

William J. Klueber  
*Chairman*

Charles Benevento  
James P. Cleary, III  
Donald J. Shea  
Lewis F. Poore, Jr.  
*Members*



## Haverhill Retirement Board

4 Summer Street • Room 303  
Haverhill, MA 01830-5843

December 15, 2011

Honorable President and Members  
of the Haverhill City Council  
4 Summer St., Room 206  
Haverhill, MA 01830

RE: Chapter 32 §103 (j), added by Chapter 188 of the Acts of 2010, an Act Relative to Municipal Relief §18 (d) and §19 (j) Increase to the maximum base amount of which the cost-of-living adjustment is calculated

Dear Ladies and Gentlemen:

We respectfully request that the City Council consider the acceptance of Chapter 32 §103 (j), added by Chapter 188 of the Acts of 2010, as described in §18 (d) and §19 (j).

The acceptance of § 103 (j) of Chapter 32 would increase the maximum base amount on which the cost-of-living adjustment is calculated, in multiples of \$1,000.00.

The base amount of COLA is presently \$12,000.00, meaning that a three-percent increase to any retiree receiving in excess of \$12,000.00 is still \$360.00 annually. The last change made to the maximum base of COLA was July 1, 1998. The additional \$1,000.00 annual increase to the base would add \$30.00 annually to any retiree at or over the maximum base. The median pension in the City of Haverhill is \$16,600.00 annually.

At the December 14, 2010 Haverhill Retirement Board Meeting, a motion was made to increase the COLA base in increments of \$1,000.00 each year, over the next three years, thus, by the year 2014 (FY'15) the base will be \$15,000.00, with the assessment to begin FY'13 (effective 7/1/12). The vote was unanimous and motion passed.

Kathy Riley of the Segal created an appropriation table showing the approved funding schedule with the added costs. These figures are based on an actuarial earning as of 1/1/10 and do not reflect the Acts of 2010 relative to Municipal Relief and Pension Reform signed into law November, 2011. Enclosed please find a copy of this table for your review.

Sincerely,

  
Kathleen Gallant  
Administrator

Enclosures:  
cc: Mayor James J. Fiorentini

**Chapter 188 of the Acts of 2010**  
**Municipal Relief Act Sections Other Than ERI**  
**Sections 16, 17, 18, 19 and 71**

**SECTION 16.** Paragraph (f) of subdivision (3) of section 21 of chapter 32 of the General Laws, as appearing in the 2008 Official Edition, is hereby amended by striking out the second paragraph and inserting in place thereof the following paragraph:-

An actuarial valuation of each system shall be conducted biennially and experience investigations shall be conducted every 6 years. Actuarial valuation reports and experience studies shall be conducted in such manner as the commissioner of administration, upon advice of the actuary, shall consider appropriate.

**SECTION 17.** The first paragraph of subdivision (1) of section 22D of said chapter 32, as amended by section 18 of chapter 21 of the acts of 2009, is hereby further amended by inserting after the first sentence, as so appearing, the following sentence:-

A funding schedule established under this section shall provide that the payment in any year of the schedule is not less than 95 per cent of the amount appropriated in the previous fiscal year.

**SECTION 18.** Said chapter 32 is hereby further amended by inserting after section 22E the following section:-

Section 22F. (a) A system, other than the state employees' retirement system and the teachers' retirement system, which conducts an actuarial valuation of the retirement system as of January 1, 2009, or later, may establish a revised retirement system funding schedule, subject to the approval of the actuary, which reduces the unfunded actuarial liability of the system to zero not later than June 30, 2040, as long as: (1) the payment in a year under the revised schedule or a subsequent schedule is not less than the payment in a prior fiscal year under the then current schedule until the system is fully funded; and (2) the increase in the amortization component of the appropriations required by the schedule from year to year does not exceed 4 per cent and is so designed that the funding schedule and any updates to it reduce the unfunded actuarial liability of the system to zero on or before June 30, 2040.

(b) If an updated actuarial valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to reduce the unfunded liability of the system to zero by an earlier date to the extent required to ensure that the appropriation required for a particular year under the new schedule shall not be less than the amount identified for that year under the prior schedule established under this section.

(c) If a schedule established under this section would result in an appropriation in the first fiscal year of the schedule that is greater than 8 per cent more than the appropriation in the previous fiscal year, the requirement of clause (2) of subsection (a) may be adjusted with the approval of the public employee retirement administration commission.

(d) Systems may establish a schedule under this section that provides for an increase in the maximum base amount on which the cost-of-living adjustment is calculated pursuant to section 103, in multiples of \$1,000. Acceptance of this subsection shall be in accordance with paragraph (j) of section 103.

