

Overview

The Massachusetts State Employees' Retirement System (SERS) was established in 1911 and serves all state employees as well as employees of some other public entities. The system provides a defined benefit (DB) pension for its 86,714 active employees, and 55,721 retirees and beneficiaries. The assets of the Massachusetts State Employees' Retirement System are invested in the Pension Reserves Investment Trust ("PRIT") Fund.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions are almost always funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Research shows that Americans who have the three-legged retirement stool of a defined benefit (DB) pension, Social Security, and individual savings, such as a 401(k)-type plan, generally have the greatest opportunity to achieve financial security in retirement.

Key Facts

- Employees contribute 5-12% of salary to SERS.
- Employers contribute 10.9% to the fund.
- Each dollar invested by Massachusetts taxpayers in SERS supported \$4.94 in total economic activity in the state.
- **SERS members do not participate in Social Security.**



▶ Key Massachusetts Data¹

The chart below summarizes the key SERS data, as of December 31, 2012:

Total active employees	86,714
Total retired members, beneficiaries, and survivors	55,721
Average annual pension benefit	\$28,565
Employer contribution rate*	10.9%
Employee contribution rate	5% to 9% of compensation depending upon date of hire, plus an additional 2% of compensation over \$30,000.**
Actuarial value of assets*	\$20.5 billion
Funded ratio***	69.1%
Unfunded actuarial accrued liability*	\$7.3 billion

* As of January 1, 2012.

** State police hired after 1996 pay 12%.

*** As of January 1, 2013.

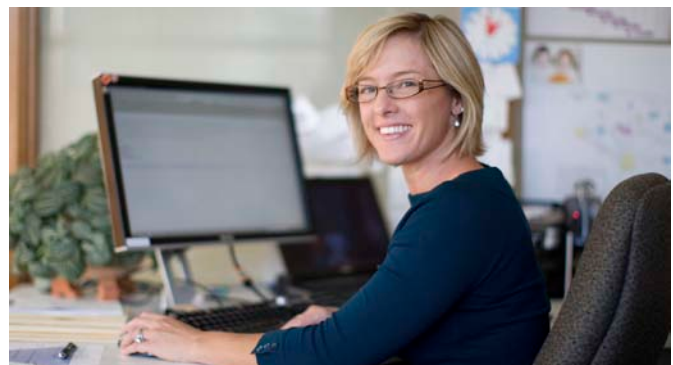
▶ The Economic Impact of Massachusetts Pensions²

Expenditures made by retirees of state and local government provide a steady economic stimulus to Massachusetts communities and the state economy. Within the state of Massachusetts, 2012 expenditures stemming from state and local pensions supported:

- 69,351 jobs that paid \$4 billion in wages and salaries
- \$10.5 billion in total economic output
- \$1.5 billion in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported \$1.81 in total economic activity in Massachusetts.

Each dollar “invested” by Massachusetts taxpayers in these plans supported \$4.94 in total economic activity in the state.



¹ All data, unless otherwise noted, as of December 31, 2012.

² Rhee, N. 2014. *Pensionomics 2014 Measuring the Economic Impacts of DB Pension Expenditures*. Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **Massachusetts State Employees' Retirement System (SERS)**. SERS provides retirement, disability, and survivor benefits for state employees. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

\$4.94 The total economic activity in Massachusetts for each dollar invested by Massachusetts taxpayers in SERS.

\$10.5 billion Total economic output in Massachusetts created in 2012 when public sector retirees spent their pension income.

\$1.5 billion Federal, state and local tax revenues generated by spending of Massachusetts public pension income.

69,351 Jobs created from pension income spending by Massachusetts state and local government retirees.

86,714 Total active members of SERS.

\$28,565 Average annual pension benefit for a SERS retiree.

5-12% Percentage of salary that SERS employees contribute from every paycheck to their pension benefit to share the funding responsibility.

