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CITY OF HAVERHILL

In Municipal Council

ORDERED:

That the City Council of the City of Haverhill accept the provisions of § 48 of Chapter 176 of the Acts of 2011. This section amends M.G.L. Chapter 32, by adding § 90D ½, that will establish a $12,000.00 minimum retirement allowance for retirees who had been granted a "Superannuation, Accidental Disability or Ordinary Disability" Retirement and had completed 25 years or more of creditable service.

SEGAL

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April 4, 2012

Haverhill Retirement Board
4 Summer Street, Room 303
Haverhill, MA 01830

Re: **Costs of Increasing the Minimum Survivor Benefit and Increasing Benefits for Retirees with 25 Years of Service**

Dear Board Members:

As requested, we have calculated the cost of increasing the $250 per month minimum allowance contained in M.G.L. Chapter 32, Section 12 to $500 per month in accordance with Section 30 of Chapter 176. This change would apply to all participants whose beneficiaries are currently receiving a minimum survivor benefit that is less than $500 per month and to future beneficiaries. Our estimates are based on data supplied by the Retirement Board for 21 eligible beneficiaries currently receiving Section 12 benefits of less than $500 per month. The total monthly benefit increase is $3,240.

We have also calculated the cost of a one-time increase in benefits for retirees with 25 years of creditable service and an annual benefit amount less than $15,000 per year to $15,000 per year, and those with an annual benefit amount less than $12,000 per year to $12,000 per year, in accordance with Section 48 of Chapter 176. Our estimates are based on data supplied by the Retirement Board for 17 eligible retirees with over 25 years of creditable service currently receiving retiree benefits less than $15,000 annually. The total monthly increase is $3,578. There were 5 eligible retirees with over 25 years of creditable service currently receiving retiree benefits less than $12,000 annually. The total monthly increase is $769.

The table below shows the impact of these benefit increases:

		Additional Cost		
		With Increased Minimum Survivor Benefit	With Increased Benefit for Retirees With 25 Years of Service	
January 1, 2012	Current		To $15,000	To $12,000
Unfunded Liability	$145,461,000	$380,000	$342,000	$72,000
Total Normal Cost	4,992,000	10,000	N/A	N/A

If these additional costs are amortized over the full 19-year period of the funding schedule (through 2032) with amortization payments increasing at 4.0% per year, the increase to the fiscal 2014 appropriation is $45,000 for the minimum survivor benefit increase, $30,000 for the increase for retirees with 25 years of service to $15,000 and $6,000 for the increase for retirees with 25 years of service to $12,000.

Please refer to our January 1, 2010 Actuarial Valuation and Review 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 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. In my opinion, each assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

Please let us know if you have any questions or need any additional information.

Sincerely,

Kathleen A. Riley

KCR/jpb

cc: Kathleen Gallant

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