**SECTION 19.** Section 103 of said chapter 32, as so appearing is hereby amended by adding the following paragraph: -

(j) Notwithstanding paragraph (a), the board of any system that establishes a schedule pursuant to section 22D or 22F, may increase the maximum base amount on which the cost-of-living adjustment is calculated, in multiples of \$1,000. Each increase in the maximum base amount shall be accepted by a majority vote of the board of such system, subject to the approval of the legislative body. For the purpose of this section, "legislative body" shall mean, in the case of a city, the city council in accordance with its charter, in the case of a town, the town meeting, in the case of a district, the district members, and, in the case of an authority, the governing body. In the case of a county or region, acceptance shall be by the county or regional retirement board advisory council at a meeting called for that purpose by the county or regional retirement board that shall notify council members at least 60 days before the meeting. Upon receiving notice, the treasurer of a town belonging to the county or regional retirement system shall make a presentation to the town's chief executive officer, as defined in paragraph (c) of subdivision (8) of section 22, regarding the impact of the increase in the cost-of-living adjustment base, the failure of which by a treasurer shall not impede or otherwise nullify the vote by the advisory council. Acceptance of an increase in the maximum base amount shall be deemed to have occurred upon the filing of the certification of such vote with the commission. A decision to accept an increase in the maximum base amount may not be revoked.

**SECTION 71.** The first actuarial valuation to be conducted pursuant to the second paragraph of paragraph (f) of subdivision (3) of section 21 chapter 32 of the General Laws, as appearing in section 16, shall be completed by January 1, 2011, or by January 1 of the third year following the last actuarial valuation of the system, whichever first occurs.



THE SEGAL COMPANY  
116 Huntington Avenue 8th Floor Boston, MA 02116-5744  
T 617.424.7336 F 617.424.7390 www.segalco.com

Kathleen A. Riley, FSA, MAAA, EA  
Senior Vice President and Actuary  
kriley@segalco.com

## MEMORANDUM

To: Retirement Board  
Haverhill Retirement System

From: Kathleen A. Riley

Date: November 23, 2011

Re: Funding Schedule with COLA

As requested, we have shown the estimated cost of increasing the COLA base to \$13,000 effective July 1, 2012, to \$14,000 effective July 1, 2013 and to \$15,000 effective July 1, 2014.

The following table shows the total appropriation before and after the increases:

<b>Fiscal Year Ended June 30</b>	<b>Appropriation from 2010 Valuation Report</b>	<b>Increase COLA base to \$13,000</b>	<b>Increase COLA base to \$14,000</b>	<b>Increase COLA base to \$15,000</b>	<b>Total</b>
2011	\$11,322,708				\$11,322,708
2012	12,341,752				12,341,752
2013	13,402,512	\$171,533			13,574,045
2014	14,065,903	178,394	\$177,613		14,421,911
2015	14,737,072	185,693	184,881	\$184,470	15,292,115
2016	15,423,405	193,291	192,446	192,019	16,001,161
2017	16,127,761	201,200	200,322	199,877	16,729,160
2018	16,851,986	209,434	208,521	208,058	17,477,999
2019	17,539,619	218,006	217,056	216,575	18,191,256
2020	18,255,368	226,929	225,941	225,441	18,933,679
2021	19,000,384	236,219	235,191	234,671	19,706,464
2022	19,775,866	245,889	244,820	244,280	20,510,855
2023	20,583,062	255,956	254,845	254,282	21,348,146

Benefits, Compensation and HR Consulting Offices throughout the United States and Canada



Founding Member of the Multinational Group of Actuaries and Consultants, a global affiliation of independent firms

<b>Fiscal Year Ended June 30</b>	<b>Appropriation from 2010 Valuation Report</b>	<b>Increase COLA base to \$13,000</b>	<b>Increase COLA base to \$14,000</b>	<b>Increase COLA base to \$15,000</b>	<b>Total</b>
2024	21,423,275	266,437	265,281	264,696	22,219,688
2025	22,297,855	277,347	276,145	275,537	23,126,884
2026	23,208,214	288,706	287,455	286,823	24,071,198
2027	24,155,817	300,530	299,230	298,572	25,054,149
2028	25,142,193	312,840	311,488	310,804	26,077,324
2029	26,168,927	325,655	324,249	323,537	27,142,369
2030	27,237,680	338,997	337,534	336,794	28,251,006
2031	28,350,173	352,886	351,365	350,596	29,405,020
2032	29,508,199	367,346	365,764	364,964	30,606,273

Please refer to our valuation report dated December 6, 2010 for the data, assumptions and plan of benefits underlying these calculations.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Retirement System.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law.

The actuarial calculations were directed under my supervision. I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of my knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in my opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.

