OFFICE OF THE CITY CLERK

CITY OF CAMBRIDGE

CITY HALL, CAMBRIDGE, MASSACHUSETTS 02139

(617) 498-9017

JOSEPH E. CONNARTON
CITY CLERK

JOHN E. FLYNN
DEPUTY CITY CLERK

December 28, 1989

Ms. Sheila M. Tobin, Chairman
Cambridge Retirement System
City Hall - 795 Mass. Avenue
Cambridge, Ma. 02139

Dear Ms. Tobin:

This is to notify you that on October 16, 1989, the Cambridge City Council voted to adopt the provisions of Section 22D of Chapter 32, effective as of January 1, 1990.

I am attaching the City Council Order which I have attested to be a true copy.

Very truly yours,

Joseph E. Connarton

Joseph E. Connarton
City Clerk

JEC/be

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JOHN E. FLYNN
DEPUTY CITY CLERK

December 28, 1989

Commissioner John J. McGlynn
Public Employee Retirement Administration
11th Floor - One Ashburton Place
Boston, Ma. 02108

Dear Commissioner:

This is to notify you that on October 16, 1989, the Cambridge City Council voted to adopt the provisions of Section 22D of Chapter 32, effective as of January 1, 1990.

I am attaching the City Council Order which I have attested to be a true copy.

Very truly yours,

Joseph E. Connarton

Joseph E. Connarton
City Clerk

JEC/be

CCM-101

City of Cambridge

Agenda Item # 24
IN CITY COUNCIL
October 16, 1989

ORDERED: That the City Council go on record adopting the provisions of Section 22D of Chapter 32 entitled "Retirement system funding schedule; establishment; annual pension funding grants" with an effective date of January 1, 1990.

In City Council October 16, 1989.
Adopted by a yea and nay vote:-
Yeas 8; Nays 0; Absent 1.
Attest:- Joseph E. Connarton, City Clerk.

A true copy;

ATTEST:- Joseph E. Connarton
Joseph E. Connarton, City Clerk.

C. C. 106

City of Cambridge

MASSACHUSETTS

Agenda # 24 - recommendation to adopt Section 22D of Chapter 32.

In City Council October 16 1989

	YEA	NAY	ABSENT	PRESENT
Mr. Thomas W. Danehy	✓			
Mr. Francis H. Duehay	✓			
Ms. Saundra Graham	✓			
Mrs. Sheila T. Russell	✓			
Mr. David E. Sullivan	✓			
Mr. Walter J. Sullivan			✓	
Mr. William H. Walsh	✓			
Ms. Alice K. Wolf	✓			
Mayor Alfred E. Vellucci	✓			
	8	0	1	

C. Duehay

MS

M

CITY OF CAMBRIDGE
ACTUARIAL VALUATION UPDATE
as of January 1, 1989

Projection of Estimated Costs
With $30,000 "Cap" Removed
[Chapter 32, Section 22D]

($000 omitted)

Fiscal Year Ending June 30,	Annual Normal Cost	40-Year 4-1/2% Funding (Note 1)	TOTAL (Note 2)	PERA Appro- priation (Note 3)	Funding Requirement (Notes 4 and 5)
1990	3,973	6,093	10,066	11,935	11,935
1991	4,172	6,367	10,539		
1992	4,380	6,654	11,034		
1993	4,599	6,953	11,552		
1994	4,829	7,266	12,095		
1995	5,071	7,593	12,664		
1996	5,324	7,935	13,259		
1997	5,590	8,292	13,882		
1998	5,870	8,665	14,535		
1999	6,163	9,055	15,218		
2000	6,472	9,462	15,934		
2001	6,795	9,888	16,683		
2002	7,135	10,333	17,468		
2003	7,492	10,798	18,290		
2004	7,866	11,284	19,150		
2005	8,260	11,792	20,052		
2006	8,673	12,322	20,995		
2007	9,106	12,877	21,983		
2008	9,561	13,456	23,017		
2009	10,040	14,062	24,102		

NOTES

1. Amortization of estimated Unfunded Actuarial Accrued Liability of $125,940 as of January 1, 1989.
2. All costs assumed payable January 1 of the fiscal year.
3. The PERA appropriation includes the appropriation for the Housing Authority of $746.
4. Total cannot be less than PERA requirement for first six years.
5. Total does not include offset for estimated annual funding grant of $739 for fiscal year 1990.

CCM-101

City of Cambridge

Agenda Item # 24
IN CITY COUNCIL

October 16, 1989

ORDERED: That the City Council go on record adopting the provisions of Section 22D of Chapter 32 entitled "Retirement system funding schedule; establishment; annual pension funding grants" with an effective date of January 1, 1990.

In City Council October 16, 1989.
Adopted by a yea and nay vote:-
Yeas 8; Nays 0; Absent 1.
Attest:- Joseph E. Connarton, City Clerk.

A true copy;

ATTEST:- Joseph E. Connarton

Joseph E. Connarton, City Clerk.

CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139
TEL. 498-9011

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

October 16, 1989

To the Honorable, the City Council:

Recommendation: That the City Council adopt Section 22D of Chapter 32 as approved by the Cambridge Retirement Board, with an effective date of January 1, 1990.

Background:

As the City Council is aware, any employee hired by the City since January 1, 1979 has been working under a state statute which limits the maximum earnings amount that their pension can be based upon to $30,000. Until January 1, 1988, there was no legal manner in which that limit or "cap" could be removed. In 1988, legislation was adopted that allowed cities and towns to remove the $30,000 earnings cap. The cap could be removed in one of two ways. First, a local City Council could, upon recommendation and approval of the local Retirement Board, accept individually any one of the following options:

INDIVIDUAL OPTIONS

1. REMOVE $30,000 CAP ON REGULAR COMPENSATION for employees hired after January 1, 1979. Affected employees would be required to contribute an additional 2% of their regular compensation above $30,000.

   Funding Retirement: In addition to the regular appropriation, each year an amount equal to the increased cost plus an amount required to amortize the increased liability over 15 years, must be appropriated to the Pension Reserve Fund.

   Approval Required: Majority vote of the Board, subject to approval by the legislative body (town meeting, city council, county retirement board advisory council or district members as appropriate).

   Net additional City appropriation $2,160,000.00

2. CHANGE ELIGIBILITY FOR ORDINARY DISABILITY FROM 15 to 10 YEARS OF CREDITABLE SERVICE

Funding Requirements: No pre-funding required.

Approval Required: Majority vote of the Board, subject to approval by the legislative body.

Estimated additional City appropriation $32,000.

3. CONTRIBUTIONS AFTER AGE 70. Employees over age 70 may elect to continue their contributions to the system. The member's retirement allowance would be based on regular compensation including such compensation received after the election to continue to contribute. No additional creditable service is accrued, however.

   Makeup contributions from age 70 to date of election are also required. If the employee wishes to include regular compensation in that period as well.

   These contributions are not considered "employer pick-up" (continue to be treated as after-tax contributions).

   No additional City appropriation required.

4. Increase in Dependents Allowance (for accidental disability retirees) from $312 per year to $450 plus COLA adjustment under Chapter 32 Section 102.

   Approval Required: Majority vote of the board, subject to approval by the legislative body and chief operating officer (board of selectmen, mayor (or city manager), county commissioner, town manager or district/authority members - as appropriate) Acceptance may not be revoked.

   Reference: Net additional City appropriation $29,000

Should the Council adopt these options individually the net additional cost to the City this fiscal year would be approximately $2,221.00. I strongly recommend to you, as I did to the Retirement Board, that none of these options be accepted individually.

Instead, I recommend that the City Council accept Chapter 32, Section 22D as amended which would accept all of the above options as a package. In addition, the City must establish a wellness program for all future hires in the Police and Fire Departments. Instead of pre funding the costs of these changes (the $2,221,000 discussed above) the City will submit an actuarial approved 40 year funding schedule to the state which funds these changes and the existing $115,432,000 unfunded Cambridge unfunded pension liability over the next 40 years. In return to agreeing to an actuarial funding schedule, the Commonwealth will give grant assistance to the City over the next 15 years. While these grants are subject to annual state appropriation, it is reasonable to expect that funds will be made available in most of the next fifteen years dispite current state fiscal problems.

By adopting Chapter 32, Section 22D, and submitting the additional funding plan (no Council action is actually required on the funding plan) to the state, Cambridge agrees to increase the dollar amount used to amortize the unfunded liability by 4 1/2% annually plus normal cost increases estimated to be in the vicinity of 5%. The law also states that during the first six years of the funding plan, the City cannot appropriate less than the annual pay-as-you-go appropriation required by the Public Employee Retirement Administration (PERA).

FISCAL IMPACT:

Because the City's FY 1990 PERA required appropriation of $11,935,000 is more than what the first year funding would be under our 40 year funding plan, no additional appropriation is required at this time. It is my estimate that the annual appropriation increase required for our pension system would be in the vicinity of 9 1/2 to 10% (normal plus amoritized costs) approximately what recent increases have been.

Additionally, state grants are expected to offset some of this increase. It should be noted that these costs are actuarial estimates developed by independent actuaries (KPMG/Peat Marwick) and any minor changes in levels of employment on pay rolls could alter these estimates sharply.

CONCLUSION: By adopting Chapter 32, Section 22D, the City Council rightfully adjusts the pension benefits for a growing number of City employees. In addition, the revised plan to actuarialy fund the system makes Cambridge one of the handfull of Massachusetts Municipalities to have put the pension system on solid actuarial footing. This move will save the City of Cambridge millions of dollars over the next 40 years, while protecting the pension rights of our employees. I congratulate the Retirement Board for their fine work and recommendations and strongly recommend that the City Council adopt Chapter 32, Section 22D.

Very truly yours,

Robert W. Healy
City Manager

RWH/dls

Agenda # 24 S-683

Recommendation to adopt Section 22D of Chapter 32 as approved the Cambridge Retirement Board.

In City Council,

October 16, 198

Order adopted

8-0-1