

WINCHESTER RETIREMENT BOARD

71 Mt. Vernon Street
Winchester, MA 01890

Board Members:

Stacie A. Ward, Ex-Officio
Robert A. Frary, Chairman
Philip Ciampa, Elected Member
Michael Lucas, Appointed Member
Thomas J Tracy, Fifth Member



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TO: The Select Board

FROM: The Winchester Contributory Retirement Board

RE: One-time Cost of Living Increase

DATE: February 6, 2023

In accordance with Massachusetts General Law (MGL) Chapter 32 “Retirement Systems and Pensions”, the maximum Cost of Living Adjustment (COLA) that a Massachusetts retirement system can adopt is a 3% increase which is applied to a COLA base wage. The Winchester Contributory Retirement System’s (WCRS) COLA base wage is \$14,000, which currently results in a maximum of \$420 increase to retiree pensions. In November of 2022, the Governor approved a one-time COLA increase for fiscal year 2023 of up to 5%. See the attached Memorandum from PERAC #29/2022 dated November 18, 2022.


This increase is not automatic and first requires approval by the majority of the Winchester Contributory Retirement Board (WCRB) and then the majority of the Select Board. At our January meeting held on 1/31/23, the WCRB unanimously approved the increase from the previously voted 3% to the maximum of 5% (from a maximum of \$420 to \$700 in fiscal year 2023). The WCRB believes that in the current inflationary environment and the fact that Social Security COLA for 2022 was 5.9% and for 2023 was 8.7% (these are applied to the entire Social Security – not a cap like the WCRS), the retirees of the WCRS should be able to receive this one-time relief that is available to them.

Based on the WCRS actuary, John Boorack from PERAC, the cost of the one-time 2% increase in the COLA will increase the pension liability between approximately \$775,000-\$790,000. This increase would not impact the FY24 appropriation but would be incorporated into the next actuarial study that will be performed in 2023 (effective 1/1/2023). Please note that currently, the WCRS actuarial funding table shows a 7.7% increase annually until we get to FY29 where there is an 11% decrease from FY28.

This cost estimate assumes that **ALL OTHER ASSUMPTIONS REMAINED CONSTANT** in order to carve out the impact of this 2% COLA on its own. Changes associated with the market, pension activity and other assumptions will likely increase the liability. The final results of the study will not be available for several months.

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 officer¹ - 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.



MEMORANDUM - Page Two

TO: All Retirement Boards
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- 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:

$$(0.2) \times (\text{COLA base}) \times (\# \text{ of retirees/beneficiaries})$$

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.