



Town of Wayland Massachusetts

OPEB Advisory Committee

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

Minutes of December 16, 2013 Committee Meeting

In Attendance were: Kent George, David Gutschenritter, Cliff Lewis, Maryanne Peabody, and Jay Sherry
Absent: None

This meeting was recorded and is currently available on WayCAM.

The meeting was called to order at 7:04 pm at the Town Building in the Planning Board office. The following Agenda topics were addressed:

1. Review and Approve Minutes from November 5th

The Committee reviewed the minutes from the meeting on November 5th. Several minor edits were suggested and accepted. The Committee unanimously approved the Minutes as amended.

2. Public Comment

There was no public comment.

3. Review of Selectmen Briefing – Jay Sherry

Jay reviewed the presentation to the Selectmen that was scheduled for later this evening. There was some discussion about several of the points and minor revisions to the draft Report. A copy of the presentation is attached along with the Chairman's letter to the selectmen.

4. Selectmen's Presentation

The meeting recessed and reconvened in the Selectman's Room at 9:25. Jay made his presentation to the Selectmen. There were a few questions; principally regarding the assumptions on the "Premium Based" set that lowered the rate of health care inflation in the first few years to below that in the Segal Report. Numerous examples were given showing the reasonableness of the lowered initial inflation rates.

5. Review of Selectman's Presentation

The meeting reconvened in the Planning Board office. Several comments were made on the presentation, most notably on how well it seemed to have been received.

6. Review of Stakeholder Communications & Meeting Schedule

Dave Gutschenritter offered to be sure we were on the agenda for the January 6th meeting of the FinCom and the School Committee. He also offered to draft a warrant article regarding OPEB funding for inclusion in the Warrant for the upcoming Town Meeting. The Warrant closes January 14th.

Cliff Lewis offered to contact our Selectmen's liaison regarding the legal funding, the establishment of an investment oversight group, and other items covered in the Selectman's presentation.

Jay Sherry presented a set of credentials on a possible attorney to explore the desirability of establishing a true Trust Fund. A copy is attached.

The next meeting was scheduled for Monday, January 6th with the FinCom and School Boards. Jay Sherry offered to make the same presentation that was made tonight to the Selectmen. All approved.

A meeting was also scheduled for Wednesday, January 8th at 7:00, principally to review progress to date and the proposed Warrant Article.

7. Public Comment

There was no further public comment.

8. Adjourn

The Committee voted unanimously to adjourn at 130 pm.

Respectfully submitted

Clifford Lewis

Selectman's Presentation
Selectman's Cover Letter
Credentials of Navjeet Bal

From: Bal, Navjeet [mailto:nbal@nixonpeabody.com] **Sent:** Monday, December 16, 2013 2:49 PM
To: Jay Sherry; Keefe, Christopher
Subject: Town of Wayland - OPEB trust

Jay – As a follow up to our conversation last Friday, I reviewed the 2010 legislation authorizing an OPEB trust fund for Wayland. We discussed whether it would be advantageous for Wayland to also enter into a trust agreement governing the use of those monies. In response to your inquiry, it would take me no more than 2 hours (at my discounted hourly rate of \$500) to review the question, focusing on whether the monies are (i) legally protected from other creditors; (ii) dedicated solely to paying the OPEB liabilities; and (iii) how the fund is treated by the Town’s accounting firm for financial statement purposes. I would also review other cities and towns trust agreements. The goal of this review would be to determine whether or not it would be beneficial to the Town of Wayland to have such a trust agreement.

I am a bond lawyer by training, and have worked in this field since 1989. I joined Governor Patrick’s administration at the Department of Revenue in September 2007, and was appointed by the Governor as the Commissioner of Revenue in February 2008, and served in that capacity until September 2011 when I joined Nixon Peabody. As the Commissioner, I oversaw the DOR Division of Local Services, which works with all Massachusetts cities and towns on matters of municipal finance. I have also reviewed municipal finance matters as bond counsel for state issuers such as the Massachusetts Water Pollution Abatement Trust and the Massachusetts School Building Authority. I am well versed in city and town financial matters.

Best regards
NavjeetBal

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Town of Wayland Massachusetts

OPEB Advisory Committee Report to Board of Selectmen December 16, 2013

Committee Members:
Kent George
David Gutschenritter
Cliff Lewis (chair)
Maryanne Peabody
Jay Sherry

OPEB Committee Report to Selectmen Dec 16, 2013

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Key Findings of the Committee

1. OPEB liability reporting is mandatory under GASB 45
 - Actuarial valuations required in Town of Wayland's financial statements
 - But provide poor predictions of Wayland's actual healthcare premium expense for its retirees
 - Significantly overstate Wayland's OPEB liability & required funding to pay benefits
2. Actuarial assessments since 2008 have consistently over-estimated healthcare inflation that Wayland has actually experienced 2009 – 2013.
3. Wayland's fee-based enterprise & revolving funds have not contributed to OPEB fund proportionally to their employee headcount who will qualify for OPEB.
4. Actuarial valuations assume 7% investment return. Wayland's investment returns on its OPEB contributions since FY08 have been very low, until very recently: average 0.7% per year through April 2012.
5. Wayland has reduced its Medicare-related OPEB expense beginning calendar 2014 through lower premiums on Medicare plans from West Suburban Health Group.
6. Wayland has several additional opportunities to reduce its OPEB expense in future years.
7. Wayland's OPEB funds are not currently in a true trust fund.
8. Wayland can potentially be reimbursed by other cities and towns for its retirees with creditable service from multiple governmental units.

