



MASSACHUSETTS ORGANIZATION OF STATE ENGINEERS AND SCIENTISTS

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January 18, 2011

Secretary Jay Gonzalez
Commonwealth of Massachusetts
Executive Office for Administration and Finance
State House, Room 373
Boston, MA 02133

Dear Secretary Gonzalez:

We support the Governor's proposed extension of the pension funding schedule to help ease the state through its fiscal crisis. However, we regret to inform you that MOSES cannot support the Administration's proposed changes to the state employee retirement system.

While we appreciate your representatives meeting with us on January 13th and listening to our comments regarding the unfairness inherent in the present pension system for long-term career employees, we believe the proposed changes make an inequitable system worse.

As you know, most of the Commonwealth's present cost for pensions is due to the many years past in which the Commonwealth made no contribution. According to the Commonwealth's 2010 actuarial report, state employee contributions pay for 70% of normal cost while the Commonwealth pays 30% and that means the Commonwealth's present share of pension costs is substantially less than the 6.2% that would be due if we adopted Social Security.

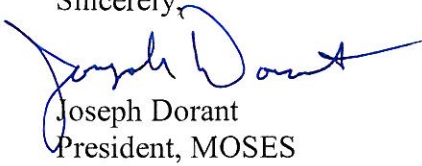
At a contribution rate up to 11% of salary, many long-term Group 1 employees are paying for 80% to 100% of pension costs while many short-term employees who come into state service as a second career are paying less than 50% of pension costs. Although this discrepancy is partially due to compounding, it is mostly due to the steep rise in the age factors from age 55 to 65 for Group 1 employees.

Even though the Administration has proposed lowering the pension contribution rate for new employees, this proposal decreases the age factor from 2.0% to 1.45% at age 60 and steepens the rise in age factors by an additional 50%. As a result of this age-factor change, the long-term Group 1 career employees would no longer be paying 80% to 100% of pension costs, they would be paying 100% to 120%. Second-career employees would have their situation improved and might pay less than 40% of pension cost.

Under this proposal, second-career employees can work 12 years and retire at age 67 with a pension 50% as large as career-employees in the same title that work 40 years and retire at age 60. Moreover, the 12 year employee would receive cost-of-living adjustments on a much higher percent of salary than the 40 year career employee.

MOSES understands that people are living longer and that longer life has implications for the pension system. MOSES will continue to support the idea of pension reform but implores you to review the options presented. I suggest representatives from A&F meet again with my pension specialists towards developing a plan for pension reform that treats future long-term career employees more fairly.

Sincerely,



Joseph Dorant
President, MOSES

cc: Governor Deval Patrick
Senate President Therese Murray
Speaker of the House Robert DeLeo