairness and vote H2354 favorably out of Committee.

Thank you.

Marie Ardito
Information Coordinator Massachusetts Retirees United
Please contact me with questions at 781-272-8073 or email
legislation@retireesunited.org