



CAMBRIDGE RETIREMENT BOARD

255 BENT STREET, 3RD FLOOR, CAMBRIDGE, MASSACHUSETTS 02141

(617) 868-3401 • FAX (617) 868-3477 • www.cambridgeretirementma.gov

December 8, 2010

Nadia Chamblin-Foster
Appointed Member

Michael P. Gardner
Appointed Member

James H. Monagle
Ex-Officio

Francis E. Murphy, III
Elected Member

Bradford P. Tenney
Elected Member

Ellen K. Philbin
Executive Director

Honorable City Council
City Hall
Massachusetts Avenue
Cambridge, MA 02139

Dear Honorable City Council Members:

As you may know, the Fiscal Year 2011 State Budget (Chapter 131 of the Acts of 2010) contained several items that impact MGL Chapter 32 and public retirement systems.

In particular, Sections 27 and 28 of Chapter 131 of the Acts of 2010 establish a local option to increase benefits paid under Section 101 to surviving spouses of disabled employees. Currently surviving spouses of disabled employees receive an annual allowance in the amount of \$6,000 (they are also eligible for Cost-of-Living Adjustments). The increase in the benefit will make the annual allowance \$9,000.

The Cambridge Retirement System asked Kathleen Riley, Senior Vice President and Actuary of the Segal Company to provide a calculation of the impact of increasing the Section 101 allowance from \$6,000 to \$9,000 (enclosed memo). The Board considered this increase at its December 6, 2010 Board meeting and voted unanimously to grant the increase. Section 28 requires the approval of the legislative body for this to take effect.

The Cambridge Retirement Board requests that the City Council consider this item at the December 13, 2010 Council meeting and approve the Board's action to increase the annual benefit to surviving spouses of disabled employees to \$9,000.

Enclosed please find the MGL Chapter 32, Section 101 language. Should you have any questions, please contact me at 617-868-3436.

Sincerely,

Ellen K. Philbin
Executive Director

Enclosures



THE SEGAL COMPANY
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Kathleen A. Riley, FSA, MAAA, EA
Senior Vice President and Actuary
kriley@segalco.com

MEMORANDUM

To: City of Cambridge Retirement Board
From: Kathleen A. Riley
Date: December 8, 2010
Re: Additional Cost of Increasing the Section 101 Death Benefit

We have calculated the impact of increasing the Section 101 death benefit from \$6,000 to \$9,000 for all current Section 101 death benefit recipients. We received a list of the 38 beneficiaries who would receive a total increase in their monthly retirement allowance of \$3,503.76 or \$42,045.12 annually. Of the 38 beneficiaries included, 16 would receive an increase of only \$0.13 per month. The average monthly increase for the remaining 22 beneficiaries is \$159.17. The average age of the 22 beneficiaries is 75. Twenty of these beneficiaries are female and two are male.

We have determined that increasing the Section 101 death benefit from \$6,000 to \$9,000 for all current Section 101 death benefit recipients increases the Unfunded Actuarial Accrued Liability by \$491,337 as of January 1, 2011.

The life expectancy of a 75 year old female based on the mortality table used in the January 1, 2010 actuarial valuation is 13.6 years. To approximate the additional liability of the Section 101 death benefit, we can multiply the additional annual benefit of \$42,045 times the average life expectancy of 13.6 which equals \$571,814. Please note, this approximation does not take into account the time value of money nor does it take into account the COLA benefits that will be paid only the additional retirement allowance. However, the approximation is close to the result in the previous paragraph.

Please let us know if you have any questions or need any additional information.

KCR/jpb

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PART I ADMINISTRATION OF THE GOVERNMENT
(Chapters 1 through 182)

TITLE IV CIVIL SERVICE, RETIREMENTS AND PENSIONS

CHAPTER 32 RETIREMENT SYSTEMS AND PENSIONS

Section 101 Allowance to widows of disabled public employees; supplemental annual allowance

[First paragraph effective until July 1, 2010. For text effective July 1, 2010, see below.]

Section 101. In the event of the death of any former employee who had been retired under the provisions of this chapter after having been found to be incapacitated for further duty by reason of injuries sustained while in the performance of his duties, or who had been retired for ordinary disability under the provisions of this chapter, under which retirement he was unable to provide for any annual allowance to be paid to his widow at the time of his death, there shall be paid to such widow an annual allowance in the amount of six thousand dollars, subject to the provisions of paragraph (e) of section one hundred and two; provided, however, that any allowance payable under this section shall be in the alternative to any allowance to which such widow would be entitled under the provisions of any other section of this chapter. Any allowance which such widow may be receiving or any allowance which she may have potential rights to receive, based on her own service to the commonwealth or any political subdivision thereof, shall not make her ineligible to receive the allowance provided in this section. The allowance provided by this section shall be paid by the same retiring authority and from the same source as the allowance payable to the deceased former employee referred to in this section.