OPEB Committee Report to Selectmen Dec 16, 2013

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Segal Company Valuation as of December 2012

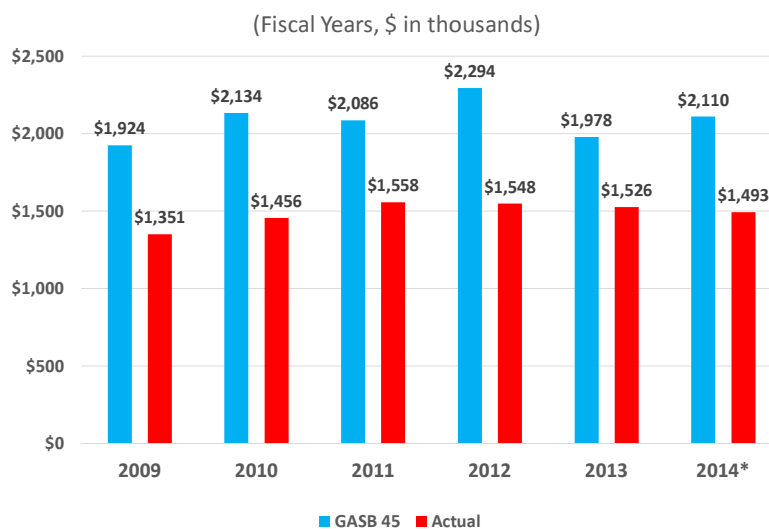
- Actuarial valuation based on GASB 45 assumptions and financial reporting requirements
- Current OPEB liability of **\$38.5M**, built up from 1968 – 2008
- OPEB payments of **\$2.0 - \$2.3M per year** needed through FY15 for retirees
 - Growing every year with assumed healthcare inflation of 8% to 5%/year
- Plus trust fund additions of **~\$625K per year** needed to save for today's employees, and fund the current liability
- Investment returns assumed to be 7% per year, with trust assets at **\$103.3M** by 2038 to reduce unfunded liability to zero.
- Current OPEB liability is offset by \$10.2M in fund assets as of 12/31/2012
 - Reduces unfunded liability to \$28.3M
- Wayland is **27% funded** in 2012, far better than most cities and towns

Source: Segal Company 2012 report, pp 2 & 8

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GASB 45 Projections vs. Wayland's Actual OPEB

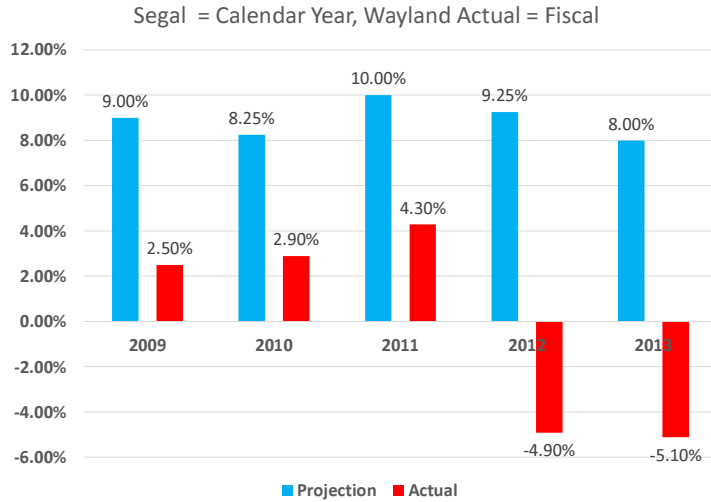


- Based on Segal Company forecasts under GASB 45 as of December 2008, 2010, 2012 for succeeding two fiscal years
- Over-estimates average \$600K per year, ranging from 30 – 48% over actual
- * 2014 is Wayland's estimated OPEB expenditure for FY2014 based on Aug 2013 subscriber count.

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Segal Report's Healthcare Inflation Projections vs. Wayland Actual*

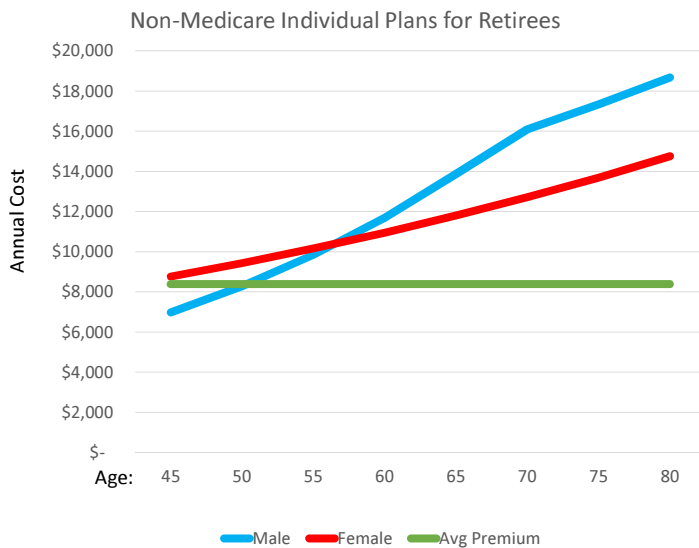


- Healthcare inflation projections are taken from Segal's 2008, 2010 & 2012 reports for succeeding two calendar years
- *Wayland Actual is fiscal year over fiscal year growth in per capita spending on retiree healthcare.

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Segal's Age & Gender Costs vs. Wayland's Premium



Source: Segal Company 2012 report, pp 21 & 26

FY13 Weighted Average Annual Premium for Wayland's retired subscribers to individual plans: \$8386

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Recommendation #1: Fund OPEB based on Wayland's Premium cost, not GASB 45

- Segal Company re-calculated OPEB in October at our request, changing two assumptions:
 - Actual premiums paid to West Suburban Health Group, instead of Age & Gender Tables
 - Near-term healthcare inflation of 0%/year, rising to 5%/year
- Total liability as of 2012: \$38.5M → \$28.5M
- Average annual funding: \$626K → \$292K per year
- Est. payments to current retirees: \$2.0M → \$1.7M per year in FY13
- Total assets required in 2038: \$103.3M → \$74.2M
- Percentage funded as of 2012: 27% → 36%

