



S.1481

An Act to Provide Fair and Affordable Public Retiree Benefits

Bill Summary

Lead Sponsor: Sen. James E. Timilty (D-Walpole)

This bill seeks to provide modest economic security for retired public servants.

This bill ensures that pension benefits are better able to keep pace with inflation.

- Increases the annual Cost of Living Adjustment for retired state employees to \$480 (currently \$390).

This bill provides municipal retirees increased stability in insurance premium payments.

- Sets the retiree's health insurance premium contribution share at the percentage the employee paid when he or she retired, bringing the benefit more in line with what is offered to state employees.

This bill protects retired public employees who are not eligible for Medicare.

- Creates a mechanism to cap out-of-pocket expenses for those retirees who are not Medicare-eligible at \$2,500 for individual coverage and \$5,000 for family coverage.

MTA Division of Government Relations

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Background

COLA. A pension Cost of Living Adjustment (“COLA”) is a change made to a retiree’s pension in order to offset the effects of inflation. For most retired Americans, a COLA is a benefit added annually to Social Security income. Social Security COLAs are generally equal to the percentage increase in the Consumer Price Index based on the full value of the retiree’s benefit. For retired Massachusetts state employees and teachers, the COLA benefit is capped, no matter how high inflation grows. The annual increase is just 3 percent of the first \$13,000 of a retiree’s pension earnings, or \$390 a year. The maximum annual COLA has increased only \$30 since 1997.

- Massachusetts public employees do not participate in Social Security and at retirement receive either no benefit or a significantly reduced benefit.
- COLAs are not automatic. Massachusetts General Law sets the parameters, but the decision to grant a COLA for retired members of the state and teachers’ retirement systems is done annually through the yearly state budget.
- The rising cost of living for retirees, particularly for health-related expenses, makes it imperative that the state offer a more realistic COLA.

Medicare Eligibility. Retired public employees who are eligible for Medicare are required to enroll in order to receive health insurance from former employers. This greatly reduces the cost of the health insurance premium as it is limited to a Medicare supplemental plan. There are, however, some retirees who began their public-sector employment prior to 1986 who are not eligible for Medicare.

- These retirees must pay more to cover the cost of their premiums and are subject to greater out-of-pocket costs, such as co-pays and deductibles.
- Each year there are fewer non-Medicare-eligible retirees.

Health Insurance Premium Share. Municipalities may lower their contributions for retiree health insurance premiums to 50 percent. An increasing number of communities are lowering their share to this level, and retirees have limited to no say in these matters. Coupled with increases in the actual cost of premiums, this can lead to substantial cost increases for retirees on fixed incomes. State retiree employer health insurance premium contributions are assigned a floor of 75 percent each year in the state budget.

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