CITY OF CAMBRIDGE
CAMBRIDGE, MASSACHUSETTS 02139
TEL. 349-4300
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EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

July 29, 1997

Mr. Brad Tenney
Chair
Cambridge Retirement Board
255 Bent Street 3rd Floor
Cambridge, MA 02141

Dear Mr. Tenney and Members of the Cambridge Retirement Board

As you are aware Chapter 17 of the Acts of 1997 has been signed into law by Governor Weld. This act switches responsibility for the funding of retiree Cost of Living adjustments from the state to local systems. As I believe you are also aware PERAC has yet to establish actuarial funding schedules for Cola's so it is not currently possible to project accurate costs for the Cola's. Because the first step in the acceptance of Chapter 17 rests with local Retirement Boards, I would ask that your body take no action on Chapter 17 until PERAC has approved funding formulas and an actuarial assessment can be made to identify the actual costs of Chapter 17 to Cambridge. I thank you for your cooperation in this matter.

Very truly yours,

Robert W. Healy
City Manager

cc: Cambridge City Council

Because of the uncertainty around the costs of accepting Chapter 17, I have sent a letter to the Cambridge Retirement Board requesting that no action be taken on Chapter 17 until PERA has approved actuarial funding schedules and Cambridge can engage an actuarial consulting firm to determine the actual cost to the City.

Very truly yours,

Robert W. Healy
City Manager

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August 4, 1997

To The Honorable, The City Council,

In response to awaiting report numbers #1 and #32, please be advised that Chapter 17 of the Acts of 1997, signed into law by Governor Weld, shifts the responsibility for providing Cost-of-Living-Adjustments (COLA's) for retirees from the state to cities and towns. The act becomes effective September 6, 1997, but the first year of fiscal impact would be FY1999.

LOCAL ACCEPTANCE

For Cambridge to accept the provisions of Chapter 17 three actions must occur. First the Retirement Board must accept the provisions of Chapter 32, Section 32D which requires the system to have a funding schedule. The City accepted this provision in the 1980's and does in fact have a funding schedule in place. Second the Cambridge Retirement Board must vote to accept Chapter 17. Should this occur the third step is for the City Council to vote to accept.

THE PROCESS

Each January, the Public Employees Retirement Administration (PERAC) will file a report with the Legislature identifying the Consumer Price Index (CPI) for the previous year. The Legislature will then set a COLA for retires at the CPI or 3%, whichever is less. The COLA would then be applied to a base of $12,000. If Cambridge accepts Chapter 17, the Cambridge Retirement Board will vote each year whether to award a COLA based upon the COLA's impact on the Retirement System's financial position.

THE COST

At this point the cost of the acceptance of Chapter 17 is unclear. As you are aware, in the 1980's Cambridge experienced several years of 10% increases in annual retirement funding costs prior to the adoption to the current funding schedule. As a result of the establishment of the funding schedule annual increases in retirement costs have been less than 3% in recent years. PERA is currently reviewing the actuarial assumptions that will be used to determine the funding process for COLA's.

S-454

Consent Agenda #16

Relative to Awaiting Report Item Numbers One, regarding whether or not the Retirement Board may provide for a smaller increase in the pension adjustment for retirees and Thirty-two regarding a report on the newly enacted COLA Act.

8-6-97
copy
sent
MC

In City Council August 4, 1997

Referred to Government Operations Committee on motion of Councillor Sullivan