

TOWN OF MILLBURY
BOARD OF SELECTMEN MINUTES
MUNICIPAL OFFICE BUILDING- SELECTMEN'S MEETING ROOM

June 9, 2015

7:00 pm

Present: Board of Selectmen: Francis B. King; Sandy Cristo; Mary Krumsiek, Brian M. Ashmankas; Town Manager, Bob Spain, Tom Riley and other concerned citizens
Absent: William Borowski

Chairman King called the meeting to order and the Pledge of Allegiance was recited
Chairman King explained that the AC in the town hall has died-it does not make fiscal sense to fix it as it needs a new compressor.

New Drainlayer License-Mark Sadowski from East Hill Enterprises in Rutland. He will be doing the work at Hilltop Estates off of Hilltop Drive. He does the work, does not subcontract. Motion to approve the license made by Selectman Krumsiek, seconded by Selectman Ashmankas.
Motion carried unanimously.

Selectmen 2015 reappointments

The Selectmen held on the town counsel reappointments.

Liquor License Agents

Chief Kenney A. Howell
Lt. Donald Desorcy
Sgt. Stephen McFaul
Sgt. Brian Lewos
Sgt. Paul Lemoine

Motion to approve the reappointments made by Selectman Krumsiek, seconded by Selectman Cristo.
Motion carried unanimously.

Forest Fire Warden

David Rudge
Motion to approve the reappointment made by Selectman Krumsiek, seconded by Selectman Cristo.
Motion carried unanimously.

Deputy Forest Fire Warden

Richard Hamilton
Brian Gasco
Steven Piscitelli
Robert A. Silver, Jr.

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TOWN OF MILLBURY
MUNICIPAL OFFICE BUILDING

Motion to approve the reappointments made by Selectman Krumsiek, seconded by Selectman Ashmankas.

Motion carried unanimously.

Board Of Appeals

Paul M. Nigosian

Motion to approve the reappointment made by Selectman Krumsiek, seconded by Selectman Cristo.

Motion carried unanimously.

Board Of Fire Engineers

David J. Rudge, Fire Chief

Richard Hamilton

Brian K. Gasco

Steven Piscitelli

Robert A. Silver, Jr.

Motion to approve the reappointments made by Selectman Krumsiek, seconded by Selectman Cristo.

Motion carried unanimously.

Butler Farm Re-Use Committee

Philip Miles

Bradman Turner

Francis B. King

Karen Bott

Victor C. Irr, Jr.

Mary Krumsiek

Motion to approve the reappointments made by Selectman Cristo, seconded by Selectman Ashmankas.

Motion carried 2-0-2. (Selectman Krumsiek and Chairman King abstained)

Conservation Commission

Anthony Cameron

Motion to approve the reappointment made by Selectman Krumsiek, seconded by Selectman Cristo.

Motion carried unanimously.

Council On Aging

Edna Lapan

Everett H. Grahn

Karen Peltier

Motion to approve the reappointments made by Selectman Krumsiek, seconded by Selectman Cristo.

Motion carried unanimously.

Earth Removal Board

Thomas G. Brown

Leonard Mort

Al Peloquin

Motion to approve the reappointments made by Selectman Krumsiek, seconded by Selectman Cristo.

Motion carried unanimously.

Energy Advisory Committee

James Dunn

Laurie Connors

Rick Bedard

Brad Turner

Jeffrey Dore

Patricia Arp

Robert D. McNeil, III

Motion to approve the reappointments made by Selectman Krumsiek, seconded by Selectman Cristo.

Motion carried unanimously.

Small Business Task Force

Selectmen asked to hold on this

Worcester Regional Transit Authority

Motion to concur with the appointment of Robert Spain to the WRTA board made by Selectman Krumsiek, seconded by Selectman Cristo.

Motion carried unanimously.

New Drainlayer License-Timothy Montalto from Callahan & Montalto in Rutland. He will be doing the work on Burbank Street. He does the work, does not subcontract.

Motion to approve the license made by Selectman Krumsiek, seconded by Selectman Ashmankas.

