

HOUSE No. 5056

The Commonwealth of Massachusetts

PRESENTED BY:

Kate Donaghue

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act authorizing the town of Southborough to issue pension obligation bonds or notes.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	DATE ADDED:
<i>Kate Donaghue</i>	<i>19th Worcester</i>	<i>6/20/2024</i>

HOUSE No. 5056

By Representative Donaghue of Westborough, a petition (subject to Joint Rule 12) of Kate Donaghue (by vote of the town) that town of Southborough be authorized to issue bonds or notes for the purpose of funding its portion of the unfunded pension liability of the Worcester regional retirement system. Municipalities and Regional Government. [Local Approval Received.]

The Commonwealth of Massachusetts

**In the One Hundred and Ninety-Third General Court
(2023-2024)**

An Act authorizing the town of Southborough to issue pension obligation bonds or notes.

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

1 SECTION 1. The town of Southborough may issue, at 1 time or from time to time, bonds
2 or notes for the purpose of funding the portion of the unfunded pension liability of the Worcester
3 regional retirement system allocable to the town of Southborough. The proceeds of any such
4 issuance, other than amounts to be applied to issuance costs, the establishment of reserves and
5 any other expenses incidental or related thereto, shall be paid by the town of Southborough to the
6 Worcester regional retirement system, shall be allocated solely to reduce the unfunded pension
7 liability allocable to the town of Southborough to which the bonds or notes relate, shall be
8 invested in any investments which are permitted under chapter 32 of the General Laws and shall
9 otherwise be held and expended on behalf of the town by the Worcester regional retirement
10 system in accordance with law. The terms of any such bonds or notes shall not exceed 30 years
11 from the date of issuance and the amount of any such bonds or notes shall be outside the limit of
12 indebtedness prescribed in section 10 of chapter 44 of the General Laws. Upon the authorization

13 of the issuance of pension obligation bonds by the town, the town shall submit the vote and a
14 plan demonstrating how the town will finance and allocate the debt service associated with the
15 bonds or notes to the executive office for administration and finance, and no bonds or notes
16 authorized to be issued by this act shall be issued until the secretary for administration and
17 finance has approved the plan and the issuance of such bonds or notes. Except as otherwise
18 provided in this act, such bonds or notes shall be subject to said chapter 44.

19 SECTION 2. The aggregate principal amount of the bonds or notes issued during any
20 calendar year under authority of this act shall not be greater than the amount sufficient to
21 extinguish the unfunded pension liability of the Worcester regional retirement system allocable
22 to the town of Southborough, as of a particular date as determined in accordance with this
23 section, plus an amount to provide for issuance costs, the establishment of any reserves as
24 described below and any other expenses incidental or related thereto. The Worcester regional
25 retirement system shall first determine the amount sufficient to extinguish the unfunded pension
26 liability of the town of Southborough, in accordance with the report of a nationally recognized
27 independent consulting firm, which may be the consulting actuary generally retained by the
28 Worcester regional retirement system, and which amount shall be approved by the public
29 employee retirement administration commission. The report shall also set forth the present value
30 savings to the town reasonably expected to be achieved as a result of the issuance of such bonds
31 or notes.

32 SECTION 3. The maturities of such bonds or notes shall be scheduled so that the annual
33 combined payments of principal and interest for each issue shall be as nearly equal as practicable
34 in the opinion of the town treasurer, in any manner that shall provide for a more rapid
35 amortization of principal, or in accordance with any other manner consistent with the town's

36 approved funding schedule, as the secretary for administration and finance shall approve. In
37 granting the approval, the secretary may require the establishment of a reserve that may be
38 created from a portion of the amount of the annual savings used to calculate the present value
39 savings, through the issuance of bonds in accordance with this act, or otherwise, and the town of
40 Southborough is authorized to establish any such reserve fund upon such terms and conditions as
41 may be required by the secretary for administration and finance or, if no such reserve is required
42 to be established by the secretary of administration and finance, such a reserve fund may be
43 established upon such terms and conditions as the town shall determine and may be funded with
44 proceeds of bonds issued pursuant to this act, or otherwise. Any such reserve shall be held and
45 controlled by the town and shall be separate from any other reserve or fund of the town allowed
46 or required by statute. The secretary shall establish a method to calculate both the required
47 amount of annual contribution to the reserve and the minimum value to be maintained in the
48 reserve and shall prescribe conditions for expenditure from the reserve, including its use if
49 necessary to prevent or limit any future unfunded actuarial pension liability and the conditions
50 under which all or a portion of the funds in the reserve may be available for unrestricted
51 purposes in which case such funds or portions thereof shall be transferred to the town treasury.
52 Any funds in the reserve fund established pursuant to this act shall be trust funds within the
53 meaning of section 54 of chapter 44 of the General Laws and, except as otherwise provided in
54 this act, shall be subject to the provisions of said section 54.

55 SECTION 4. If the unfunded pension liability to be funded with the proceeds of an issue
56 of bonds or notes issued under this act relates in part to employees of a governmental unit other
57 than the town of Southborough, each such governmental unit shall be responsible for
58 reimbursing the town of Southborough for bonds or notes issued hereunder as is equal to the

59 proportion of the total unfunded pension liability to be funded with the proceeds of the bonds or
60 notes as relates to each of such entities. Notwithstanding any general or special law to the
61 contrary, the public employee retirement administration commission shall increase the annual
62 amount to be certified under section 22 of chapter 32 the General Laws as the amount necessary
63 to be paid by each such governmental unit other than the town of Southborough by each such
64 governmental unit's proportionate share of the annual debt service expense as determined herein.
65 The town of Southborough shall have the same legal rights and authority as the retirement board
66 of the Worcester regional retirement system to collect any amount so assessed to any such
67 governmental unit.

68 SECTION 5. Notwithstanding chapter 70 of the General Laws or any other general or
69 special law to the contrary, the portion of the annual debt service paid by the town of
70 Southborough for bonds or notes issued under this act applicable to school department personnel
71 who are members of the Worcester regional retirement system shall be included in the
72 computation of net school spending for the purposes of said chapter 70 or any other law.

73 SECTION 6. This act shall take effect upon its passage.