

# *News Release*

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## **Statement of MTF President Michael J. Widmer In Support of Pension Reform Proposals**

The Massachusetts Taxpayers Foundation supports the pension reform proposals advanced today by Governor Patrick with Senate President Murray, House Speaker DeLeo and Treasurer-elect Grossman.

Unlike the 2009 and 2010 legislation which simply closed longstanding loopholes, these proposals offer a more comprehensive reform of the pension system which strengthens its long-term financing while preserving a generous retirement program for state and municipal employees.

The proposed changes align state and municipal employee benefits more closely to Social Security by adjusting the full retirement age from 65 to 67 years and increasing the minimum retirement age from 55 to 60 for most employees. The proposal also eliminates the financial incentive to retire early that is built into current pension benefits.

The administration's plan reduces 'salary spiking' by changing pension calculations from the average of the highest consecutive three years of salary to the highest consecutive five years and pro-rates pension benefits to the number of years an employee spends in a group classification. The proposal also calls for the elimination of Section 10 early retirement benefits that allow individuals with 20 years of service to begin collecting pension benefits immediately.

While these changes will save billions over the long term, they provide virtually no short-term relief because the changes affect only new hires, not current employees and retirees whose benefits may be protected by law. Given the current pressures on municipal finances, it is absolutely essential that the administration and Legislature provide municipal leaders with the same authority as the state Group Insurance Commission to change health insurance plans outside of collective bargaining. Municipalities will see immediate savings of \$100 million a year growing to \$2 billion annually in less than a decade.

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