PERAC

PERAC MEMO #29/2022

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chair*

JOHN W. PARSONS, ESQ., *Executive Director*

Auditor SUZANNE M. BUMP | KATHLEEN M. FALLON | KATE FITZPATRICK | JAMES J. GUIDO | RICHARD MACKINNON, JR. | JENNIFER F. SULLIVAN, ESQ.

MEMORANDUM

TO: All Retirement Boards

FROM: John W. Parsons, Esq., Executive Director

RE: 5% Local COLA option

DATE: November 18, 2022

On November 16, 2022, the Governor signed Chapter 269 of the Acts of 2022 into law. This act provides the local retirement systems with a local option to increase the Cost of Living Adjustment ("COLA") for Fiscal Year 2023 to up to 5 percent on the base amount specified pursuant to G.L. c. 32, § 103. The approval of the increase can occur at any time during the fiscal year and will take effect as of July 1, 2022.

The local approval mechanism is different than traditional COLA increases and COLA base increases. In order for a system to adopt a COLA increase pursuant to this act, **the retirement board must vote for the increased amount and then it must also receive local approval**.

For purposes of this act, local approval means:

- In a city, the mayor must recommend the increase to the city council and the council must vote in favor.
- In a city having a Plan D or Plan E charter, the city manager must recommend the increase to the city council and the council must vote in favor.
- In a town, the chief executive officer[1] - the select board in nearly all cases - must vote in favor to accept the increase rather than the town meeting as is the case for COLA base increases.
- In a district, or other political subdivision, the governing board, commission or committee must vote in favor to accept the COLA increase.

[1] As defined in G.L. c. 4, § 7, "chief executive officer", when used in connection with the operation of municipal governments shall include the mayor in a city and the select board in a town unless some other municipal office is designated to be the chief executive officer under the provisions of a local charter.

- In a regional system, two-thirds of the cities and towns within the system must approve the increase. This is done in the same fashion as stated above for municipalities: in a city, by the city council upon recommendation by the mayor or, in a city with a Plan D or Plan E charter, the city manager; or, in a town, by approval of the chief executive officer (likely the select board) as defined by G.L. c. 4, § 7.
- In a county, the county commissioners, who normally do not have a role in COLAs nor COLA base increases, must vote to accept **and** two-thirds of the cities and towns within the system must approve the increase in the same manner as stated above for regional systems.

Though many local systems are comprised of multiple units such as housing authorities and districts, the two-thirds language only applies to regional and county systems as the approval specified in the statute only refers to cities and towns as voting political subdivisions.

Section 2 of the act provides that a COLA increase pursuant to this act is retroactive to July 1, 2022. Any COLA increase, in addition to any COLA previously adopted for FY 23, will become part of the fixed amount of a retirees' retirement allowance in the same manner as all COLAs granted pursuant to section 103.

PERAC has already received questions about estimating the cost of the enhanced COLA. PERAC Actuary John Boorack has provided the following formula for a conservative full-cost estimate, not a one-year estimate, to assist boards in their planning:

(0.2) x (COLA base) x (# of retirees/beneficiaries)

If you have any questions about this memo, please contact PERAC's General Counsel, Judith Corrigan, at (617) 591-8904 or at judith.a.corrigan@mass.gov.

Legislative Update

5% Local COLA Option Signed Into Law

By Bill Keefe
Assistant Deputy Director

Governor Baker signed the 5% local COLA option into law on November 16 as Chapter 269 of the Acts of 2022. The statute allows local retirement boards an option to increase the FY 23 COLA up to 5%. The local approval can take place any time in FY 23 and will take effect as of July 1, 2022.

PERAC issued Memo #29 of 2022 to aid in the implementation of the statute, which has local approval requirements. In all cases, the retirement board must first vote to approve. From there, the mechanisms vary:

- In a city, the mayor or city manager must initiate the action to the city council, which must then vote to approve.
- In a town, the select board must vote to approve.
- In a district, or other political subdivision, the governing board, commission or committee must vote to approve.
- For regional boards, two-thirds of the cities and towns in the system must vote to approve in the same fashion as standalone cities and towns.
- For county systems, the county commissioners must vote to approve and two-thirds of the cities and towns in the system.

PERAC filed seven bills with the House Clerk for the 2023-24 legislative session. Five are re-filed from the 2021-22 session and two are new.

An Act to Provide for Payment of Creditable Service

This new bill would require the employees of new governmental units in a Chapter 32 retirement system to purchase their service in the same manner as members of a system who purchase prior non-membership time.

