

**HOUSE . . . . . No. 2262**

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**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>1/15/2025</i>

**HOUSE . . . . . No. 2262**

By Representative Donaghue of Westborough, a petition (accompanied by bill, House, No. 2262) 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.]

[SIMILAR MATTER FILED IN PREVIOUS SESSION  
SEE HOUSE, NO. 5056 OF 2023-2024.]

**The Commonwealth of Massachusetts**

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**In the One Hundred and Ninety-Fourth General Court  
(2025-2026)**  
\_\_\_\_\_

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.