# CAMBRIDGE RETIREMENT BOARD

255 BENT STREET, 3RD FLOOR, CAMBRIDGE, MASSACHUSETTS 02141
(617) 868-3401
FAX (617) 868-3477




anne/word/optc

## MEMORANDUM

To: Board Members

From: Anne Leduc, Director AL

Date: September 4, 1998

Re: Section 288 of Chapter 194, of the Acts of 1998
Option C "Pop-up"

Explanation:

There are three options at the time of retirement.

Option A=Life time benefit to retiree, no future benefit to a beneficiary.

Option B=(5% less than Option A)Life time benefit to retiree, lump sum payment of annuity to a beneficiary in the event of early death of retiree.

Option C=(2/3 of Option A)Life time benefit to retiree,
life time benefit (2/3 of Option C) to surviving spouse

Option C "Pop-up"= if surviving spouse predeceases retiree, the retiree begins receiving the amount of an option a .

This NEW legislation is specifically for those that retired prior to January 12, 1988. These retirees were not allowed the POP-UP. The pop-up only came into existence after 1/12/98.

There are currently 98 retirees that chose Option C and retired prior to 1/12/88. Of the 98, my records indicate that 6 retirees have lost their spouses and would be entitled to the pop-up at the time of acceptance.

Attached is a brief note from Lynn Sherman/Bob Haas of Watson & Wyatt (previously KPMG Peat Marwick) stating the impact on the funding schedule.

Watson Wyatt
*Worldwide*

# Memo

**To:** Anne Leduc

**From:** Lynn Sherman LMS

**Subject:** Option (C) Pop-Up Provision

**CC:** J. Maloney, B. Tenney, R. Haws

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Upon your request, we have estimated the impact of adopting Section 288 of chapter 194 of the Acts of 1998, the Option (C) Pop-Up provision. This Section provides a benefit increase for the following:

- Members who retired before January 12, 1988; and
- Elected Option (C), and
- Beneficiary predeceases the member

The benefit reverts back to the original amount before reduction for the joint and survivor form.

The data you provided included the following:

- 98 participants eligible
- Total monthly allowance of $109,000

We were not provided actual census data, but did review the previously provided census information. The average age of all Cambridge retirees is 73 years of old. We have assumed the group of members, who retired before January 12, 1988, is an average age of 78. In addition, no future COLA on the increased pop-up benefit is assumed since the average benefit exceeds $12,000 year. The calculations are based on the valuation assumptions, namely, GAM83 Mortality Table and 8.5% interest. This calculation is sensitive to the gender composition of the group. For this calculation we have assumed a gender split of 87% male and 13% female, based on the January 1, 1998 valuation data.

The increase in liability due to acceptance of this option is approximately $600,000. The increase in the annual appropriation would increase approximately $70,000, based on a 15 year level amortization. It is my understanding that acceptance of this option will not be amortized separately and will be rolled into the experience of the next funding schedule.

The cost of this calculation is driven largely by the Option (C) factors that the original options were based on. The Option (C) factors we were given are around 75% for the male group. If the factors were higher, the cost of the Pop-up will be lower.

If you have any questions please call me at (781) 283-9407 or Bob Haws at (781) 283-9346.

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508/362-4314

August 18, 1998

Anne C. Leduc, Executive Director
Cambridge Retirement Board
255 Bent Street - 3rd Floor
Cambridge, Massachusetts 02141

RE: OPTION C "POP-UP" CONTAINED IN FY99
STATE BUDGET AS SECTION 288 OF OUTSIDE SECTIONS
OUR FILE NO. 435/7935

Dear Anne: -

Please be advised that the above-captioned statutory provision has been enacted. Because the provision is part of the budget, it is not subject to the usual 90-day waiting period.

In order for Section 288 to be adopted, the retirement board must vote to accept, followed by a vote of the appropriate legislative body. I have enclosed a copy of the legislation for your information.

