



OFFICE OF THE GOVERNOR  
**COMMONWEALTH OF MASSACHUSETTS**  
STATE HOUSE • BOSTON, MA 02133  
(617) 725-4000

**DEVAL L. PATRICK**  
GOVERNOR

HA 4388  
7-11-14  
11:20am

## ATTACHMENT G

July 11, 2014

To the Honorable Senate and House of Representatives:

Pursuant to Article LVI, as amended by Article XC, Section 3 of the Amendments to the Constitution, I am returning to you for amendment Section 251 of House Bill No. 4001, "An Act Making Appropriations for the Fiscal Year 2015 for the Maintenance of the Departments, Boards, Commissions, Institutions and Certain Activities of the Commonwealth, for Interest, Sinking Fund and Serial Bond Requirements and for Certain Permanent Improvements."

Section 251 transfers the membership and accounts of employees of the Franklin Regional Council of Governments from the Franklin Regional Retirement System to the State Employees' Retirement System. The primary purpose of this section is to shift the unfunded liability for future pension benefits to the State Retirement System which already manages this liability for other state employees. The result of this transfer would be to eliminate an extra burden on the Franklin Regional Retirement System which it is ill-equipped to continue to absorb. I support the purposes of this section.

This section, however, requires the regional retirement system to transfer not only the annuity savings accounts of the active employees, but also an additional amount calculated as "actuarial assumed interest" (currently approximately 7.5%). Ordinarily, when an individual transfers from one system to another, the first system transfers only accrued "regular interest," a significantly lower amount.

The Franklin Regional Retirement System has calculated that using the higher rate would cost them approximately \$1.2 million as opposed to an accrued regular interest payment of around \$53,000.

For these reasons, I recommend that the first sentence of subsection (a) of Section 251 be amended by striking out the words “, computed as the actuarial assumed interest”.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "David J. Katz". The signature is fluid and cursive, with a large loop at the beginning and a long, sweeping underline.