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; 07/31/17 2:36 AM  
;

OF THE BOSTON RETIREMENT SYSTEM.  
I AM JOINED BY MY GOOD FRIEND  
FROM WEST ROXBURY, MATT  
O'MALLEY.

THE FOLKS IN THE CHAMBER IF YOU  
LIKE TO TESTIFY TO SIGN IN AND  
INDICATE ON THE SHEET THAT YOU'D  
LIKE TO TESTIFY.

PLEASE STATE YOUR NAME, ADDRESS  
AND ANY AFFILIATION.

ALSO LIKE TO LET FOLKS KNOW THAT  
THIS HEARING IS BOTH BEING  
BROADCAST AND RECORDED ON RCN  
CHANNEL 82 AND COMCAST CHANNEL  
8.

I'D ASK FOLKS IN THE CHAMBER TO  
SILENCE THEIR ELECTRONIC  
DEVICES.

I WOULD LIKE TO WELCOME TO THE  
CHAMBER, ALLAN MCCARTHY AND  
TIM SMITH.

FOR THEIR PRESENTATION ON THIS  
DOCKET.

>> THANK YOU VERY MUCH,  
COUNCILOR.

I'M TIMOTHY SMITH THE EXECUTIVE  
OFFICER OF THE BOSTON RETIREMENT  
SYSTEM.

AS YOU'VE TO MY RIGHT IS ELLEN  
MCCARTHY, OUR INTERIM  
COMPTROLLER.

JUST BRIEFLY, AS YOU INDICATED  
WE'RE HERE FOR THE COLA BASS,  
MASSACHUSETTS PENSION LAW ALLOWS  
US TO INCREASE THE COLA BASE  
UNDER CERTAIN CIRCUMSTANCES, AS  
YOU MAY KNOW, COLA IS BASED ON A  
PERCENTAGE.

HISTORICALLY THE BOSTON BOARD IS  
GRANTED A 3% COLA YEAR AFTER  
YEAR.

BUT IT'S BASED ON A BASE.

IT'S NOT BASED ON A PERSON  
COMPLETE RETIREMENT ALLOWANCE.

SINCE AUGUST 10th, 2012, THE  
COLA BASE HAS BEEN \$13,000.

SO IT'S 3% ON -- PRESENTLY 3% ON  
\$13,000 THAT IS WHAT A RETIRE

EYE FROM BOSTON USE AS COLA YEAR  
AFTER YEAR.

WE'RE MAKING REQUEST TODAY TO  
INCREASE THAT BASE TO 14,000  
DOLLARS, MASSACHUSETTS LAW  
REQUIRES THAT AFTER THE BOARD  
VOTE THAT IT BE APPROVED BY CITY  
COUNCIL WHICH IS OBVIOUSLY WHERE  
WE ARE TODAY.

JUST TO GIVE YOU SOME BACKGROUND  
UPON THE BOARD, DID I PASS OUT  
THIS -- THIS IS A RETIREMENT  
BOARD FUNDED RATIO MEMO.

THUMBNAIL, IT GIVES AN IDEA OF  
HOW FINANCIALLY STRONG WE ARE  
AND AS YOU CAN SEE, WE'RE -- AS  
OF 1-1-16 WE'RE 75% FUNDED.  
OUR FULLY FUNDED SCHEDULE DAY IS  
2025 AS YOU GO UP THE LIST YOU  
CAN SEE ONE OF THE MORE  
AGGRESSIVE SYSTEMS IN THE STATE  
AND AS FAR AS BIG CITY BOARD  
WE'RE ONE OF THE MORE HIGHLY  
FUNDED BOARDS AS WELL.

MISS McCARTHY WAS VERY KIND TO  
BOIL DOWN IN THIS DOCUMENT HERE  
THAT WE PASSED OUT THE COSTS  
ASSOCIATED WITH THIS COLA-BASE  
INCREASE.

CURRENTLY OUR YEAR TO DATE RATE  
OF RETURN WERE PLUS 8.6% FEES,  
ALREADY HIT OUR TARGET WHICH  
WE'RE OBVIOUSLY DELIGHTED ABOUT  
BUT WE HAVE NUMBER OF MONTHS TO  
GO BEFORE THE YEAR IS OUT.  
WE'RE NOT COUNTING OUR CHICKENS  
YET.