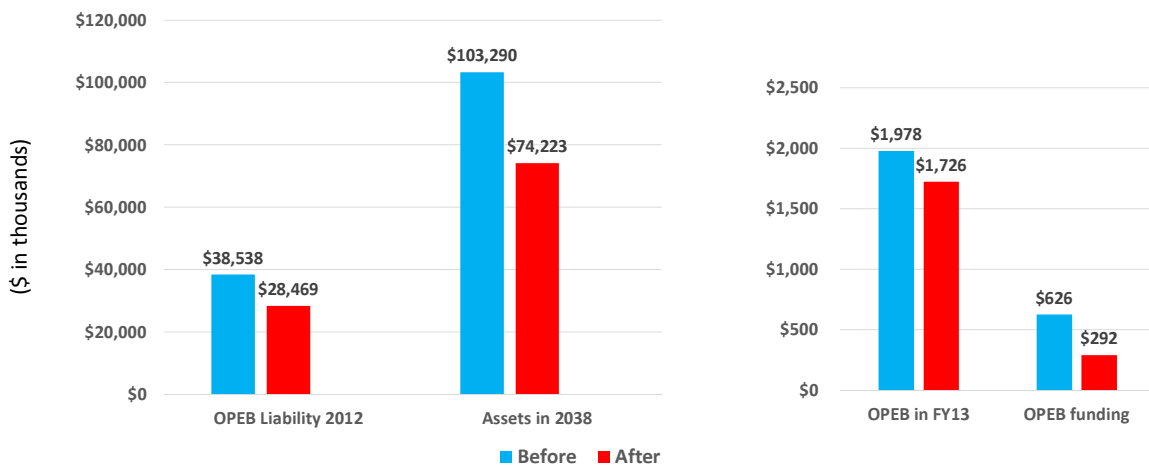
HOWEVER,

- GASB 45 valuation will still be required in Wayland's financial statements
- Explanation of this alternative funding policy will be needed in financial statements
- Wayland's "Net OPEB Obligation" under GASB 45 reported in Required Supplementary Information in financial statements will grow over time

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Impact of Changing Actuarial Assumptions



Before: Segal Company's 2012 report under GASB 45 actuarial assumptions, p 8.

After: Segal's non-GASB Oct 24 2013 forecast of Premium-based OPEB payments under lower inflation assumptions. "OPEB in FY13" represents actuarial projection of OPEB payments to retirees in FY13.

"OPEB funding" is average annual additions to OPEB account needed in FY15 – FY19 to fully fund by 2038

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Recommendation #2: Enterprise & Revolving Funds should make catch-up contributions to OPEB account in FY15 – FY18

- Funds should contribute to OPEB proportionally to their headcount
- Funds in both School & Town have ~13% of Wayland's retirement-eligible FTE headcount
- FY14 OPEB appropriation of ~\$98K was contributed by Funds, but no contributions for FY08 – FY12
- Catch-up contributions are ~\$1.2M:
 - \$962K from School Funds
 - \$236K from Town Funds
- Funds should contribute \$300K per year for four years to OPEB instead of being paid by taxpayers

Recommendation #3: Establish OPEB Investment Committee

- Proposed Responsibilities:
 - Provide investment policy & guidance to Wayland's Treasurer and fund managers
 - Select & review Wayland's OPEB investment fund manager(s)
 - Maximize long-term investment returns on OPEB fund assets
- Three person Committee, plus non-voting liaison from OPEB Committee
- Composed of Money Management / Investment professionals
- Appointed by Board of Selectmen
- Three year staggered terms

Recommendation #4: Implement Cost Reductions

Realized Cost Reduction:

- Wayland will now be offering lower cost Medicare plans with lower premiums to retirees over 65 that will save Wayland ~\$141K per year, beginning calendar 2014
 - Savings to retirees of ~\$32K per year

Potential Cost Reductions:

- Explore the possibility to have married non-Medicare retirees select two individual plans instead of one family plan

Potential Cost Reductions (cont.): Adjust premium cost-sharing for retirees

- 1968 Town of Wayland ballot vote mandated that Town of Wayland pays at least 50% of cost of healthcare premiums for retirees & spouses
- Town of Wayland pays more than 50% for retirees and spouses in FY14:
 - Non-Medicare individual plans: 74% for Rate Saver Plans
 - Non-Medicare family plans: 64% for Rate Saver Plans
 - Medicare individual plans: 50% - 70%
- 50% cost sharing across the board would have reduced Wayland's OPEB expense by ~\$202K in FY13
- Specific transition plan for current and near-retirees is required
 - Transition over 7 - 10 years?
 - Panel to review hardship cases?
 - Impact on negotiation of collective bargaining agreements

Recommendation #5: Evaluate true OPEB Trust Fund

- OPEB fund assets are not currently within a true trust fund
- A true trust fund could be viewed positively by retirees
- But Wayland's special OPEB statute may already provide functional equivalence of a true trust at little or no legal & administrative cost
- Committee requests \$2500 funding for legal opinion on pros and cons of a true trust fund versus what we have today

Recommendation #6: Reimbursement of OPEB

- Some Wayland employees & retirees have earned creditable service from multiple towns & cities in Massachusetts, and the Commonwealth itself
- If employees retire from Wayland with a pension, they receive OPEB from Wayland, even though only a portion of their service was with Wayland
- Under the law, Wayland is entitled to recover a portion of OPEB expense from other cities & towns
 - Recovery will be proportional to creditable service earned at other municipalities
- Wayland needs to examine creditable service records at Middlesex Retirement System & Massachusetts Teacher Retirement System, and invoice other cities & towns appropriately
- In return, Wayland should expect to receive invoices from other municipalities

Suggested Next Steps for OPEB Committee

- Drafting in January 2014 of Warrant Article for FY15 OPEB funding
- Joint Meeting with School & Finance Committees in January
- Communication to general public prior to April Town Meeting
- Examination of pros & cons of current and alternative trust fund structures
- Examine further OPEB cost reduction opportunities
- Additional analysis of Enterprise & Revolving Funds
 - Potential catch-up contributions for FY08 – FY12 from remaining 30+ Funds
 - Recovery of past OPEB payments to retirees of Funds
 - Process changes to charge Funds for OPEB on a going forward basis
- Recommend process changes
 - Make OPEB funding part of departmental budgeting process for FY16
 - Institute reimbursement process with other municipalities
- Mid-2014: Work with Segal Company to improve OPEB forecasting model in 2014 valuation

BACKUP DATA

GASB 45 text on health insurance premiums

“Use of health insurance premiums—An employer participating in an experience-rated healthcare plan that provides benefits through premium payments to an insurer or other service provider may use the plan’s current premium structure as the initial per capita healthcare rates for the purpose of projecting future healthcare benefit payments. However, if the *same premium rates* are given for both active employees and retirees, and the plan is *not a community-rated plan*, as discussed in paragraph 13a(2), the employer should (1) obtain from the insurer age-adjusted premium rates for retirees or, if that information cannot be obtained from the insurer, (2) estimate age-adjusted premiums for retirees using the method provided in Tables 3 through 5 of paragraph 35d, as appropriate.”

