

active state employees and municipal teachers who are part of the Massachusetts State Employees' Retirement System or the Massachusetts Teachers' Retirement System.

The fiscal 2021 consensus revenue agreement announced Monday provided the first confirmation that the pension contribution will continue to grow faster than state revenues.

Legislative budget writers and the budget managers at the Executive Office of Administration and Finance agreed to make a \$3.115 billion transfer to the pension fund in the next budget, an increase of \$273 million or about 9.6 percent over the fiscal 2020 contribution. State tax revenue is expected to grow by 2.8 percent in fiscal 2021, which will start on July 1, top officials also agreed on Monday.

As revenue growth decelerates and the pension fund contribution increases by almost 10 percent, the same budget could funnel an additional \$427.8 million or 8.3 percent into public education funding, according to a budget model prepared by the Massachusetts Taxpayers Foundation using data released from the Department of Elementary and Secondary Education. Other analysts believe a smaller, but still sizeable increase is possible.

MTF said its fiscal 2021 budget model demonstrates "the financial squeeze caused by low-growth tax revenue expectations and rising spending" related to the new education financing law, the state's share of MassHealth expenses and pension obligations.

"After two consecutive fiscal years of above-trend tax growth and manageable spending increases, an initial analysis of the state's finances suggests policymakers will face tough choices as they begin budget development for state fiscal year 2021," MTF wrote in its fiscal 2021 budget preview released Wednesday.

The 9.6 percent annual increase in the pension fund contribution is in keeping with a recommendation the Public Employee Retirement Administration Commission (PERAC) made to A&F Secretary Michael Heffernan in the fall, and the schedule Heffernan filed Wednesday adheres to the PERAC recommendation for the rest of the three-year funding plan as well.

PERAC decided in November to recommend that A&F adopt a funding schedule that assumes the state's contribution will increase 9.63 percent each year until fiscal year 2035, with the final payment coming in fiscal 2036.