Teacher Pension Policy in Massachusetts

For more information about Massachusetts and other states’ teacher retirement policies, including full narrative analyses, recommendations and state responses, see www.nctq.org/statepolicy

Massachusetts’ pension system ratings

<table>
<thead>
<tr>
<th>Rating</th>
<th>Description</th>
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<tbody>
<tr>
<td>Sustainability</td>
<td>Pension system is stable and well funded.</td>
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<tr>
<td>Flexibility</td>
<td>Pension system is flexible and fair to all teachers.</td>
</tr>
<tr>
<td>Neutrality</td>
<td>Benefits accrue uniformly with each year of work.</td>
</tr>
<tr>
<td>Transparency</td>
<td>Teachers and the public have a clear depiction of the system’s standing and future health.</td>
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</tbody>
</table>

Snapshot of Massachusetts’ pension system

- Teacher pension system is well funded (at least 90%).
- Teachers have the option of a fully portable primary pension plan.
- Teachers vest in three years or less.
- Teachers leaving early can take at least a partial employer contribution with them.
- Teacher and employer contribution rates are reasonable.
- Retirement eligibility is based on age only.
- Pension benefits accrue in a way that treats each year of work uniformly.
- Future contributions required to fully amortize total pension debt are projected and reported.
- Contributions required to fully amortize pension debt under different discount rates are reported.
- The source(s) of employer contributions (e.g., state and/or school districts) are disclosed, as well as the proportion of total contributions for which each contributor is responsible.
- The amount of retirement contributions that are normal costs and amortization are reported.
- Individual teachers are provided with information that breaks out employee and employer contributions.
- Individual teachers are provided with information about how their benefits accrue over time.

Massachusetts pension system characteristics

- Type of plan: Defined benefit (DB)
- Unfunded liabilities (percent of system funded): $20,169,010,000 (54.3%)
- Vesting period: 10 years
- Teacher contribution rate (percent of salary): 11%
- Employer contribution rate (percent of salary): 17.7%
- Basis for retirement eligibility: Age only
- Cost-of-living adjustments: Based on Consumer Price Index
- Participation in Social Security: No
- Contributions teachers may withdraw from plans if they leave after five years: Own with interest
- Policy for purchasing time for prior teaching or approved leave: Limited (prior teaching); Not permitted (approved leave)

For states with multiple tier teacher pension systems, this analysis applies to the tier that applies to current new teachers joining the system.