



**Massachusetts Bay  
Transportation Authority**

# Police Pension Negotiations Contract Authorization

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# Police Association Retirement Plan (PARP)

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- Sworn TPD Officers have a separate pension plan from all other MBTA employees
  - 204 active officers; 140 retirees (as of 12/31/22)
- PARP founded in 1984 via collective bargaining between MBTA and MBTA Police Association and governed by Board of Trustees consisting two Authority Representatives and two Union Representatives
- Approximately \$100million in assets
- Current contributions: 13.74% by the Authority (percentage based on TPD payroll of approximately \$18m) and 8.35% by employees
- Terms of PARP have not been significantly modified since 2002



# Bargaining Goals

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- Increase Recruitment and Retention
  - TPD currently 80% staffed, with an ongoing high rate of turnover among newer officers
  - Goal of negotiations was 1) to ensure TPD retirement benefits remained competitive and attractive to new recruits; 2) to incentivize active employees to remain with TPD; and 3) to standardize and align benefits with the MBTA Pension Fund (Main Fund)
- Maintain Fiscal Stability
  - Funding status of PARP has fluctuated between 81 and 89% over past five years
  - Ensure benefit improvements do not jeopardize sound fiscal status of plan



# Key Areas of Agreement

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- Term of Agreement – 4 years, through June 30, 2027
- Multiplier/Pension Allowance
  - Current pension allowance under the PARP is average high-3 years of compensation multiplied by 2.36% multiplied by years of service
  - Agreement increases this to 2.5%
    - Main Fund is 2.46%
- Supplement
  - PARP provides a supplemental allowance to retirees who are not social security eligible. These amounts, \$500/mo up to age 57 and \$700/mo up to age 62, have not increased since 2002, losing significant value due to inflation.
  - Agreement increases this to \$500 per month through age 56; \$700 per month through age 59; \$800 per month through age 64.
- Contribution Split
  - Required contributions for the PARP are split 62% by the Authority and 38% by employee
    - Main Fund split is 75/25
  - Agreement to split future contribution changes on a 75/25 basis



# Key Areas of Agreement

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- Retiree Cost of Living Increase
  - PARP retirees have had no cost of living increase since 2002.
  - Agreement provides a one-time increase of 3% on the first \$20,000 of retiree pension allowance
    - Similar to Main Fund increase
- Disability
  - Reduction in eligibility for non-occupational disability pension from 8 to 5 years
  - Increase disability pension allowance from 55% to 60% of current earnings
- Early Death Benefits
  - Increase Line-of-Duty Death benefit to 100% of current compensation
  - Modify Non-Occupational Death benefit to presume officer had otherwise reached pension eligibility



# Key Areas of Agreement

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- **Compensation Smoothing**
  - Vague language currently in the PARP allows employees to “spike” their pensionable compensation, inflating their pension allowance beyond the intended terms of the Plan and beyond actuarial assumptions. This results in unfairly large pensions for some retirees, underfunding the Plan, and increased contributions by both the Authority and active officers.
  - This Agreement eliminates those practices, allowing for more stability in Plan funding and long-term contribution savings.
  - **Retroactive Spiking**
    - Currently, PARP applies large retroactive wage payments resulting from delayed collectively bargained increases to the year they are paid, rather than year the wages were/should have been earned, artificially inflating the retiree’s pensionable compensation.
    - Agreement prohibits this practice. Aligns with Main Fund Policy.
  - **Promotion Spiking**
    - Some employees will take a promotion for higher wages and retire after only 1 year in the position, inflating their high-3 years average for pensionable compensation.
    - Agreement holds that highest year of compensation cannot exceed average of second and third highest years by more than 10%
- **Criminal Forfeiture**
  - Prohibition on employee or retiree who is convicted of criminal offense related to their TPD position and sentenced to five years prison time from receiving pension
- **Administrative changes**
  - Use of updated actuarial table and minor language clean-ups



# Vote Language

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## **IT IS VOTED:**

**That the General Manager is hereby authorized to enter into a Collective Bargaining Agreement with the MBTA Police Association for the terms of the Police Association Retirement Plan, and to execute any necessary or ancillary documents in the name and on behalf of the Massachusetts Bay Transportation Authority to effectuate this Agreement.**



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# Appendix





# Summary of Agreement

Summary of Issues	Fiscal Impact
Changes in Contributions to be split on a 75/25 basis	Fiscal impact spread below
Increase Multiplier to 2.5%	Increase Authority contributions by 1.14% annually (\$235,918/yr)
Eliminate Retroactive Spiking	Long-term savings to Authority of 3.6% annually (\$745,004/yr)
Eliminate Promotion Spiking	Not enough data to calculate; small long-term savings
Change to Supplemental Benefit: \$500/mo through age 57; \$700/mo through age 59; \$800/mo through 64	Increase Authority contributions by 0.39% annually (\$80,708/yr)
Disability eligibility at 5 years	Nominal*
Disability allowance to 60%	Nominal*
Line of Duty Death Benefit – 100%	Nominal*
Non-Occupational Death Benefit as if Retirement Eligible	Nominal*
Retiree Cost of Living Adjustment – 3% on first \$20,000 of benefit	Increase Authority contributions by 0.33% annually (\$68,292/yr)
Criminal Conviction Benefit Forfeiture	n/a

