

HOUSE No. 4722

The Commonwealth of Massachusetts

HOUSE OF REPRESENTATIVES, March 16, 1995.

The committee on Public Service, to whom was referred the petition (accompanied by bill, House, No. 2265) of Byron Rushing, Alvin E. Thompson, Steven G. Panagiotakos, Michael W. Morrissey and Daniel E. Bosley for legislation to regulate the funding of certain post-retirement benefits payable to public employees in the Commonwealth, reports, in part (as relates to sections 1 and 2), recommending that the accompanying bill (House, No. 4722) ought to pass.

For the committee,

BYRON RUSHING.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Ninety-Five.

AN ACT FURTHER REGULATING THE FUNDING OF CERTAIN POST-RETIREMENT BENEFITS PAYABLE TO PUBLIC EMPLOYEES IN THE COMMONWEALTH.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Section 1 of chapter 32A of the General Laws, as
2 appearing in the 1986 Official Edition is hereby amended by
3 inserting after paragraph (h) the following paragraphs: —

4 (i) "Normal cost of post-retirement benefits," that portion of the
5 actuarial present value of premium costs payable by the common-
6 wealth on behalf of or direct payments payable by the common-
7 wealth to retired employees of the commonwealth and the eligible
8 surviving spouses or dependents of deceased employees of the com-
9 monwealth, pursuant to this chapter which is allocable to a particular
10 fiscal year, as determined by the actuary in the division of insurance
11 pursuant to section nine C.

12 (j) "Post-retirement benefit liability," the present value of the
13 commonwealth's obligation for premium payments on behalf of or
14 direct payments to retired and prospective retired employees of the
15 commonwealth and the eligible surviving spouses or dependents of
16 deceased and prospectively deceased employees of the common-
17 wealth, pursuant to this chapter as determined by the actuary in the
18 division of insurance, pursuant to section nine C.

19 (k) "Unfunded post-retirement benefit liability," the difference
20 between the post-retirement benefit liability on a given date and the
21 market value of the assets of the group insurance liability fund on
22 the same date, as determined by the actuary in the division of insur-
23 ance, pursuant to section nine C.

24 (l) "Unfunded post-retirement benefit liability amortization pay-
25 ments," the amounts which, when paid into the post-retirement ben-
26 efit fund annually over a period of years together with the normal
27 cost of post-retirement benefits for each year of said period of years,

28 will reduce to zero at the end of said period the unfunded post-retire-
29 ment benefit liability in existence as of the beginning of said period,
30 as determined by the actuary in the division of insurance pursuant to
31 section nine C.

1 SECTION 2. Chapter 32A is hereby further amended by
2 inserting after section 9A the following sections: —

3 Section 9B. There shall be a fund to be known as the group insur-
4 ance liability fund, which shall be under the supervision of the state
5 treasurer, who shall be the treasurer-custodian of the fund. Such fund
6 shall be credited with all amounts appropriated or otherwise made
7 available by the commonwealth for the purposes of meeting the cur-
8 rent and future cost of premiums payable by the commonwealth on
9 behalf of or direct payments payable by the commonwealth to
10 retired employees of the commonwealth and the eligible surviving
11 spouses or dependents of deceased employees of the commonwealth,
12 pursuant to this chapter. Amounts in said fund including any earn-
13 ings or interest accruing from the investment of such amounts shall
14 be expended only for the payment of such premiums or direct pay-
15 ments, and only in accordance with a schedule of such payments
16 developed by the actuary in the division of insurance and approved
17 by the commission in accordance with the provisions of section
18 nine C, provided that a copy of such schedule for each fiscal year
19 shall be on file with the governor and with the house and senate
20 committees on ways and means in accordance with the provisions of
21 section nine C. Subject in each instance to the approval of the invest-
22 ment committee established under the provisions of section nine A,
23 the state treasurer shall invest and reinvest the amounts in said fund
24 not needed for current disbursement consistent with sound invest-
25 ment policy and with the requirements of subdivision (3) of section
26 twenty-three of chapter thirty-two; provided however that no funds
27 are to be invested directly in mortgages or in collateral loans, and
28 provided further that no funds are to be invested in any bank or
29 financial institution which directly or through any subsidiary has
30 outstanding loans to any individual corporation engaged in the man-
31 ufacture, distribution or sale of firearms, munitions, including rubber
32 or plastic bullets, tear gas, armored vehicles or military aircraft for
33 use or deployment in Northern Ireland, and no assets shall be
34 invested in the stocks, securities or other obligations of any such

35 company so engaged, provided further that, to the extent consistent
36 with the requirement of said subdivision (3), all such amounts not
37 needed for current disbursement shall be invested and reinvested as
38 much as reasonably possible to benefit and expand the economic
39 climate within the commonwealth. The treasurer shall, on a quarterly
40 basis, file with the commission and with the house and senate com-
41 mittees on ways and means a report detailing brokerage transactions,
42 fees paid to investment consultants and managers, master trustee and
43 custody fees, and a detailed investment portfolio analysis describing
44 all holdings in the said fund.