Motion carried unanimously.

Appoint Mr. Daniel Gawrych to the **Energy Advisory Committee**

Motion to appoint Mr. Gawrych to the Energy Advisory Committee made by Selectman Krumsiek, seconded by Selectman Ashmankas.

Motion carried unanimously.

Odyssey Advisors-Parker Elmore

Spoke regarding OPEB- *see attached report. Millbury is in very good shape fiscally. Out of 251 towns that they cover, less than a dozen are significantly funding this liability. The Town of Millbury is considered a ‘mature’ town; we have a lot of retirees, not many coming up to retirement.

Selectman Ashmankas pointed out that this is not unmanageable liability. Chairman King thanked Mr. Elmore for coming in. Selectman Cristo said that it appears we are in good shape and we should continue doing what we are doing.

Town Manager Report

Mr. Spain is appointing Alyssa Marlborough to the Youth Commission

Motion to concur with the appointment made by Selectman Cristo, seconded by Selectman Krumsiek.

Motion carried unanimously.

Mr. Spain informed the board that the town counsel bids are due on June 15th. You then have time to discuss them on June 23rd.

The DPW negotiations have been completed; we have agreed to 1; 2; 1 ½ pay increases- The clerks and dispatcher’s negotiations are up next.

The BOH ordered the house at 4 John Street vacated; we have to pay to board it up and pay for the temporary lodging for the tenants. We are putting a lien on the house. The current owner is not restoring the issues.

Motion to sign the Statement of Claim by Selectman Ashmankas, seconded by Selectman Cristo.

Motion carried unanimously.

HVAC, electrical and oil bids have gone out-they are due back June 11th.

IT services, paving, line painting and stump grinding bids are also out.

Still trying to get the DPW farmhouse down-DEP has stepped in and they are making us take out the asbestos first and then take the building down.

Selectman Krumsiek asked about the new inspection on the south main street bridge. They ordered the bridge to get narrower. Chairman King asked how slim can it go? Mr. Spain believes it is at the narrowest it can be right now.

Selectman Cristo asked about the MCAD litigation and who would be going? Mr. Spain said the insurance company attorney and they would like the Chief and him to go.

Chairman King asked when the stump grinding was going to be done.

Previous Minutes:

Motion to approve the minutes of the May 12, 2015 meeting made by Selectman Krumsiek, seconded by Selectman Cristo.

Motion carried unanimously.

Motion to approve the minutes of the May 26, 2015 meeting made by Selectman Ashmankas, seconded by Selectman Cristo.

Motion carried unanimously.

Chairman King Read Dates to Remember:

Saturday June 6th & Sunday June 7th - Assumption/St Brigid St Vincent de Paul Clothing Drive

Thursday June 11th 7 pm Historical Society Annual Meeting - "A Revolution of Her Own" about the life of Deborah Samson Gannett

Friday June 19th through Sunday June 21st 42nd Annual St Joseph Polish Festival in Webster

Thursday June 25th from 6 to 8 PM Concert at the Senior Center – The Brass Connection

On a Good Note:

Congratulations to Officer Oliveri for the getting the School Resource Officer position

Shout out to all volunteers who went to Community Reading Day! It was a great day.

The Owen Carrigan Day went very well with a good turnout

The flower pots are out for the beautify Millbury project!

Selectman Ashmankas wanted to remind everyone that tomorrow is WCSA- at Shrewsbury Town Hall starting at 6:00- Joe Early, Jr. is the speaker.

Mail

Letter from Laurie Connors regarding donations of \$1,040.00 for the Butler Farm Bark Park.

Motion to accept the donations made by Selectman Krumsiek, seconded by Selectman Cristo.

Motion carried unanimously.

Letter from Laurie Connors regarding donations of \$2,100.00 for the Millbury Center Beautification Initiative.

Motion to accept the donations made by Selectman Krumsiek, seconded by Selectman Cristo.

Motion carried unanimously.