I'D LIKE TO TURN IT OVER IF YOU  
HAVE IF I QUESTIONS.

>> SURE, THANKS.

OBVIOUSLY WE'RE GOING TO KEEP  
THE FUNDING SCHEDULE TO THE 2025  
PERIOD THAT IT'S GOING TO  
INCREASE JUST FOR THE RECORD CAN  
YOU GIVE US AN INDICATION OF  
WHAT THE INCREASE PAYMENT WILL  
BE GOING FORWARD.

>> THE UNFUNDED LIABILITY WILL  
INCREASE BY 25.4 MILLION DO  
DOLLARS.

WITH THIS INCREASE FROM 2025.

>> THAT WILL REQUIRE AN  
ADDITIONAL FY18 APPROPRIATION.

>> I THINK THAT'S 10.35% GREATER

THAN FY17.  
THEN THE COST WILL INCREASE  
YEARLY BY 8.85%.  
>> RIGHT.  
YOU SAID THAT THIS YEAR'S  
RETURN WAS 8.6%.  
>> TO DATE.  
OBVIOUSLY MARKETS FLUCTUATE, IT  
CAN TANK NEXT MONTH, BUILT RIGHT  
NOW WE'RE PLUS 8.6% NET FEES.  
>> I THINK LAST YEAR WAS BELOW  
7% RETURN?  
>> WE WERE ABOVE IT BUT NOT BY  
MUCH.  
7.75%.  
>> RIGHT, THAT'S WHAT WE'RE  
BASING EVERYTHING.  
>> IRA I SHOULD SAY.  
STILL 7.75.  
WE HAVEN'T TOUCHED THAT OR  
THE FUNDED DATE.  
>> DOES IT IMPACT LIABILITY AT  
ALL?  
>> I CAN'T REALLY SPEAK TO THAT,  
IT'S A LITTLE BEYOND MY EX PER  
TESS, I'M -- EXPERTISE, I'M  
SORRY.  
>> DO YOU HAVE ANYTHING?  
I DON'T.  
OTHER THAN TO REALLY THANK  
ANGELA AND HER TEAM FOR PUSHING  
THIS, PROUD TO SUPPORT IT.  
YOUR PREDECESSOR FAMOUSLY SAID  
IN THIS ROOM WE OFTEN LOSE VOTES  
SO IT'S NICE AFFORD GOOD SENSE  
LEGISLATION THAT I THINK IS  
FAIR, MODEST, PROUD TO BE IN  
SUPPORT OF THIS, TIM AND YOUR  
TEAM.  
>> THANK YOU VERY MUCH.  
LET ME BRING UP -- YOU WANT  
TO COME UP AND TESTIFY, PLEASE?  
SAM TILER FROM THE BOSS BOSS  
MUNICIPAL RESEARCH -- BOSTON  
MUNICIPAL RESEARCH BUREAU.  
>> MR. CHAIRMAN, MEMBER.  
FOR THE RECORD MY NAME IS SAM  
TYLER, PRESIDENT OF THE BOSTON  
MUNICIPAL RESEARCH BUREAU.  
UNLIKE PREVIOUS SPEAKERS I'M  
HERE TO OPPOSE THE \$14,000 BASE  
AND JUST AS ASK THAT THE COUNCIL  
KEEP IT AT 13,000.  
MY CONCERN AS YOU KNOW FROM

PRIOR TESTIMONIES IS THAT THE CITY DO NOTHING TO INCREASE THE LIABILITY BUT TO ENSURE THAT THE CITY MAINTAINS A SCHEDULE TO REACH FULL FUNDING AND CONVENTION LIABILITY BY 2025. AND AS YOU ALREADY HEARD, THIS VOTE WOULD INCREASE THE PENSION LIABILITY BY 2025. BY 25.4 MILLION.

IN OUR VIEW THIS IS MOVING THE CITY IN THE WRONG DIRECTION. THE CITY'S PENSION LIABILITY AT THIS POINT IN TIME BASED ON THE ACTUAL -- ACTUARIAL EVALUATION OF JANUARY 1 OF 2016 IS ONLY 69.4% BASED ON MARKET VALUATION. SO THAT WE'VE GOT A LONG WAY TO GO IN THAT RESPECT.

