



City of Malden

Malden City Hall
215 Pleasant Street
Malden, MA 02148

Meeting Minutes - Final Finance Committee

Chairperson Barbara Murphy
Vice Chair David Camell
Councillor Peg Crowe
Councillor Amanda Linehan
Councillor Deborah DeMaria
Councillor Jadeane Sica

Tuesday, June 22, 2021

5:30 PM

Malden City Hall
215 Pleasant Street, Large Bd. Rm#105

Roll Call

Present: 5 - Chairperson Barbara Murphy, Vice Chair David Camell, Peg Crowe, Amanda Linehan and Jadeane Sica
Absent: 1 - Deborah DeMaria

Also Present: Councillors Condon, O'Malley and Spadafora
Charles Ranaghan-CFO/Controller
John McNaught-Assitant Solicitor
Scott Lucey-Malden Retirement Board
Maria Luise-Special Assistant to the Mayor

Minutes to be Approved

[299-21](#) Minutes of the June 8, 2021 meeting to be approved.

A motion was made by Councillor Sica, seconded by Councillor Linehan, that the Committee Minutes of June 8, 2021 be approved. The motion carried by a unanimous vote.

[300-21](#) Minutes of the June 15, 2021 meeting to be approved.

A motion was made by Councillor Sica, seconded by Councillor Linehan, that the Committee Minutes of June 15, 2021 be approved. The motion carried by a unanimous vote.

Business

[235-21](#) Order: That the City Council approve an increase in the COLA base from \$14,000 to \$18,000 for contributory and non-contributory retirees of the Malden Retirement System.

Sponsors: Barbara Murphy

Councillor Murphy explained this is not something that comes often to Finance Committee it is a request to increase the base upon which Cola amount each year is applied. Clerk Cagno read the letter from James Ryan, Director of Retirement into the record. (see attached) Charles Ranaghan, CFO/Controller gave a brief presentation to the committee. (see attached) Mr. Ranaghan said at its most recent meeting, the

Malden Retirement Board voted 3 to 2 to increase the COLA base from the current rate of \$14,000 to \$18,000. The COLA base is that portion of each retiree's public pension that is increased as Massachusetts General Law Chapter 32, section 103(j) allows a Board to increase the COLA base to a rate not to exceed \$18,000. The COLA base is the retirement base on which a yearly cost of living adjustment is granted. For example, if a cost of living adjustment of 3% is approved, a retiree currently receives a 3% increase on the first \$14,000 of pension earnings.

There are 105 retirement boards governed by the Public Employee Retirement Administration Commission (PERAC). Of these boards there is one municipal retirement board that has increased the COLA base all the way to the \$18,000 level, which is the maximum allowed by law. That board is the Montague Retirement Board. He included some information below to show where other municipal retirement boards are at for a COLA base level:

\$18,000 = 1
\$17,000 = 3
\$16,000 = 3
\$15,000 = 7
\$14,000 = 32
\$13,000 = 21
\$12,000 = 24

Please note that there are other Boards that he has not included in the above numbers as they are Regional and/or County Boards and are therefore not valid comparisons to municipal boards.

The Malden Retirement Board having a COLA base of \$14,000 is consistent with all other similarly situated municipal retirement boards. Over the years, the Malden Retirement Board has performed very well. We recovered well after the market crash of 2008 and have managed and oversaw the assets in a fiscally responsible manner. Malden is currently 72.9% funded and scheduled to be fully funded in fiscal year 2030, albeit with an aggressive funding schedule in terms of increases. With simply maintaining a COLA base of \$14,000, yearly increases to the pension obligation increase by 8.6%. This equates to an increase for the next fiscal year of approximately \$1.2 million.

As the City's CFO, he could not vote in favor of this increase as he believes that taken together with other obligations the city already has to retiree's, it is simply not affordable. This one change adds over \$25 million in pension obligation that must be paid before the system is fully funded. This is in addition to the current aggressive funding schedule. This comes at a time when the City of Malden is looking at an unfunded Other Post Employee Benefits (OPEB) liability of over \$266 million. This is largely to fund retiree health insurance. The most recent OPEB valuation recommended that the City allocate \$1,650,000 into the OPEB trust in FY2021 and increase that appropriation by 3% per year until we are fully funded. The City has yet to begin that funding as doing so would mean untenable cuts in other areas. Adding any additional obligations to that challenge is something that should be looked at very closely before committing to it.

He believes his role on the retirement board requires him to balance the interests of the retirees with the financial abilities of the city. The current \$14,000 COLA base level is at or above 85% of all communities in the Commonwealth of Massachusetts. He personally would be open to reviewing other scenarios that raise to COLA base in a less aggressive manner while at the same time extending the funding schedule out several years. This would result in progress for retirees, but with the year to year increases not having as

much potential to negatively impact core City services year after year. This increase has only come up once before in Malden. In March when the Commonwealth allowed it the Malden Retirement Board voted to increase the cola base from \$12,000 to \$14,000. There are two components everyone should be interested in what's the impact to a retiree and what is the impact to the City of Malden by increasing the cola base from \$14,000 to \$18,000. For a retiree at the current \$14,000 cola base every year the 3% is granted it would result in a \$420/year increase to their pension. The proposed increase to \$18,000 increases it to \$540/year, \$120/year increase per retiree. The City of Malden's impact right now we would owe \$201mill with no changes until we are fully funded, the increase to the pension obligation would be \$25.7mill and would have to be paid off within that funding schedule. The actuarial added it all on to the end. The \$25mill is made up ten years from now with the increase we would owe \$24mill and in FY32 instead of not owing anything we would owe \$8mill with no changes we would owe \$7mill in FY31. The cola base can be raised in \$1,000 increments to any level not to exceed \$18,000. Once it is increased it can not be revoked. Increasing the cola base to a lesser level would have less of an impact on the total pension obligation which would make the increased costs more manageable. The Malden Retirement Board first votes locally then the City Council must approve by June 30th to take affect for the following fiscal year but can be taken up each and every year and can be introduced in any other year. Chuck feels that his role requires him to balance the interests of the retirees with the financial abilities of the city and would be opened to reviewing other scenarios that raise to Cola base in a less aggressive manner while at the same time extending the funding schedule out several years.

