



Contact Samantha Levine-Neudel at 617-723-2277 ext. 211 or slevine@pioneerinstitute.org

Rhetoric and Reality: A Closer Look at the Massachusetts State Pension System

BOSTON – A new Pioneer Institute report corrects a number of misconceptions about state pension system benefit levels. In *Rhetoric and Reality*, author James Bohn, a business economist with a Ph.D from Harvard and former principal of UHY Advisors, analyzes the actual pensions received by current state retirees across multiple dimensions, demonstrating a wide variation in pensions and surprisingly generous benefits for a few groups of state employees.

“Pension reforms enacted to date have only addressed the most egregious abuses,” says Pioneer Executive Director Jim Stergios. “We can only claim to have achieved real reform when we’ve addressed issues related to fairness, sustainability and the ability to recruit and retain a high-quality state workforce. This paper provides a solid foundation for that discussion.”

Bohn used data collected from the Massachusetts State Board of Retirement, a division of the Office of the Treasurer, to analyze the actual cost of the pension plan administered by the Massachusetts State Employees Retirement System (SERS).

Defenders of the current system correctly point to the small size of the average annual state pension (\$26,516). But if you ask a more precise question, like what's the average pension for a state employee retiring in 2009, the answer grows by 42% to \$37,671. The average pension for the largest class of state employees with at least 20 years of service retiring in 2009 was \$43,874.

“*Rhetoric and Reality* provides context and clarity regarding the size of state pensions,” said James Bohn, the study's author. “It addresses much of the so-called conventional wisdom surrounding them.”

The key findings in the report are:

- **More recent retirees who spent 20+ years at the state have pensions far above average:** Average pension figures distort the issue by including short-term employees who likely have access to other sources of retirement income. Career state employees retiring now receive a benefit significantly larger than the average state pension figure featured in many press accounts.
- **State pensions vary greatly based on group classification:** The average pension, as of 2009, for members of Group 3 is \$58,654. The average pension of Group 3 members retiring in 2009 was \$78,289. The average pension in 2009 for all retired SERS members in Group 4 is \$34,835. The average pension of Group 4 members retiring in 2009 was \$40,249.
- **Large numbers of employees and retirees are outside Group 1:** The category of retired ‘general employees’ is assigned to ‘Group 1’ and constitute the largest number of retirees. However, retirees outside Group 1 constituted 29.5 percent of retiring 2009 SERS members in that year. The Commonwealth does not track the group classification of its current employees but changes in classification significantly impact pension costs.
- **The state provides income replacement rates of 60% or more to career employees:** Among retirees with 20 or more years of creditable service, over half receive a retirement allowance that is 60 percent or more of their pre-retirement income. Three-fourths of retirees with 20 or more years of service receive allowances that exceed 50 percent of their pre-retirement income.

Further Pioneer reports on pensions and liabilities can be found [here](#):

[Public Pensions: Unfair To State Employees, Unfair To Taxpayers](#)
[Leaving Money on the Table: The 106 Pension Systems of Massachusetts](#)
[The Elephant in the Room: Unfunded Public Employee Health Care Benefits and GASB 45](#)



[Pioneer Institute](#) is an independent, non-partisan, privately funded research organization that seeks to change the intellectual climate in the Commonwealth by supporting scholarship that tests marked solutions against the conventional wisdom of more governmental involvement in Massachusetts public policy issues.