



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

April 7, 2009

TO THE CITY COUNCIL

Dear Councilors:

I transmit herewith for your approval an acceptance of the provisions of Massachusetts General Law, Chapter 32B, Section 20, as added by Chapter 479 of the Acts of 2008. When adopted, this local option statute will allow the City to set up a special trust fund, the Other Post Employment Benefits (OPEB) Liability Trust Fund. This statewide legislation signed by the Governor in January 2009, gives cities and towns the mechanism to invest under the "prudent investor rule," allowing investment which typically would generate more substantial returns.

OPEB is a part of the compensation that employees earn each year, even though these benefits are not received until after employment has ended. Unlike pensions, governments were never required to quantify and report what these costs are, as well as the cost associated with promises already made. The City's total OPEB obligation according to its actuary's updated valuation as of June 30, 2007, was estimated at over \$5 billion on a pay-as-you-go basis. Assuming a rate of return indicative of returns expected under the prudent investor rule, the OPEB liability is estimated at \$3.1 billion.

This year's appropriation should be thought of as an acknowledgement payment, an amount which only partially funds the annual required contribution. The City's OPEB financing plan continues to strive to balance the requirement to provide public services with providing health benefits for our employees both now and when they retire.

Sincerely,

Thomas M. Menino
Mayor of Boston

**CITY OF BOSTON
IN CITY COUNCIL**

ORDERED:

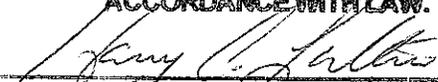
That the provisions of Massachusetts General Law, Chapter 32B, Section 20, as added by Chapter 479 of the Acts of 2008 - *An Act Providing for the Establishment of Other Post Employment Benefits Liability Trust Funds in Municipalities and Certain Governmental Units* – is hereby accepted by the City of Boston.

ORDERED:

That the sum of TWENTY FIVE MILLION DOLLARS (\$25,000,000) be, and the same hereby is, appropriated to the Other Post Employment Benefits Liability Trust Fund established under Section 20 of Massachusetts General Laws Chapter 32B, said sum to be met from available funds on hand as certified by the Director of Accounts pursuant to Section 23 of Chapter 59 of the General Laws.

61800-138910 Other Post Employment Benefits Liability Trust Fund \$25,000,000

**I HEREBY CERTIFY THAT
THE FOREGOING, IF PASSED IN
THE ABOVE FORM, WILL BE IN
ACCORDANCE WITH LAW.**



WILLIAM F. SINNOTT
CORPORATION COUNSEL