Councillor Camell asked how many retirees are there presently. Chuck answered about 700 retirees and explains it seems like its 10/month 100/year but it applies to current retirees, the people who retire next year, ten, twenty and thirty years from now once we are fully funded in 2030 the money has to sustain to and run the retirement system to perpetuity.

Councillor Linehan clarifies the options if we move this proposal tonight but what if we are opposed?

Chuck answers by saying this June 30th deadline the paper in front of the committee is to raise it from \$14,000 to \$18,000 but it could be tabled and request something else from PERAC however, the timing is close. The retirement board has a meeting tomorrow but that being said the request from PERAC would be contingent on the Malden Retirement Board getting that information and voting on it by June 30th if not it could not be brought up again till next year. Councillor Linehan asks what is the importance of this coming up what brought it up now since it has only been brought up once. Chuck explains with the times of financial uncertainty not knowing what the local aid would be and the what the budget would look like and we were the only board in the commonwealth that did not grant the yearly 3% raise to the retirees and this prompted the desire of the Board to do something for the retirees.

Councillor Camell asked why are we just seeing this now. Chuck said there was confusion of whether or not this needed to be a financial paper and how do we get it on the docket that was part of the delay and once we had the answer we had the budget.

Councillor Sica said if we don't agree with the \$18,000 we cant meet in the middle or change it has to go back to them first. Chuck said the Malden Retirement Board would have to do that on their own.

Councillor Condon asked what's to stop us from tabling this paper and say \$1,000 instead of \$4,000 increase does it have to be done this fiscal year. Chuck said it would

have to be done by June 30th for this fiscal year. This would be the only paper to be entertained by the Malden Retirement Board to meet the deadline.

Councillor Murphy said there are two pieces here the cola base and the cola increase. The cola increase gives the retirement board has the ability to increase 3% annually and if it goes over 1.65 they need to inform the Council within 60 days before but we don't have any recourse they just tell us.

Councillor Crowe said are there any other options what if they did the 3% cola raise retroactively for the retirees. Chuck said they did inquire about that because we can do that for employees but it isn't an option for retirees. Whatever the date was they hadn't acted on it but they did investigate it.

Councillor Murphy asked if they discussed this tomorrow at the retirement board meeting and you went to Perac and they couldn't turn it around could we look at the scenario we have here and come close to what the increase could be. Chuck said Perac has an actuarial and that is what they do for a living getting the new information and a week is a lot of time and they could probably get a turn around time pretty quick. Councillor Murphy said if we can continue the conversation next week could we get this information this week.

Mr. Lucey, Malden Retirement asked would it matter if Perac clarified 2 or 4 is that what it would be. Councillor Murphy said we know what 4 is but if we look at going to \$15 or \$16,000 might give us some options and said some retirees might struggle with low pensions it would be a benefit to give retirees some kind of relief for this

Chuck said initially he asked for about 20 different scenarios because he was interested but that was overwhelming and too much work but if the Council wants some kind of compromise with clear direction of what they are looking for the changes of getting a response back is much better.

Councillor Camell suggests they missed the cola for a year and what would it take to apply that and was suggesting \$15,000 and is entertaining further conversation.

Councillor Crowe agrees the \$1,000 this year and revisit it next year and go up in increments. Chuck said the cola base can be increased yearly in increments of \$1,000 but can not be decreased once it increases.

Councillor Camell is not ready to vote for \$18,000 but asks what are sure of the mechanics of the turnaround getting the information from Perac with the time frame. Chuck said he is only speculating Perac should be able to get that information back to them in a week. Councillor Camell said he is willing to table this with making their thoughts known and take it up next week

Councillor O'Malley said we have a ton of unfunded liabilities now (\$266mill) now and he doesn't know if this is the place to spend more money right now it may be better to put this in employee benefits that are not funded and thanks Chuck for the presentation

Motion to table Paper #235-21 was made by Councillor Camell and seconded by Councillor Crowe. All were in favor.

Councillor Camell recommends sending a correspondence that the City Council would like to have the Malden Retirement Board to ask Perac for more further information. Chuck points out that the agenda for the retirement board meeting has already been

published but they could still request this information from Perac for the Council.

Councillor Murphy asks the clerk to send the correspondence to Jim Ryan, Director Malden Retirement Board and put this on the agenda for a finance meeting next week.

A motion was made by Vice Chair Camell, seconded by Councillor Crowe, that the Order be tabled. The motion carried by a unanimous vote.

Other Business

Adjournment

A motion was made by Councillor Peg Crowe, seconded by Vice Chair David Camell, that the meeting be adjourned at 6:12 PM. The motion carried unanimously.