[First paragraph as amended by 2010, 131, Sec. 27 effective July 1, 2010 applicable as provided by 2010, 131, Sec. 201. See 2010, 131, Sec. 202. For text effective until July 1, 2010, see above.]

In the event of the death of any former employee who had been retired under the provisions of this chapter after having been found to be incapacitated for further duty by reason of injuries sustained while in the performance of his duties, or who had been retired for ordinary disability under the provisions of this chapter, under which retirement he was unable to provide for any annual allowance to be paid to his widow at the time of his death, there shall be paid to such widow an annual allowance in the amount of either \$6,000 or, in a retirement system accepting the supplemental annual allowance as provided in this section, \$9,000, subject to the provisions of paragraph (e) of section one hundred and two; provided, however, that any allowance payable under this section shall be in the alternative to any allowance to which such widow would be entitled under the provisions of any other section of this chapter. Any allowance which such widow may be receiving or any allowance which she may have potential rights to receive, based on her own service to the commonwealth or any political subdivision thereof, shall not make her ineligible to receive the allowance provided in this section. The allowance provided by this section shall be paid by the same retiring authority and from the same source as the allowance payable to the deceased former employee referred to in this section.

[Paragraph added by 2010, 131, Sec. 28 effective July 1, 2010 applicable as provided by 2010, 131, Sec. 201. See 2010, 131, Sec. 202.]

Notwithstanding the previous paragraph, a retirement system may accept a supplemental annual allowance fixed at the rate of \$9,000, by a majority vote of the board of each such system, subject to the approval of the legislative body thereof. 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 region, the regional retirement board advisory council, in the case of a district, the district members and, in the case of an authority, the governing body of such authority. Acceptance shall be deemed to have occurred upon the filing of a certification of such votes with the commission. For purposes of this section, the state teachers' and state employees' retirement systems shall be deemed to have accepted the supplemental annual allowance provided for by this section.

Section 26 amended G.L. c. 32, § 16(4) changing the procedural requirements for appeals to the Contributory Retirement Appeal Board. The Governor returned this section to the Legislature with amendments. G.L. c. 32, § 16(4) has not been amended as of the date of this writing.

Supplemental Pension Allowance to Surviving Spouses of Disabled Employees

SECTION 27 Section 101 of said chapter 32, as so appearing, is hereby amended by striking out, in line 8, the words "six thousand dollars" and inserting in place thereof the following words:- either \$6,000 or, in a retirement system accepting the supplemental annual allowance as provided in this section, \$9,000.

SECTION 28. Said section 101 of said chapter 32, as so appearing, is hereby further amended by adding the following paragraph:-

Notwithstanding the previous paragraph, a retirement system may accept a supplemental annual allowance fixed at the rate of \$9,000, by a majority vote of the board of each such system, subject to the approval of the legislative body thereof. 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 region, the regional retirement board advisory council, in the case of a district, the district members and, in the case of an authority, the governing body of such authority. Acceptance shall be deemed to have occurred upon the filing of a certification of such votes with the commission. For purposes of this section, the state teachers' and state employees' retirement systems shall be deemed to have accepted the supplemental annual allowance provided for by this section.

SECTION 201. Notwithstanding any general or special law to the contrary, no increases in allowances provided pursuant to sections 27 and 28 shall take effect before January 1, 2011.

Proration of Health Insurance Premiums Between Employers

SECTION 29. Said chapter 32B is hereby further amended by inserting after section 9A the following section:-

Section 9A1/2. Whenever a retired employee or beneficiary receives a healthcare premium contribution from a governmental unit in a case where a portion of the retiree's creditable service is attributable to service in 1 or more other governmental units, the first governmental unit shall be reimbursed in full, in accordance with this paragraph, by the other governmental units for the portion of the premium contributions that corresponds to the percentage of the retiree's creditable service that is attributable to each governmental unit. The other governmental units shall be charged based on their own contribution rate or the contribution rate of the first employer, whichever is lower.

The treasurer of the first governmental unit shall annually, on or before January 15, upon the certification of the board of the system from which the disbursements have been made, notify the treasurer of the other governmental unit of the amount of reimbursement due for the previous fiscal year and the treasurer of the other governmental unit shall immediately take all necessary steps to insure prompt payment of this amount. In default of any such payment, the first governmental unit may maintain an action of contract to recover the same, but there shall be no such reimbursement if the 2 systems involved are the state employees' retirement system and the teachers' retirement system.

SECTION 200. Notwithstanding any general or special law to the contrary and except as expressly