CAMBRIDGE RETIREMENT BOARD

CITY HALL, CAMBRIDGE, MASSACHUSETTS 02139 • TEL. 498-9029

CAMBRIDGE MA.

RETIREMENT BOARD

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BARBARA M. ELLIS
Executive Assistant

September 7, 1989

To The Honorable The City Council:

At a regular meeting of the Cambridge Retirement Board held on August 30, 1989, it was unanimously voted to recommend to the City Council that they accept Sec. 22 (d), Chapter 32 of the Massachusetts General Laws, "Retirement system funding schedule; establishment; annual pension funding grants".

Barbara M. Ellis

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Executive Assistant

cc: City Manager

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RETIREMENT BOARD
CITY HALL
CAMBRIDGE, MASS. 02139

Acceptance of Section 22D: Becoming a Funding System

Description: Acceptance of section 22D authorizes a retirement system to establish a funding schedule, subject to the approval of the PERA's Actuary, which shall eliminate the systems' current unfunded liability by the year 2028. The state will provide financial assistance through funding grants for the first 15 years.

Acceptance: The decision to become a funding system shall be made by the legislative body of each governmental unit. Legislative body for this section is a majority vote of the city council, town meeting, or district or authority members. In a county, acceptance is by payroll weighted average of the member until.

Features:

*Acceptance is permanent.

*Acceptance of all individual options is automatic:
- -repeal of $30,000 cap
- -10 year vesting
- -post 70 contributions
- -increase in dependent allowance
- -fitness and wellness standards

*Adoption of funding schedule to provide normal cost funding and amortization of the unfunded liability over a 40 year period from 1/1/88.

*The actual dollar amount to amortize the unfunded liability cannot increase more than 4 1/2% per year.

*During first 6 years of the schedule, the total annual payment cannot be less than the estimated cost of benefits to be paid in that year.

*Acceptance of Section 22D must take place by December 31, 1990.

*Systems must identify enterprise operations with independent revenue sources from which pension costs must be recovered through fees, rates, or charges.

*Systems are eligible to receive state grants for 15 years from the date the funding schedule starts. The first grant will be payable beginning FY 1990. The total amount of the grant pool for the year is equal to 5% of the increase in certain state taxes over the prior year. The amount allocated to each funding system is based on a weighted average percentage formula.

Historical Note

St.1987, c. 697, § 76, an emergency act, was approved Jan. 12, 1988.

§ 22D. Retirement system funding schedule; establishment; annual pension funding grants

(1) Systems other than the state employees' retirement system and the teachers' retirement system, upon notification by the legislative body of a governmental unit of a decision to accept the provisions of this section, shall establish a retirement system funding schedule, subject to the approval of the actuary, which shall provide for an increase in the amortization component of the appropriations required by such schedule from year to year that shall not exceed four and one-half per cent; provided, however, that no such funding schedule shall be adopted which would set forth total annual payments in any of its first six fiscal years which are less in any such year than the total estimated cost of benefits to be paid in such year for such system or for such other assumed liabilities; provided further that no such funding schedule shall be adopted which would reduce the value of the pension reserve fund as of January first, nineteen hundred and eighty-eight, increased annually by an amount equal to the actuarial assumption of the rate of investment return approved by the actuary in the most recent three year valuation for the system in any of said schedules first six years. In each fiscal year the governmental units within such a retirement system shall appropriate to the pension fund and pension reserve fund of such system the amount necessary to fully fund the system pursuant to said schedule. The funding schedule shall be reviewed from time to time by the actuary after reviewing periodic actuarial valuation reports required by section twenty-one and such other reports as may be prepared pursuant to section thirty-five H of chapter ten. Said funding schedule, and any future updates thereto, shall be designed to reduce the unfunded actuarial liability of each system accepting the provisions of this section as of January first, nineteen hundred and eighty-three to zero as of June thirtieth, two thousand and twenty-eight. Updates of the funding schedule required by changes in the projected unfunded actuarial liability as determined by any periodic actuarial valuation report pursuant to section twenty-one, may reflect the further amortization time periods authorized by said section twenty-one but shall not contravene the provisions of this section which relate to the establishment of total annual payments and the reduction in value of the pension reserve fund.

