

2025-2026 Legislative Agenda



H.2812/S.1817 | *An Act to provide fair and affordable public retiree benefits*

Lead Sponsors: Rep. Dan Donahue (D-Worcester) | Sen. Julian Cyr (D-Truro)

Teachers and state employees do not receive Social Security benefits from their public employment and generally rely on their public pension to live in retirement. A pension Cost of Living Adjustment is a change made to a retiree's pension to help offset the impact of inflation on that pension over time. For retired Massachusetts state employees and teachers, however, this COLA increase is capped, no matter how much inflation grows. The annual increase is typically just 3 percent of the first \$13,000 of a retiree's pension earnings, or \$390 a year. That means that a retiree with a \$52,000 pension will never receive an inflation adjustment on 75% of their pension. The \$13,000 figure is known as the COLA base, and it has not been raised in over a decade.

This COLA system is woefully inadequate and has real-world implications for the quality of life for retired public employees. An MTA analysis in 2023 found that a retiree who has earned a pension of \$50,000 can see the value of that pension erode by 20 percent or more over 10 years under the current COLA system. The Commonwealth once protected the hard-earned pensions of retired teachers and state employees, but it has allowed that benefit to erode considerably over time. In 1971, the COLA base was 68 percent of the average teacher salary. In 1998, the COLA base was 28 percent of the average teacher salary. In 2022, it was down to only 15 percent.

In addition, many retirees face significant challenges related to health insurance that compound the impacts on an inadequate pension. There are some retirees who began their public-sector employment prior to 1986 and who are not eligible for Medicare. These retirees must pay more to cover the cost of their health insurance premiums and are subject to greater out-of-pocket costs. The lowering of municipal contributions for retiree health insurance premiums can also lead to substantial health insurance cost increases for retirees on fixed incomes.

This bill will address these issues and ensure a fair and affordable retirement by:

- Immediately increasing the dollar base on which the annual state and teacher pension COLA is calculated, from \$13,000 to \$18,000, and over time raising the base to align with Social Security's maximum benefit for an individual worker retiring at full retirement age (\$48,216 in 2025).
- Creating a mechanism to cap out-of-pocket expenses for public retirees who are not Medicare-eligible at \$2,500 for individual coverage and \$5,000 for family coverage.
- Freezing the health insurance premium contribution share for current municipal retirees at the percentage they are paying upon the effective date of this legislation and locking in the percentage for future retirees based on their share on their retirement date.

Please contact MTA Government Relations if you have any questions or require any additional information.
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