Source: Statement No. 45 of the Governmental Accounting Standards Board, June 2004, paragraph 34g, page 24.

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Wayland’s Actual Healthcare Inflation

RETIREE INSURANCE SUMMARY						
Town Expenses						
Fiscal Year	2008	2009	2010	2011	2012	2013
Data Month	June	June	March	March	March	February
Non-Medicare Enrollment	100	90	95	97	93	95
Non-Medicare Total \$s	\$1,096,020	\$1,113,384	\$1,135,908	\$1,232,916	\$1,115,352	\$1,157,508
Non-Medicare Town \$s	\$736,367	\$733,491	\$738,864	\$805,262	\$745,006	\$763,927
Per Capita:	\$7,364	\$8,150	\$7,778	\$8,302	\$8,011	\$8,041
Town Contribution %	67.19%	65.88%	65.05%	65.31%	66.80%	66.00%
Medicare Enrollment	256	269	281	289	310	324
Medicare Total \$s	979,046	1,060,082	1,221,753	1,271,569	1,362,555	1,378,524
Medicare Town \$s	569,681	616,696	716,876	752,922	802,655	762,495
Per Capita:	2,225	2,293	2,551	2,605	2,589	2,353
Town Contribution %	58.19%	58.17%	58.68%	59.21%	58.91%	55.31%
Total Retiree Enrollment	356	359	376	386	403	419
Total Retiree Cost \$s	2,075,066	2,173,466	2,357,661	2,504,485	2,477,907	2,536,032
Total Retiree Cost Town \$s	1,306,048	1,350,187	1,455,740	1,558,184	1,547,661	1,526,422
Per Capita:	3,669	3,761	3,872	4,037	3,840	3,643
Total Town Contribution %	62.94%	62.12%	61.75%	62.22%	62.46%	60.19%
Year to Year growth in Per Capita:		2.5%	2.9%	4.3%	-4.9%	-5.1%

Source: Report from John Senchyshyn, Aug 16 2013 OPEB Committee Report to Selectmen Dec 16, 2013

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Weighted Average Annual Premium Cost

Total Annual Costs Paid to WSHG on behalf of Retirees Subscribers to Individual Non-Medicare Plans in FY13

	Retirees	Monthly Premium	Annual Premium	Annual Cost:
Harvard Pilgrim HMO RSP	31	\$586	\$7,032	\$217,992
BCBS Blue Choice RSP	5	\$603	\$7,236	\$36,180
Tufts Navigator RSP	13	\$620	\$7,440	\$96,720
Fallon Select RSP	1	\$521	\$6,252	\$6,252
Fallon Direct RSP	0	\$485	\$5,820	\$0
Tufts POS	1	\$1,562	\$18,744	\$18,744
Harvard Pilgrim PPO	5	\$1,562	\$18,744	\$93,720
Total:	56			\$469,608
		Weighted Average Annual Cost:		\$8,386

Source: Segal Company 2012 report, p 26

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Healthcare Cost Inflation

Year	GASB 45 Projection	Wayland Actual	Premium-Based Projection
2009	9.00%	2.5%	NA
2010	8.25%	2.9%	NA
2011	10.00%	4.3%	NA
2012	9.25%	-4.9%	NA
2013	8.00%	-5.1%	0.00%
2014	7.50%	TBD	4.00%
2015	7.00%	TBD	4.50%
2016	6.50%	TBD	5.00%
2017	6.00%	TBD	5.00%
2018	5.50%	TBD	5.00%
2019 & later	5.00%	TBD	5.00%

GASB 45 Projection: "Healthcare Cost Trend Rates" for Medical/Drug expenses in Segal Company's 2008, 2010 & 2012 Valuations under GASB 45 requirements. See page 21 of Segal's 2012 report for details. Calendar years.

Wayland Actual: Year over year growth in Wayland's per capita spending on retiree healthcare. This adjusts for the increasing number of Wayland retirees receiving OPEB. Fiscal years, so these are closely but not directly comparable to calendar year GASB 45 and premium-based projections.

Premium-Based Projection: Assumption from OPEB Committee used in Segal's October 2013 re-calculation of OPEB. Calendar years.

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OPEB Fund Contributions FY15 – FY19

Fiscal Year	GASB 45 Projection	Premium-Based Projection
2015	\$718,381	\$285,425
2016	\$666,820	\$295,106
2017	\$610,673	\$293,691
2018	\$564,311	\$287,881
2019	\$568,448	\$295,578
Average:	\$625,727	\$291,536