The procedure for determining whether a system has accepted this section shall occur as follows: On or before January first of each year prior to nineteen hundred and ninety-one the commissioner shall notify the legislative body of each governmental unit in writing of its option to accept. For purposes of this section, "legislative body" shall mean a town meeting in a town, the city council in a city, the district members in a district, and the members of an authority in an authority. In a county, for the purposes of this section, "legislative body" shall mean the town meeting of every town which is a member of the county system, the county commissioners on behalf of the county, and the district as provided in subdivision (4) of section twenty-eight, with the vote of each governmental unit the employees of which are members of any such system weighted in the proportion that the aggregate of the annual rates of regular compensation of all members in service of such system who are employees of any such governmental unit at the end of business on the September thirtieth immediately preceding the date on which any such vote is taken bears to the total of all such aggregates for all members in service of such system on such date.

The notice from the commissioner shall be accompanied by a description of the rights and duties of the governmental unit if it elects to accept this section and become a funding system. The decision to become a funding system shall be made by the legislative body of each governmental unit. A majority vote of the city council, town meeting, district or authority members shall enroll a city, town, district or authority retirement system. In counties, the department of revenue after consultation with the Massachusetts Municipal Association, shall review the commissioner's report within sixty days and make a recommendation for the consideration of town meetings of the town and the district meetings of the districts which are within each county retirement system, and of the county commissioners of each such system. A majority of the votes as weighted pursuant to this section shall constitute acceptance for a county retirement system.

Systems may accept this section between January first, nineteen hundred and eighty-eight and December thirty-first, nineteen hundred and ninety. The clerk of the legislative body in a governmental unit within a city, town or district retirement system shall notify the retirement board and the commissioner, of a decision to accept. The clerk of each governmental unit within a county system shall notify the county retirement board and the commissioner of any action by such governmental unit.

A decision to accept this section may not be revoked.

(2) In any system accepting the provisions of this section, the governmental units comprising such system shall identify enterprise operations with independent revenue sources from which pension costs may be recovered through fees, rates or charges. Notwithstanding any provision of law to the contrary, such systems are authorized to recover such pension costs. Any costs so recovered shall be transferred to the pension reserve fund.

(3) In establishing the funding schedule pursuant to subdivision (1), any pension reserve fund or funds appropriated pursuant to section five D of chapter forty as of July first, nineteen hundred and eighty-six, and interest earned thereon, shall not be included as assets of the retirement system. Such funds and earned interest, shall remain to the credit of the system or in the case of funds appropriated pursuant to said section five D by any city, town or district which belongs to a county system, to the credit of such city, town or district, as applicable, to be utilized to defray such unit's annual pension appropriation obligation pursuant to this chapter. Transfer of such pension reserve funds to defray pension appropriations shall be made only upon a schedule approved by the actuary pursuant to the provisions of this

section which relate to the establishment of total annual benefit payments, and the reduction in value of the pension reserve fund which shall be designed to reduce the annual growth in such annual pension appropriation over the forty-year funding schedule.

(4)(a) Any city or town or county system for which a funding schedule has been adopted and approved pursuant to paragraphs (a) and (b) shall receive annual pension funding grants from the commonwealth until the sixteenth year after the first year of said schedule, so as to reduce the amount which the city or town or the member units of the county system would otherwise be required to appropriate pursuant to such funding schedule in every fiscal year beginning with the fiscal year ending on June thirtieth, nineteen hundred and ninety.

(b) The total pension funding allocation in any such fiscal year shall be equal to the increase in revenues in the net sum of; five per cent of the increase in revenues over the previous fiscal year in the net sums received under chapter sixty-two as taxes on income, interest thereon and penalties, including payments made on account thereof under chapter sixty-two B, plus five per cent of the increase in revenues over the previous fiscal year in the net sums received under sections thirty to fifty-one, inclusive, of chapter sixty-three, as excises, interest thereon or penalties, including payments made on account thereof under chapter sixty-three B, plus five per cent of the increase in revenues over the previous fiscal year in the net sums received under chapter sixty-four H and sixty-four I, as excises, upon the sale at retail of tangible personal property and upon the storage, use or other consumption of tangible personal property, interest thereon or penalties.

