

The Commonwealth of Massachusetts



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EXECUTIVE DEPARTMENT
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To the Honorable Senate and House of Representatives:

Pursuant to Part 2, Chapter 1, Section 1, Article II of the Constitution of the Commonwealth of Massachusetts, I am returning unsigned House Bill No. 5260, entitled "An Act Providing For A Cost-Of-Living Adjustment For State And Municipal Retirees."

While I am sympathetic to the financial needs of retirees living on fixed incomes, I do not believe that the Commonwealth can afford the cost of this legislation, an estimated \$60 million annually, at this time. It is particularly unfortunate that this produces an unanticipated \$15 million cost to the Fiscal Year 1992 budget with less than thirty days left in the fiscal year. Thus we have \$75 million of unbudgeted cost for Fiscal Year 1992 and Fiscal Year 1993.

As I have previously indicated, I would support a cost-of-living increase for retirees in Fiscal Year 1994, by which time the state's economy and the Commonwealth's budgetary situation will have had time to improve further.

Furthermore, I note that some one-half of the estimated cost of this bill, \$30 million annually, is the result of cost-of-living increases for local retirees. I do not believe that the state should mandate cost-of-living increases for retirees of local pension systems, nor should the state be required to fund the costs of such a mandate. Rather, future legislation concerning cost-of-living increases should provide for increases for local retirees at the option of local jurisdictions and at local cost.

Lastly, but perhaps most important, I note with alarm that this legislation attempts to fund the Fiscal Year 1992 cost-of-living increases for local retirees by drawing down on the state's pension reserves. This is not only an unsound use of the state's pension reserves but also legally questionable. The state's pension system already has an unfunded actuarial liability of some \$12.8 billion. I do not support this attempt at "spend now, pay later" financing, the sort of practice that brought the Commonwealth to the brink of financial disaster in 1990.

We have all worked too hard to put our financial house in order to now jeopardize these efforts. We have pledged ourselves to restore fiscal order and give back a future to our citizens and their future generations. This bill breaks that commitment. I stand ready to work with you on a responsible plan for our retirees and all citizens. This does not meet that standard and must be rejected.

Respectfully submitted,

William F. Weld

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Governor

