

HOUSE No. 2962

The Commonwealth of Massachusetts

PRESENTED BY:

Jay R. Kaufman

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act relative to pension reform.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	DATE ADDED:
<i>Jay R. Kaufman</i>	<i>15th Middlesex</i>	<i>1/21/2011</i>
<i>John D. Keenan</i>	<i>7th Essex</i>	<i>1/31/2011</i>
<i>William N. Brownsberger</i>		<i>1/28/2011</i>
<i>Thomas P. Conroy</i>	<i>13th Middlesex</i>	<i>1/31/2011</i>
<i>Jonathan Hecht</i>	<i>29th Middlesex</i>	<i>2/3/2011</i>

HOUSE No. 2962

By Mr. Kaufman of Lexington, a petition (accompanied by bill, House, No. 2962) of Jay R. Kaufman and others relative to pension reform. Public Service.

The Commonwealth of Massachusetts

In the Year Two Thousand Eleven

An Act relative to pension reform.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Section 3 of chapter 32 of the General Laws, as appearing in the 2008
2 Official Edition, is hereby amended by inserting after subdivision (8) the following subdivision:-

3 (9) Notwithstanding any provision of this chapter to the contrary, any member who is
4 reinstated to or re-enters the active service of a governmental unit or who is eligible to receive
5 credit for other service under this section or under section 4 and does not pay into the annuity
6 savings fund of the system make-up payments of an amount equal to the accumulated regular
7 deductions withdrawn by the member, together with buyback interest, or enter into a payment
8 agreement, within 1 year of the date of reinstatement or re-entry or within 1 year after July 1,
9 2011, whichever is later, shall, in order to be entitled to creditable service resulting from the
10 previous employment, be required to pay actuarial assumed interest instead of buyback interest
11 on all remaining make-up payments. Eligibility for creditable service for periods of out-of-state
12 service shall be conditioned upon payment into the annuity savings fund of the applicable
13 retirement system, of an amount equal to the contributions such member in service would have

otherwise paid into the retirement system for the period of service, as provided in this section,
plus actuarial assumed interest.

SECTION 2. Section 5 of said chapter 32 is hereby amended by inserting after the word
“service”, in line 38, as appearing in the 2008 Official Edition, the following words:- ,together
with buyback interest,.

SECTION 3. Paragraph (a) of subdivision (2) of said section 5 of chapter 32, as so
appearing, is hereby amended by adding the following sentence:- The retirement allowance for
members who have served in more than one group shall consist of prorated benefits attributed to
service in each group to reflect the percentage of total years of service that the member served in
that group. The pro-rated benefit for the time spent in each group shall be calculated by
multiplying the full benefit that a member would be eligible to receive if the member’s entire
career were spent in that group, using the applicable age and years of service requirement for that
group, times the ratio of the number of years of service worked in that group divided by the total
years of service. If a member serving in group 2 or 4 at the time of retirement retires before
reaching the minimum age appearing in the applicable table in paragraph (a) of subdivision (2)
section 5 at which the member is eligible to retire (in this section called “minimum retirement
age”) for a group in which the member previously served, the per cent to be used in computing
the prorated benefits attributable to service in that previous group shall be the per cent for the
minimum retirement age with 0.1 per cent subtracted for each year that the age at last birthday
preceding retirement is under the minimum retirement age. In calculating benefits for purposes
of this section, a member's service in a position not classified under section 3 shall be attributed
to the group in which that service was performed, as determined by the board.

SECTION 4. Said section 5 of chapter 32 of the General Laws, as so appearing, is hereby further amended by inserting after the table in paragraph (a) of subdivision (2) the following table and text:-

Table Showing Percentage of the Amount of Average Annual Rate of Regular Compensation to be multiplied by the Number of Years of Creditable Service for Employees who become members of a retirement system after July 1, 2011

Per Cent	Group 1		Group 2		Group 4
2.50	67 or older	62 or older	57 or older		
2.35	66	61	56		
2.20	65	60	55		
2.05	64	59	54		
1.90	63	58	53		
1.75	62	57	52		
1.60	61	56	51		
1.45	60	55	50		

If the retirement age for receiving Social Security retirement benefits is adjusted under federal law, the secretary of administration and finance, in consultation with the commission, shall evaluate the percentages in the above table and make a recommendation to the legislature as to whether the percentages should be adjusted by legislative action.