WE'RE CONCERNED ABOUT THE CITY'S SIZABLE LONG-TERM UNFUNDED PENSION AND RETIREE HEALTH INSURANCE LIABILITY AND THEIR GROWING COSTS AND IMPLICATION FOR FUTURE CITY SERVICES.

SO, BASED ON THE CURRENT ACTUARIAL EVALUATION AND REVIEW REPORT FOR THE BOSTON RETIREMENT SYSTEM AS OF JANUARY 1, 2016, THE MOST RECENT REPORT, BOSTON'S ANNUAL PENSION APPROPRIATION WILL INCREASE FROM 221 MILLION TO FISCAL 2018 TO AN ESTIMATED \$393.8 MILLION IN 2025. THAT IS INCREASE OF \$172.6 MILLION OR 78% OVER SEVEN YEARS. I THINK THAT IS CONCERNING, OF COURSE.

THIS YEAR BUDGET, AT LEAST IN TERMS OF WHAT WAS APPROVED BY THE CITY COUNCIL, THE BUDGET FOR THE PENSION SYSTEM WILL INCREASE BY 11% WHILE THE OVERALL CITY BUDGET INCREASES ONLY BY 4.9%. THAT'S ONE OF THE ISSUES THAT WE'RE SEEING ALSO IN -- TRENDS OVER THE YEARS THAT THE MANDATORY NONDISCRETIONARY EXPENSES ARE INCREASING AT A MUCH FASTER PACE THAN DEPARTMENTAL SERVICES. BASICALLY 7% TO 5% OR ACTUALLY 4.9%. THAT TREND IS TROUBLING IF THAT

WERE TO CONTINUE THIS WILL ADD TO THAT.

OVER THE LAST FOUR YEARS THE RETIREMENT BOARD'S INVESTMENT RETURN ON MARKET BASIS WAS 6.28% WHICH IS, I THINK, MORE RELIABLE BASIS THAN THE ACTUARIAL NUMBERS THAT YOU HEARD.

AND FOLKS THAT LOOKED AT OTHER STATES WHERE THERE'S MORE OF A TENDENCY TO NOT INCLUDE -- NOT ALLOW ANY COLA INCREASE UNTIL THAT RETIREMENT SYSTEM REACH 80% OF FULL FUNDING.

AND WE'RE AT 69%.

OUR RECOMMENDATION HAS BEEN TO FOLLOW THAT PATTERN NOT INCREASE THE COLA BASE INCREASE, WE HAVE SUPPORTED THE 3% OF THE 13,000 COLA BUT NOT INCREASING THE BASE TO 14,000.

BASICALLY FOR ALL THOSE REASONS AND THE FACT THAT -- SUPPORT REACH FULL FUNDING OF THE PENSION BY 2025, THE CITY CAN REALLY SERIOUSLY ADDRESS THE 2.26 BILLION LIABILITY AND THE PENSION LIABILITY AND THE CHANGE IN THE BASE SO IT WILL HAVE NO IMPACT SINCE THAT IS BASED ON THE RETIREMENT -- I'M SORRY, THE HEALTH INSURANCE LIABILITY. BUT REACHING FULL FUNDING BY 2025 MEANS THAT BASICALLY 84% OF WHAT IS PAID IN 2025 PENSIONS GOES AWAY, THOSE DOLLARS THEN CAN BE TRANSFERRED TO THE OPED LIABILITY, BUT KEEPING SOME OF THOSE DOLLARS WITH THE PENSION SYSTEM TO ENSURE THAT IT REMAINS FULL FUNDING.

FOR THOSE REASONS, THE IMPACT FUTURE IMPACT ON THE OPERATING BUDGET.

THE OPERATING BUDGET INCREASE, RESUBMITTAL INCLUDED \$3 MILLION INCREASE IN THE PENSION APPROPRIATION BECAUSE OF INCREASING ANTICIPATED VOTE BY THE CITY COUNCIL TO APPROVE THE BASE INCREASE.

THAT \$3 MILLION WILL INCREASE EACH YEAR UP UNTIL '25, 2025. CLEARLY IN YOUR DELIBERATION

WITH OTHER DEPARTMENTAL SPENDING  
I THINK YOU COULD IDENTIFY OTHER  
AREAS WHERE \$3 MILLION COULD  
COME IN VERY HANDY AND  
INCREASING THE PENSION  
APPROPRIATIONS.

