



Town of Wayland Massachusetts

OPEB Advisory Committee

Kent E. George
David Gutschenritter
Cliff Lewis (Chair)
Maryanne Peabody
Jay Sherry

MINUTES OF THE AD HOC OPEB ADVISORY COMMITTEE MEETING

Held on Tuesday, November 5, 2013 at 7 pm

Location: School Committee Room, Wayland Town Building

Members present were: Clifford Lewis, Chair, Kent George, David Gutschenritter, Maryanne Peabody and Jay Sherry.

Chair Cliff Lewis called the meeting to order at 7:08 pm.

This meeting can be viewed on:

http://www.wayland.ma.us/Pages/WaylandMA_MeetingsCal/S01BF5A55-01BF5A5A.0/AgendaOPEB11052013.pdf

Minutes – Minutes of the September 24, 2013 and October 22, 2013 meeting have been distributed to Committee members prior to this meeting but not in time for Committee members to review. The Committee members will review and the minutes will be acted on in a future meeting.

Review of Chair's Meeting with Selectmen liaison - Cliff Lewis met with Tony Boschetto to apprise him of the Committee's work thus far and to determine a time for the Committee to meet with Selectmen at one of their upcoming meetings for the OPEB Committee to give a report. Cliff discussed the Committee's work analyzing the Segal Report and funding OPEB per GASB 45 or "premium based assumptions" based on Wayland's actual premium cost experience. Cliff also gave an update on cost savings expected within the next year.

Review of Link between Moody's opinions and OPEB funding options. The Committee is researching whether there would be a negative impact on the Town's Bond rating by Moody's if the Town were to fund OPEB using a formula based on our premium experience vs. the GASB 45 formula. Cliff spoke with a bond specialist who thought it would not adversely impact Wayland's bond rating by Moody's since Wayland is one of the few towns in the Commonwealth who has funded OPEB. The Committee

discussed that our other financial ratios in the Town are good and that we should have our external auditors, Melanson and Heath, review our ratios and also put a footnote in our financials describing how the Town has determined the formula used to make our OPEB contribution. Jay Sherry suggested we have Brian Keveny check with our auditors, Melanson & Heath. Cliff Lewis suggested we make a presentation to the Finance Committee. Dave Gutschenritter suggested we approach the Audit Committee to talk with the auditors and discuss the Footnote. Kent George suggested that in the Management and Discussion (MDA) portion of the financials, the Town describe that it has decided to use premium-based data for determining contributions to OPEB. Management produces the financial statements. Dave Gutschenritter suggested we discuss our recommendation for FY 2014 as a “subsequent event” with the Audit Committee. Chris Riley is Chair of that committee. There was no contribution to OPEB in FY 2013. The OPEB Committee makes its recommendation for FY 2015.

Cost Savings measures - Currently pending - Maryanne Peabody and Cliff Lewis met with John Senchyshyn on October 21st. In the next calendar year, Medicare premiums will decrease and the Town will save an anticipated \$141,440 in premium costs. This is due to the fact that the federal government will no longer be returning Medicare Part D monies to West Suburban (our insurer) that West Suburban, in turn, has remitted to the Town in the past netting up approximately \$ 150,000 per year. This amount was returned to the Town’s General Fund.

Potential Cost Savings Measures - Future

Cliff and Maryanne also explored with John whether the Town can provide retired couples without dependants who are too young to qualify for Medicare and Medicare supplemental plans, two individual plans vs. a more expensive family plan. (The Town currently has 100 non-Medicare eligible retirees) E.g., a Harvard Pilgrim (non-Medicare) individual plan costs \$586 per month while a family plans costs \$ 1529/month. (West Suburban does not have a couples only plan). John did not think that West Suburban would be open to that. John had a discussion about OPEB issues with the Town’s Labor Counsel. Maryanne and Cliff explored with John who could provide us with more specific expertise on this issue. It was decided that we should seek expertise from a Benefits Consultant. John will set up a meeting with the Benefits consultant from Cook and Company who has been helpful to other Towns on benefits issues. John, Maryanne and Cliff will meet with her.

John reported that there will be some new retiree health plans coming on board this year that will have a 50/50 split. Committee members expressed the view that they are sensitive to needing to have a plan developed that rolls out over time.

Cliff and Maryanne updated John with the work of the OPEB committee to date. Cliff suggested that having the OPEB monies in a “real” trust that would be accessible only for OPEB expenses would be of benefit to employees.

FY 2015 OPEB Contributions from Revolving & Enterprise Funds – Kent George led the discussion on having the Revolving and Enterprise Funds in Town that have employees working for them pick up their proportionate OPEB contributions as a way to relieve taxpayers and pay their share as of FY 2015. The School has many funds in this category: The Children’s Way, the Full Day Kindergarten, the School Cafeteria, etc. For example, on the Town side, the Park and Recreation Department, the Water Department, Septage and Wastewater are some of the Departments that have enterprise funds. Kent pointed out that these departments and funds should have funded their share over the past 5 years and suggested that they should catch up their pro rata share of the \$ 10 million dollars that has been funded

and that the money in the revolving funds come back to the Town as free cash. Brian Keveny is waiting for school administrators to let him know what all the revolving funds are.

