



# **ARTICLE 7: Increasing the Cost of Living Adjustment (COLA) Base for Retired Town Employees**

Finance Committee Public Hearing

*March 9, 2020*

## What is being proposed?

Town employees' pensions increase by an annual cost of living adjustment (COLA)

- Up to 3%, based on inflation
- Only the first \$12,000 (COLA base pay) is used to calculate the increase – total \$360/year

This article would increase the COLA base to \$14,000, for a maximum cost of living increase per retiree of \$420/year.

## ARTICLE 7: Increased COLA Base for Retirees

# How do other towns compare?



*Concord Contributory Retirement System /  
104 Public Employee Retirement Systems in Massachusetts*

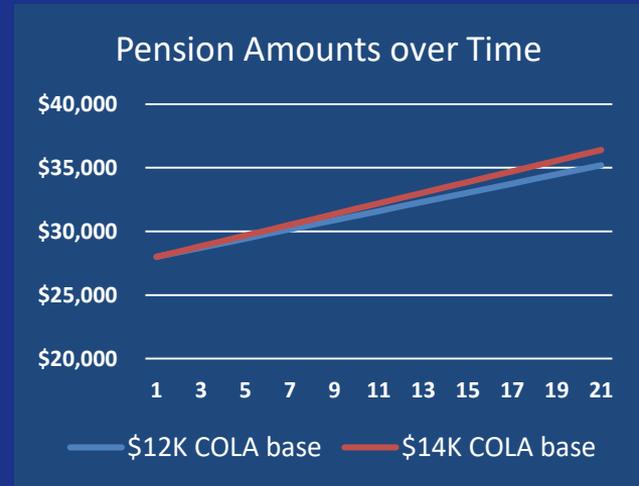
# What is the cost to the town?

The average retirement benefit in Concord is \$28K annually

318 retirees are currently eligible

*Budget impact: ~\$309,000/year*  
(11-year amortized cost)

*Property tax impact:*  
Approximately \$48 per household



## Why is an increase justified?

The last increase was over 20 years ago (1999)

Public employees in Massachusetts receive reduced social security benefits (or none at all)

Employees hired after July 1, 1996 contribute over 9.0% of covered salary to retirement, offsetting future increases

Competitive pensions attract the best municipal employees



## ARTICLE 7: Increased COLA Base for Retirees

# Questions & Comments

## ARTICLE 7: Increased COLA Base for Retirees

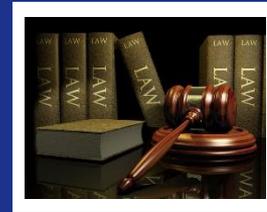
# Retirement systems & enabling legislation



State Board of Retirement  
Mass. Teachers Retirement  
County Regional Boards  
Municipal Board Agency



Public Employee Retirement  
Administration Commission  
(PERAC): Oversight Agency for  
all 104 retirement systems



Enacting Statute:  
Massachusetts General Law  
Chapter 32

Amended by Section 19  
of Chapter 188 of  
the Acts of 2010

## ARTICLE 7: Increased COLA Base for Retirees

# Enterprise fund appropriations

Funding amortization of Unfunded Assumed Actuarial Liability is \$3.6 million for FY 2021.  
Increase in appropriations to cover increase in COLA Base to 14K is \$350,000 each year (5.0%)

	Water	Sewer	Electric Light	Swim and Fitness	All Others	Total
<b>Amortization</b>	\$ 93,628	\$ 23,407	\$ 326,263	\$ 34,115	\$ 3,115,791	\$ 3,593,204
<b>Net Normal Cost*</b>	\$ 19,670	\$ 4,917	\$ 278,864	\$ 25,813	\$ 2,012,541	\$ 2,341,805
<b>Net 3(8)(c) Payments</b>	\$ 13,645	\$ 3,411	\$ 45,781	\$ 5,205	\$ 438,741	\$ 506,783
<b>Fiscal 2021 Appropriation</b>	\$ 126,942	\$ 31,735	\$ 650,908	\$ 65,134	\$ 5,567,073	\$ 6,441,792

\*Fiscal 2021, including administrative expense

## ARTICLE 7: Increased COLA Base for Retirees

# Funding schedule (1/1/2019 actuarial valuation)

- Current appropriations are still addressing unfunded liability – 10 years remaining on the funding schedule
- Normal Cost to retirement fund for Fiscal Year 2021 is \$2.3 million

Fiscal Year	Unfunded Liability	Net Normal Cost
2021	27,003,762	2,341,805
2022	26,535,064	2,441,332
2023	26,145,504	2,545,088
2024	28,151,727	2,653,255
2025	24,898,704	2,766,018
2026	21,417,970	2,883,574
2027	17,693,584	3,006,126
2028	13,708,492	3,133,886
2029	9,444,443	3,267,067
2030	4,881,910	3,405,927
2031	-	3,550,679

## ARTICLE 7: Increased COLA Base for Retirees

# No conflict of interest

Issued EC-COI-98-4 Opinion: A retirement board member who was a retiree of the retirement system was **not prohibited** from participating in COLA votes, even where the member would financially benefit.

PERAC's separate regulatory code of ethics – 840 CMR 17.00 et al

Requires compliance with G.L. c. 268A – Conflict of Interest Law

Retirement laws created by the Legislature in Chapter 32 expect that retirement board members will participate in particular matters that affect all retirement system participants, including board members who are active and retired board members.