KNOWING FULL WELL THE VOTE ON  
WEDNESDAY, WE STILL MAINTAIN OUR  
POSITION THAT THERE SHOULD BE NO  
INCREASE IN THE COLA BASE AT  
THIS TIME, DO NOTHING TO CHANGE  
IN ANY WAY ABILITY FOR CITY TO  
REACH FULL FUNDING BY 2025.

>> THANK YOU.

LET ME RACKING THAT WE'VE JUST  
BEEN JOINED BY AT-LARGE CITY  
COUNCIL, ANNNISSA ESSAIBI  
GEORGE.

WE ECHO THE COMMENTS FROM MAT  
O'MALLEY, THANK ANDREA FOR BEING  
HERE.

DID ANYONE ELSE WANT TO TESTIFY?  
I'M SORRY.

WHILE HE'S COMING UP, JUST LIKE  
FOR THE RECORD SAY THAT THE LAST  
TIME WE DID ADJUST THE COLA WAS  
IN IN 012, IT.

>> CORRECT L. IS ONE ITEM I  
SHOULD PROBABLY POINT OUT.  
BY STATUTE IF WE DO INCREASE THE  
BASE THERE'S NO GOING BACK.

ONCE IT'S SET, IT'S SET.  
NO BUYER'S REMORSE FIVE YEARS  
DOWN THE ROAD IT STAYS.

>> ONLY CAN GO UP, CAN'T GO  
DOWN.

>> I THINK WE'RE BEING THE  
RESPONSIBLE GENERATION NOW,  
WE'RE PAYING DOWN THIS LIABILITY  
AND IT'S BASICALLY FALLING ON  
THE SHOULDERS OF OUR CURRENT  
RETIRES AND TO SAM'S POINT WHEN  
WE DO FUND THIS IN 2025 AND  
START CHIPPING AWAY AT OUR OPEB  
LIABILITY THIS GENERATION OF THE  
CITY WORKERS WILL HAVE PAID THAT  
DOWN AFTER ASSUMING THE  
LIABILITY FOR GENERATIONS PAST,  
WE'RE TRYING TO BALANCE THE CI  
CITY'S FINANCIAL HEALTH WHICH I  
THINK WE'RE DOING A PRETTY GOOD  
JOB AT BUT ALSO NOT TOTALLY PUT  
ON THE BACK OF OUR CURRENT  
RETIRES, MR. CONNELLY, I'M

SORRY.

>> THANK YOU, COUNCILOR.

MY NAME IS LAWRENCE CONNELLY,  
I'M THE COCHAIR OF THE RETIRED  
TEACHERS CHAPTER LEGISLATIVE  
COMMITTEE.

WE'RE BEEN WORKING TRYING TO  
INCREASE THIS COLA FUND QUITE  
AWHILE.

WE WORKED ON THE STATE LEVEL TO  
GET IT ENABLED AND WE'VE BEEN  
WORKING ON THE CITY LEVEL.

I APPRECIATE THE FACT THAT  
THERE'S AN UNFUNDED LIABILITY,  
BUT THAT'S NOT THE FAULT OF THE  
RETIREES, THEY PAID THEIR  
PERCENTAGE SHARE WHICH WAS  
REQUIRED EVERY YEAR.

IT'S UP TO 11% NOW ON TEACHERS,  
WHICH IS ONE OF THE HIGHEST IN  
THE NATION.

AND THE UNFUNDED LIABILITY WAS  
BECAUSE THE RETIREMENT SYSTEM  
LOOKED PRIOR TO 1987 WAS  
BASICALLY A PONZI SCHEME, MONEY  
CAME IN IT WAS PAID OUT TO THE  
PEOPLE THAT RETIRED, VERY LITTLE  
OF IT WAS INVESTED.

SO, IT REALLY WASN'T SU  
SUSTAINABLE.

THE WAY IT IS NOW IS RESPONSIBLE  
BUT UNFORTUNATELY, BURDEN IS  
PLACED ON THE PEOPLE CURRENTLY  
RETIRED THEY SHOULDN'T HAVE TO  
ACCEPT THE ENTIRE BURDEN.

