HOUSE . . . . No. 4263

By Mr. Blanchette of Lawrence, petition of Kevin P. Blanchette, Stanley C. Rosenberg and Timothy F. O'Leary for legislation to regulate the funding of certain post-retirement benefits payable to public employees in the Commonwealth. Public Service.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Ninety.

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:

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

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

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

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

(i) "Unfunded post-retirement benefit liability amortization payments," the amounts which, when paid into the post-retirement benefit fund annually over a period of years together with the normal cost of post-retirement benefits for each year of said period of years, will reduce to zero at the end of said period the unfunded post-retirement benefit liability in existence as of the beginning of said period, as determined by the actuary in the division of insurance pursuant to section nine C.

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

Section 9B. There shall be a fund to be known as the group insurance liability fund, which shall be under the supervision of the state treasurer, who shall be the treasurer-custodian of the fund. Such fund shall be credited with all amounts appropriated or otherwise made available by the commonwealth for the purposes of meeting the current and future cost of premiums payable by the commonwealth on behalf of or direct payments payable by the commonwealth to retired employees of the commonwealth and the eligible surviving spouses or dependents of deceased employees of the commonwealth, pursuant to this chapter. Amounts in said fund including any earnings or interest accruing from the investment of such amounts shall be expended only for the payment of such premiums or direct payments, and only in accordance with a schedule of such payments developed by the actuary in the division of insurance and approved by the commission in accordance with the provisions of section nine C, provided that a copy of such schedule for each fiscal year shall be on file with the governor and with the house and senate committees on ways and means in accordance with the provisions of section nine C. Subject in each instance to the approval of the investment committee established under the provisions of section nine A, the state treasurer shall invest and reinvest the amounts in said fund not needed for current disbursement consistent with sound investment policy and with the requirements of subdivision (3) of section twenty-three of chapter thirty-two; provided however that no funds are to be invested directly in mortgages or in collateral loans; provided further that no funds are to be invested in any bank or financial institution which, directly or through its subsidiaries, has outstanding loans to the Republic of South Africa or its instrumentalities, and no assets shall be invested in the stocks, securities or other obligation of any company doing business in or with the Republic of South Africa; and provided further that no funds are to be invested in any bank or financial institution which directly or through any subsidiary has outstanding loans to any individual corporation engaged in the manufacture, distribution or sale of firearms, munitions, including rubber or plastic bullets, tear gas, armored vehicles or military aircraft for use or deployment in Northern Ireland, and no assets shall be invested in the stocks, securities or other obligations of any such company so engaged, provided further that, to the extent consistent with the requirement of said subdivision (3), all such amounts not needed for current disbursement shall be invested and reinvested as much as reasonably possible to benefit and expand the economic climate within the commonwealth. The treasurer shall, on a quarterly basis, file with the commission and with the house and senate committees on ways and means a report detailing brokerage transactions, fees paid to investment consultants and managers, master trustee and custody fees, and a detailed investment portfolio analysis describing all holdings in the said fund.

Section 9C. (a) The actuary in the division of insurance shall determine, as of July first, nineteen hundred and eighty-seven, and no less frequently than every third year thereafter, the normal cost of post-retirement benefits, the post-retirement benefit liability, and the unfunded post-retirement benefit liability. In making such determinations, the actuary may employ, subject to appropriation and subject to the approval of the commission, the services of an actuarial firm competent in such matters. All such determinations shall be made in accordance with generally accepted actuarial standards, and the actuary shall make a report of such determinations by filing a copy thereof with the commission, and with the house and senate committees on ways and means not later than one hundred and twenty days after the date as of which such determinations are made. Said report shall, without limitation, detail the demographic and economic actuarial assumptions used in making such determinations, and each such report subsequent to the first such report shall also include an explanation of the changes, if any, in the demographic and economic actuarial assumptions employed and the reasons for any such changes, and shall also include a comparison of the actual expenditures by the commonwealth for premium or direct payments constituting the post-retirement benefit liability during the period since the last such determination, and the amount of such expenditures which were predicted pursuant to the previous such report for the said period.

