Watson Wyatt
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Watson Wyatt & Company

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Wellesley Hills, MA 02181-3713

Telephone 781 237 3900
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September 14, 1998

Mr. James Maloney
City of Cambridge
City Hall
795 Massachusetts Avenue
Cambridge, MA 02139

Dear Mr. Maloney,

Re: Impact of 90A, 90C, and 90D

Upon your request, we have estimated the impact of adopting benefit increases under Sections 90A, 90C, and 90D of M.G.L. c.32. These Sections provide an increased benefit to current retirees up to 50% of the regular compensation payable to employees in similar positions to the retiree at the time of retirement. Section 90A provides benefit increases for Accidental Disability retirees with no service requirement. Section 90C and 90D provide benefit increases for Superannuation retirees and Ordinary Disability retirees, respectively, with 25 years of credited service.

The data provided by the Cambridge Retirement Board included the following:

- Valuation census data as of January 1, 1998
- Salary rates in effect during 1995 for each retiree's job classification

The results are summarized by Section 90A and 90C, and the total of both sections. There were no members in the included data eligible under Section 90D. We have based eligibility on the credited service field provided in the valuation data.

We have based our estimate on the 1998 valuation data and actuarial assumptions, namely, the 1983 Group Annuity Mortality Table and 8.5% investment return.

We estimated benefit increases for current retirees by projecting the appropriate 1995 salaries by 5.5% each year, which is consistent with the current valuation assumptions. Estimated benefits based on acceptance of Sections 90A and 90C were then calculated at various benefit levels of up to 50% of the projected salaries. The increased benefits were then valued as the difference between the Section 90A and 90C estimated benefits and the current benefits payable. The estimated impact to the funding schedule is based on a 15 year level amortization of the increase in liability.

Please note, the data provided in the 1995 Study by Cambridge Retirement Board included data for eligible members only. There is a group of retirees in our 1998 valuation data that appear eligible, but no data was provided in the 1995 study. These members may not be eligible or are recent retirees not included in the prior study. For purposes of this analysis, we have not reflected the members with missing data. If these members were included, the costs would increase.

Sincerely,

Lynn Sherman

Lynn M. Sherman

LMS:jch
cc: B. Tenney
A. Leduc
R. Haws

Enclosure

I:\WC\LS\CAMB\1998\90acd.doc

City of Cambridge

Section 90A, 90C, and 90D Study

	Percent of Regular Compensation Payable			
	50%	40%	33%	25%
Total Group				
Total number of retirees eligible	1,607	1,607	1,607	1,607
Current benefits payable annually	23,500,000	23,500,000	23,500,000	23,500,000
Participants benefiting	344	238	129	46
Benefit increase (annual $ amount) *	2,750,000	1,210,000	500,000	130,000
Present value of benefit increase	17,700,000	7,500,000	3,000,000	700,000
15 year amortization of benefit increase #	2,130,000	910,000	360,000	80,000
90 A - Accidental Disability				
Total number of retirees eligible	211	211	211	211
Current benefits payable annually	4,300,000	4,300,000	4,300,000	4,300,000
Participants benefiting	161	119	61	14
Benefit increase (annual $ amount) *	1,240,000	500,000	170,000	30,000
Present value of benefit increase	8,000,000	3,200,000	1,100,000	200,000
15 year amortization of benefit increase #	960,000	380,000	130,000	20,000
90 C - Superannuation				
Total number of retirees eligible	297	297	297	297
Current benefits payable annually	6,800,000	6,800,000	6,800,000	6,800,000
Participants benefiting	183	118	68	32
Benefit increase (annual $ amount) *	1,510,000	710,000	330,000	100,000
Present value of benefit increase	9,700,000	4,300,000	1,900,000	500,000
15 year amortization of benefit increase #	1,170,000	520,000	230,000	60,000

* The benefit increase reflect additional COLA due to increased benefit.
\# End of year payment.

9.