Source: Segal Company

Segal Company Premium-Based OPEB Projection

Using Premiums									
Year	Benefit Payments	Normal Cost	Amortization of UAAL	Total Funding (NC + Amort.)	Funding Contribution	Asset Return	Assets	AAL	UAAL
2013	\$1,726,415	\$853,807	\$1,031,048	\$1,884,855	\$0	\$715,731	\$10,224,733	\$28,469,398	\$18,244,665
2014	1,747,058	896,497	1,076,957	1,973,454	226,396	781,680	10,940,464	29,528,565	18,588,101
2015	1,770,547	941,322	1,114,650	2,055,972	285,425	856,378	11,948,540	30,685,464	18,736,924
2016	1,846,945	988,388	1,153,663	2,142,051	295,106	936,981	13,090,343	31,946,176	18,855,833
2017	1,938,157	1,037,807	1,194,041	2,231,848	293,691	1,023,128	14,322,430	33,263,752	18,941,322
2018	2,037,648	1,089,697	1,235,832	2,325,529	287,881	1,114,899	15,639,249	34,628,840	18,989,591
2019	2,127,690	1,144,182	1,279,086	2,423,268	295,578	1,213,632	17,042,029	36,038,551	18,996,522
2020	2,229,921	1,201,391	1,323,854	2,525,245	295,324	1,319,259	18,551,239	37,508,896	18,957,657
2021	2,342,935	1,261,461	1,370,189	2,631,650	288,715	1,431,818	20,165,822	39,033,992	18,868,170
2022	2,412,449	1,324,534	1,418,146	2,742,680	330,231	1,555,161	21,886,355	40,609,194	18,722,839
2023	2,489,845	1,390,761	1,467,781	2,858,542	368,697	1,689,831	23,771,747	42,287,769	18,516,022
2024	2,614,338	1,460,299	1,519,153	2,979,452	365,114	1,833,677	25,830,275	44,071,893	18,241,618
2025	2,745,055	1,533,314	1,572,323	3,105,637	360,582	1,987,275	28,029,066	45,922,104	17,893,038
2026	2,882,307	1,609,980	1,627,354	3,237,334	355,027	2,151,237	30,376,923	47,840,088	17,463,165
2027	3,026,422	1,690,479	1,684,311	3,374,790	348,368	2,326,209	32,883,187	49,827,504	16,944,317
2028	3,177,743	1,775,003	1,743,262	3,518,265	340,522	2,512,880	35,557,764	51,885,970	16,328,206
2029	3,336,630	1,863,753	1,804,276	3,668,029	331,399	2,711,980	38,411,166	54,017,056	15,605,890
2030	3,503,462	1,956,941	1,867,426	3,824,367	320,905	2,924,282	41,454,545	56,222,272	14,767,727
2031	3,678,635	2,054,788	1,932,786	3,987,574	308,939	3,150,607	44,699,732	58,503,054	13,803,322
2032	3,862,567	2,157,527	2,000,434	4,157,961	295,394	3,391,827	48,159,278	60,860,751	12,701,473
2033	4,055,696	2,265,403	2,070,449	4,335,852	280,156	3,648,866	51,846,499	63,296,611	11,450,112
2034	4,258,481	2,378,673	2,142,915	4,521,588	263,107	3,922,704	55,775,521	65,811,760	10,036,239
2035	4,471,405	2,497,607	2,217,917	4,715,524	244,119	4,214,382	59,961,332	68,407,189	8,445,857
2036	4,694,975	2,622,487	2,295,544	4,918,031	223,056	4,525,002	64,419,833	71,083,728	6,663,895
2037	4,929,723	2,753,611	2,375,888	5,129,499	199,776	4,855,737	69,167,891	73,842,027	4,674,136
2038	5,049,960	2,891,292	2,459,125	5,350,417	300,457	5,216,670	74,223,404	76,682,529	2,459,125

Impact of Premium-Based Funding on GASB 45

GASB 45 Projections - Assuming 6.25% Discount Rate										
Year	Normal Cost	Amortization of UAAL	ARC (NC + Amort.)	Interest on NOO/NOA	ARC Adjustment	Benefit Payments	AOC	NOO/(NOA)	AAL	UAAL
2013	\$1,272,782	\$1,676,679	\$2,699,019	(\$334,189)	\$288,682	\$1,978,306	\$2,653,512	(\$4,098,917)	\$42,245,591	\$32,020,858
2014	1,336,421	1,841,765	3,178,186	(256,182)	234,414	2,110,447	3,156,418	(3,279,342)	44,136,321	33,195,857
2015	1,403,242	1,949,167	3,352,409	(204,959)	193,082	2,253,489	3,340,532	(2,477,724)	46,072,438	34,123,898
2016	1,473,404	2,059,256	3,532,660	(154,858)	150,445	2,427,240	3,528,247	(1,671,823)	48,048,578	34,958,235
2017	1,547,074	2,173,642	3,720,716	(104,489)	104,878	2,610,762	3,721,105	(855,171)	50,038,163	35,715,733
2018	1,624,428	2,293,110	3,917,538	(53,448)	55,538	2,789,911	3,919,628	(13,335)	52,035,380	36,396,131
2019	1,705,649	2,419,129	4,124,778	(833)	899	2,924,211	4,124,844	891,720	54,049,266	37,007,237
2020	1,790,931	2,555,115	4,346,046	55,733	(62,493)	3,064,593	4,339,286	1,871,089	56,132,623	37,581,384
2021	1,880,478	2,703,067	4,583,545	116,943	(136,755)	3,238,411	4,563,733	2,907,696	58,287,646	38,121,824
2022	1,974,502	2,863,190	4,837,692	181,731	(222,310)	3,324,077	4,797,113	4,050,501	60,487,820	38,601,465
2023	2,073,227	3,041,249	5,114,476	253,156	(325,060)	3,407,506	5,042,572	5,316,870	62,834,385	39,062,638
2024	2,176,888	3,241,575	5,418,463	332,304	(449,604)	3,577,882	5,301,163	6,675,037	65,343,863	39,513,588
2025	2,285,732	3,465,156	5,750,888	417,190	(597,388)	3,756,776	5,570,690	8,128,369	67,939,298	39,910,232
2026	2,400,019	3,716,914	6,116,933	508,023	(773,806)	3,944,614	5,851,150	9,679,878	70,622,520	40,245,597
2027	2,520,020	4,003,385	6,523,405	604,992	(986,000)	4,141,845	6,142,397	11,332,062	73,395,295	40,512,108
2028	2,646,021	4,333,447	6,979,468	708,254	(1,243,644)	4,348,937	6,444,078	13,086,681	76,259,312	40,701,548
2029	2,778,322	4,719,493	7,497,815	817,918	(1,560,184)	4,566,383	6,755,549	14,944,448	79,216,171	40,805,005
2030	2,917,238	5,179,382	8,096,620	934,028	(1,954,905)	4,794,702	7,075,743	16,904,584	82,267,367	40,812,822
2031	3,063,100	5,739,848	8,802,948	1,056,537	(2,456,517)	5,034,437	7,402,968	18,964,176	85,414,272	40,714,540
2032	3,216,255	6,442,845	9,659,100	1,185,261	(3,109,808)	5,286,159	7,734,553	21,117,176	88,658,118	40,498,840
2033	3,377,068	7,358,214	10,735,282	1,319,824	(3,988,867)	5,550,466	8,066,239	23,352,793	91,999,977	40,153,478
2034	3,545,921	8,611,581	12,157,502	1,459,550	(5,226,083)	5,827,989	8,390,969	25,652,666	95,440,740	39,665,219
2035	3,723,217	10,454,067	14,177,284	1,603,292	(7,084,312)	6,119,389	8,696,264	27,985,422	98,981,089	39,019,757
2036	3,909,378	13,471,448	17,380,826	1,749,089	(10,172,521)	6,425,358	8,957,394	30,294,402	102,621,474	38,201,641
2037	4,104,847	19,420,778	23,525,625	1,893,400	(16,304,906)	6,746,626	9,114,119	32,462,119	106,362,087	37,194,196
2038	4,310,089	37,086,740	41,396,829	2,028,882	(34,491,001)	6,911,178	8,934,710	34,185,194	110,202,827	35,979,423