(b) The actuary shall establish, subject to the approval of the commission, a schedule of annual payments to be made to the group insurance liability fund and designed to reduce to zero by the year two thousand and nineteen the unfunded post-retirement benefit liability. Each such annual payment shall be equal to the sum of i) the unfunded post-retirement benefit amortization payment required for such year and ii) the payments required to meet the normal cost of post-retirement benefits for such fiscal year, provided that the schedule shall be designed to maintain said annual sums as a level percentage of the total payroll of all employees of the commonwealth subject to this chapter. The actuary shall, subject to the approval of the commission, revise such schedule of payments in accordance with any subsequent determinations made pursuant to subdivision (a), in order to ensure that said unfunded liability is reduced to zero by said year two thousand and nineteen and to ensure that each such revised schedule maintains said annual sums as a level percentage of payroll for the remainder of the amortization period, provided however, that any additional unfunded liability created subsequent to the last such determination by the provision of any new benefit or by any increase in the premium share payable by the commonwealth shall be separately so amortized over the fifteen years following the date of the determination in which such additional liability is first recognized. The actuary shall file the first such schedule, as approved by the commission, with the house and senate committees on ways and means and with the governor not later than October first, nineteen hundred and eighty-nine, and any subsequent schedule or revised schedule including without limitation the schedule for the amortization of any additional unfunded liability created through the provision of any new benefit or any increase in the premium share payable by the commonwealth, shall be filed not later than the October first next following the date as of which were made the most recent determinations pursuant to subdivision (a).

The governor shall recommend and the commonwealth shall appropriate to the post-retirement fund for each fiscal year beginning on or after July first, nineteen hundred and eighty-nine, the amount required under the most recently established or revised schedule of payments on file with the house and senate committees on ways and means pursuant to this section, together with any additional amounts required to be appropriated to amortize any additional unfunded liability and meet the normal cost of benefits for any new benefit created or increased premium share assumed by the commonwealth; provided that in any year for which the actuary has determined the unfunded liability to be no greater than zero, the commonwealth shall appropriate an amount equal to the normal cost of post-retirement benefits for the fiscal year for which such appropriation is made.

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

SECTION 3. Chapter 32B of the General Laws, as so appearing, is hereby amended by inserting after section fifteen the following section: —

Section 15A. In order to offset the anticipated cost of premium payments for or direct payments to retired employees, and the eligible surviving spouse or dependents of deceased employees pursuant to this chapter, cities, towns, counties and districts may appropriate such amounts as may be approved by the appropriate legislative body. Such amounts shall be credited to a special fund to be known as the post-retirement insurance liability fund. Any interest or other income shall be added to and become part of such fund. The treasurer of the city, town, county or district shall be the custodian of such fund and may deposit the proceeds in national banks or invest the proceeds by deposit in savings banks, cooperative banks or trust companies organized under the laws of the commonwealth or in federal savings and loan associations situated in the commonwealth or invest the same in such securities as are legal for the investment of funds of savings banks under the laws of the commonwealth. Amounts may be appropriated to such fund for such purposes in a town at an annual town meeting by a majority vote, in a district at an annual district meeting by a majority vote, and in a city by a majority vote of the city council. Amounts may be expended from such funds only in accordance with an actuarial schedule of payments developed by the governmental unit's chief executive officer and approved by the actuary in the division of insurance and designed to reduce to zero any unfunded liability attributable to the payment of such premiums or direct payments. Such schedule shall be designed to maintain such premium costs or direct payments as a fixed ratio of the current and predicted future payroll of the governmental unit.

HOUSE . . . . No. 4264

By Mr. [illegible] of Lawrence, petition of [illegible] for legislation to [illegible]

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and [illegible]

An Act [illegible]

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

Chapter 32 of the General Laws, as appearing in the [illegible] Official Edition, is hereby amended by inserting after section [illegible] the following section: —

Section [illegible]. A chief justice, administrative justice, justice, associate justice, judge, associate judge, or special justice, hereinafter in this section referred to as "judge", who has paid the full amount of the contributions required, if any, by this chapter, shall receive a retirement allowance in accordance with the [illegible] at the option of the judge and in the [illegible] of any [illegible] retirement allowance under this chapter. [illegible] The yearly amount of such retirement allowance to a judge [illegible] shall be based on the average annual rate of regular compensation received by the judge during any period of three consecutive years of service as a judge for which such [illegible] was the highest, and shall be computed by multiplying such average annual rate by the number of [illegible] years and full months of service as a judge in the [illegible]