5.0 Median employee contribution rate nationally.

75 Percentage of pre-retirement income replaced by the defined benefit (DB) plan for an employee with 30 years of service. **SERS members do not participate in Social Security.**

80 Percentage of pre-retirement income from all income sources that is considered adequate for a secure retirement.

All data come from either the Massachusetts SERS or the National Institute on Retirement Security.



NATIONAL INSTITUTE ON
Retirement Security

Reliable Research. Sensible Solutions.

Overview

The Massachusetts Teachers' Retirement System (MTRS) was established in 1914. The system provides defined benefit (DB) pension benefits for its 88,634 active public school employees and 59,628 retirees and beneficiaries.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions almost always are funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Research shows that Americans who have the three-legged retirement stool of a defined benefit (DB) pension, Social Security, and individual savings, such as a 401(k)-type plan, generally have the greatest opportunity to achieve financial security in retirement.

Key Facts

- Employees contribute 5-11% of salary to MTRS.
- Employers contribute 16.6% of salary to the fund.
- Each dollar invested by Massachusetts taxpayers in MTRS supported \$4.94 in total economic activity in the state.
- **Teachers in Massachusetts do not participate in Social Security.**



▶ Key Massachusetts Teachers' Data¹

The chart below summarizes the key MTRS data, as of December 31, 2012:

Total active employees	88,634
Total retired members and beneficiaries	59,628
Average annual service pension benefit	\$38,637**
Employer contribution rate*	16.6%
Employee contribution rate	5-11%, depending on date of hire
Actuarial value of assets*	\$22.1 billion
Funded ratio*	60.7%
Unfunded actuarial accrued liability*	\$14.3 billion

* As of January 1, 2012.

** As of January 1, 2010.

▶ The Economic Impact of Massachusetts Pensions²

Expenditures made by retirees of state and local government provide a steady economic stimulus to Massachusetts communities and the state economy. Within the state of Massachusetts, 2012 expenditures stemming from state and local pensions supported:

- 69,351 jobs that paid \$4 billion in wages and salaries
- \$10.5 billion in total economic output
- \$1.5 billion in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported \$1.81 in total economic activity in Massachusetts.

Each dollar “invested” by Massachusetts taxpayers in these plans supported \$4.94 in total economic activity in the state.



¹ All data, unless otherwise noted, as of December 2012.

² Rhee, N. 2014. *Pensionomics 2014 Measuring the Economic Impacts of DB Pension Expenditures*. Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **Massachusetts Teachers' Retirement System (MTRS)**. MTRS provides retirement benefits for public school employees in Massachusetts. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

\$4.94 The total economic activity in Massachusetts for each dollar invested by Massachusetts taxpayers in MTRS.

\$10.5 billion Total economic output in Massachusetts created in 2012 when public sector retirees spent their pension income.

\$1.5 billion Federal, state and local tax revenues generated by spending of Massachusetts public pension income.

69,351 Jobs created from pension income spending by Massachusetts state and local government retirees.

88,634 Total active members of MTRS.

\$38,637 Average annual pension income for a retired teacher in Massachusetts.

5-11% Percentage of salary that employees contribute from every pay-check to their pension benefit to share the funding responsibility. Nationally, the median employee contribution rate is 5%.

75 Percentage of pre-retirement income replaced by the defined benefit (DB) plan for an employee with 30 years of service. A replacement ratio of 80% from all income sources is considered adequate for a secure retirement. **Massachusetts teachers do not participate in Social Security.**

508 The number of teachers retained each year solely due to the defined benefit (DB) plan.

\$7.1 million Teacher turnover cost savings generated by the retention effect of the defined benefit (DB) pension.

All data come from either the State of Massachusetts or the National Institute on Retirement Security.



NATIONAL INSTITUTE ON
Retirement Security

Reliable Research. Sensible Solutions.

