

Retirement Board 5% Local COLA Option

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Background



On November 16, 2022, the Governor signed Chapter 269 of the Acts of 2022 into Law.



This act provides local retirement systems with a local option to increase the Cost-of-Living Adjustment for FY23 to up to 5% of the base amount.



The approval of the increase can occur at any time during the fiscal year and will be retroactive back to July 1, 2022



The local approval option is different than traditional COLA increases and COLA base increases.



In a Town, the chief executive officer – the Select Board in nearly all cases must vote in favor to accept the increase rather than Town Meeting as is the case for COLA base .



Approval of this option will provide retirees with an additional 2% or an additional \$280 for FY23.

Additional Background

Retirees typically receive a COLA increase of up to 3% of the base amount.

Reading maintains a \$14,000 COLA base.

The COLA increase is typically up to \$420 annually.

Additional
Background

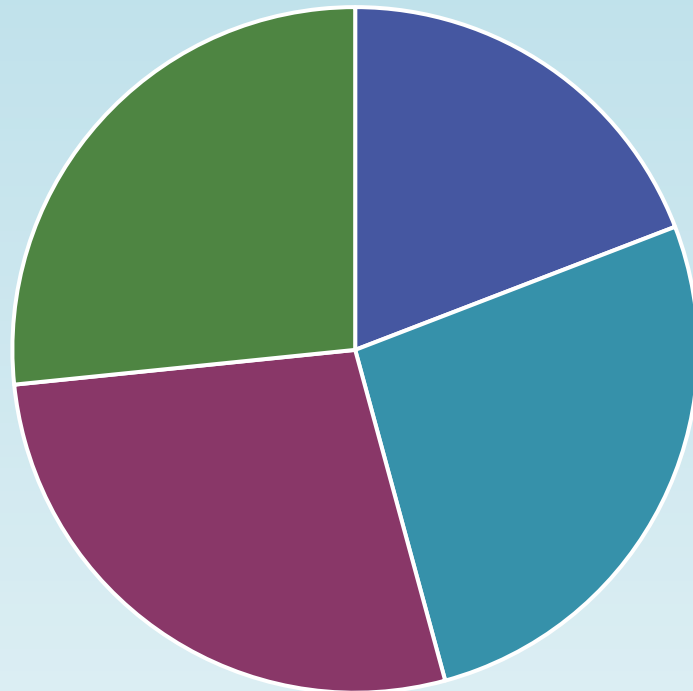
Retiree Pay Data

- 73.4% of retirees have pensions less than \$50,000 (298 out of 402)
- 26.6% have pensions greater than \$50,000 (107 of 402)
- The average Reading pension is \$36,670, which is a very modest amount.
- This option was adopted to assist retirees with increased costs caused by inflation.
- This option is for FY23 only, FY24 will return to a COLA of up to 3% of the \$14,000 COLA base amount.

Description	Number of Retirees	Result
Pensions under \$14,000	77	Increase of up to \$280 per retiree
Pensions \$14,000 to \$29,999	107	Increase of \$280 per retiree
Pensions \$30,000 to \$49,999	111	Increase of \$280 per retiree
Pensions greater than \$50,000	107	Increase of \$280 per retiree

Key Data to Consider Relative to Adoption of this one-time COLA Local Option

Reading Retiree Pensions



■ Under \$14k ■ \$14,000 to \$29,999 ■ \$30,000 to \$49,999 ■ Greater than \$50k

- Increases Pension Liability by \$842,400
- Fy25 Pension Assessment will increase by \$147,300
- Reading's Pension Liability is scheduled to be fully funded by 2031.



Questions?