Executive Session

Convene into Executive Session under M.G.L. c.30A, §21 ¶ 2 at 8:00 pm to conduct strategy sessions in preparations for negotiations with non-union personnel or to conduct collective bargaining sessions or contract negotiations with non-union personnel to discuss the manager’s contract. Approve Minutes of the May 12, 2015 Executive Session.

Selectman Cristo	- Yes
Selectman Krumsiek	- Yes
Selectman Ashmankas	-Yes
Chairman King	-Yes

Chairman King declared that an open meeting may have a detrimental effect on the negotiating position of the public body.

Chairman King announced the Board would return only to adjourn.

Motion made by Selectman Krumsiek to adjourn at 9:00 p.m., seconded by Selectman Cristo. Approved by roll call vote.

Respectfully submitted,
Tish Hayes, Secretary

Francis B. King

Sandy J. Cristo

Mary Krumsiek

Brian Ashmankas

William Borowski

Handwritten signatures of Francis B. King, Sandy J. Cristo, Mary Krumsiek, Brian Ashmankas, and William Borowski, each written over a horizontal line.



March 24, 2015

Personal and Confidential

Ms. Katie Lavallee
Finance Director
Town of Millbury
127 Elm Street
Millbury, MA 01527

Re: GASB 45 - Summary of Results

Dear Ms. Lavallee

The purpose of this letter is to summarize our actuarial valuation of the Town of Millbury Other Postemployment Benefits Plan (the "Plan") for the fiscal year ending June 30, 2015 in accordance with Statement No. 45 of the Governmental Accounting Standards Board ("GASB 45").

What caused plan liabilities to change from FY 13 to FY 15?

Plan experience was more favorable than expected. This was mainly due to premiums for Medicare integrated plans decreasing vs. an expected 11% increase. This was somewhat offset by the introduction of a more conservative mortality table and the introduction of the ACA excise tax. The actuarial experience gain is amortized into the annual OPEB costs over a 30-year period. The net impact of plan experience is a slight decrease in the annual OPEB cost. Please note there was a change in methodology to include spouses of retirees in the count.

Over the two year period, the Actuarial Accrued Liability ("AAL") went from \$38,890,721 as of July 1, 2012 to \$36,582,440 as of July 1, 2014 for a decrease of \$2,308,281. During that same period the Annual OPEB Cost went from \$2,764,678 to \$2,763,356 for a decrease of \$1,322. As you continue to recognize more of the AAL at the time of adoption of GASB 45 onto your financial statements and factor in plan experience you can expect your OPEB obligation to increase. The Town's OPEB obligation increased from \$10,643,938 as of June 30, 2013 to \$13,546,533 as of June 30, 2015 for a total change of \$2,902,595.

What is the value of benefits accrued to date? How much is accrued each year?

As of July 1, 2014, the Plan had accrued benefits (medical & life insurance) of approximately \$36,582,440. The Plan has a “normal cost” or benefits accruing during the year of approximately \$1,300,044. Additionally, the Plan must amortize the accrued benefits in place at adoption of GASB 45 over a period of not more than 30 years. Given a 30 year amortization period for the obligation at adoption, the continuing annual amortization payment is \$1,655,377. In combination with the normal cost and interest to the end of the plan year and required adjustments to the ARC, the OPEB expense is \$2,763,356 which exceeds the expected pay-as-you-go cost of \$1,454,099 plus contributions to an OPEB Trust of \$0 by \$1,309,257 . A key issue to remember is that this is a “non-cash” charge and does not require pre-funding like a pension plan.

What are the key assumptions used to estimate a \$36,582,440 liability?

While there are a number of assumptions used to estimate plan costs and liabilities, the most important are future increases in medical care costs and the likelihood of participants retiring when they are eligible. Unlike a pension plan where a participant receives a reduced benefit for early retirement, a participant in a retiree welfare plan will actually receive a higher benefit by retiring early (more years of benefits to be received plus more years before Medicare). A key issue to keep in mind is that participant behavior (as far as retirement is concerned) is affected by many factors including the economy, personal health and work satisfaction.