SECTION 5. Subdivision (2) of said section 5 of chapter 32, as amended by section 7 of chapter 21 of the acts of 2009, is hereby further amended by inserting after paragraph (e) the following paragraph:-

(f) In calculating the average annual rate of regular compensation for purposes of this section, regular compensation in any year shall not include regular compensation that exceeds the average of regular compensation received in the 2 preceding years by more than 7 per cent, plus an increase determined by the increase in the United States Consumer Price Index for the preceding 2 years, as reported by the actuary under paragraph (f) of subdivision (3) of section 21. This paragraph shall not apply to any increase in the annual rate of regular compensation that results from an increase in hours of employment or a change in position that is determined by the board to be bona fide.

SECTION 6. Paragraph (i) of subdivision (4) of said section 5 of chapter 32 of the General Laws, as appearing in the 2008 Official Edition, is hereby amended by inserting after the tenth sentence the following sentence:- In the case of any employee who becomes a member after July 1, 2011, the rate of contribution under this paragraph shall be 10.5 per cent.

SECTION 7. Section 10 of said chapter 32, as amended by sections 9 to 13 of chapter 21 of the acts of 2009, is hereby further amended by striking out subdivisions (1) and (2) and inserting in place thereof the following subdivision:-

(1) Any member classified in Group 1, Group 2 or Group 4, who has completed 10 or more years of creditable service, and who fails of nomination or re-election, or fails to become a candidate for nomination, re-election or election, or fails of reappointment, or is removed or discharged from his office or position without moral turpitude on his part, or accepts, during or

prior to the expiration of a term for which he was elected, appointment to an office or position the acceptance of which requires under the constitution of the commonwealth resignation from the general court, or any such member whose office or position is abolished, or who resigns or voluntarily terminates his service, who leaves his accumulated total deductions in the annuity savings fund of the system of which he is a member, shall have the right upon attaining the minimum retirement age for his Group, or at any time thereafter, to apply for a superannuation retirement allowance to become effective as provided for in subdivision (3) of this section. Such allowance shall be determined in accordance with section 5 or any other section governing superannuation retirement applicable to such member upon the basis of the member's age on the date when the retirement allowance becomes effective, with an amount of creditable service equal to that with which he was credited on the date of his termination of service.

SECTION 8. Section 12 of said chapter 32, as appearing in the 2008 Official Edition, is hereby amended by adding the following subdivision:-

(5) Any person who retired under this chapter before May 17, 2004 and elected Option (a) or Option (b) of subdivision (2) and who married a person of the same sex before May 17, 2005 may change such selection to Option (c) of subdivision (2) at the rate that was in effect for that option on the person's retirement date. In paying the retirement allowance under the new election, the board shall make appropriate adjustments, or arrange for appropriate repayments, upon such terms and condition as the board may prescribe, so as to recover any overpayments resulting from the prior election. The change of election under this subdivision shall be made on or before January 1, 2012, and shall be retroactive to the date of retirement. The election to change retirement options under this subdivision shall be in a manner prescribed by the

retirement board, and the retirement board shall have 180 days after the submission of an application to change the retirement option filed under this subdivision to implement the change.

SECTION 9. Section 15 of said chapter 32, as amended by section 53 of chapter 25 of the acts of 2009, is hereby further amended by adding the following paragraph:-

(6) If a member's final conviction of an offense results in a forfeiture of rights under this chapter, the member shall forfeit, and the board shall require the member to repay, all benefits received after the date of the offense of which the member was convicted.

SECTION 10. Subsection (b) of subdivision (1) of section 22 of said chapter 32, as appearing in the 2008 Official Edition, is hereby amended by inserting after paragraph (iv) the following paragraph:-

(iv1/2) withhold on each pay day 8.5 per cent of the regular compensation of each employee in Group 1 who is a member in service of the system, in the case of an employee who entered the service of the commonwealth or a political subdivision thereof on or after July 1, 2011; .

SECTION 11. Said subsection (b) of subdivision (1) of section 22 of chapter 32, as so appearing, is hereby further amended by inserting after paragraph (vi) the following paragraph:-

(vii) withhold on each pay day 10.5 per cent of the regular compensation of each employee who participates in the alternative superannuation retirement benefit program established under subdivision (4) of section 5, in the case of an employee who entered the service of the commonwealth or a political subdivision thereof after July 1, 2011; .

