

A special meeting of the Middlesex County Retirement Board to discuss Chapter 269 of the Acts of 2022 with System actuary Kathleen Riley of The Segal Group and System Town Administrators and Treasurers convened at 10:05 A.M. in hybrid format due to the number of guests invited to attend.

Present at the Board's offices and comprising the physical quorum were Chairman Thomas Gibson and Board members John Brown, Joseph Kearns, and Robert Healy. Lisa Maloney, Chief Administrative Officer, was also present. Board member Brian Curtin was traveling and unable to attend in person.

At this time, the Board welcomed Ms. Riley and Town Administrators and Treasurers who were in attendance, as well as those participating remotely via videoconferencing. The Chairman reviewed the System's 2022 Valuation data and reported on the System's membership data, value of assets, unfunded liability and funded ratio. He reviewed the System's investment performance over the last 20 years, noting that as of November 30, 2022, the System's investment rate of return is negative 10.07%.

Next, the Chairman reviewed the System's COLA base and how the cost-of-living adjustments are determined. Currently, eligible benefit recipients receive the maximum allowable COLA of 3% of the System's \$16,000 COLA base, or \$480/year. Notably, approximately 2,500 of the System's approximate 6,200 benefit recipients receive an annual benefit of less than \$16,000 and receive an annual COLA of less than \$480.

At this time the Chairman reviewed Chapter 269 of the Acts of 2022 which provides eligible retirees a one-time increase in the maximum allowable COLA for FY 2023 from 3% to 5%. For those receiving the maximum COLA, the one-time increase would raise the annual COLA to \$800. Those receiving an annual allowance of less than \$16,000 would receive proportionately less.

The Chairman reported that the one-time increase is conditioned upon approval by the Retirement Board and by two-thirds of the select boards of the towns within the Middlesex County Retirement System by June 30, 2023. The Board voted to accept the measure at its December 14, 2022, meeting. Acceptance is now required by at least 21 of the System's 31 municipalities.

Ms. Riley explained the impact of increasing the FY 2023 COLA from 3% to 5% on the System's unfunded liability. She reported the measure would increase the liability by \$16,886,571, or 1.0%. Currently, the funding schedule fully funds the actuarial accrued liability by 2036, with total payments increasing 6.5% per year from FY 2024-FY 2028. Ms. Riley presented a revised funding schedule which assumed that the cost of the adjusted COLA will be reflected in the FY 2029 appropriation.

There was discussion among the Town Managers, Ms. Riley and the Board about various ways to fund the measure, including extending the funding schedule and incurring the costs immediately rather than waiting until FY 2029. Further, the Town Administrators requested an estimate of how the cost would impact their individual unit assessments.

Ms. Riley provided a rough estimate that if the units incurred the costs immediately, their assessments would increase approximately 1% for the length of the funding schedule, as opposed to the 4% increases if funding was deferred until FY 2029. Ms. Riley will report back to the Board with the information requested.

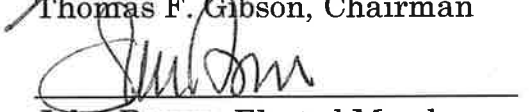
The Chairman indicated a formal request to consider the local option will be sent to the select boards at the beginning of February, with the instruction that votes must be taken prior to June 30, 2023.

There being no further business to come before the Board, on motion duly made by Mr. Healy, seconded by Mr. Brown, it was moved to adjourn at 10:50 A.M.

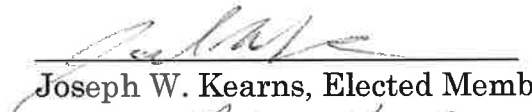
The motion passed.




Thomas F. Gibson, Chairman



John Brown, Elected Member



Joseph W. Kearns, Elected Member



Robert Healy, Appointed Member

Regular Session Documents

1. Agenda
2. Notice of COLA Meeting
3. Chapter 269 of the Acts of 2022
4. Cost of Increasing COLA from 3% - 5% as prepared by The Segal Group
5. PERAC Memo #29 of 2022
6. Presentation