



# Massachusetts

**MASSACHUSETTS' PENSION SYSTEM** for its teachers is in weaker shape than most states, while its state employee system is about on par with the national average. On an aggregate basis, the state underfunded its annual required contributions in 2003 and 2004, but has done a better job of keeping up with those payments in the last two years. Massachusetts faces a substantial long-term bill for retiree health care and other non-pension benefits: \$13.3 billion for state employees, if it doesn't consistently fund the actuarial required contribution. (In Massachusetts, non-pension benefit costs for teachers will appear at the local level.) But Massachusetts is one of the most aggressive states in putting aside money to cover that bill—in fiscal year 2008 the state fully funded its annual required contribution of about \$1.1 billion. That is smart fiscal policy, because the interest the state is likely to earn when it invests more money over the long term can be applied to paying down the bill. So if Massachusetts makes its full contribution each year, it can cut the \$13.3 billion long-term bill to \$7.6 billion.

## PENSIONS

TOTAL BILL COMING DUE: **\$50.4 billion**<sup>1</sup>


FUNDS SET ASIDE: **\$36.4 billion**

PORTION UNFUNDED: **\$14 billion**

PERCENT FUNDED: **72 as of 2006**<sup>2</sup>

TEN YEAR FUNDING HIGH: **87% in 2000**


TEN YEAR FUNDING LOW: **70% in 2003**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

**ASSUMPTIONS:** Massachusetts assumes a somewhat higher rate of interest for its pension investments (8.25%) than the 50-state median (8%) and a lower level of inflation (3%) than most states. This means that it is expecting a higher real rate of return. As with the majority of states, it uses a five-year smoothing period to calculate the actuarial value of assets. The amortization period conforms to accounting standards.

1 Pension funds include state employees, teachers and the state-Boston retirement system.

2 50-state mean was 82%.

KEY:  Top Performer  Needs Improvement  Below Par  Non-Pension Benefits are Minimal

This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by Pew's Center on the States. The full report and 50 state fact sheets can be found at [www.pewcenteronthestates.org](http://www.pewcenteronthestates.org).


## OTHER BENEFITS

TOTAL BILL COMING DUE: **\$13.3 billion**

FUNDS SET ASIDE: **\$0**<sup>1</sup>

PORTION UNFUNDED: **\$13.3 billion**<sup>2</sup>

PERCENT FUNDED: **0 as of 2006**

HOW IS THE STATE DOING IN MANAGING THIS BILL? 

1 As of 2006; the state made its full \$1.1 billion contribution for FY 2008.

2 As of 2006; 316% of covered payroll, compared to a national median of 135%.

**REFORMS:** Massachusetts passed legislation establishing a qualified irrevocable trust in 2007 and joined a handful of states that appear to be moving toward full funding of non-pension obligations. It also tightened up its oversight of local pension systems, allowing the state to assume the assets of local funds that fail to follow good actuarial and funding practices over an extended period.



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