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Enterprise & Revolving Fund Catch-up Contribution Data

Previous years' OPEB charges based upon actual contributions and 2013 staffing.							
	FY2008	FY2009	FY2010	FY2011	FY2012	Total	FTE
Total OPEB account appropriations:	\$750,000	\$1,110,319	\$1,860,000	\$3,150,000	\$2,800,000	\$9,670,319	Count
Schools							
Food Service	\$23,514	\$34,811	\$58,306	\$98,739	\$87,772	\$303,142	18.37
Before/After School Extension	\$23,810	\$35,250	\$59,041	\$99,982	\$88,877	\$306,959	18.60
The Children's Way	\$23,283	\$34,470	\$57,734	\$97,770	\$86,911	\$300,168	18.19
Full Day Kindergarten Rev @ 35% (initiated FY11)		n/a	n/a	\$27,573	\$24,511	\$52,084	5.13
Subtotal Schools	\$70,607	\$104,530	\$175,081	\$324,064	\$288,071	\$962,353	60.29
Town							
Septage	\$0	\$0	\$0	\$0	\$0	\$0	0.00
Water	\$11,904	\$17,624	\$29,518	\$49,987	\$44,435	\$153,468	9.30
Transfer Station	\$1,280	\$1,895	\$3,174	\$5,375	\$4,778	\$16,502	1.00
Recreation	\$5,120	\$7,580	\$12,696	\$21,500	\$19,112	\$66,008	4.00
Subtotal Town	\$18,304	\$27,099	\$45,388	\$76,862	\$68,325	\$235,978	14.30
TOTAL (Schools + Town)	\$88,911	\$131,629	\$220,469	\$400,926	\$356,396	\$1,198,331	74.59
						Total School & Town FTEs	586.00

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Investment Returns in Wayland's OPEB Accounts

Consolidated Accounts	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14
Beginning Balance	\$ -	\$ 751,756.63	\$ 1,879,034.64	\$ 3,751,873.15	\$ 6,919,408.09	\$ 9,860,361.84	\$ 10,711,400.40
New Contributions to Accounts	\$ 750,000.00	\$ 1,110,319.00	\$ 1,860,319.00	\$ 3,150,000.00	\$ 2,895,585.22	\$ 98,705.60	\$ -
Invest Growth/Loss	\$ 1,756.63	\$ 16,959.01	\$ 12,519.51	\$ 17,534.94	\$ 45,368.53	\$ 752,332.96	\$ 581,017.11
Ending Balance	\$ 751,756.63	\$ 1,879,034.64	\$ 3,751,873.15	\$ 6,919,408.09	\$ 9,860,361.84	\$ 10,711,400.40	\$ 11,292,417.51
Months of investment:*	2	12	12	12	12	12	4
Approximate annualized return:	1.4%	0.9%	0.3%	0.3%	0.5%	7.6%	16.3%

* Initial contribution made May 1 2008. FY14 ending balance is as of October 31, 2013.

Source: MMDT and Rockland/Bartholomew Trust account balance and contribution data from Paul Keating, December 4 2013

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OPEB Statutes Accepted by Wayland

Date Accepted	Election /Article	Statute Accepted	Now Codified as MGL	Section	Subject Matter
March 5, 1958	Referendum State Election	Chapter 32B		1-12 and 14	Authorizing the town to provide a plan of contributory group life insurance, group accidental death and dismemberment, Insurance and group general or blanket hospital, surgical and medical insurance for certain persons in the service of the town and their dependents (Active Employees).
March 4, 1968	Referendum Town Election	Chapter 595, Acts of 1959	32B	9A	Authorizes Town to pay ½ of premium costs payable by retired employees for group life Insurance and group general or blanket Hospital, surgical and medical insurance.
March 2, 1970	Referendum Town Election	Chapter 32B		9D	Town to pay ½ of premium costs payable to spouse of employee or retired employee.
March 5, 1973	Referendum Town Election	Chapter 32B		11B	Group insurance to elderly persons retired from town and their dependents with 50% of premium.
May 3, 1982	Article 9 Town Meeting	Chapter 32B, section 7A			Group insurance.
April 27, 2006	Article 17 Town Meeting	Chapter 32B		18	Transfer of retirees to Medicare extension plan.

Source: Wayland Town Code, from ecode360.com

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Impact of Changing Cost Sharing to 50%

	Number of Individuals	Number of Families	Present Costs					Proposed Costs with 50% Cost Sharing				
			Monthly Town Cost		Monthly Retiree Cost		Annual Town Cost	Monthly Town Cost		Annual Town Cost	Annual Town Savings	
			Individual	Family	Individual	Family		Individual	Family			
Non Medicare Retirees												
Harvard Pilgrim HMO RSP	31	19	\$451.22	\$1,024.43	\$134.78	\$504.57	\$401,424	\$293.00	\$764.50	\$283,302	\$118,122	
BCBS Blue Choice RSP	5	7	\$464.31	\$1,085.40	\$138.69	\$534.60	\$119,032	\$301.50	\$810.00	\$86,130	\$32,902	
Tufts Navigator RSP	13	7	\$477.40	\$1,087.41	\$142.60	\$535.59	\$165,817	\$310.00	\$811.50	\$116,526	\$49,291	
Fallon Select RSP	1	0	\$401.17	\$940.68	\$119.83	\$463.32	\$4,814	\$260.50	\$702.00	\$3,126	\$1,688	
Fallon Direct RSP	0	0	\$373.45	\$874.35	\$111.55	\$430.65	\$0	\$242.50	\$652.50	\$0	\$0	
Tufts POS	1	0	\$781.00	\$1,734.50	\$781.00	\$1,734.50	\$9,372	\$781.00	\$1,734.50	\$9,372	\$0	
Harvard Pilgrim PPO	5	1	\$781.00	\$1,734.50	\$781.00	\$1,734.50	\$67,674	\$781.00	\$1,734.50	\$67,674	\$0	
	56	34										
Annual Town Cost, Non Medicare Retirees							\$768,133			\$566,130	\$202,003	

