CITY OF CAMBRIDGE
CAMBRIDGE, MASSACHUSETTS 02139
TEL 349-4300
FAX 349-4307

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

MEMORANDUM

TO: City of Cambridge Employees

FROM: Robert W. Healy
City Manager

DATE: August 5, 1992

SUBJECT: Interest in Early Retirement Plan

As many of you may know, the state legislature, as part of the FY93 Budget enacted an Early Retirement Bill for Municipal Employees.

This new law is subject to local acceptance by both the City Manager and the City Council. The City can, within a certain range, limit the benefits provided under the statute, as well as the total number of persons eligible to take advantage of it.

Prior to making a recommendation to the Council as to whether to accept the statute, it would be helpful to me to have some sense as to the number of persons likely to apply for such retirement, should it be offered.

Therefore, I would encourage any employee who thinks she or he would likely elect to take advantage of the early retirement program, to return this questionnaire, as soon as possible.

THIS IS A NON-BINDING, CONFIDENTIAL QUESTIONNAIRE, TO BE USED ONLY TO MEASURE POTENTIAL INTEREST IN THE PROGRAM. COMPLETING THIS QUESTIONNAIRE DOES NOT REQUIRE ANYONE TO RETIRE. FAILURE TO COMPLETE THE QUESTIONNAIRE DOES NOT PREVENT ANYONE FROM LATER DECIDING, IF THE PLAN IS OFFERED, TO APPLY FOR THE PROGRAM. THE QUESTIONNAIRE CAN BE COMPLETED ANONYMOUSLY. NAMES DO NOT HAVE TO BE USED. WE WOULD LIKE TO KNOW JOB TITLE AND DEPARTMENT TO HELP MEASURE THE IMPACT OF THE PROGRAM ON THE REST OF THE CITY WORKFORCE, BUT WE DO NOT NEED NAMES.

Calculating a Retirement Allowance

In order to determine what percentage of an employee's salary will be the basis for a pension, a formula is used, taking into account both age and years of service. The PERCENT listed in the following table is multiplied by years of service

PERCENT.	AGE LAST BIRTHDAY AT DATE OF RETIREMENT.		
	Group 1.	Group 2.	Group 4.
2.5	65 or over	60 or over	55 or over
2.4	64	59	54
2.3	63	58	53
2.2	62	57	52
2.1	61	56	51
2.0	60	55	50
1.9	59	—	49
1.8	.58	—	48
1.7	57	—	47
1.6	56	—	46
1.5	55	—	45

(for example, a 64 year old employee in Group 1 with 25 years service starts the pension calculation at 2.4% X 25 = 60% pension. A 60 year old firefighter (in Group 4), with 30 years of service begins the pension calculation at 2.5% X 30 = 75% pension.

The basic retirement allowance is then determined as follows: The "percentage" obtained by the combination of age and years of service is multiplied by the average of regular, pensionable earnings from the three consecutive years of creditable service where regular compensation was highest, or the last three years, whether or not consecutive, whichever is higher. An employee who wishes to provide a survivorship benefit to his or her spouse has a percentage deduction taken from this amount, which varies, depending on the ages of the employee and the spouse. SPECIFIC RETIREMENT ALLOWANCES SHOULD BE CALCULATED BY THE RETIREMENT BOARD. THE ABOVE INFORMATION IS A GENERAL GUIDE ONLY.

The Program

The Early Retirement Statute allows an employee to add up to five years to her or his years of service in the retirement system, or up to five years to his or her age (or any combination of additional years or age totalling no more than five). Generally persons who are not yet age 65 (age 55 for Police and Fire) benefit most by adding to their age (up to 65), and applying any left over credit to years of service. Persons already age 65 or older do better by adding to years of service. Another provision of the new law allows the City to set the maximum number of years that may be added to age or years of service at some number less than five, as a way to help control costs. For instance the City could accept the statute but limit the maximum additional benefit to three years, applied to either age or years of service, or a combination of both.

Thus, under the legislation, if the City accepted it for the full five years, for employees in Group 1, (the large majority of our employees, except for police and fire), a 59 year old employee with 30 years of service could increase the PERCENTAGE with which the pension is calculated from 57% (1.9% X 30) to 72% (2.4% X 30). A 65 year old employee with 15 years of service could increase the percentage from 37.5% (2.5% X 15) to 50% (2.5% X 20). Similarly, a 63 year old employee with 25 years of service could increase the percentage from 57.5% (2.3% X 25) to 70% (2.5% X 28, where two years was applied to age to get to 65 and the remaining three years was applied to years of service. The MAXIMUM percentage that can be used, under existing law, or under the early retirement statute is 80% (a combination of reaching age 65 with 32 years of service). The same type of calculation is done for persons in Group 2 or Group 4, but using the applicable table from the above chart.

If the City decides to adopt the early retirement plan, employees have forty-five (45) days after acceptance to retire. In order to take advantage of the plan, the employee must retire within this 45 day period. Thus, if the plan were accepted by the City effective Sept. 15, 1992, the employee would have to retire by Oct. 30, 1992.

Eligibility

In order to be eligible to participate in the Early Retirement Program, an employee must:

1. be an employee of the City on July 1, 1992, and be a member of the retirement system on the date of acceptance of the program by the City.

2. be eligible (without adding any additional years to age or years of service) to receive a superannuation retirement allowance under current law, that is:

age 55 and at least ten years of creditable service on the date of retirement, or

under age 55 and at least 20 years of creditable service on the date of retirement.

QUESTIONNAIRE

Based upon the information available to me today, if the City allows the full five year (age or years of service) allowance, I am (check one):

_________ Almost certain to elect early retirement

_________ Strongly considering electing early retirement

_________ Considering electing early retirement

_________ Probably not interested in early retirement

_________ Definitely not interested in early retirement

If the City were to offer only a limited plan, where the maximum number years that could be added to age or years of service was limited to three (3), I (check one):

_________ Would still be interested in electing early retirement

_________ Would probably not be interested in early retirement

My Job Title (Position) is _________________________

I work in the _______________________________ Department

Please return this questionnaire to the City Manager's Office by Sept. 1, 1992. Thank you for your cooperation.

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EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

September 14, 1992

To the Honorable, the City Council:

In response to Awaiting Report #6 regarding early retirement programs, please be advised of the following:

This office has conducted a survey of city employees to determine the number of employees potentially interested in an early retirement program. The results are currently being compiled; indications are that an excess of 100 employees have an interest. In addition, I have engaged in an actuarial study to determine the financial consequences for the City.

When the results are fully analyzed, I will report back to the Council no later than early October on the fiscal impact of complying with the provisions of the State's early retirement incentive program. Attached is a copy of the survey sent to city employees, for your additional information.

Very truly yours,

Robert W. Healy
City Manager

Attachment

CONSENT AGENDA ITEM #17

F-377

Awaiting Report Item No. 6 regarding
the early retirement programs.

In City Council,

September 14, 1992

Placed on file