



Town of Wayland Massachusetts

OPEB Advisory Committee

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

OPEB Advisory Committee Meeting Minutes June 26, 2013

Attendance: David Gutschenritter, Cliff Lewis (Chair) Maryanne Peabody, Jay Sherry
Absent: Kent George

Also present representing the Board of Selectmen: Tony Boschetto

The meeting was called to order at 7:01 pm at the Town Building; Selectmen's Meeting Room.

1. Public Comment:

While Public Comment was not listed on the posted Agenda, the sense of the Committee was that Public Comment would help the Committee in its deliberations and therefore Jay Sherry asked if there was any Public Comment.

Don Bustin spoke to the issues of Other Post-Employment Benefits (OPEB)

- How OPEB had been funded in the past and how it should be funded in the future
- The investment returns that have been achieved in the past what can be expected in the future
- General lack of understanding and clarity of OPEB

2. Review and Discussion of Committee Charge:

Jay Sherry asked Tony Boschetto to explain the rationale behind the Board of Selectmen's (BOS) decision to establish this Committee. Tony listed the following items:

- Lack of transparency around the previous funding decisions – how much was being transferred and why
- Residents want the process out in the open
- The need for a plan to move forward on this issue

Tony then referred to the Charter put forth by the BOS (the text of which can be found at the end of these minutes). Among the items referred to, Tony highlighted the following:

- Recommend appropriate policies and procedures governing the funding and administration of OPEB
- Review the existing fiscal management and recommend enhancements if needed

- Evaluate the adequacy of reporting for completeness and clarity and recommend changes if needed
- Rebuild the trust needed to insure that the residents understand and support whatever actions are taken

Cliff Lewis expressed his desire to see a good, solid process put in place to govern OPEB.

Jay Sherry expressed a desire to understand the work that has been done to date, and to review the various assumptions used by the actuaries to build the model of projected future contributions to OPEB.

There was a general discussion around the allocation of the funding requirement to the various entities within the Town, including fee based programs and operations run within enterprise funds. Also discussed was the point raised earlier about understanding the assumptions used to drive the actuarial model.

Next the discussion turned to the mission of the OPEB Committee. Is it to establish process, make funding recommendations, other aspects? The Committee agreed that all these were important and that we would address this question in due course.

Jay Sherry expressed the need to have an understanding of how we got to where we are, so we can learn from that and move forward.

A question was raised concerning what flexibility Wayland has in choosing the time horizon to fund the OPEB obligation. Dave Gutschenritter responded that it was his understanding that since the Legislature has not mandated any action, Wayland needed to follow guidance set forth by the Government Accounting Standards Board (GASB). It is Dave's understanding that the guidance says Wayland can have plan to fund the unfunded liability over a period of up to 30 years. This needs to be confirmed by the Segal Group.

Maryanne Peabody expressed the desire to be cognizant of and not inconsistent with any actions that may be taken by the Commonwealth in this area. Maryanne also spoke to the various benefit plans offered by the Town and that will be a consideration.

The Committee had a brief discussion on the role of OPEB in the total compensation of Town employees.

Jay Sherry acknowledged that he has requested a ruling on a possible conflict of interest he may have. Jay handed out his conflict of interest form, which states that his wife is employed by the school system and therefore Jay has a financial interest in any OPEB benefits that his wife will receive. He is awaiting a determination as to the extent of his participation in the various aspects of the Committee's work. Jay's conflict of interest form is appended at the end of these minutes.

Tony Boschetto encouraged the Committee to be thoughtful and deliberate with the objective of moving forward on this issue. Tony also acknowledged that he has a potential conflict of interest in that his wife works for the school system.

3. Election of Chair:

After a brief discussion by the Committee, a motion was made and seconded to elect Cliff Lewis as Chair of the Committee. Motion passed 4-0. Next the Committee discussed the need for a Vice Chair. The sense of the Committee at the current time is that a Vice Chair is not needed.

Cliff Lewis suggested that each Committee member say a few words about their background and experience for the benefit of the other Committee members. Cliff has a B.S. in Engineering, an MBA, and is a CFA. He is currently working part time as a buy-side security analyst, having previously owned and run a manufacturing company. Cliff is a Member at Large on the Committee.