For this valuation we have recognized medical premiums as of the 2015 fiscal year. For years beyond the 2015 fiscal year, medical care costs are assumed to increase by 5.0% per year. If costs increase at rates higher than assumed, plan liabilities will escalate while costs less than those assumed will yield lower liabilities in the future.

What are some key plan metrics?

While an actuarial valuation under GASB 45 can be very complex with many variables, we find it helpful to look at several key metrics shown below to better allow you to manage your plan.

Representative Plan Statistics

	<u>July 1, 2014</u>	<u>July 1, 2012</u>
Total Accumulated Postretirement Benefit Obligation	36,582,440	38,890,721
Per Eligible Active Plan Participant	40,151	51,064
Per Retiree/Spouse Plan Participant	72,369	78,775
Total Annual Normal Cost (annual benefit accrual)	1,300,044	1,473,923
Per Eligible Active Plan Participant	3,476	4,310
Expected Employer Share of Retiree Costs	1,454,099	1,457,431
Per Retiree/Spouse Plan Participant	4,880	5,358
Unfunded Actuarial Liability as a % of Payroll	187.20%	190.00%
Average Annual Medical Plan Premium (Single Coverage)	5,335	5,724
Average Annual Medical Plan Premium (Family Coverage)	20,505	19,969
<u>2018 Excise Tax Thresholds</u>		
Annual Medical Plan Premium (Single Coverage)	10,200	
Annual Medical Plan Premium (Family Coverage)	27,500	

One item to consider when looking at the design of your medical plans is the upcoming "Excise Tax" under the Affordable Care Act in 2018. Given your premiums through the 2015 fiscal year and the excise tax threshold, your single premiums are within 91.19% of the excise tax and your family premiums are within 34.11% of the excise tax. Once the excise tax is reached, the plan will owe a 40% tax on amounts that exceed the tax threshold.

Impact of Patient Protection and Affordable Care Act ("PPACA") Excise Tax

Under the Patient Protection and Affordable Care Act ("PPACA"), an excise tax will be imposed for tax years beginning after December 31, 2017 for high cost employer sponsored health coverage. The law specifies a 40% excise tax to be paid by the provider of such coverage of the excess value beyond a basic dollar amount plus an additional "kicker" for qualified retirees or those engaged in a high risk profession. The basic dollar amount for 2018 is \$10,200 for single coverage and \$27,500 for family coverage and the "kicker" amount for 2018 is \$1,650 for single coverage and \$3,450 for family coverage.

The excise tax liability will vary significantly over time as it is highly leveraged with the basic amount increased with general CPI and medical costs increasing with medical trend (generally higher). For purposes of the fiscal year ending June 30, 2015, the AAL for the excise tax is \$116,907 and the increase in annual OPEB Cost is \$4,782. As more regulatory guidance becomes available, the calculation of the excise tax liability will evolve.

Liabilities & Benefit Payments in today's dollars

With the growth of medical care costs over time, the nominal accrued liabilities ("AAL") and benefit payments can appear daunting. However, it is important to remember that a dollar paid in the future is worth less than a dollar paid today. As such, another way to view the projected liabilities and benefit payments is in 2015 dollars so you can compare them to your current budget and ability to pay. As part of our analysis, we have developed projections of plan liabilities & expenses over the next 40 years assuming that the Town's benefit eligible active population remains constant (i.e., employees who terminate or retire are replaced). While the full 40 year projection in 2015 dollars is shown in the report, below are some selected years:

Fiscal Year	Number of Retirees, Spouses & Surviving Spouses	Present Value of Total Accumulated Postretirement Benefit Obligation ("APBO")	Present Value of Employer Share of Premiums / Claims including "implicit cost"
2015	298	36,582,440	1,454,099
2020	316	36,087,424	1,446,879
2025	324	36,271,085	1,419,873
2030	337	36,985,970	1,470,854
2035	334	38,015,217	1,481,352
2040	328	39,413,771	1,548,669
2045	328	40,743,889	1,603,898

Looking at these liabilities and expenses over the next 40 years, we would offer the following highlights/observations:

- ✓ The present value of the Plan's AAL will reach their maximum in 2054 at \$43.8 million (\$202 million in 2054 dollars).
- ✓ The present value of the Plan's benefit payment will reach a peak of \$1.66 million in 2054 (\$7.67 million in 2054 dollars).
- ✓ The Plan will see the number of retirees & beneficiaries receiving benefits increase from 298 to a maximum of 337 in 2015 before beginning to decline.

