



CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139

TEL. 498-9011

EXECUTIVE DEPARTMENT

ROBERT W. HEALY

City Manager

RICHARD C. ROSSI

Deputy City Manager

September 11, 1989

To the Honorable, the City Council:

As you are aware, any employee hired by the City since January 1, 1979 is working under a state statute which limits the maximum earnings amount that their pension can be based upon at \$30,000. Until January of 1988, there was no legal manner in which that limit or "cap" could be removed. Since January of 1988, the cap can be removed by affirmative action of the Retirement Board and City Council.

It had been my goal to recommend that action be undertaken this September to remove the cap. However, said action will increase the unfunded liability of the system by a substantial amount, thereby increasing the annual appropriation required to fund the system.

In order to partially offset the increased costs associated with the cap removal, the legislature established a 15 year grant program for cities and towns, and it was my expectation that the City would remove the cap and apply for those grants beginning this fall (FY 90). However, the Governor has vetoed the grant funds for the current year.

It is still my goal to recommend approval of this cap. It is also my understanding that representatives of employee groups will appear before the Council this Monday night (September 11, 1989) urging an affirmative vote to remove the cap by accepting Section 22d of Chapter 32. I would like to ask that the City Council allow me a short period of time to update cost estimates for the removal of the cap before voting to do so. It is my strong belief that Section 22d should be accepted, however I feel it is very important that the City Council understand the financial ramification of such action. It would be my goal to recommend acceptance of Section 22d once the full cost has been updated and a funding plan developed. I am certain that this could occur over the next four to eight weeks. Thank you for your cooperation.

Very truly yours,

Robert W. Healy
City Manager

Communication from the City Manager
relative to the retirement "cap".

Copy sent to C. Mgr. 9/12/89 @

In City Council,

Sept. 11, 1989

Referred to City Manager
for report in 4 weeks
on motion of C. W. Sullivan.
And further an opinion
from City Solicitor
regarding potential conflict
of interest on the part of the
Council under the cap voting
for the acceptance of Section
22d of Chapter 677-Acts of 1987