Boston-area mass transit: Fare increases, service reductions and attacks on pensions

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Attacks on public transportation in the Boston area are continuing, with a series of decisions in recent weeks by the unelected Fiscal and Management Control Board (FMCB) created by Governor Charlie Baker after the February 2015 systemic breakdown in the face of record snowfall. While that board has voted to increase Massachusetts Bay Transportation Authority (MBTA) fares more than allowed by current state law and subsequently voted to end late-night service, attacks on MBTA workers' pensions are being prepared behind the scenes.

Fare Increases

Despite loud protests in the chamber, the FMCB voted unanimously March 7 to adopt a fare hike scheme containing only slight changes from the more draconian of two proposals it had presented before a series of pro-forma public meetings. The meetings, required by state law, were seen by the FMCB not as an exercise in public participation but rather as a valve for letting off steam. Of nearly 3,000 comments recorded at the meetings and online, 75 percent were described by the MBTA as expressing negative opinions of the proposals. Only 4 percent were positive.

Of the two proposals originally advanced, one would have increased fares system-wide by an average of 6.7 percent and the other by 9.77 percent. The average increase in the adopted plan will be 9.3 percent. In one example, student passes will be increased from $26 to $30 instead of $32 and there will be a "bulk discount" for schools buying more than 1,000 per month. Given the austerity also being imposed on the Boston Public Schools, this hike will add insult to injury.

The fare increases are in violation of a 2013 state law that limited hikes to 5 percent every two years. During the public meetings, legislators, including Senator Thomas McGee and Representative Brendan Crighton, confirmed this fact and Senator Sonia Chang-Diaz had already done so. However, the FMCB and Secretary of Transportation Stephanie Pollack devised a series of excuses for ignoring the law.

The fare hikes are part of a strategy by local elites to pit riders against transit workers. In a craven response, the Executive Board of Carmen's Union Local 589 represent MBTA workers attended the March 7 meeting but remained "neutral," according to a subsequent report by its vice president.

Late-night service

On February 29, the FMCB voted to end a late-night weekend service pilot program that had been in effect for only two years. The service ended this past weekend.

It was already inadequate for a major American city: "late-night" meant that the last subway trains left at 2 a.m. instead of the standard 12:30 a.m., while similar service was provided on only 10 bus routes. Even so, it had an average of 13,000 passengers per night in December 2015 and a substantial percentage of them were low-income workers commuting home from work who must now find alternative, higher-priced transport.

The $14 million per year cost of the service paled in comparison to the more than $400 million paid by the MBTA for debt service every year.

The decision was reported in the *Boston Globe*on February 15 after MBTA workers revealed that the schedules they were being offered for bidding contained no late-night routes after March 19. MBTA management and the FMCB claimed falsely at the time—two weeks before the latter's formal vote—that they had made no decision.

On March 3, an administrator at the Federal Transit Administration's (FTA) Office of Civil Rights wrote a toothless letter to the MBTA's General Counsel complaining that a service equity analysis had not been conducted. The MBTA then released such an analysis, but the late-night ridership data was from 2008-2009 and from a previous late-night pilot called Night Owl. It has given no explanation of why more recent data is not available. In the data given, 64.4 percent of late-night bus customers were low income as were 59.2 percent of late-night subway riders.

Piling one lie on top of another, the MBTA also claimed that an equity analysis was not needed because the elimination of the late-night program was not a "major service change." However, its own policy on such changes requires an analysis even if one route is to be eliminated or service cut by more than one hour.

The equity analysis hurriedly released after the FTA letter pretends to solicit public input on "mitigation strategies" which will be decided at an FMCB meeting on Wednesday. However, WBUR has reported that the likely "mitigation" will be a privatization consisting of MBTA contracts with Bridj, which sets fares and schedules using demand from smartphone apps and has already responded to an FMCB Request for Information. Bridj has set up a web page gloating that "we're beginning to outline the much-rumored plan for Bridj to take over late night 'T'." Ride-sharing services Uber and Lyft are rushing to make a quick profit by offering discounts for the next few weeks.

Attacks on pensions planned

On June 26, 2015 Harry Markopolos, a forensic accountant who was instrumental in exposing Bernie Madoff's fraud, met with FBI agents and staff from the federal Securities and Exchange Commission, the Massachusetts Inspector General's Office, and US Attorney Carmen Ortiz to accuse the Board of the MBTA Retirement Fund (MBTARF) of falsifying investment returns and other calculations related to the MBTA's defined-benefit pension plan. Starting in December 2013, Markopolos and Boston University finance Professor Mark T. Williams had done an analysis resulting in a 103-page report. However, they shared only a PowerPoint summary with the *Globe* and have refused to share the full report either publicly or with the MBTARF Board.

Specifically, they accused the fund of using outdated mortality tables (used by actuaries to estimate pension liabilities based on life expectancy), increasing the estimated rate of return on its investments from 7.5 percent to 8 percent for no other reason than to decrease the unfunded liability, and using three different methods of smoothing investment performance when they should have been consistent.

The Retirement Board responded by hiring FTI Consulting to tie out the fund's accounting to reports from State Street Bank, its custodian, and Buck Consultants, its actuary. FTI Consulting returned a report stating that "the Markopolos presentation does not include any calculations or analyses that support" its accusations. While advising that the MBTARF needs an actuarial audit and should include lump-sum sick-time payouts in its calculations, FTI found no other serious problems.

The MBTARF is incorporated as a private entity and uses that status to keep secrets. While it is difficult to get at the truth in this controversy, what is clear is that a large-scale attack on workers' pensions is being prepared. Most of the union contracts that commit workers to the MBTARF are up for renewal in 2018, and the *Globe* is reporting that MBTA management has already "talked with union leaders."

Former State Treasurer Steve Grossman, a Democrat who chaired the larger Massachusetts employees' pension fund for four years, is being brought in to help coordinate the attack.

Some 5,800 active and 6,300 retired MBTA workers are covered by the pension fund. Public contributions, from state revenues and rider fares, over the past 18 years have averaged slightly less than $35 million per year, reaching $58 million in 2013 after an August 2012 increase in the contribution rate. Workers contribute slightly more than 5.5 percent of their wages to the fund pretax, with a match from management of about three times that amount.

Total contributions in 2013 from employees and the MBTA were only a little more than $79 million. In comparison, Boston along with the Massachusetts and federal governments recently gave General Electric almost $150 million to relocate 800 jobs from Connecticut.

Retirees and beneficiaries were paid $177.3 million in benefits in 2013. The Retirement Fund covers all of the system's workers except the MBTA Police and some executives.

Underfunding of pension liabilities in defined benefit pension plans is a common practice in the United States. Because funding depends partly on investment income—the MBTARF had slightly more than $1.6 billion in net assets at the end of 2013—the economic crash slashed the pension's funded ratio from 80.77 percent in 2008 to 63.01 percent in 2012. If this ratio is used as an excuse to cut workers' pensions, they will be victims of the same Wall Street gambling that sucks more than $400 million per year out of the MBTA system for debt service.