45 Section 9C. (a) The actuary in the division of insurance shall
46 determine, as of July first, nineteen hundred and ninety-five, and no
47 less frequently than every third year thereafter, the normal cost of
48 post-retirement benefits, the post-retirement benefit liability, and the
49 unfunded post-retirement benefit liability. In making such determi-
50 nations, the actuary may employ, subject to appropriation and sub-
51 ject to the approval of the commission, the services of an actuarial
52 firm competent in such matters. All such determinations shall be
53 made in accordance with generally accepted actuarial standards, and
54 the actuary shall make a report of such determinations by filing a
55 copy thereof with the commission, and with the house and senate
56 committees on ways and means not later than one hundred and
57 twenty days after the date as of which such determinations are made.
58 Said report shall, without limitation, detail the demographic and eco-
59 nomic actuarial assumptions used in making such determinations,
60 and each such report subsequent to the first such report shall also
61 include an explanation of the changes, if any, in the demographic
62 and economic actuarial assumptions employed and the reasons for
63 any such changes, and shall also include a comparison of the actual
64 expenditures by the commonwealth for premium or direct payments
65 constituting the post-retirement benefit liability during the period
66 since the last such determination, and the amount of such expendi-
67 tures which were predicted pursuant to the previous such report for
68 the said period.

69 (b) The actuary shall establish, subject to the approval of the com-
70 mission, a schedule of annual payments to be made to the group
71 insurance liability fund and designed to reduce to zero by the year
72 two thousand and nineteen the unfunded post-retirement benefit lia-
73 bility. Each such annual payment shall be equal to the sum of i) the

74 unfunded post-retirement benefit amortization payment required for
75 such year, and ii) the payments required to meet the normal cost of
76 post-retirement benefits for such fiscal year, provided that the
77 schedule shall be designed to maintain said annual sums as a level
78 percentage of the total payroll of all employees of the common-
79 wealth subject to this chapter. The actuary shall, subject to the
80 approval of the commission, revise such schedule of payments in
81 accordance with any subsequent determinations made pursuant to
82 subdivision (a), in order to ensure that said unfunded liability is
83 reduced to zero by said year two thousand and nineteen and to
84 ensure that each such revised schedule maintains said annual sums
85 as a level percentage of payroll for the remainder of the amortization
86 period, provided however, that any additional unfunded liability cre-
87 ated subsequent to the last such determination by the provision of
88 any new benefit or by any increase in the premium share payable by
89 the commonwealth shall be separately so amortized over the fifteen
90 years following the date of the determination in which such addi-
91 tional liability is first recognized. The actuary shall file the first such
92 schedule, as approved by the commission, with the house and senate
93 committees on ways and means and with the governor not later than
94 October first, nineteen hundred and ninety-six, and any subsequent
95 schedule or revised schedule including without limitation the
96 schedule for the amortization of any additional unfunded liability
97 created through the provision of any new benefit or any increase in
98 the premium share payable by the commonwealth, shall be filed not
99 later than the October first next following the date as of which were
100 made the most recent determinations pursuant to subdivision (a).

101 The governor shall recommend and the commonwealth shall
102 appropriate to the post-retirement fund for each fiscal year begin-
103 ning on or after July first, nineteen hundred and ninety-six, the
104 amount required under the most recently established or revised
105 schedule of payments on file with the house and senate committees
106 on ways and means pursuant to this section, together with any addi-
107 tional amounts required to be appropriated to amortize any addi-
108 tional unfunded liability and meet the normal cost of benefits for any
109 new benefit created or increased premium share assumed by the
110 commonwealth; provided that in any year for which the actuary has
111 determined the unfunded liability to be no greater than zero, the
112 commonwealth shall appropriate an amount equal to the normal cost

113 of post-retirement benefits for the fiscal year for which such
114 appropriation is made.

115 (c) All payments for the purposes of meeting the commonwealth's
116 share of premium costs for or direct payments to retired employees
117 of the commonwealth and the surviving spouses or dependents of
118 deceased employees of the commonwealth pursuant to this chapter
119 shall be made by disbursement from the group insurance liability
120 fund in accordance with a schedule of disbursements established by
121 the actuary and approved by the commission, provided that such
122 schedule shall accompany and shall be in accordance with the most
123 recent schedule of payments established under subdivision (b) and
124 on file with the house and senate committees on ways and means,
125 provided further that payments in excess of such schedule may be
126 made subject to the appropriation of specific sums for the purposes
127 thereof, provided further that such sums shall be in addition to the
128 amounts required to be appropriated under subdivision (b).

