

Email to all units on July 31, 2010

Hello Administrators,

ec: Treasurers

I see that the governor has signed the Municipal Relief Act, which includes provisions for an ERI. There are quite a few requirements that will likely cause many of you to forego the whole deal but nonetheless, at the outset, you will at least contemplate the option, and therefore we will have to work together to analyze the cost/benefit aspects for your town/unit. So let's get started.

PERAC (our state oversight commission) has sent a memo to the "Municipal Chief Executive Officers" of the the . . . towns(?), but as you can see from my question mark, I am not sure who all will get the memo because I don't have a list, and when you read the ERI you will notice the wording only talks about "municipalities". The last time there was an ERI in 2003/2004, the wording included schools, districts, agencies, and the like, but I don't see that this time, so I wonder of those entities are included. I've asked PERAC for clarification but in the meantime I will include you all in my communications.

For those of you who might not get a copy, I have posted the PERAC memo to our website along with a copy of the ERI section. This link will take you to the appropriate webpage: <http://www.frrsma.com/local-officials/>

Something I'll mention right now while it's on my mind - the law says "Chief Executive Officer", and historically that has always meant the Board of Selectmen, but PERAC says it's the Town Manager. I'm wondering if that was an oversight, and I'm asking for clarification, because throughout M.G.L. 32, it describes the CEO as the Board of Selectmen. I'll let you know what I learn.

As you read through the PERAC memo and the ERI law, you may not be able to pick-up on some of the finer, more important parts. So here there are, listed:

- 1) Essentially, the ERI adds up-to 3 years time or age to someone's retirement calculation, thereby increasing their benefit, however, what is not evident is the fact that the added expense will be added to the town's assessment over the next ten years and will likely be thousands of dollars, if not tens of thousands, each year. Just to give you some sense: I did an estimate on a 47 year-old with 28 years, and a salary of \$63,000 and got a \$7,000 annual increase in the benefit, which of course would be added to the town's assessment for the next ten years.
- 2) If the retiree is eligible for a payout of any leftover sick or vacation time, the amount doesn't get paid to them. It gets paid to us (FRRS).
- 3) Replacing these people, either with employees or contractors, is dollar limited to 30%, 45%, and 60% respectively over the next three years. These percentages are on the total for all positions involved in the ERI, so in theory, you could retire 3 and fill 1. It is worth noting that the three years start with FY2011, which will likely be nearly over by the time anyone retires with the ERI (see below for my rough timeline).
- 4) Salary must be paid from the operating budget. No trusts, federal money, or capital funds.

My rough timeline:

by **August 6, 2010** you will have read the law and decided if you think it might be something you are interested in. Email me with your answer please.

by **August 13, 2010** FRRS will contact you with a list of people from your unit that are eligible. Also, FRRS will likely have received guidance from PERAC as to how to estimate the cost to the town, what units can participate, and what PERAC wants the submitted "Plan" to look like.

Anywhere from **Mid August to September 27, 2010**, the "Plan" needs to be submitted to PERAC. So you will have to have negotiated all the political angles by then. Employees, Finance Committees,

Selectboards, etc. will all likely have something to say about it. You will have to decide who you are going to let participate, and who you won't.

Sometime between **Mid August or October 1 and October 31, 2010** you will hear back from PERAC if your plan is approved. PERAC is busy this time of year anyways, and to now add on the ERI approvals will really load them up.

(You know - I keep saying **Mid August** here, but it is so unlikely you will race to have everything done that quickly. I only say it because it's possible and I wouldn't want to make you think it wasn't. Go for it if you're inspired.)

Mid August or November 15, 2010 to May 2011 you will need to present your plan to town meeting to get it accepted. If you are in a rush you can push up the town meeting date, however, the law says "not later than the next meeting" which would be the only certain one scheduled - the annual town meeting.

Mid August or December 15, 2010 to June 2011, depending on when you hold the town meeting, you will need to "publish and make available to employees" the approved and accepted plan. The law says this has to happen **within 1 month** after the town meeting acceptance. I would expect you would do this right after the town meeting.

(This next part confuses me a little bit, and if it comes down to it, we might have to seek clarification.)

Mid August or January 15 to July 2011 I believe the law is saying the employees have to be retired **within 2 months** of the acceptance by town meeting. Included in there is a stipulation that the CEO determine and notify, one month before the deadline, the applicants that will be allowed to participate. This is an odd stipulation because I would think by this stage of the process everyone would already now who is allowed to participate. Seems like that would have been determined before the plan was submitted to PERAC, considering that the plan is supposed to report on the number of participants.

I will be away this whole next week, but I have a smartphone and will be watching my emails, so get your responses back to me so I can have a sense of how busy we will be. Read the PERAC memo and the ERI law. Ask me questions. Tell me what you think you'll be doing.

I have already prepared the list of people with 19 or greater years of service, and will likely send you your list when I get back. There will be people you don't realize are on the list because while they might not have been with your town for 20 years, they may have come to you with a number of years already to their credit. I would do it now, but it's quarter of ten on Saturday night and I'm done.

Talk to you soon,

Dale

--

Dale Kowacki, Executive Director
Franklin Regional Retirement System
278 Main Street, Suite 311
Greenfield, MA 01301

(413) 774-4837 extension 4
ExDr@Frrsma.com