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CITY OF CAMBRIDGE
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EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

November 6, 1995

To The Honorable, The City Council:

City Council order #34 of June 26, 1995 requests that a fiscal analysis be conducted regarding the cost of the city's possible acceptance of Chapter 32 Section 90 Subsection A, C and D. These statues essentially allow a City Council by local acceptance to increase the annual pension of retirees to an amount equal to one half the current salary earned by the position last held by a retiree. Subsection A relates to those employees retired with an accidental disability, Subsection C relates to normal retirements and Subsection D relates to ordinary disabilities. If the city were to accept this subsection, the annual cost to the city would be an increase of $1,918,198. At a time when we are concerned about controlling costs, such an increase (over 20% when combined with anticipated FY 1997 budget costs) would be unwise and unfair given that most active city employees will see three years without any cost-of-levy increases. Since the acceptance of these statues affects only those retirees whose pension is below one half of the current salary the average annual increase for those eligible would be $6,068 or 37%. In fact many retirees would see their pension increase by over 100%. These costs would be recurring and could add upwards of $10,000,000 to the city's unfunded pension liability. I very strongly recommend against acceptance of these statues.

Very truly yours,

Robert W. Healy
City Manager

Consent Agenda #33 8-369

Relative to Awaiting Report Item Number Twenty-six, regarding the fiscal impact of local acceptance of Chapter 32, Section 90, Subsections A, C and D.

for original order see 1995-City Manager Requests #299.

In City Council November 6, 1995

Placed on file