Massachusetts Taxpayers Foundation

News Release

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Testimony of Michael J. Widmer, President, before the Joint Committee on Public Service in support of H4440, the Governor's pension reform proposal

Key Facts Requiring Urgent Action:

- According to a report by the Pew Center on the States, Massachusetts is one of only eight states with more than one-third of its total liability unfunded and one of 19 states with 'cause for serious concern' – the lowest category.
- The state's unfunded pension liability jumped from $12 billion to $22 billion in the recent stock market collapse.
- Even if the state's pension payment schedule were extended 10 years from 2025 to 2035, the annual obligation would likely still increase by several hundred millions dollars beginning in fiscal 2012.
- According to PERAC (1/1/10), 88 pension plans are funded below 80% of total liabilities, the level that is considered acceptable by the US Government Accountability Office (GAO); 10 communities are funded below 50%.
- Roughly 45 municipal plans will see increased payments in fiscal 2011 because of the market collapse; the remaining plans will be affected in fiscal 2012. Extension of the payment schedule without reforms is not responsible and would likely lead to action by the rating agencies.
- Nearly all pension plans expect an annual return of at least 8 percent on their portfolio, which may become increasingly difficult to achieve. In fact, according to PERAC's 2008 Annual Report, from 1985 to 2008, 50 pension plans fell short of their expected annual rate of return by an overall average of 0.5 percent.
- According to the Pew Study, the state's post retirement healthcare liabilities (OPEB) exceed $15 billion with less than 2 percent funded. Total municipal OPEB liabilities are well in excess of $15 billion.