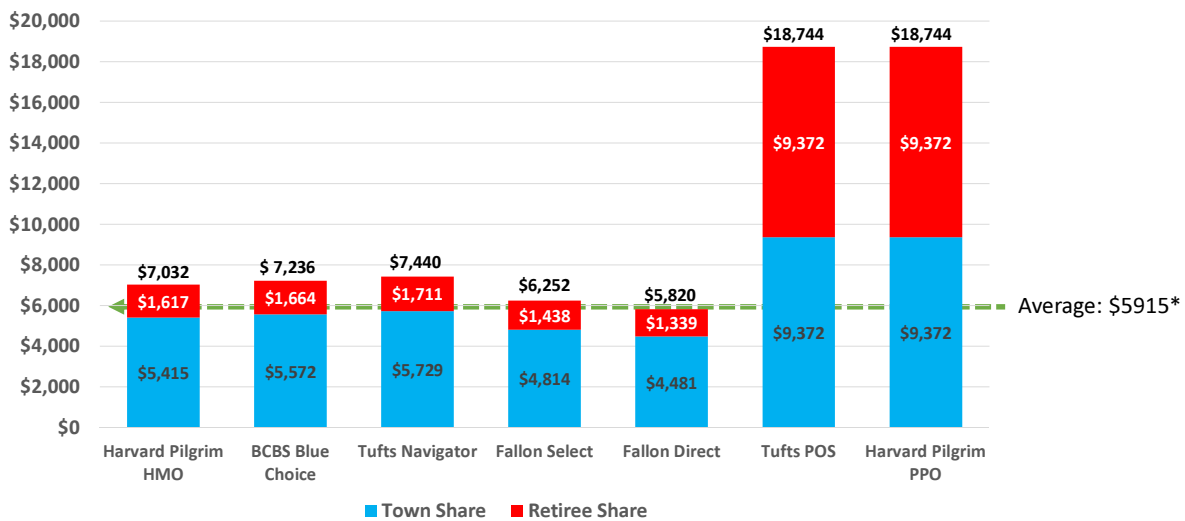
Source: Segal Company 2012 Report, p 26

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Annual Healthcare Premium Cost Sharing (1 of 3)

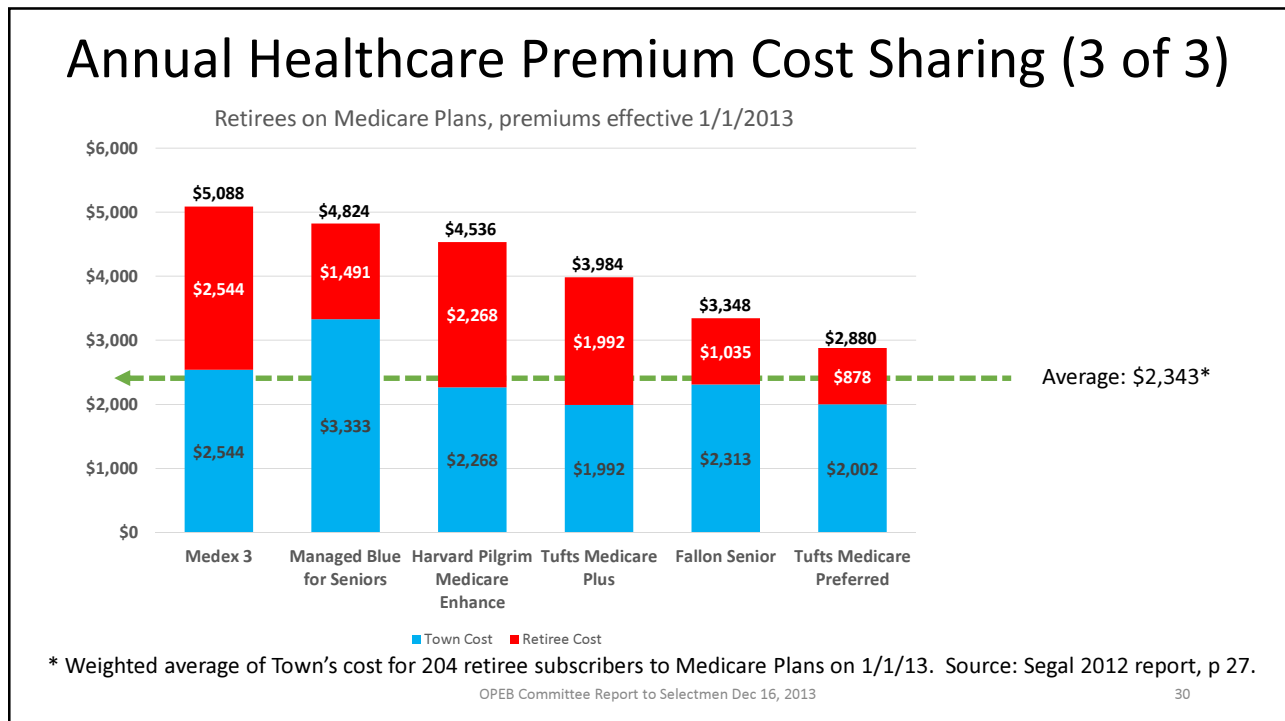
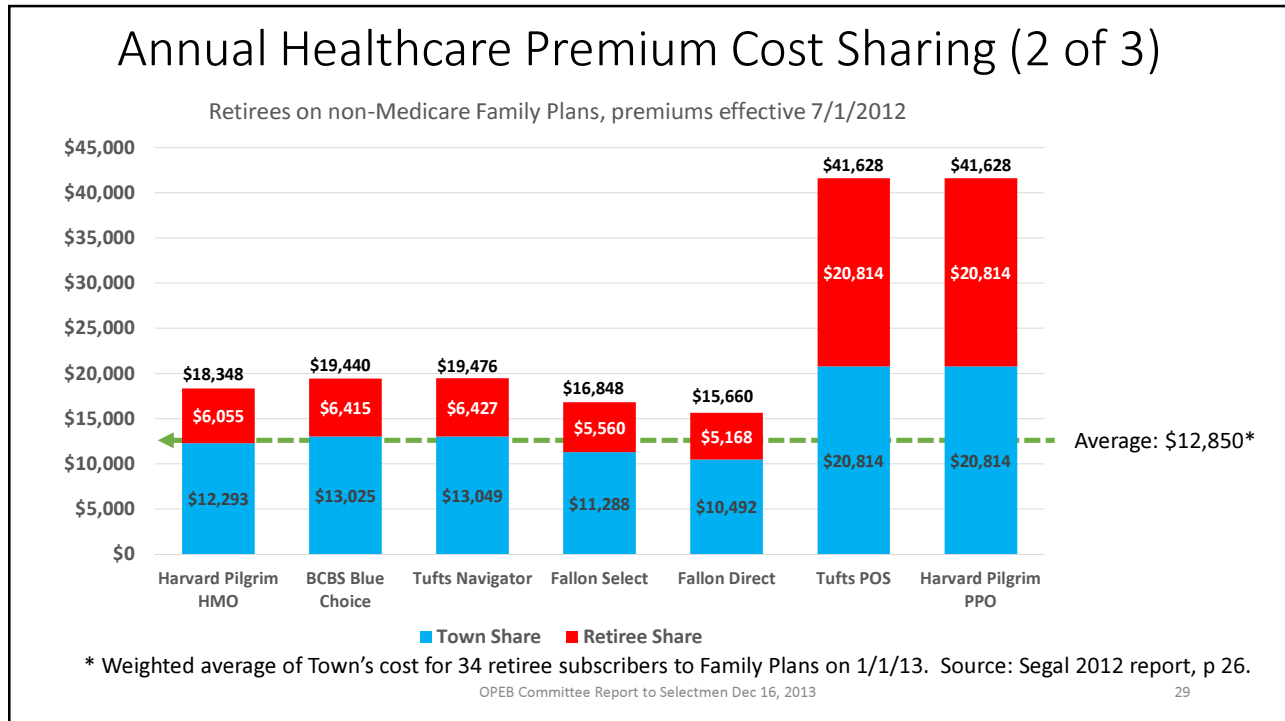
Retirees on Individual non-Medicare Plans, premiums effective 7/1/2012



