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Massachusetts State Public Worker Retirees: How Are They Doing?

By Ellen A. Bruce, JD, & Lauren A. Martin, MS

Although much has been made of the Massachusetts State Retirement System’s funding and abuses, little has been written about the benefits it provides. A retirement system should be judged first on whether it meets its goal of providing for workers in retirement.

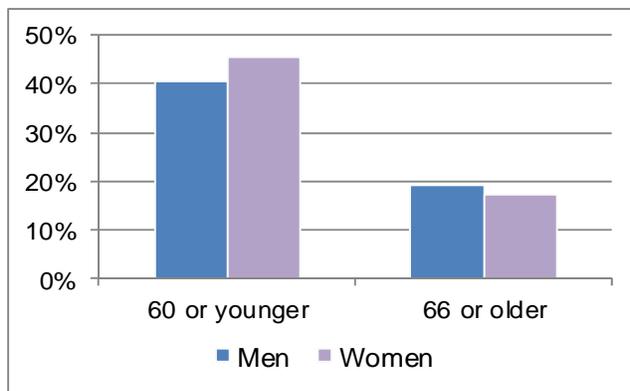
Background: The Massachusetts State Retirement Plan is a defined benefit plan that provides a monthly benefit for the life of the retiree or a reduced benefit for the life of the retiree and his or her spouse. Participants in the plan do not contribute to Social Security and are not eligible for Social Security benefits for their time with the state. The plan has a 10-year vesting requirement. Benefits are calculated on a formula of 3-year-final average salary X years of service X a factor based on age at retirement (ranging from .005 to .025).

The maximum benefit a retiree can receive is 80% of her or his final average salary, which is reached after approximately 32 years of service. Once a worker reaches the 80% mark, there is very little financial incentive to continue to work for the state.

Data: We examined Massachusetts State Retirement Board data consisting of records of 36,023 retirees and surviving spouses who were collecting pensions as of December 2008. The data excluded those on disability and public safety workers. The median age of retirees was 73; 48% were women and 52% were men.

Age at Retirement: The median age for retirement in the state system is 62, comparable to the median age in the private sector. However, in the public sector the spread is greater, with many people retiring before age 60 and more people retiring after age 66. In Massachusetts, 19.5% of men and 17.3% of women in the Massachusetts Retirement System worked passed age 65.

Age at Retirement by Gender



Years of Service: Women retirees had significantly shorter job tenures than men. Only 15.6% of women receiving benefits had 30 or more years of creditable service, compared to 38.3% of men. At the other end of the spectrum, 46.7% of women had 19 years or less creditable service, compared to 27.4% of men.

Creditable Years of Service by Gender

Creditable Years of Service Vested	All MA State Retirees			
	Men	Women	Men	Women
Median	22 years	26 years	20 years	
10 – 19 years	38.0%	27.4%	46.7%	
20 – 29 years	36.2%	34.3%	37.7%	
30+ years	25.8%	38.3%	15.6%	

Benefit Levels: Yearly benefits ranged from \$223 to \$232,358, with only 0.2% having a benefit of over \$100,000. The average benefit was \$24,226 and the median benefit was \$19,748. Twenty-five percent of retirees received a benefit of \$13,131/yr. or less. As would be expected from the formula, those with the most creditable service have the highest benefits.

Median Benefit by Gender and Creditable Years of Service

Creditable Years of Service		All Retirees	Men	Women
	10 – 19 Years	\$12,323	\$13,556	\$11,697
	20 – 29 Years	\$21,344	\$22,691	\$20,550
	30+ Years	\$36,692	\$39,005	\$32,386

Those retirees who have been out of the workforce the fewest years generally have higher benefits than those who have been retired for longer periods. The exception to this trend is among the retirees who have been retired between 6 and 10 years. This difference is probably due to an early retirement incentive offered in 2001.

Full-Career Retirees: To determine the adequacy and generosity of the retirement benefit, we looked at “full-career” retirees whom we defined as retirees who worked in the state system for 30 or more years. These retirees would probably not have earned pensions at other jobs, nor would they be eligible for Social Security, which also has a 10-year vesting requirement. Their state retirement benefits would be their primary sources of retirement income.

The median benefit for this group was \$36,692/yr.; however, there were significant variations depending on the gender of the retiree and the number of years in retirement. Notably, those in retirement for over 20 years had a median benefit of only \$21,519.

Median Benefit of Full-Career Retirees by Number of Years in Retirement

Number of Years Living in Retirement		All Retirees	Men	Women
	5 years or less	\$50,130	\$52,453	\$45,250
	6 – 10	\$41,437	\$43,277	\$37,674
	11 – 15	\$38,703	\$40,139	\$33,013
	16 – 20	\$30,832	\$32,859	\$27,307
	21+ years	\$21,519	\$23,955	\$19,206

Conclusion: The median retirement benefit of \$36,692/yr. provided by the state retirement system for full-career retirees is neither overly generous nor unreasonably low, considering that these individuals would not be eligible for Social Security. However, the variation is significant, with women receiving substantially lower benefits. Of most concern is the variation based on the years in retirement. The benefit received by a full-career retiree in retirement for over 20 years is only 42.9% of the benefit received by a full-career retiree in retirement for 5 years or less, indicating that the benefit is not keeping up with inflation.