

ARTICLE 3

Requested Increase In COLA Base For Retirees

- Town employees working at least 20 hours per week become members of the Montague Contributory Retirement System (MCRS). They do not contribute to Social Security.
- Without local option approval, the cost-of-living adjustments (COLA) for retirees of the MCRS would be limited to the statutory base of \$12,000. This means that a COLA only applies to the first \$12,000 of the annual retirement allowance.
- In 2011, Town Meeting approved an increase to this base to \$18,000.
- MCRS COLAs are not automatic, and are limited not only to the base, but to a maximum of 3% per year (an exception was made via special legislation to allow a one-time 5% total increase for July 1, 2022 when inflation was over 8%), which combined with the \$18,000 base provides a maximum annual increase of \$540. For a \$40,000 pension, the current maximum is equivalent to an overall 1.35% COLA. A \$30,000 base would allow a maximum annual increase of \$900. For the same \$40,000 pension, this would now provide an overall 2.25% COLA.
- Neither the maximum 3% COLA nor the current \$18,000 base allows a typical MCRS retirement allowance to keep pace with inflation.
- Understanding that the Town must find a balance between adequate and appropriate compensation, including retirement benefits, and the affordability of town services to taxpayers, the MCRS Retirement Board is requesting an increase in the COLA base from \$18,000 to \$30,000.
- The increase would not cause an annual increase in the retirement assessment, but would extend the funding schedule, which currently ends in FY30, by 2 years. The cost of this increase would then be funded into perpetuity.
- The system's current funding ratio is 87%, ranking 20th out of 105 systems.
- While the cost is significant, the Retirement Board feels that it is necessary to protect the standard of living for our retirees as well as to benefit the Town by securing a benefit that will aid in both staff recruitment and retention.