(c) The pension funding grant in any such fiscal year for each city or town or member unit of a county system will equal the total pension funding allocation determined pursuant to paragraph (b), multiplied by a fraction the numerator of which is the total funding contribution for the city or town for such fiscal year pursuant to paragraph (a) multiplied by itself and divided by one hundred two and one-half per cent of the city or town's actual property tax levy for the then previous fiscal year and the denominator of which is the sum of the quotient so derived as the numerator for all cities and towns or member units of county systems; provided, however, that a system electing to participate in the Pension Reserve Investment Trust Fund after January thirtieth, nineteen hundred and eighty-eight, shall receive greater of either the systems share of the state appropriation pursuant to subdivision (8) of section twenty-two, or the amount the system would receive in an annual pension funding grant pursuant to this section. Systems which elected to participate in the pension reserve fund or before January first, nineteen hundred and eighty-eight, and which are receiving an annual pension funding grant from the commonwealth pursuant to the provision of this section, shall receive an amount equal to such system's share of the state appropriation pursuant to said subdivision (8) in addition to the amount such system would receive in an annual pension funding grant pursuant to the provisions of this section.

The total amount of the pension funding grant received by a city or town in a fiscal year shall be appropriated to the Pension Reserve Fund of such system.

(d) In each fiscal year the governmental units within each retirement system shall appropriate to the Pension Reserve Fund of the system the difference between the amount set forth for such fiscal year on a funding schedule adopted pursuant to paragraph (a) which pertains to the system and the amount of the pension funding grant appropriated to such Pension Reserve Fund for such fiscal year.

(e) For any system which is receiving an annual pension funding grant from the commonwealth pursuant to the provisions of section twenty-two D in which the annualized time-weighed-rate of return is less than the assumption for investment rate of return approved by the actuary in the most recent actuarial valuation for the system, over any five year cycle, and said time-weighed-rate of return is less than the annualized time-weighed-rate of return for the pension reserve investment trust fund, over any five year cycle, the commissioner shall notify the PRIM board and the appropriate legislative body, chief executive officer, and the board of said system shall for the purposes of paragraph (c) of section twenty-two be deemed to have voted to participate; provided, however, that no system participating in the PRIT Fund pursuant to this subdivision may revoke such participation for five years after the later of the last annual pension funding grant payment.

(7)[1] Any system accepting any annual pension funding grant pursuant to this section shall transmit to each active and retired member, and to any other person actually receiving any benefit pursuant to this chapter, a copy of the annual report required by subdivision (5) of section twenty.

(8) Any system accepting any annual pension funding grant pursuant to this section shall be deemed to have accepted the ten year vesting provision provided for in subdivision (1) of section six.

(9) Any system accepting any annual pension funding grant pursuant to this section shall be deemed to have accepted the supplemental dependent allowance provided for in clause (iii) of paragraph (a) of subdivision (2) of section seven.

(10) Any system accepting any annual pension funding grant pursuant to this section shall be deemed to have accepted the provisions of section ninety G 1/2.

(11) Any system accepting any annual pension funding grant pursuant to this section shall be deemed to have accepted the fitness and wellness provisions of section sixty-one A of chapter thirty-one and section sixty-one B of chapter thirty-one, and of paragraph (e) of subdivision (3) of section five and section five A.

(12) Any system accepting any annual pension funding grant pursuant to this section shall be deemed to have accepted the provisions relative to the application of section fifty of chapter three hundred and sixty-seven of the acts of nineteen hundred and seventy-eight provided for in paragraph (b 1/2) of section twenty-two.

(13) Notwithstanding any other provision of this section or of any other general or special law, any system accepting the provisions of this section shall not be required to appropriate the normal cost of any benefits accepted under subdivision (8), (9), (10), (11) or (12) for any year prior to the fiscal year in which the first annual pension assistance grant is payable to such system.

Added by St.1987, c. 697, § 76.

1 So in original; there are no subsections (5) and (6).

Historical Note

St.1987, c. 697, § 76, an emergency act, was approved Jan. 12, 1988.

30 F 382

Comm. from City Clerk transmitting one from Barbara Ellis, Exec. Asst., Cambridge Retirement Board, transmitting notification that the Board voted to recommend the City Council accept Section 22(d) of Chapter 32 of the MGL "Retirement system funding schedule; establishment; annual pension funding grants".

Placed on file

In City Council,

Sept. 11, 1989