An Act Clarifying the Chapter 32 Definition of Wages

This new bill adds vacation, sick and personal time taken in the usual course to the Chapter 32, Section 1 definition of wages, excluding when they are used with workers compensation benefits.

An Act Relative to Pension Forfeiture

This would provide for tiered levels of pension forfeiture of 2/3, 1/3, a minimum pension, as well as full forfeiture, in order to respond to court rulings of pension forfeitures being unconstitutional.

An Act Relative to The Recovery of Overearnings

This bill would limit the amount of recapture from a disability retiree over-earner to the amount of pension paid.

An Act Relative to Modifications of Retirement Allowances

This bill would alter PERAC's statutory directive to modify allowances of members with overearnings to make it more effective and efficient.

An Act Relative to Accidental Disability and Group 1 Emotional Distress

This bill would bring Group 1 employees in line with other groups in permitting the use of employer incident records to satisfy the injury report requirement when filing for disability based on emotional injury.

An Act Providing for Statement of Financial Interests Flexibility

This bill would allow for a hardship waiver petition from the penalty of permanent debarment from retirement board service related to non-compliance with SFI filing.

Additionally, two other PERAC bills will be filed by legislators next session should they not pass in the current session. Senator Pat Jehlen and Representative Jay Livingstone will file *An Act to Protect Gender Pay Equity*, which *(continued next page)*

Legislative Update (continued from page 2)

will add an exemption to anti-spiking for salary adjustments made through the state's Equal Pay Act. Sen. John Velis and Rep. Jerry Parisella will file *An Act Relative to Veterans' Buyback*, which will give veterans in public service more time to purchase their military service and create a one-year grace period for all who missed their initial opportunity.

Hours/Earnings and OML Waivers

The waiver on hours and earnings restrictions for superannuation employees working in the public sector will expire on December 31, 2022. The statute that created the waiver, Chapter 80 of the Acts of 2022, called for the waiver to end up to 90 days after the end of the Public Health Emergency, or December 31, 2022, whichever occurred first. Plan accordingly regarding hours worked and earnings beginning January 1, 2023.

The current Open Meeting Law waiver is scheduled to expire March 31, 2023, pursuant to Section 4 of Chapter 107 of the Acts of 2022. There has been ongoing work and conversations to make some of the remote participation and physical attendance provisions from this waiver permanent. Unless a permanent change is made, or this waiver is extended prior to March 31, 2023, public bodies will need to prepare to hold in-person meetings starting April 1, 2023, with the Chair and a physical quorum present.

Legislative calendar

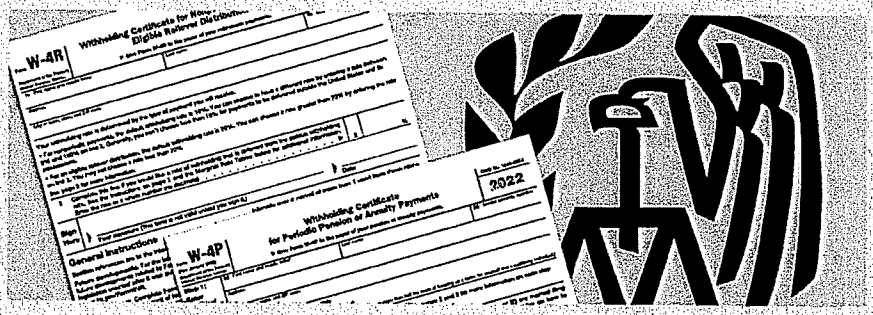
The new session of the Legislature will begin on Wednesday, January 4, 2023, the same day legislators are sworn in.

The Joint Rule 12 bill filing deadline for legislators is the third Friday in January, which in 2023 will be January 20th.

Because it is a new term, Governor-elect Maura Healey will have until March 1 to file her FY 24 budget. ■

New Year, New IRS Tax Withholding Forms – W4-P and W4-R

By Felicia McGinnis, Esq.
Associate General Counsel



Beginning January 1, 2023, the IRS will require the use of two new tax withholding forms, the W4-P and the W4-R.

Previously, retirement boards only needed to provide their members and beneficiaries with the W4-P form for all refunds and rollovers. For this updated version of the W4-P form, there are no major changes, and the tax withholding calculations for refunds and rollovers remain the same. The only difference with the updated W4-P form is that rollovers and refunds for non-periodic payments have been removed and now require the use of the new W4-R form, which will be discussed below. Generally, if a member or beneficiary rolls over the accumulated total deductions to an eligible retirement account, nothing should be withheld. If a member or beneficiary receives a direct refund of the accumulated total deductions, the 20% federal withholding tax will still apply. In these instances, the W4-P form needs to be completed.