# Summary of 2022 Working Agreement

- 5 Year Contract Duration July 1, 2018, through June 30, 2023
- 18% Wage Increase Effective July 1, 2022 (Retro date 7/1/2018)
- Delete New Hire Progression (Single Rate of Pay)
- One time Pandemic Pay of up \$2,000
- Additional Retention Bonus of \$2,500
- \$250 Civil Disturbance Stipend
- New Hire Sign-On Bonus \$7,500 (Paid out at completion of training and upon the 1-year anniversary of service)
- \$400 Health and Welfare Contribution
- Increase Bereavement Leave from 3 to 5 Days
- 10 Paid Parental Leave Days
- Addition of Juneteenth as a paid holiday
- No opposition to removal of Civil Service Requirement
- Parties will start negotiations on their next Working Agreement, covering 2023 – 2027, in Fall 2023

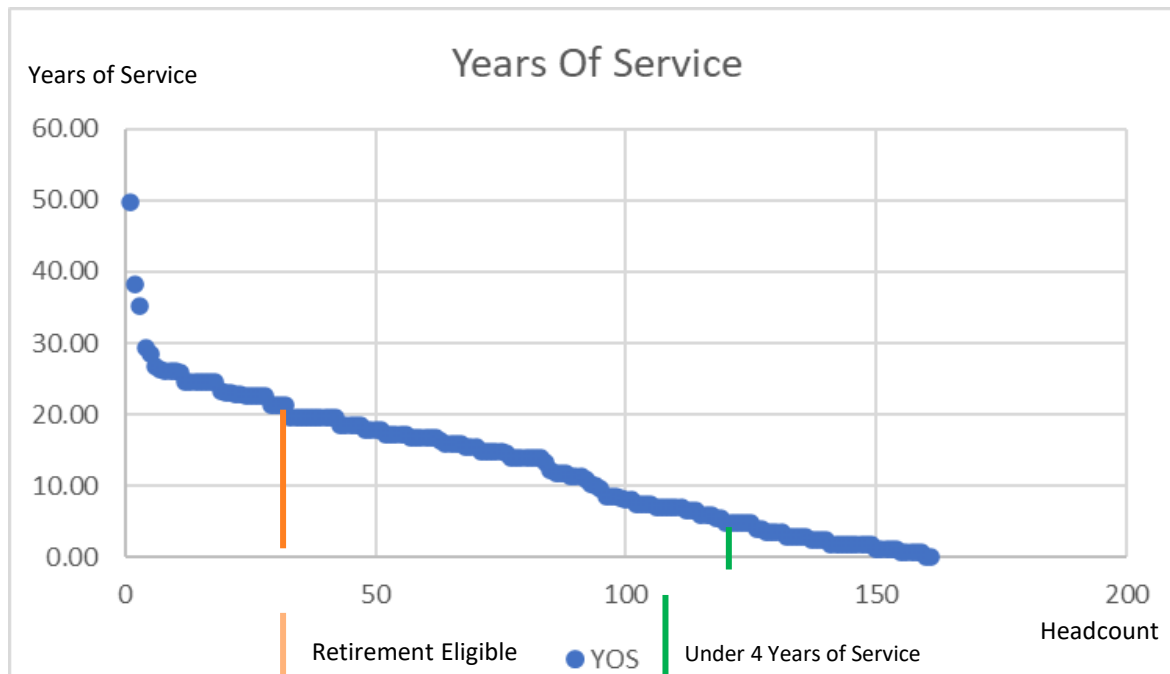
	Pre-Agreement	Effective 7/1/22
Base	\$31.75	\$37.84
TCAP	\$32.60	\$38.79
Assoc	\$34.61	\$41.25
BA	\$37.31	\$44.46
MA	\$38.89	\$46.35



# Workforce & Retirement Eligibility

## Workforce Years Statistics

- 161 Officers on the Payroll as of March 3, 2022
- 18 Officers will be retirement eligible as of July 2022
- 43 Officers will have 20 Years of Service as of August 2022
- 36 Officers have less than 4 Years of Service
- 20 Officers have less than 2 Years of Service



## Pension Eligibility Criteria

**Normal retirement:** Members who are at least 65 years old with at least 10 years of service.

**Early normal retirement:** Members hired before December 4, 2018, are eligible for an early normal retirement when they reach age 52 and have 23 years of service. Members hired on or after December 4, 2018, are eligible when they are 55 years old and have 25 years of service.

**Reduced early retirement:** Members hired before December 4, 2018, may receive a reduced early retirement benefit when they reach age 50 and complete 20 years of service. Members hired on or after December 4, 2018, are eligible at age 55 with 20 years of service.