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

October 5, 1998

To The Honorable, The City Council:

Late last year, in response to an Awaiting Report item, I informed the City Council that the City would retain an actuarial firm to analyze the costs associated with accepting state legislation granting cost-of-living increases to retirees as well as separate legislation that would increase the pensions of certain retirees up to 50% of what the current salary level is for a similar employee today. In June of this year, the City Council accepted Chapter 17 of the Acts of 1997 and granted cost-of-living increases to City retirees. The actuarial study covering the cost of accepting Chapter 32 Section 90 A, C and D, granting additional pension increases has now been completed. The report finds that the cost related to the acceptance of Chapter 32 Section 90 A (Accidental Disability) and Section C (Superannuation) would be $2,130,000 annually at the level of 50% of 1998 compensation. A copy of the analysis is attached for your review.

Very truly yours,

Robert W. Healy

Robert W. Healy
City Manager

RWH/mec
Attachment

Consent Agenda #9 8235

Relative to the analysis of
the cost related to acceptance
of Chapter 32, Section 90 A, B.
and C.

In City Council October 5, 1998

Referred to Finance Committee ~~on~~ motion
of Councillor Sullivan

CCM-101

City of Cambridge

Committee Report #3A

IN CITY COUNCIL

December 14, 1998

MAYOR DUEHAY

ORDERED: That the Chair of the Finance Committee and the Chair of the Government Operations Committee confer to arrange suitable meetings to work on the goal setting; to advertise the meetings in advance of the budget.

In City Council December 14, 1998.
Adopted by the affirmative vote of nine members.
Attest:- D. Margaret Drury, City Clerk.

A true copy; D Margaret Drury

ATTEST:-

D. Margaret Drury
City Clerk

CCM-101

City of Cambridge

Committee Report #3B

IN CITY COUNCIL

December 14, 1998

COUNCILLOR RUSSELL

ORDERED: That the City Manager be and hereby is requested to provide the City Council with a written report from various city departments on the effect of the year 2000; and be it further

ORDERED: That said reports be referred to the Government Operations and the Public Safety Committees.

In City Council December 14, 1998.
Adopted by the affirmative vote of nine members.
Attest:- D. Margaret Drury, City Clerk.

A true copy; D Margaret Drury

ATTEST:-

D. Margaret Drury
City Clerk

Mr. Maloney stated in 1992 the city approved the cost of living adjustment (COLA) at a maxmium benefit of $360. per year to each retiree. Councillor Davis stated the COLA helps retirees to keep pace. Councillor Sullivan stated the COLA is good, but it is based on a $12,000 cap. Mr. Maloney stated that Chapter 32, Sections 90 A, C and D will benefit people who have retired prior to 1985. He stated this law was passed many years ago and is a law to treat everyone the same. He further stated that the 1% of cities and towns that have accepted the provisions of this law have not funded this benefit. Funding this benefit could increase the budget from $1 to $3 million per year, he said.

Councillor Sullivan asked Mr. Maloney about the time line on the analysis. Mr. Maloney responded that the analysis should be done in conjunction with the fiscal year 2000 budget. He should have it done by February 15th.

Vice Mayor Galluccio asked whether an across the board distribution could be made to help the neediest retirees. Those who suffer the most would need the most, he said.

Mr. Cusack stated that widows of retirees received thirteen COLAs in the amount of $6,000 last year. He suggested that a cap could be placed so that no one could exceed a percentage or dollar amount. Mr. Maloney stated this cap interests the city.

Councillor Sullivan stated that the issue is what is the fair and just thing to do. This issue of including non-contributory members was referred to the City Manager for a report. This motion carried on a voice vote of five members.

Councillor Davis stated that she is concerned about the base rate. Mr. Maloney stated that $360 per retiree increases the city's unfunded liability by $40 million because the retiree is using more than what they put into the pension system. This represents a $1.2 million per year increase to the city.

Councillor Sullivan stated that some people are successful and that they can buy another pension plan. Mr. Maloney stated that the Retirement Board lost most or all of their gains this year due to the market. Councillor Sullivan stated that everyone lost money in the market in July and August.

