



# City of Malden

Malden City Hall  
215 Pleasant Street  
Malden, MA 02148

## Meeting Minutes - Final Finance Committee

*Councillor Murphy, Chair*  
*Councillor Condon, Vice-Chair*  
*Councillor-at-Large Karen Colon-Hayes*  
*Councillor Jadeane Sica*  
*Councillor Christopher Simonelli*  
*Councillor Stephen Winslow*

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Tuesday, June 7, 2022

5:30 PM

City Hall, Room#105

215 Pleasant Street

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### JOINT FINANCE - LONG TERM FINANCIAL PLANNING & STRATEGY MEETING

Long Term Financial Planning Committee Members Include:

Councillor Condon, Chair - Present  
Councillor McDonald, Vice-Chair-Present  
Councillor Murphy, Member-Present  
Ron Hogan-Ex-Officio-Present  
Charles Ranaghan-Ex-Officio-Present

*Also Present: Councillor O'Malley*  
*James Ryan-Retirement Director*  
*Domenic Fermano- Malden Retirement Board Member*  
*Donald Boyce-Malden Retirement Board Member*  
*Warren Atkinson-Malden Retirement Board Member*  
*Colin Edgar-Actuarial Stone Consulting Service, LLC*

**Present:** 5 - Councillor Barbara Murphy, Councillor Paul Condon, Karen Colon Hayes, Jadeane Sica and Stephen Winslow

**Absent:** 1 - Chris Simonelli

### Roll Call

### Minutes to be Approved

### Business

#### [237-22](#)

Order: That the City Council approve an increase in the COLA base from \$16,000 to \$18,000 for contributory retirees and survivors of the Malden Retirement System.

**Sponsors:** Barbara Murphy

**Attachments:** [2022 COLA Recommendation](#)

[Final Paper: 237-22](#)

*Councillor Murphy called the meeting to order at 5:40 PM. Paper #237-22 Order: That the City Council approve an increase in the COLA base from \$16,000 to \$18,000 for contributory retirees and survivors of the Malden Retirement System. The Clerk read the Letter from James Ryan, Retirement Director into the record. Councillor Murphy gives a brief explanation for the newer Councillors, last year we had the pleasure of meeting with*

the Retirement Board and increased the COLA base from \$14,000 to \$16,000. They asked us to increase to \$18,000 last year however, we did not have the actuarial study we were looking for at this time it is done and they are back before us this year to present their case of increasing the COLA base up to \$18,000. This is a time sensitive issue and needs to be done by the close of June 30th. We would need to vote this out of committee this evening and it is on the docket as a holding place for us to move forward is we can.

James Ryan explained Colin prepared the new valuation for January 1, 2022 (see attached). Compared to the prior year prepared for 2020 we had very favorable results a lot had to do with the performance of the Malden Retirement Systems Investment Portfolio for 2020 & 2021. In 2020 we had returns of investments 18.3%, 2021 9.76% those returns are usually on the top tier in the State. These favorable results end up giving us funding schedules that make the City appropriation payments less than the currently existing approved schedule for \$16,000 COLA base. We had a \$36.4mill actuarial gain recognized that made the funding go up from 72% to 84-91% this time around. We also have an additional \$25mill gain that we can defer to the next 2yr valuation which will impact future valuations in a positive way. We are also able to pay off the fund a year earlier that was done in the current schedule. If we increase this base by \$18,000 it has less than a 1% impact in the overall liability. The City receives the reduction in payments each year as a result of this valuation

Colin Edgar said regarding the liability impact of the COLA the liability is a little less than 1% change as compared to the \$16,000 COLA. If you go to \$18,000 it would be \$6.4mill a little over 1.5% which will show up on the expense side in the accounting but for funding it is with the \$16,000 you have now.

Jim said the last time we did the funding we had an aggressive payment schedule close to 9% increase payment per year based on a discount rate of 7.15% under the current situation Colin recommended we will only have an increase of 4.1% which is less for the City to pay per year.

Councillor Murphy suggested referring to the documents that have been handed out going forward

Colin mentioned the handout from Stone Consulting (see attached May 4, 2022 handout) on page 6 it describes everything he was speaking of

Councillor Murphy said talking about the funding schedule Mr. Ryan is referring to is the attached handout dated June 7, 2022. She asked Mr. Ryan about conversations last year about moving the funding schedule out her understanding is that is off the table

Jim said he doesn't think it needs to be done because the results are so good we will pay it off sooner

Councillor Murphy said if we are making this decision based on the gains that have been made and hopefully the gains you will keep but the reverse is also true for the potential future year if we went into a depression or something like that. She is curious of the question about extending the funding should we find ourselves in that predicament that would be something in our back pocket

Jim suggested asking Colin his opinion of that question of funding in the future with the markets the way they are even though we do know there is a \$25mill gain that is deferred to offset anything that may happen with return results in the future

Councillor Winslow wanted to understand what we are actually voting on is it increasing the COLA base to \$18,000 we are not voting on assumption of discount rate or annual increase and once we make that vote we can't take it back. He said going on the assumption that we will payoff by 2030 that might make up for some of the volatility he suggests going with \$17,000 this year and coming back next year for \$18,000. We don't know whether some of the inflation this year is a long term thing

Councillor Murphy said that is correct

Councillor Colon-Hayes asked for clarification that we are voting to increase the base from \$16,000 to \$18,000.

