**MBTA Pensions: A Ticking Time Bomb**

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The T’s biggest union has begun its campaign to reassure Massachusetts taxpayers that there’s no truth to what you might have heard about the crisis condition of the MBTA Retirement Fund (MBTARF). What a relief!

But facts are stubborn things. Compared to their state counterparts, MBTA employees contribute less toward their pensions, retire earlier, and receive richer benefits. As long as that’s the case, no amount of spin can change the fact that the amount Massachusetts taxpayers will be required to contribute to the fund is likely to skyrocket.

The T is responsible for 75 percent of any additional funds needed to maintain the fund’s actuarial integrity. At a recent State House briefing, Carmen’s Union President Jimmy O’Brien and consultant Tom Roth of the Labor Bureau, Inc. explained that with the T contributing 20 percent of payroll, which it will be required to do for the coming fiscal year, and employees contributing 7.1 percent of their salary, the MBTARF is on track to pay down its unfunded liability by 2039.

With that burden lifted, combined annual contributions would fall from a total of 27 percent of payroll to just over 11 percent. Crisis averted.

If they really believe that, why not push for legislation capping T contributions to the MBTARF at 20 percent? We’d support it wholeheartedly and move on to something else.

But here’s the problem: Last year the same duo was telling us that if the T continued to contribute 18 percent of payroll, the pension would be fully funded by 2039. Two years ago, they told us everything would be fine if the T just kept contributing 16 percent. Year after year, Mr. Roth’s analysis has been disproven by actual results.

The Labor Bureau, Inc. is the same outfit the Carmen’s Union used to push back against privatizing the MBTA’s money room.  The T said the move would save $5.4 million in the first year, but the Labor Bureau said actual savings would only be $330,000.  After just two months, privatization has saved over $1 million and the time between collecting money and depositing it in the bank has shrunk from 120 hours to 24.

A decade ago the T contributed $37 million to the MBTARF; next year it will be $94 million. Over that time the fund’s assets have shrunk and its unfunded liability has spiked.

O’Brien and Roth claimed the biggest reason why the scenarios T management has been releasing look so dire is because they underestimate MBTARF investment returns. The T assumes the fund will earn 4 percent annually for 10 years and then 7 percent thereafter. The MBTARF assumes a 7.75 percent annual rate of return.

Over the last three years the MBTARF returns averaged 3.9 percent; for the last decade they averaged 5.8 percent. Just a few days after the State House briefing, the T received an updated MBTARF valuation report.  It showed that if the fund continues to earn 6 percent, it will require about $2.6  billion in taxpayer funding over the next 20 years.  It also revealed that the value of fund assets fell by $24 million in the last two years and liabilities increased by $271 million.

The basic problems with the MBTARF are so simple that even a writer can understand them.  MBTA employees contribute around 6.5 percent of salary to their pension, just over half of what state employees kick in.  Unlike state employees, T workers also receive Social Security benefits.  Even with the 6.2 percent of salary they pay in to that program, their total contribution is about the same as state employees, yet they receive far richer pensions.

And unlike state workers, T employees can retire at 55 and collect a full pension.

Despite the best efforts of the Carmen’s Union and its consultants to demonstrate otherwise, the MBTA Retirement Fund is in a death spiral.  Unless immediate steps are taken to fix it, a bailout looms in the not-too-distant future.  And if you think that’s the T’s problem and not yours, just remember that two thirds of MBTA revenue comes from state taxpayers.

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