Dave Gutschenritter recommends that these revolving and enterprise funds be allocated their OPEB costs going forward and that allocations needed to be made to make the taxpayers whole. Dave sees two ways to do this:

An easy way where there are five (5) different contributions made where we take the 2013 retirement eligible employee numbers in each program; then multiple a percentage to determine the allocation. The alternative would be to take the actual retirement eligible employee census in each of the programs for years 2008, 2009, 2010, 2011, 2012 then go back and figure out each amount. Cliff suggested that he and Dave pass the information on to Tom Greenaway, Chair of the Finance Committee. Kent anticipates that there might be a challenge from the School side either way it is calculated.

Kent thinks that these Enterprise Funds and Revolving Accounts probably account for approximately 20% of the FTEs for OPEB funding. The Committee agreed to ask for the financial data and to ask that the 2013 retirement eligible employee census be applied to each year's contribution and to process the change going forward for 2015 budget.

Assessing the advantages and disadvantages of establishing a "real" trust fund - The Committee decided to pass over this agenda item to allow Dave Gutschenritter more time to work on it as he has had a heavy work travel schedule.

Discussion of steps for communication to the Selectmen, the public and other stakeholders – Jay Sherry had put together a list of items for this discussion item. Cliff Lewis suggested we focus on the following items:

- OPEB funding via Siegel's plan using GASB 45 vs. Wayland's experience based on actual premium costs
- Real cost savings due to a reduction in Medicare retiree premiums this year (\$ 141,440).
- Savings in plans for retirees who are couples and who are not yet Medicare eligible if we can provide either couples plans or 2 individual plans (as we do with Medicare retirees who are couples). Cliff Lewis will demonstrate the potential savings of \$200,000 based on the Town's current numbers.

Cliff Lewis suggested the Committee should divide up portions of the presentations. Discussion ensued about the short amount of time we had to present (thought to be about ½ hour. Jay Sherry volunteered to present for all. The Committee agreed that Jay would present and that all would attend and answer questions. Jay expressed some dismay about the short amount of time to present six (6) months' worth of work.

Maryanne Peabody asked by what date will we need to have our final recommendations completed? The warrant article needs to be submitted by January 14th. Kent George suggested that we need to have a public hearing or two and written/oral reports for each constituency by January/February and informational sessions nearer to Town Meeting. The Committee discussed a need to recommend the

establishment of an Investment Oversight Committee since the OPEB Committee's suggested funding schedule assumes a 7% return on investment. All were in agreement on this recommendation.

Discussion of Next Steps and Meeting Schedule - The Committee discussed the recommendation for funding on premium based assumptions since the committee thinks it's more relevant for Wayland. Cliff Lewis suggested asking to get on the Selectmen's next week's agenda. Jay, Maryanne and Dave thought that was too short a time. Jay said he needed a week to prepare a presentation. Dave suggested that if Jay wanted feedback on his presentation that we would need to set another meeting after Jay had prepared. Jay voiced that this subject matter has been difficult for us to learn and that the challenge is for us to be able to present this material to people who are not familiar with and who have not been immersed in this subject matter. Dave Gutschenritter suggested that the appendix needs to have a chart and that we need to show where the cost savings will be coming from. Jay Sherry sketched a potential sample chart to add to the presentation. Jay suggested not including the entire presentation in the Selectmen's packet prior to the meeting. Maryanne Peabody suggested the Committee provide the Selectmen with an outline of what will be discussed. Jay asked if the Committee would be more comfortable reviewing his report prior to the presentation to the Selectmen. Dave Gutschenritter said he would be more comfortable reviewing. The Committee discussed meeting on **November 18th** to review the report and then again on **December 5**.

Dave Gutschenritter suggested the Committee be prepared to answer the tough question, "Why do you think your assumptions are better than GASB 45?" Maryanne Peabody suggested the Committee also needs to be prepared to answer the question, "Why do we have to fund OPEB anyway?" Discussion ensued around identifying attorneys experienced in establishing large trust funds in municipalities.

Dave Gutschenritter suggested that the **Investment Review Committee** be comprised of 3 individuals with experience in investment management of funds with over \$50 million in assets and that they be appointed for three (3) year staggered terms.

It was also discussed that a process needs to be established for Brian Keveny and Jeff MacDonald to bill other towns (as permitted by state statute) where employees who have retired from Wayland but who have also worked in other towns as well and to have those towns pay their proportional share of Wayland's OPEB costs. The Town can expect other towns to require Wayland to do the same.

Public Comment – Carol Martin, a member of the Finance Committee (observing as a member of the public) agreed that she thought it was very important to present a chart to demonstrate savings.

There being no further business, the Chair adjourned the meeting at 10:01 pm

Respectfully submitted,

Maryanne Peabody

Member, OPEB Advisory Committee