MR. TYLER REFERRED TO THE FACT  
THAT SOME SYSTEMS IN OTHER  
STATES ARE NOT CURRENTLY GIVING  
COLAS AND THAT'S TRUE.

BUT SOME STATES RETIREEES ARE  
PAYING NOTHING INTO THEIR  
RETIREMENT SYSTEM.

YOU REMEMBER THE BIG TO DO  
PEOPLE WERE SIT IN, THEY WERE  
GOING TO CHARGE RETIREEES 5% OF  
THEIR PENSION WHILE PEOPLE IN  
BOSTON WERE PAYING 11%.

PEOPLE IN MASSACHUSETTS WERE  
PAYING 11% FOR QUITE AWHILE.  
PAYING TO SOCIAL SECURITY.

ONE OF SEVEN STATES THAT DO NOT  
PAY IN TO SOCIAL SECURITY F. WE  
WERE PAYING INTO SOCIAL SECURITY  
THE CITY WOULD BE PAYING 6.2% ON

WHATEVER EARNINGS SOMEONE MADE.  
PEOPLE THEN WOULD GET ABOUT  
27-28,000 DOLLARS IN SOCIAL  
SECURITY BENEFITS THAT  
MASSACHUSETTS RETIREES DO NOT  
GET.

YOU GET A COLA INCREASE EVERY  
YEAR BASED ON THE CPI, WE DON'T  
GET THAT.

THERE ARE SOME LIABILITIES DOWN  
THE LINE, BUT WE'RE TALKING  
ABOUT APPLES AND ORANGES NOT  
EVERY RETIREE GETS HEALTH  
BENEFITS FROM THE CITY.

WE DON'T KNOW WHAT IS GOING TO  
COME DOWN THE LINE.

THE CITY IN ITS FIRST YEAR BACK  
IN 20110 -- I THINK IT WAS 2010,  
THEY SAY 17.5 MILLION WHEN THEY  
MANDATED MEDICARE.

NOW THAT MEANT THAT RETIREES  
WERE -- HAD TO PAY MEDICARE  
BENEFITS ON EARNINGS THAT THEY  
MADE OUTSIDE THE RETIREMENT  
SYSTEM.

BENEFITS THAT THE CITY NEVER  
MATCHED THE SOCIAL SECURITY  
PAYMENTS.

I DON'T LIKE TO MINIMIZE THE  
OPEB BENEFITS THAT'S SOMETHING  
COMPLETELY DIFFERENT.

WE COULD HAVE NATIONAL HEALTH,  
NOBODY KNOWS WHAT IS GOING TO  
HAPPEN IN CONGRESS, COULD BE  
SINGLE-PAYER HEALTH INSURANCE,  
SO, I THINK WE SHOULD  
CONCENTRATE JUST ON THE  
RETIREMENT BENEFITS.

THAT'S WHAT THE LIABILITY IS AND  
THE CITY SAYS THE MAYOR'S  
FINANCIAL ADVISOR, MR. SWEENEY  
SAID THAT THE CITY CAN HANDLE AN  
INCREASE OF A THOUSAND DOLLARS.  
BOSTON IS BOOMING.

ON TOP OF THEIR 2.5% TAX  
ABILITY, I THINK IT'S \$75  
MILLION MORE COMING IN THIS YE  
YEAR.

THE RETIREE SHOULD SHARE IN SOME  
THAT HAVE BENEFIT.

THEY BUILT THE CITY.

THEY WORKED FOR 40 YEARS PUTTING  
OWL THE FIRES, POLICING THE  
STREETS, TEACHING THE CHILDREN,



SWEEPING THE STREETS AND PLOWING  
THE STREETS.

WE'RE NOT ASKING FOR CHARITY.  
WE'RE ASKING FOR OUR DUE AND THE  
CITY CAN AFFORD IT WE THINK IT  
SHOULD BE GRANTED.

>> THANK YOU, MR. CONNELLY.  
FOR THAT TESTIMONY.

THANK YOU ALL FOR YOUR  
TESTIMONY.

WE WILL TAKE THIS UP AT OUR  
COUNCIL MEETING ON WEDNESDAY.  
THIS HEARING STANDS ADJOURNED.

>> THANK YOU VERY MUCH.