* Weighted average of Town's cost for 56 retiree subscribers to Individual Plans on 1/1/13. Source: Segal 2012 report, p 26.

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OPEB and the Commonwealth

Governor's Special Commission to Study Retiree Healthcare & Other Non-Pension Benefits

And
Subsequent Legislation Filed on
February 20, 2013
And not yet acted upon

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Proposed Changes to Eligibility for Retirement

Note: Current retirees & those within 5 yrs of retirement (with @ least 20 years of service) would be exempt from these proposed changes

- Add 5 yrs service to each group (Group 1 moves to age 60; Group 2 → age 55; Group 4 → age 50)
- Increase minimum years of service for eligibility from 10 → 20
- Addition of “continuing service requirement” so employees go directly from government service to retirement.

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Proposed Changes to Eligibility

- Part time employees get time credited for retirement on a pro-rata benefit. Commission recommends that municipalities do the same (Wayland does not distinguish currently for purposes of retiree health benefit).
- State laws would be changed so that surviving spouses would receive only a 50% premium contribution.
- Prorating health premium contribution rate on a sliding scale with years of service (50% at 20 years → 80% after 30 years)

Proposed legislative changes: Implications for Towns' Premium Contribution Rates

- Currently, Towns that have accepted 32B have to cover 50% of the premium. (in Wayland [as in other towns] depending on the plan, the Town pays premium percentages of anywhere from 50% → 75%). Right now, the Selectmen have the flexibility to change future contribution rates to 50% or to develop a system changing rates over time.
- The proposed legislation has a provision that towns' contribution rates would be frozen at levels of 01/01/13 unless towns had changed their contribution rates prior to January 1, 2013. After 3 years, towns can change contribution rates but must grandfather contribution rates at the time of implementation.
- Towns that did not accept Chapter 32B would be required to pay 50% of premiums.



Town of Wayland Massachusetts

Selectmen:

Subject: OPEB Committee Initial Findings:
From: Clifford Lewis, Chairman, OPEB Advisory Committee
Date: December 16, 2013

Last spring, when we began, Wayland's estimated OPEB liability was \$103,290,238. Required payments to meet that liability included roughly \$2 million per year in pay-as-you-go expenses, plus an additional expense of roughly \$700,000 per year to be set aside and invested to cover future benefit accruals. The actual calculations are shown on page 8 of the Town's Actuarial Valuation for OPEB Benefits, December 12, 2012 prepared by The Segal Group and generally referred to as the "Segal Report". It is available at: www.wayland.ma.us/Pages/WaylandMA_Selectmen/OPEBDec2012.pdf and a copy is enclosed. Page 2 of that report summarizes the key valuation metrics and page 26 summarizes the current costs. We hope you will have a chance to review that report prior to our meeting.

Our presentation, an initial draft of which is also enclosed, is less than 30 minutes including some Q&A time. To complete the initial findings presentations in a half hour we are going to assume that everyone is knowledgeable about the key OPEB issues. (Going forward with presentations to a wider audience, we will relax the assumptions of prior knowledge, but will compensate by taking additional time.)

We realize that our findings are not complete, but we recognize the necessity of having working recommendations prepared to support an OPEB warrant article for the closing on January 14th. Our recommendations will support a recommended warrant article and should be sufficient to support warrant articles for the next couple fiscal years as well. The sense of the OPEB Committee is that we should continue to explore other OPEB issues and evaluate how they may impact warrant articles for fiscal years after 2015.

We do wish to thank the employees of the Town, all of whom have gone out of their way to be as helpful as they could be in supporting our efforts. I also wanted to thank you Selectmen for selecting a capable, talented and dedicated group of Committee members, each of whom did not hesitate to roll up their sleeves in preparation for each and every meeting. Needless to say, OPEB was an emotionally charged issue, but each and every person on the Committee willing put aside any emotional attachments, dug into the facts and put the facts on the table without bias. Each committee member made decisions and discussed their points of view based on those facts and as a result, we have a set of recommendations that we can all support.

In closing, I would like to thank every member of the Committee. It has been an absolute delight to work with each of you. I have been honored to be your Chair.

Should there every be any function of Wayland government, requiring a talented, intelligent and hard working person, the Town would be very well served if you Selectmen can again convince any one of the committee members to be a part of that function.

I do hope you enjoy the initial report.