SECTION 12. Section 22C of said chapter 32, as so appearing, is hereby amended by striking out, in line 29, the words “on June 30, 2025” and inserting in place thereof the following words:- by June 30, 2040.

SECTION 13. Said section 22C of chapter 32 is hereby further amended by striking out the last paragraph of subdivision (1), as inserted by section 23 of chapter 27 of the acts of 2009, and inserting in place thereof the following paragraph:-

Notwithstanding any general or special law to the contrary, appropriations or transfers made to the Commonwealth's Pension Liability Fund in fiscal years 2012 to 2017, inclusive, shall be made in accordance with the following funding schedule: \$1,478,000,000 in fiscal year 2012, \$1,552,000,000 in fiscal year 2013, \$1,630,000,000 in fiscal year 2014, \$1,727,000,000 in fiscal year 2015, \$1,831,000,000 in fiscal year 2016, and \$1,941,000,000 in fiscal year 2017. Notwithstanding subdivision (1), any adjustments to these amounts based on the next triennial funding schedule shall be limited to increases in the schedule amounts for each of the specified years.

SECTION 14. Section 26 of said chapter 32, as appearing in the 2008 Official Edition, is hereby amended by striking out, in lines 96 and 104, the word “three” and inserting in place thereof the following figure:- 2.5.

SECTION 15. Section 91 of said chapter 32, as so appearing, is hereby amended by striking out, in lines 83 to 85, the words “for service in a public office to which he has thereafter been elected by direct vote of the people,”.

SECTION 16. Said chapter 32 of the General Laws is hereby further amended by adding the following section:-

Section 106. Before any law is enacted that provides specific retirement benefits to certain individuals that are beyond the benefits available under the General Laws, the following information shall be submitted to the joint committee on public service: (a) an analysis of the cost of the legislation and the basis for granting the exemption, (b) a confirmation of the cost analysis from the public employee retirement commission and (c) a recommendation from the board.

SECTION 17. Wherever, in chapter 32 of the General Laws, except in the table inserted by section 5 of this act, a retirement age of 55 is specified for Group 1, it shall be taken to mean 60; and whenever, a retirement age of 45 is specified for Group 4, it shall be taken to mean 50.

SECTION 18. Whenever, in chapter 32 of the General Laws, a reference is made to 3 years of creditable service or 3 consecutive years of creditable service, the number 3 shall be taken to mean 5.

SECTION 19. There shall be a special commission to study the Massachusetts public employees' pension classification system.

The commission shall review and make recommendations for reform regarding the Massachusetts public employees' group classification system, beginning with consideration of the work by the Blue Ribbon Panel on the Massachusetts Public Employees Pension Classification system.

The commission shall consist of 11 members: 1 of whom shall be the secretary of administration and finance, or his designee; 1 of whom shall be the executive director of the public employee retirement administration commission, or his designee; 1 of whom shall be the treasurer or his designee; 1 of whom shall be a private citizen, appointed by the governor, who

163 shall serve as chair of the commission and shall not be a member of any of the 106 contributory
164 retirement systems; 1 of whom shall be appointed by the speaker of the house; 1 of whom shall
165 be appointed by the senate president; 2 of whom shall have professional experience in employee
166 benefits or in actuarial science and shall be appointed by the governor; 1 of whom shall be
167 selected by the governor from a list of 3 candidates submitted by the president of the
168 Massachusetts AFL-CIO; 1 of whom shall be a member of the Massachusetts Municipal
169 Association; and 1 of whom shall be a member of the Retired State, County and Municipal
170 Employees Association of Massachusetts.

171 The public employee retirement administration commission shall conduct an actuarial
172 analysis to determine the costs of any recommendations made by the commission. The
173 commission shall file a report of its recommendations, together with the actuarial analysis and
174 proposed legislation, if any, with the clerks of the house and senate, the chairs of the house and
175 senate committee on ways and means and the chairs of the joint committee on public service not
176 later than November 15, 2011.

177 SECTION 20. Notwithstanding any general or special law to the contrary and except as
178 expressly provided otherwise, sections 4, 7, 14, 17 and 18 shall apply only to employees who
179 become members of a retirement system after July 1, 2011. Sections 1 and 2 shall apply only to
180 repayments and purchases of creditable service after July 1, 2011. Section 15 shall apply to
181 current employees and current retirees who are not currently serving in an elected public office.