We have an "unfunded liability". How do we fund it? Can we fund it?

The Plan currently has an unfunded liability of approximately \$36,582,440 and this amount is expected to grow over time in the foreseeable future. While some municipal entities across America have chosen to fund this liability, over 95% are not currently dedicating funding to it. In order for funds to be considered as "plan assets", they must be placed in an irrevocable trust for this purpose. The State of Massachusetts has recently passed legislation allowing municipal entities to establish a trust for Other Postemployment Benefits ("OPEB") under M.G.L. Chapter 32B, Section 20 for purposes of accumulating assets to pre-fund the liabilities under GASB 45. To the best of our knowledge, Town of Millbury has not established an irrevocable trust for the purposes of prefunding liabilities under GASB 45.

How do we solve the "problem"? What can be done?

While you are more limited than Corporate America due to various statutory restrictions, you do have some options available to you to manage plan liabilities and "pre-fund" the liability.

Section 18 – as the Plan is already integrated with Medicare, there is no ability to reduce costs via that route.

Change in cost sharing – You are currently charging retirees 25-50% of premiums for their contribution. Under Massachusetts law, the maximum allowable contribution rate is 50% so you have the ability to increase retiree premiums. Beyond that, changing the underlying plan design is currently your only other alternative.

Pre-Funding – if you were to elect to “pre-fund” the OPEB expenses each year by contributing the entire Annual Required Contribution, you would be allowed to use a long-term interest rate based on your underlying investment policy. Assuming a balanced portfolio (50% equities & 50% fixed-income), you could discount plan liabilities at approximately 7.00% vs. the 4.00% used in our analysis. The impact of such funding would be to reduce disclosed plan liabilities to \$24,819,799 and the annual OPEB Cost to \$2,697,860. This would require additional funding of \$904,145 in the first year which will increase by 0.00% per year until the plan reaches full funding. While this does not impact the ultimate cost of the plan, it would reduce disclosed liabilities and expenses.

In the report we have outlined several options for pre-funding (including pay-as-you-go, funding over 30 years and funding the annual normal cost):

- Pay-as-you-go – pay annual retiree premiums as they come due with little to no funding set aside in a trust.
- 30 year funding – the concept is to contribute to achieve full funding over a 30 year period.
- Funding annual normal cost – the concept is to fund the excess of the normal cost over current year benefit payments. This approach prevents the liability from growing in current dollars.

Please be aware the options presented represent a sampling of your options. The ultimate choice to fund, not to fund or the level of funding will depend on your circumstances. Should you decide that pre-funding is an appropriate option for you we would be happy to help you design a funding schedule that best fits your needs.

How does GASB 45 impact our bond ratings or ability to raise cash?

In the short run, GASB 45 is unlikely to have any material impact on bond ratings. While S&P, Moody's & Fitch have all stated that they will reflect these figures in their ratings, the comparative financials to other municipal entities will be similar as they will have all adopted GASB 45. Over time, the outliers (those with very modest or very severe GASB 45 liabilities) are likely to see some benefit or harm to their ratings or financing operations.

Healthcare Reform in the United States – how does this impact our plan?

As noted earlier, the ultimate cost of the Plan is the premiums and benefits paid from the Plan less the contributions paid by retirees and their dependents. While you can slightly change participant contributions, the true costs of the Plan are the underlying costs of benefits and premiums. As such, if healthcare reform is successful in addressing the underlying cost issue, your Plan will benefit.

If you or your auditors have questions on this, feel free to give us a call.

Sincerely,

A handwritten signature in black ink, appearing to read 'P. Elmore', with a long, sweeping horizontal stroke at the end.

Parker E. Elmore, A.S.A., E.A., M.A.A.A.
President & CEO