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**Mary Connaughton and Charles Chieppo: Shine a light upon MBTA pension fund**

*By Mary Connaughton and Charles Chieppo*

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**BOSTON >>** It would be easy just to shake your head and turn the page upon learning that the MBTA Retirement Fund (MBTARF) is underfunded by nearly $868 million. Unfortunately, you cannot. Every year, the pension plan receives tens of millions of state dollars that flow through the MBTA. The T, in turn, has a contractual obligation to bankroll three quarters of any shortfall.

In February, the T's administrator said that the MBTARF's unfunded liability had grown by another $53 million. The yawning pension gap is forcing the cash-strapped authority to increase its contribution for the coming fiscal year by $8 million.

How can anyone argue with a straight face that the T's pension fund is private? Yet, according to a recent Boston Globe story, that is precisely what some of the fund's trustees want to keep doing.

In March, a Superior Court judge ruled that MBTARF records are public, but allowed the fund's board to make additional arguments against releasing them. Some board members remain determined to throw the kitchen sink against transparency, hoping that one ludicrous claim or another will finally stick.

Pioneer Institute has long held that the MBTARF should be subject to open meeting and public records laws on the grounds that it receives many millions of taxpayer dollars. Recognizing this fact, the Massachusetts Legislature changed the law specifically to make public the records of any pension plan receiving public money — including the MBTARF.

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Roughly a third of the MBTA's close to $2 billion in annual revenues comes from fares, 56 percent from the state, 8 percent from communities that benefit from T service and 3 percent from other sources. These dollars are spent on operating costs, wages and benefits — including MBTARF contributions. The pension contributions must cover not only retirees' allowances but also the fund's operating expenses and investment losses.

In 2012, T employees contributed about 5.5 percent of their pay to the fund, an amount that would have to increase to 25 percent if public dollars were not available to fund the plan. A couple of years ago Pioneer estimated that if taxpayer support was cut off, the fund would be insolvent within a decade or two, leaving thousands of retirees out in the cold.

Decisions made by the MBTARF's board and the assumptions of its actuary directly impact state finances because taxpayers are responsible for most of the resulting losses. In 2014 a $25 million investment in a hedge fund that employed the MBTARF's former executive director went bust. A recent forensic study found that the fund's assumptions failed to include the liability associated with unused sick and vacation pay that T employees amass to enhance their pension benefits.

While other public pension funds routinely make actuarial reports public, the MBTARF does not. When Pioneer was able to obtain the fund's 2011 report we found that the MBTARF overstated its financial health by increasing its assumed rate of return from 7.5 to 8 percent. In February, in the midst of public scrutiny, the retirement board notched the rate down to 7.75 percent. Actual returns in recent years have been less than 6 percent.

Amazingly, T executives and retirees are still awaiting the MBTARF's 2014 annual report. Interim financial reports, board meeting minutes and investment performance updates should routinely be part of the public record, not only to allay retirees' fears, but to create the transparency that naturally leads to better decision-making.

US Supreme Court Justice Louis Brandeis once said that the electric light is the best policeman. Few entities need light more desperately than the MBTA Retirement Fund.

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