Councillor Murphy said yes the request by the Retirement Board is to go to \$18,000. The Retirement Board each year can vote on a COLA increase which is usually tapped at 3% if you are a retiree and your salary is \$50,000 you don't get 3% COLA on \$50,000 you get 3% on this COLA base. The only raise the retirees get for their pension is whatever the board grants against whatever this base is.

Don Boyce gave information on what the impact is on retirees. We are not trying to give the retirees thousand of dollars in raises. Every thousand dollars that the base goes up the retiree is getting \$2.50/mnth for each retiree. Last year we went from \$14,000 to \$16,000 it was an extra \$5/mnth this year is we go from \$16,000 to \$18,000 it will be another extra \$5/mnth. Insurance is going up for retirees for a family plan under 65 anywhere from \$44/mnth to \$48/mnth. This cost of living would allow them to get \$45/mnth which is a wash with health insurance we are only trying to keep their head above water.

Couincillor McDonald asked them to clarify where our peer cities and towns are with their COLA base is and also the best estimate of the bottom line impact of the operating budget for next year holding everything equal

Charles Ranaghan said next year the appropriation is fixed its in the budget which is what the Council has been debating over the last several weeks this starts effective FY2024. Based upon this valuation and Colin's recommendation that the discount rate be lowered to 6.75% if we stay at \$16,000 and do nothing the appropriation is just over \$17mill. If we go to \$18,000 it is \$17.1 it goes up \$98,000 but it changes year after year. It goes up slowly until 2030 where it goes up an additional \$3.5mill. Medford and Montigue are at \$18,000 then there are regional retirement boards that are also at \$18,000 six of them, there are five at \$17,000 a handful at the \$16,000 where we are and 80 Boards under where we are.

Jim said the boards that are under us are not very well funded at all. They have poor performance of their returns and their funding is at 50% where ours is at 80-90% we are getting close to being fully funded right now

Councillor Murphy said Malden is in a very good position from a funding standpoint we are well above the average which is an attesstament to our Retirement Board

Dom Fermano explained what the unfunded liability account is if the City of Malden by accident should end as of today the City of Malden would be liable to take care of all of the employees that have retired retirees as well as all the active employees till the funds run out. Included in that liability is not only the \$40/mnth retirees are receiving but also includes the increases the current employees are getting year to year. This particular account we are talking about now is the retirement section of it which we have funding that comes from our investments we have through our portfolio for past years and we are lucky we have done really well. We are not looking to give anyone an increase based on what their pension is but based on that level of \$18,000.

Councillor Murphy asks Mr. Ranaghan as CFO of the City if he has anything to add to this discussion before we take a vote

Charles Ranaghan said no what he talked about earlier it is the role of the Council to prioritize those year over year increases the timing couldn't be better we have been in budget discussions the last several weeks it is a very minimal increase to retirees but at the end of the day it is adding over \$5mill of liability that has to be paid off at some point only \$98,000 next year but it quickly increases several years from now

Councillor Murphy said but should the need arise where we are so well funded we could request to extend the schedule

Charles Ranaghan said his understanding is and Colin could clarify, because when the new valuation was done it resulted in as reduction in our appropriation we didn't have the option to extend that funding schedule if two years from now when we do a new valuation and we have lost alot of money and the increases are to great to handle the law gives us up to 2040 and we could extend it out to lower those payments

Colin said absolutely your contribution is still going up compared to last year but if you

*can't fully fund by 2030 you would have the impact those losses there are several different ways to address that one could be the funding schedule and the other could be the contract between the January 1 results we looked great at the beginning of the year but since then everything has been tumultuous. Part of the importance of lower the rate is favorable using the lower discount rate means you are not claiming that you will be fully funded particularly early*

*In terms of good news in the preliminary presentation if you go down to page 31 there is something relevant to the lay of the land. One thing we haven't mentioned so far are based on an actuarial basis, basically every year if you return more than expected you have a gain and if you have a loss you have less than expected. If you had a \$5mill gain next year you would only \$1mill of that gain this year. That means because you have had more gains than losses you have a balance of unrecognized gain. This is a positive thing you don't overstate how funded you are after a good year and you don't understate how funded you are after a bad year.*

*Councillor Murphy asked if there are anymore questions*

*Councillor Condon Chair of the longterm strategic planning said he hopes people are hearing these retirees are not even going to break even with their health insurance with this increase. We have had great gains and he hopes someone would move this Paper out favorably to the Full Council*

*The following motion was made: Motion to move Paper #237-22 favorably to the Full Council was made by Councillor Sica seconded by Councillor Winslow as amended: with the recommendation of going with the scheduled balance to be fully funded by 2030. Long Term*

**A motion was made by Councillor Sica, seconded by Councillor Winslow, that Paper #237-22 be recommended favorably to the City Council as amended: with the recommendation of going with the scheduled balance to be fully funded by 2030. The motion carried by the following vote:**

**Roll Call Vote for the Long Term Financial Planning Committee:  
Condon-Yea McDonald-Nay Murphy-Yea Passes 2-yea 1-Nay**

**Yea:** 4 - Murphy, Councillor Condon, Councillor Sica and Councillor Winslow

**Nay:** 1 - Councillor at Large Colon Hayes

## **Other Business**

## **Adjournment**

**Motion was made by Councillor Jadeane Sica, seconded by Councillor Steven Winslow, that this meeting be adjourned at 6:33 PM. The motion carried unanimously.**