Overview

As early as the turn of the 20th century, American legislators seemed to understand the importance of teacher quality to students' education. A 1917 report on public education noted that, "A school teacher's work is personal, direct, and positive. It works for the good or the ill of each pupil."¹

Key Facts

- Employees contribute 5-11% of salary out of each paycheck to the pension fund.
- The average retirement benefit is 38,637 per year, or \$3,220 per month.
- MTRS covers 88,634 active school employees and 59,628 retired school employees and beneficiaries.
- Teachers are paid 14.3% less than comparable private sector workers.
- The MTRS pension replaces 75% of pre-retirement income for a teacher with 30 years of service.
- Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement. **Massachusetts teachers do not participate in Social Security.**

Defined benefit (DB) pension plans were first introduced for teachers in the United States to help with the recruitment of high quality educators, and as an incentive to keep those educators in the teaching profession. By 1916, some form of retirement plan was available to public schoolteachers in 33 states. It was thought that such a retirement system might serve two purposes: 1) bringing more diverse, and highly qualified teachers into the profession; and 2) creating a more productive workforce that actually saves public employers money, as one dollar in pension benefits was seen as worth more than a dollar in salary.²

Public school teachers in Massachusetts have pension coverage through the Massachusetts Teachers' Retirement System.

The Massachusetts Teachers' Retirement System (MTRS) covers 88,634 active employees of public educational institutions, and 59,628 retired school employees and beneficiaries. Employees contribute 5-11% out of each of their paychecks to the pension fund. The average retirement benefit is \$38,637 per year, or \$3,220 per month.

The MTRS pension replaces 75% of pre-retirement income for a teacher with 30 years of service. Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement. **Massachusetts teachers do not participate in Social Security.**

▶ Teachers Receive Lower Compensation

Public employees receive lower wages than their private sector counterparts. Even after accounting for pensions and other benefits, on average, state and local workers receive 7% less than those in the private sector.³ More specifically, teachers are paid 14.3% less than comparable private sector workers—and this pay gap has increased in the last decade.⁴ Teacher pensions play an important role in offsetting the financial impact of lower salaries.

Research shows that pensions are reliable and relieve retirement anxiety. Some 82% of Americans indicated that those with pensions are more likely to have a secure retirement, and 82% believe all workers should have access to a pension plan.⁵

▶ Pensions Help Retain Quality Teachers in Massachusetts⁶

Better teachers are experienced teachers. DB pensions help to retain highly productive teachers longer, as compared with individual defined contribution (DC) accounts. Moreover, the cost of teacher turnover is quite high, both in terms of financial cost and loss of productivity to the school district.

In Massachusetts:

- The cost of turnover in Massachusetts is \$13,974 per teacher.
- 508 teachers are retained each year due to the defined benefit (DB) plan.
- The defined benefit (DB) pension system saved \$7.1 million in teacher turnover costs in 2003 in school districts across the state.

About NRTA

NRTA: AARP's Educator Community is a national umbrella organization for the nation's largest network of retired educators. For nearly 65 years, NRTA has worked with state and local Retired Educators Associations (REAs) across the country on areas of mutual interest in advocacy and community outreach.

Collectively, NRTA and REAs engage and advocate on behalf of nearly one-million retired educators. Our shared priorities are to protect earned pension benefits and to assure access to affordable retiree healthcare. Additionally, NRTA helps inspire and honor the work of REA volunteers through NRTA's With our Youth! national recognition program.



^{1, 2} Graebner, W. 1978. Retirement in education: The economic and social functions of the teachers' pension. *History of Education Quarterly*, 18(4), 397-417.

³ Heywood, J., and K. Bender. 2010. *Out of Balance: Comparing Public and Private Sector Pay over Twenty Years*. Washington, DC: National Institute on Retirement Security.

⁴ Allegretto, S., S. Corcoran, and L. Mishel. 2008. *Teachers' Pay Continues to Slide*. Washington, DC: Economic Policy Institute.

⁵ Oakley, D, and K. Kenneally. 2013. *Pensions and Retirement Security 2013: A Roadmap for Policy Makers*. Washington, DC: National Institute on Retirement Security.

⁶ Boivie, I. 2011. *The Three Rs of Teacher Pension Plans: Recruitment, Retention, and Retirement*. Washington, DC: National Institute on Retirement Security.