Mayor Duehay requested that Mr. Maloney provide a report on how the supplementary retirement accounts are doing and how many people are participating in them.

Mr. Cusack stated that this law does not include non-contributory members and this is why we asked to include them. Mr. Maloney stated that the non-contributory members could cost the city $1.8 to $2.8 million.

Councillor Sullivan moved to the second part of the agenda to discuss the fiscal year 2000 budget process. He stated that he wants a better or active part in the budget process. This will be most conducive in January or February, he said.

Mayor Duehay stated that the School Committee would like to meet with the City Council to discuss various issues. This will be good to do around budget time, he said. Subjects such as after school programs and what we can do to increase after school programs needs to be discussed, he said. Councillor Davis agreed with the Mayor. She stated that the city should focus on issues related to kids and the impact on kids. Some common themes would be emphasized Mayor Duehay stated. Councillor Sullivan stated public safety is also an issue. Mayor Duehay stated that traffic issues are bothersome to everyone because of the many items on traffic. Mayor Duehay stated that the city needs to do a study of the organization of the Traffic Department.

Councillor Sullivan stated that every committee of the City Council has departments for which their subcommittees focus on such as public service and human service. Each subcommittee could be required to schedule hearings with their departments and hold round table meetings. Vice Mayor Galluccio liked the idea of the subcommittee meetings.

Mayor Duehay stated that the City Council tends to set priorities and the departmental staff does not like them. The City Council needs to work on this aspect. Councillor Davis stated that the City Council needs to get some important things done and with Councillor Sullivan's leadership to focus on what are the important priorities we should accomplish this. Councillor Sullivan stated that he was concerned a department would be missed. Mayor Duehay stated that if this happens a special meeting could be scheduled.

Councillor Sullivan also wanted a mechanism in the budget to evaluate programs that have been going on for years, and to eliminate ones that are no longer justified. Councillor Russell stated that these issues should be discussed in a series of round table discussions as was suggested by the Government Operations Committee. Councillor Davis stated that the list of priorities should be reviewed. Councillor Sullivan stated that there might be requirements for a Capital Improvement Program (CIP) finance hearing. Mr. Maloney stated that the challenge faced by the Finance Committee is the issue of collective bargaining. The Schools are a huge expenditure of tax dollars and the city has a lot to do with the CIP budget, he said. Mr. Maloney further stated that if circumstances occur, like the construction of a new police station and the construction of a new library concurrently the city will face an impact on its debt service.

Mayor Duehay stated that the City needs to go to a bond issue for housing. Vice Mayor Galluccio stated that money is needed for housing and nine week employees. He asked if the departments can handle the structural demands placed on them by the City Council. Mayor Duehay stated that there are a lot of jobs, but Cambridge is not getting them.

At this time Councillor Russell assumed the Chair.

Councillor Davis stated that the city should mark the occasion of the year 2000 budget and do something special for the city.

Mayor Duehay made the following motion

ORDERED: That the Chair of the Finance Committee and the Chair of the Government Operations Committee confer to arrange suitable meetings to work on the goal setting; to advertise the meetings in advance of the budget.

The motion carried.

Mayor Duehay asked Mr. Maloney about the report on the fiscal year 2000 issue. Mr. Maloney responded that the report would be on the City Manager's Agenda next week. He informed the committee that the city has a consultant working on this issue. Mayor Duehay asked if the city is treating the year 2000 as a Cambridge municipal government problem or a citywide problem. Mr. Maloney responded that the city is treating it as citywide problem. Mayor Duehay asked if the city was getting input from the universities. Mr. Maloney responded that it was not necessary.

Mayor Duehay informed the committee of a situation that would occur if the lights were not functioning. Councillor Russell stated that the city should have a meeting with the electric and water companies. Mr. Maloney stated that the city has not broadened its study to include external forces. Mayor Duehay stated that the city needs to make sure that people are taking this situation seriously and are taking corrective measures. Councillor Davis stated that this is an Emergency Management issue. Mr. Maloney stated that no one can guarantee that everything will work properly.