(continued page 6)

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chair* JOHN W. PARSONS, ESQ., *Executive Director*

Auditor SUZANNE M. BUMP | KATHLEEN M. FALLON | KATE FITZPATRICK | JAMES J. GUIDO | RICHARD MACKINNON, JR. | JENNIFER F. SULLIVAN, ESQ.

MEMORANDUM

DEC 12 2022

TO: Arlington Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: November 30, 2022

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY23 (since the amount under the prior schedule was maintained in FY23) and is acceptable under Chapter 32.

The revised schedule reflects an adjustment to the fully generational mortality assumption.

If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

JWP/jfb
P:\actuaria\APPROP\Approp23\arlington approval.docx

Enc.

FIVE MIDDLESEX AVENUE, SUITE 304 | SOMERVILLE, MA 02145
PH 617 666 4446 | FAX 617 628 4002 | TTY 617 591 8917 | WWW.MASS.GOV/PERAC

ARLINGTON CONTRIBUTORY RETIREMENT SYSTEM

FUNDING SCHEDULE

Fiscal Year	Normal Cost	Unfunded Liability	Funding Amortization of UAAL	Net 3(8)(c) Payments	Schedule Contribution*	% Change
2024	3,221,906	120,401,128	13,124,783	(66,412)	16,280,277	5.50%
2025	3,366,892	114,785,688	13,875,213	(66,412)	17,175,692	5.50%
2026	3,518,402	107,974,209	14,668,366	(66,412)	18,120,355	5.50%
2027	3,676,730	99,837,252	15,506,657	(66,412)	19,116,975	5.50%
2028	3,842,183	90,233,736	16,392,638	(66,412)	20,168,408	5.50%
2029	4,015,081	79,009,975	17,329,002	(66,412)	21,277,671	5.50%
2030	4,195,760	65,998,641	18,318,596	(66,412)	22,447,943	5.50%
2031	4,384,569	51,017,649	19,364,423	(66,412)	23,682,580	5.50%
2032	4,581,874	33,868,951	20,469,659	(66,412)	24,985,121	5.50%
2033	4,788,059	14,337,242	14,337,242	(66,412)	19,058,889	-23.72%
2034	5,003,521	-	-	(66,412)	4,937,109	-74.10%

Amortization of Unfunded Liability as of July 1, 2023

* Contributions are set to be the amount resulting from a 5.5% increase on the prior year's contribution. The contribution in FY2033 decreases by 23.72%.

Bases in the funding schedule:

- Amortization of the unfunded actuarial accrued liability: 10 years.

ARLINGTON RETIREMENT SYSTEM

FUNDING SCHEDULE with 3(8)(C) - 11 years: 5.50% increases

RP-2014 adjusted to 2006, projected generationally using MP-2021, 7.00% Discount Rate, Increasing COLA

Fiscal Year	Normal Cost	Unfunded Liability	Funding Amortization of UAAL	Net 3(8)(c) Payments	Schedule Contribution*	% Change
2024	3,315,246	124,504,096	13,031,443	(66,412)	16,280,277	5.50%
2025	3,464,432	119,275,739	13,777,673	(66,412)	17,175,692	5.50%
2026	3,620,332	112,882,931	14,566,436	(66,412)	18,120,355	5.50%
2027	3,783,246	105,198,649	15,400,141	(66,412)	19,116,975	5.50%
2028	3,953,493	96,084,404	16,281,328	(66,412)	20,168,408	5.50%
2029	4,131,400	85,389,291	17,212,684	(66,412)	21,277,671	5.50%
2030	4,317,313	72,948,970	18,197,043	(66,412)	22,447,943	5.50%
2031	4,511,592	58,584,562	19,237,400	(66,412)	23,682,580	5.50%
2032	4,714,613	42,101,463	20,336,921	(66,412)	24,985,121	5.50%
2033	4,926,771	23,288,060	21,498,945	(66,412)	26,359,303	5.50%
2034	5,148,476	1,914,354	1,914,354	(66,412)	6,996,417	-73.46%
2035	5,380,157	-	-	(66,412)	5,313,745	-24.05%

Amortization of Unfunded Liability as of July 1, 2023

Year	Type	Original Amort. Amount	Percentage Increasing	Original # of Years	Current Amort. Amount	Years Remaining
2024	Fresh Start	N/A	N/A	11	N/A	11

* Contributions are set to be the amount resulting from a 5.5% increase on the prior year's contribution. The contribution in FY2034 decreases by -73.46%.