As we have previously discussed, the reason for the delay in the enactment of this legislation was that the committee on counties apparently wanted some indication of the cost for this change. To resolve that concern, the retroactive portion of the legislation was removed and a sentence was added

> "The provisions of this section <u>shall</u> be prospective from the effective date of this act and shall not entitle any member to any retroactive benefits." (emphasis added)

After you have had an opportunity to review this correspondence and the provisions of Section 288, if you have any questions, please do not hesitate to contact me regarding same.

Very truly yours,

James H. Quirk, Jr., Esq.

JHQ/mre
Enclosure

THE COMMONWEALTH OF MASSACHUSETTS
PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
5 MIDDLESEX AVENUE, 3RD FLOOR
SOMERVILLE, MA 02145
(617) 666-4446
FAX: (617) 628-4002 TTY: (617) 591-8917
www.state.ma.us/PERAC

ROBERT F. STALNAKER
EXECUTIVE DIRECTOR



MEMORANDUM

TO: All Retirement Boards

FROM: Joseph I. Martin, Deputy Executive Director

RE: Option (C) Pop-up Statutory Change

DATE: August 19, 1998

**Section 288** of chapter 194, of the Acts of 1998, (FY99 State Budget), made a change concerning the so called "Option (C) Pop-Up" provision, of Chapter 32. The new change would allow for a pension allowance adjustment for those members who retired before January 12, 1988, chose Option (C) and whose beneficiary predeceased them. Any such member would be eligible for the adjustment to their retirement allowance.

**This change is subject to local acceptance and must be approved by the respective retirement board and the "legislative body", as defined in Section 288.** A copy of the retirement board minutes reflecting the vote and a certified copy of the "legislative body" vote should be forwarded to PERAC. Section 288 of Chapter 194 of the Acts of 1998, included with this memo, defines the appropriate definition of "legislative body".

In addition, such adjustments could be made prospectively from July 1, 1998, only after acceptance of this language at the local level. **No retroactive benefits are authorized under Section 288.** In another words, no payment is to be made relative to the period, if any, from the date of the death of the spouse to July 1, 1998.

SECTION 288. Notwithstanding the provisions of section 135 of chapter 697 of the acts of 1987, the provisions of the first paragraph of Option (c) of subdivision (2) of section 12 of chapter 32 of the General Laws shall apply to benefits received pursuant to applications for such benefits, allowances or other payments made prior to January 12, 1988. The provisions of this section shall be prospective from the effective date of this act and shall not entitle any member to any retroactive benefits.

This section shall take effect in a city, town, county, district or authority system by majority vote of the board of such system subject to the approval of the legislative body.

For the purposes of this section, legislative body shall mean, in the case of a city, the city council in accordance with its charter, in the case of a town, the town meeting, in the case of a county, the county retirement board advisory council, in the case of a district, the district members, and, in the case of an authority, the governing body.

CAMBRIDGE RETIREMENT BOARD
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September 22, 1998

Margaret Drury, City Clerk
Cambridge City Hall
795 Massachusetts Avenue
Cambridge, MA 02139

Dear Madame City Clerk:

The Cambridge Retirement Board respectfully request that Section 288 of Chapter 194 be placed as an agenda item at the next available City Council meeting.

The Cambridge Retirement Board unanimously voted to accept the provision of Section 288, Option C "Pop-Up", at their regular scheduled meeting held on September 16, 1998.

Enclosed is an explanation of Options, an estimated cost of adoption, submitted by Watson Wyatt; correspondence from Attorney Quirk concerning steps of acceptance, PERAC Memo #36 stating the detail of the statutory change and a copy of the legislation, Section 288.

If you have any questions, please don't hesitate to call.

Sincerely,

Anne C. Leduc

Anne C. Leduc
Executive Director

cc: Robert W. Healy, City Manager
James Maloney, Finance Director

Communications and Reports #1 6235

A communication was received from Mayor Duehay, transmitting a communication from Stephanie S. Lovell, Executive Director, State Ethics Commission, transmitting copy of the formal advisory opinionissued by the State Ethics Commission.

In City Council September 28, 1998

**PLACED ON FILE**