

CITY OF LYNN, MASSACHUSETTS

LYNN CITY COUNCIL
2012-2013

Ward One **Wayne A. Lozzi**
Ward Two **William R. Trahant, Jr.**
Ward Three **Darren P. Cyr**
Ward Four **Richard C. Colucci**
Ward Five **Brendan P. Crighton**
Ward Six **Peter L. Capano**
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At-Large **Buzzy Barton**
At-Large **Daniel F. Cahill**
At-Large **Hong L. Net**
At-Large **John Timothy Phelan**
City Clerk **Mary F. Audley**

John Timothy Phelan President
Richard J. Ford Vice-President

MEETINGS SCHEDULED FOR THE WEEK BEGINNING JUNE 16, 2013:

Tuesday, June 18, 2013:

Ways and Means Committee, 7:00 P.M., Room 402
Discussion re: Council Orders and Other Business.

Finance Committee, 7:45 P.M., Room 408
Discussion re: Financial Transfers and Other Business.

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**AGENDA FOR THE WAYS AND MEANS COMMITTEE
TUESDAY, JUNE 18, 2013
7:00 P.M. - ROOM 402
COUNCIL ORDERS, RECOMMENDATIONS & REQUESTS**

Council Orders:

1. Councillor Phelan: Request from the Lynn Retirement Board requesting the Lynn City Council to accept Section 19 of Chapter 188 of the Acts of 2010. (See Attached).

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Lynn Retirement Board

City Hall, Room 106
Lynn, Massachusetts 01901
Telephone: (781) 586-6897
Fax: (781) 595-9101

BOARD MEMBERS

Michael J. Marks, Chairman
Buzzy Barton
Richard P. Biagiotti
Claire Cavanagh
Stephen Spencer

June 1, 2012

Mr. John T. Phelan, President
Lynn City Council
Lynn City Hall
Lynn, MA 01901

Dear Mr. Phelan:

Please be advised that the Lynn Retirement Board at its meeting on May 29, 2012, has voted to accept Section 19 of Chapter 188 of the Acts of 2010 (attached).

This local option legislation would increase the maximum base amount on which the cost-of-living adjustment is calculated in multiples of \$1,000. The Lynn Retirement Board has voted to increase the COLA base from \$12,000 to \$14,000.

We have also attached a brief summary done by James Lamenzo, the Public Employee Retirement Administration Commission's actuary, of the financial impact of increasing the COLA base to \$14,000.

Under the provisions of the legislation, approval of the City Council is required to ratify the affirmative vote of the Retirement Board.

Therefore, the Lynn Retirement Board is requesting that the Lynn City Council consider acceptance of Sections 19 of Chapter 188 of the Acts of 2010.

Should you need any further information, please do not hesitate to contact this office.

Most respectfully,



Gary B. Brenner
Executive Director

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Chapter 188 of the Acts of 2010
Municipal Relief Act Sections Other Than ERI
Sections 16, 17, 18, 19 and 71

SECTION 16. Paragraph (f) of subdivision (3) of section 21 of chapter 32 of the General Laws, as appearing in the 2008 Official Edition, is hereby amended by striking out the second paragraph and inserting in place thereof the following paragraph:-

An actuarial valuation of each system shall be conducted biennially and experience investigations shall be conducted every 6 years. Actuarial valuation reports and experience studies shall be conducted in such manner as the commissioner of administration, upon advice of the actuary, shall consider appropriate.

SECTION 17. The first paragraph of subdivision (1) of section 22D of said chapter 32, as amended by section 18 of chapter 21 of the acts of 2009, is hereby further amended by inserting after the first sentence, as so appearing, the following sentence:-

A funding schedule established under this section shall provide that the payment in any year of the schedule is not less than 95 per cent of the amount appropriated in the previous fiscal year.

SECTION 18. Said chapter 32 is hereby further amended by inserting after section 22E the following section:-

Section 22F. (a) A system, other than the state employees' retirement system and the teachers' retirement system, which conducts an actuarial valuation of the retirement system as of January 1, 2009, or later, may establish a revised retirement system funding schedule, subject to the approval of the actuary, which reduces the unfunded actuarial liability of the system to zero not later than June 30, 2040, as long as: (1) the payment in a year under the revised schedule or a subsequent schedule is not less than the payment in a prior fiscal year under the then current schedule until the system is fully funded; and (2) the increase in the amortization component of the appropriations required by the schedule from year to year does not exceed 4 per cent and is so designed that the funding schedule and any updates to it reduce the unfunded actuarial liability of the system to zero on or before June 30, 2040.

(b) If an updated actuarial valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to reduce the unfunded liability of the system to zero by an earlier date to the extent required to ensure that the appropriation required for a particular year under the new schedule shall not be less than the amount identified for that year under the prior schedule established under this section.

(c) If a schedule established under this section would result in an appropriation in the first fiscal year of the schedule that is greater than 8 per cent more than the appropriation in the previous fiscal year, the requirement of clause (2) of subsection (a) may be adjusted with the approval of the public employee retirement administration commission.

