



16.

CITY OF CAMBRIDGE • EXECUTIVE DEPARTMENT

Robert W. Healy, City Manager

Richard C. Rossi, Deputy City Manager

May 20, 2002

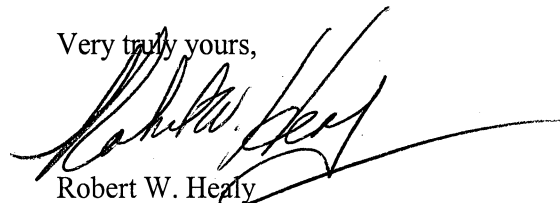
To The Honorable, The City Council:

As the City Council is most likely aware, the State Legislature has recently enacted a statute that allows for the established of an early retirement plan for municipal employees. This legislation is currently awaiting action by the Governor. The likelihood of the passage of such an act has caused much discussion among Cambridge employees. The bill as submitted was captioned as "providing for local workforce reduction through an early retirement initiative program". The key words of course are "local workforce reduction program". The bill, by allowing certain employees up to 5 years of additional age or service is an effort to avoid lay offs in those communities hard hit by the recession. Cambridge of course is not faced with the need to lay off employees or reduce the workforce. The bill is clearly not intended to be an increase in employee benefits.

In 1992, when the City was faced with potential lay offs and in fact had to reduce the workforce, the City adopted a similar early retirement incentive program for our employees. In 1992, 75 employees took advantage of the early retirement program. The underlying financial principle of an early retirement plan is that it saves money by not replacing all or certainly the vast majority of those employees who retire, in order to offset the increased pension and retiree health insurance costs. What looked to be the right decision in 1992 to grant early retirements was in fact not the right financial move. Virtually all of the 75 positions that retired early were replaced by the City, (over a third were public safety officers and some were department heads). As a result not only did the workforce not get reduced, the City is today still paying approximately \$430,000 annually in increased pension costs due to the 1992 early retirements.

At this time, further analysis is necessary to determine if acceptance by the City Council and approval by the Chief Executive of the "Local Workforce Reduction" Act is in the best financial interests of the taxpayers of the City of Cambridge.

Very truly yours,



Robert W. Healy
City Manager

RWH/mec

S-160

Consent Agenda #16

State Legislature recently enacted a statute that allows for the establishment of an early retirement plan for municipal employees.

In City Council May 20, 2002

PLACED ON FILE.