Mayor Duehay requested that the Deputy City Clerk forward to the City Council, the City Manager and the City Treasurer a copy of a communication he received from Karen Speerstra regarding the year 2000. This communication was distributed as requested on November 20, 1998. Mayor Duehay stated that the City Council will be held responsible because our term expires on January 1, 2000. Mr. Maloney informed the committee that sixty-five percent of the financial system of the city has been reviewed at this time.

Councillor Russell made the following motion:

ORDERED: That the City Manager be and hereby is requested to provide the City Council with a written report from various city departments on the effect of the year 2000; and be it further

ORDERED: That said reports be referred to the Government Operations and the Public Safety Committees.

The motion carried.

On motion of Mayor Duehay the meeting adjourned at eleven o'clock and twenty minutes a. m.

For the Committee,

Michael

Michael A. Sullivan,
Chair

November 19, 1998

Cambridge City Council Office
Cambridge City Hall
Massachusetts Avenue
Cambridge, Mass. 02139

Chairman and Members Of The Finance Committee:

We would like to strongly recommend that you accept Chapter 32, Sections A, C, and D, and to also include the Non-Contributory Retirees under the same guidelines.

We would also recommend that you refer to the City Manager for a study analysis.

Thank You,

Bill Skelley

Bill Skelley, President
Retired Cambridge Police
and Fire Fighter's Association

Joe Cusack

Joe Cusack, Secretary/Treasurer
Legislative Agent

City of Cambridge

In City Council December 14, 1998

The Finance Committee conducted a public meeting on Thursday, November 19, 1998 at ten o'clock and twenty-two minutes a. m. in the Sullivan Chamber.

The purpose of the meeting was to discuss the cost analysis of the acceptance of Chapter 32, Section 90A, B and C and to have a general discussion of the Finance Committee agenda regarding the fiscal year 2000 budget process.

Present at the meeting were Councillor Sullivan, Chair of the Committee, Councillors Russell and Davis, Vice Mayor Galluccio, Mayor Duehay; James Maloney, Assistant City Manager for Fiscal Affairs; Louis DePasquale, Budget Director and Donna P. Lopez, Deputy City Clerk.

Councillor Sullivan opened the meeting with the first item on the agenda, the discussion of the cost analysis of acceptance of Chapter 32 Section 90A, B and C. Councillor Sullivan opened the meeting to public comment.

The committee heard from Bill Skelley, President of the Retired Cambridge Police and Fire Fighter's Association, who read a communication urging support of acceptance of Chapter 32, Sections 90A, B and C and to include the non-contributory retirees under the same guidelines and requesting the City Manager to do a study analysis. This communication is attached as ATTACHMENT A. Mr. Skelley informed the committee that he met with the City Manager and the Assistant City Manager for Fiscal Affairs on Tuesday.

The committee heard from Joe Cusack, Secretary/Treasurer and Legislative Agent for the Cambridge Retired Police and Fire Fighter's Association, who stated that he gave the City Manager a cost analysis and the City Manager stated that he would take it under advisement.

Assistant City Manager for Fiscal Affairs, Mr. Maloney stated that acceptance of Chapter 32, Section 90A, B and C has been accepted in some communities. It has not always been funded. He also pointed out the law has inequities. To get to 50% would cost $3 million for the city, he said. Some retirees could receive benefit increases up to $30,000 annually.

Councillor Sullivan asked Mr. Maloney the cost. Mr. Maloney responded that at the 25% compensation rate the cost would be $80,000. Councillor Sullivan stated that based on a salary in 1920 of $1,480 this sounds good, but if you were living on this limited pension amount it would be different. The city has to establish a baseline, he said.

Committee Report #3 8235

A report from Councillor Sullivan, Chair of the Finance Committee, for a meeting held on November 19, 1998 to discuss the cost analysis of the acceptance of Chapter 32, Section 90A, B and C and to have a general discussion of the Finance Committee agenda regarding the fiscal year 2000 budget process.

In City Council December 14, 1998

Report Accepted.

PLACED ON FILE

2 **ORDERs ADOPTED**