(d) Systems may establish a schedule under this section that provides for an increase in the maximum base amount on which the cost-of-living adjustment is calculated pursuant to section 103, in multiples of \$1,000. Acceptance of this subsection shall be in accordance with paragraph (j) of section 103.

SECTION 19. Section 103 of said chapter 32, as so appearing is hereby amended by adding the following paragraph: -

(j) Notwithstanding paragraph (a), the board of any system that establishes a schedule pursuant to section 22D or 22F, may increase the maximum base amount on which the cost-of-living adjustment is calculated, in multiples of \$1,000. Each increase in the maximum base amount shall be accepted by a majority vote of the board of such system, subject to the approval of the legislative body. For the purpose 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 district, the district members, and, in the case of an authority, the governing body. In the case of a county or region, acceptance shall be by the county or regional retirement board advisory council at a meeting called for that purpose by the county or regional retirement board that shall notify council members at least 60 days before the meeting. Upon receiving notice, the treasurer of a town belonging to the county or regional retirement system shall make a presentation to the town's chief executive officer, as defined in paragraph (c) of subdivision (8) of section 22, regarding the impact of the increase in the cost-of-living adjustment base, the failure of which by a treasurer shall not impede or otherwise nullify the vote by the advisory council. Acceptance of an increase in the maximum base amount shall be deemed to have occurred upon the filing of the certification of such vote with the commission. A decision to accept an increase in the maximum base amount may not be revoked.

SECTION 71. The first actuarial valuation to be conducted pursuant to the second paragraph of paragraph (f) of subdivision (3) of section 21 chapter 32 of the General Laws, as appearing in section 16, shall be completed by January 1, 2011, or by January 1 of the third year following the last actuarial valuation of the system, whichever first occurs.

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Mon, May 21, 2012 at 11:45 AM

~~Lamenza~~, James R (PER) <james.r.lamenza@state.ma.us>

To: Gary Brenner <lynnret@gmail.com>

Gary,

As you requested, here is a brief summary of the impact of increasing the COLA base to \$14,000. Note that the cost for adopting a \$13,000 COLA base will be approximately half of what is discussed below. Our figures are based on our 1/1/11 actuarial valuation. We are showing the costs as if the changes were implemented effective in FY13 although, based on timing this may not be practical.

If the City adopts an increase in the COLA base to \$14,000, it would increase the Total Normal Cost by approximately \$90,000 and it would increase the Unfunded Actuarial Liability (UAL) by approximately \$4.9 million. The first question we have when estimating COLA costs is how will the System pay for it. By that I mean do you plan to increase your level of appropriation to pay for the additional benefit? This is what we recommend. Since the benefit has been enhanced, we recommend you increase the appropriation to fund the additional benefits. If the Board adopts this approach, the funding schedule would increase by approximately \$517,000 in FY13 assuming the current funding schedule (4.0% annual increasing amortization of unfunded liability to FY31). This amount would increase by slightly more than 4% each year until FY31.

However, most systems that have adopted an increased COLA base thus far have not increased the appropriation. Instead, they have extended the funding schedule to pay for the additional cost. For example, your current schedule amortizes the UAL to 2031. Based on our analysis, you would need to extend the schedule 1 year to maintain your current levels of appropriation and pay for the increased COLA base. The cost of the enhanced benefit is paid in the last year (2032) with a much higher appropriation in that year than it would have been without the increase in COLA base.

You should be aware that until the 2008 loss is completely recognized, things could get worse before they get better. We expect that your schedule may need to be extended (without adding the increased COLA cost) just to maintain your appropriations at approximately the current level when your next valuation is performed as of 1/1/13. This is because only 60% of the 2008 loss was recognized as of 1/1/11 (the 2008 loss is recognized 20% per year for 5 years). The remaining 40% of the loss will be recognized as of 1/1/13.

Please let me know if you have further questions.

Jim

James R. Lamenza
Actuary
PERAC
5 Middlesex Avenue, Suite 304
Somerville, MA 02145
(617) 591-8921
JLamenza@per.state.ma.us
fax (617) 628-4002

From: Gary Brenner [mailto:lynnret@gmail.com]
Sent: Friday, May 18, 2012 9:40 AM

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FINANCE COMMITTEE AGENDA TUESDAY, JUNE 18, 2013 7:45 P.M. - ROOM 408

1. Financial Transfers
2. **OTHER BUSINESS**

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Agenda



June 18, 2013

Roll Call
Moment of Silence
Pledge of Allegiance

Accept the minutes of April 23 and May 14, 2013.

COMMUNICATIONS:

Communication from Her Honor the Mayor:

Dear Councillors: I am hereby reappointing Walter Proodian to the Lynn Water and Sewer Commission. Mr. Proodian's term is effective immediately, and will expire on June 30, 2016. Sincerely, Judith Flanagan Kennedy, Mayor, City of Lynn.

PUBLIC HEARINGS:

FY14 Budget Hearing.

PUBLIC HEARINGS TO BE SET DOWN:

UNFINISHED BUSINESS:

COMMITTEE REPORTS:

Ways & Means Committee:
Finance Committee:

NEW BUSINESS: