CITY COUNCIL

City Clerk's Office 4/22/2022 12:00:00 PM

Special Meeting Agenda~

I hereby notify you that the following items of business have been filed with this office and can be acted upon at the meeting of the City Council **Monday April 25, 2022** at 05:30 PM.

City Clerk

Call to Order

5:30 PM Meeting called to order on April 25, 2022 at Virtual Meeting (Zoom)

Orders

(1.) Bond Authorization - Pension Obligation Bonds $755,000,000 (Mayor Sarno)

ATTACHMENTS:

- CAFO Cert - Bond Authorization - POBs $755M (DOCX)

City of Springfield
36 Court Street
Springfield, MA 01103

Division of Administration and Finance

To: **Springfield City Council**

From: **TJ Plante, Chief Administrative & Financial Officer**

Date: **April 25, 2022**

Re: **Order for Council Meeting – 4/25/22**

Cc: **Mayor Sarno**

Purpose: The purpose of this memo is to provide an explanation of the order sponsored by the Mayor for the April 25, 2022 Council meeting, which authorizes the City to pay up to $755,000,000 for the purpose of funding all or a portion of the unfunded pension liability of the retirement system.

Background: The City of Springfield's public retirement system is currently 35.45% funded. The Unfunded Actuarial Accrued Liability (UAAL), the gap between current funds reserved for pension payments and the total future cost of pension payments, is approximately $904.9 million. As the City Council is aware, the City has made concerted efforts to decrease the unfunded liability. The most significant implementations include:

- Adopting an aggressive funding schedule beginning in 2016, with two annual increases of 14% and 9% thereafter
- Obligating $3.1M of free cash, overfunding the City's appropriation in 2019
- Consistently reducing the rate of return factored into the UAAL
- Committing to a schedule, which funds our liability by 2033, years before the mandated requirement of 2040.

The UAAL payment was approximately $66.9 million in Fiscal Year 2022, and with the necessary scheduled increases, payments will be approximately $193.7 million in Fiscal Year 2033. As such, the City is exploring alternative funding methods for the UAAL to provide pension reserve fund savings in case of change in the market and restructure the payments, reducing future pressure on the budget.

The City of Springfield became aware that the current market rates would create a favorable outlook for this opportunity in early 2022. A working group comprised of City officials representing the administration, City Council and retirement board, along with the City's financial advisor, actuarial consultant, bond counsel, and outside underwriters, began exploring the risks and benefits of using POBs. Projections and models for the bonds and investments continue to be updated accordingly for market adjustments, and will continue up to the date of sale. Funds would be transferred to the pension reserve on the bond closing. The working group will monitor projections to ensure the opportunity remains favorable for the City of Springfield, and are prepared to issue a lower amount or cancel the sale at any point should circumstances change.

CAFO Certification: This memorandum will confirm that in my professional opinion, as the Chief Administrative and Financial Officer, after an evaluation of all pertinent financial information reasonably available, that the City's financial resources and revenues are and will continue to be adequate to support the proposed expenditures and obligations involved in this City Council Order, without a detrimental impact on the continuous provision of the existing level of municipal services, in accordance with Section 2(f) of Chapter 656 of the Acts of 1989, as added by Section 1 of Chapter 468 of the Acts of 2008.

This certification is made in accordance with Section 2(f) of Chapter 656 of the Acts of 1989, as added by Section 1 of Chapter 468 of the Acts of 2008.