We look forward to reviewing these results with you.

cc: Kathi Gallant

7531826v1/01200.024

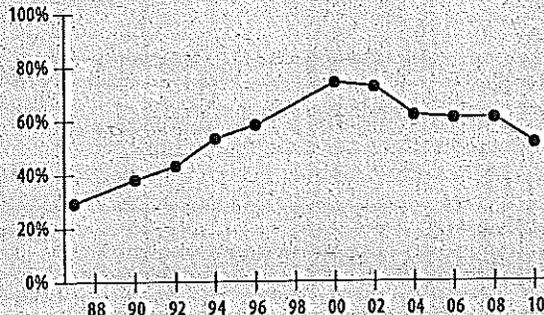
# Haverhill

4 Summer Street  
Room 303  
Haverhill, MA 01830  
Phone 978-374-2358  
Fax 978-374-2353

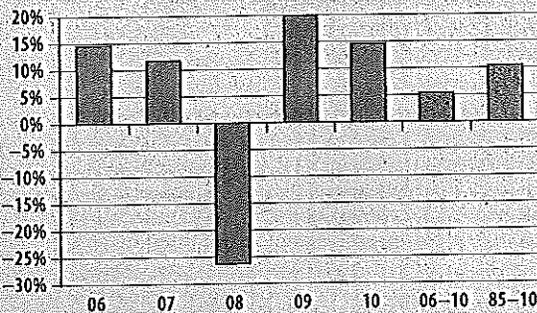
**Board Members**  
William J. Klueber (Chairperson),  
Charles Benevento, James P. Cleary, III,  
Lewis F. Poore, Jr., Donald J. Shea

**Board Administrator**  
Kathleen Gallant  
**Board Meeting**  
Varies

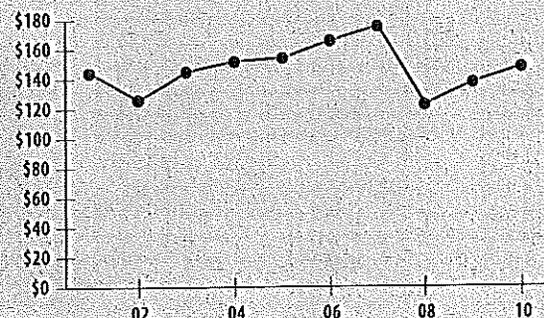
## Funded Ratio (1987-2010)



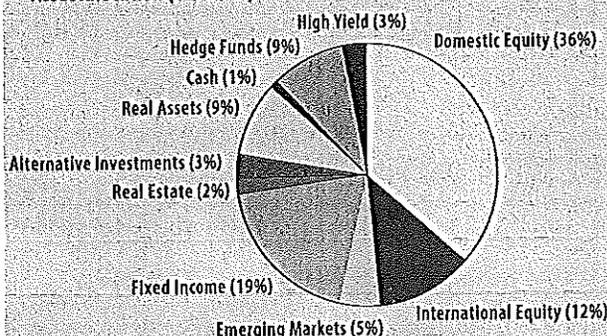
## Investment Return (2006-2010, 5 Year and 26 Year Averages)



## Asset Growth (2001-2010) (Market Value in Millions)



## Asset Allocation (12/31/10)

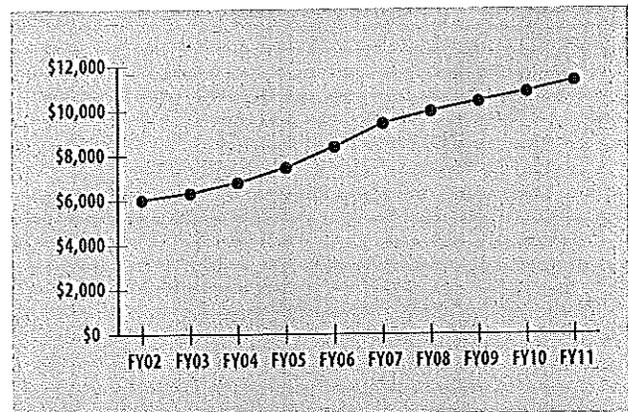


## ACTUARIAL

• Funded Ratio	51.4%
• Date of Last Valuation	01/10
• Actuary	Segal
• Assumed Rate of Return	8.25%
• Funding Schedule	4.0% Increasing
• Year Fully Funded	2032
• Unfunded Liability	\$138.2 M
• Total Pension Appropriation (Fiscal 2011)	\$11.3 M

	Active	Retired
• Number of Members	876	1,094
• Total Payroll/Benefit	\$35.8 M	\$20.8 M
• Average Salary/Benefit	\$40,900	\$19,000
• Average Age	48	NA
• Average Service	12.8 years	NA

## 10-YEAR HISTORY OF APPROPRIATIONS (IN THOUSANDS)



## AUDIT

Date of Last Audit	11/25/08
Period Covered	01/01/05-12/31/07

	2007	2006	2005
Annual Receipts	\$32.34 M	\$34.76 M	\$26.21 M
Annual Disbursements	\$23.24 M	\$23.65 M	\$22.92 M

## EARNED INCOME OF DISABILITY/RETIREES (2009)

Number of Disability Retirees	117
Number Who Reported Earnings	19
Number of Excess Earners	0
Total Amount of Refund Due	\$0

▶ 2010 Return	14.64%
▶ 2010 Target	8.25%
▶ 2010 Market Value	\$147.4 M
▶ 2006-2010 (Annualized)	5.37%
▶ 1985-2010 (Annualized)	10.46%