Dave Gutschenritter has a B.S. in Engineering and an MBA. He is currently the Treasurer of State Street Corporation and its operating subsidiary, State Street Bank and Trust. Dave is the Finance Committee representative on the Committee.

Maryanne Peabody has a degree in Nursing and an MBA. She is currently a consultant focusing on Executive Leadership, Development and Recruiting. MaryAnne is the Personnel Board representative on the Committee.

Jay Sherry has a B.S. in Applied Mathematics and an MBA. He is a seasoned marketing executive and is a Member at Large on the Committee.

Kent George has a BS in Accounting and an MBA. He is currently involved in several business ventures. He is a Member at Large on the Committee.

4. Review of Historical Documents and Evaluation of Requests for Further Information:

Cliff Lewis asked each of the Committee members to outline the areas of concern that they believe need to be focused on and resolved in order for the Committee to be successful.

Jay Sherry listed the following items:

1. Understanding the current status of OPEB in Wayland
 - a. What are the costs
 - b. What are the benefits
2. Understanding the Segal report
 - a. GASB reporting requirements
 - b. Cash flow requirements
3. Status of the Trust Fund
 - a. Contributions to the Fund
 - b. Any audit requirements
 - c. Controls surrounding the Fund
 - d. Investment process
4. OPEB and the Commonwealth – status of any pending legislation
5. OPEB's place in the collective bargaining process
6. Options to control current and future OPEB expense
7. Funding strategy and time horizon
8. When does the Finance Committee need a funding recommendation
9. Communications plan to dispel the mistrust in the Town

Maryanne Peabody listed the following items:

1. Any savings that can be realized as a result of the Special Commission of the Commonwealth on this topic, specifically focused on what Wayland can do versus the Commonwealth
2. Understanding what changes we can effect

3. How the money was set aside
4. Assessing Wayland's ability to pay
5. Where is the Commonwealth going on this issue
6. To what extent (if at all) is OPEB tied to retirement benefits programs/legislation changes

Dave Gutschenritter listed the following items:

1. Restoring the trust of the Residents of the Town in processes governing OPEB
2. Agreeing on a funding plan that addresses the unfunded liability in a fiscally prudent manner

Cliff Lewis listed the following items:

1. The need for a historical perspective of how we got to where we are today
2. Understanding what the benefits/obligations are
3. Understanding how Wayland's OPEB benefits compare to our peers and to private industry
4. Come up with recommendations to reduce the overall cost of OPEB
5. Establishing a clear line of authority to govern OPEB
6. Develop and implement an outreach program to the Residents to answer the questions they and generate support for plan to move forward on OPEB
7. Understand what alternatives Wayland may have in the Legislature on this issue

Next the Committee asked if there any additional Public Comment.

Don Bustin listed the following items that he felt were important for the Committee to focus on:

1. Identifying the questions that need to be answered
2. What is in the employment contracts vis-a-vis OPEB
3. What is it that legally binds Wayland to pay the OPEB benefits

Carol Martin (speaking as a private citizen and not as a member of the Finance Committee) listed the following items:

1. What is OPEB – being sure the Town really understands what it is
2. How do we administer the payments of benefits when employees move from town to town
3. Peer town comparison of Retiree Health benefits

Next the Committee focused on the analysis that needed to be done for discussion at the next meeting.

Maryanne Peabody will have a contract analysis done to understand where Wayland stands when compared to our competitors, to review what's in the Personnel Policies and to research contracts/regulations re retirement/OPEB obligations.

Cliff Lewis and Dave Gutschenritter will prepare a background/educational package to help the Town understand how we got to where we are today.

Jay Sherry will work with the Segal Group to fully understand what drives the output of the analysis done for Wayland.

Jay Sherry and Maryanne Peabody will work to understand the current legislative environment as it relates to OPEB.

Kent George will analyze the existing OPEB obligations to better understand where we are today.

5. Schedule of Future Meetings

The Committee agreed to meet next on July 17th to review the material collected and focus on how to move forward

At 8:50 pm, the meeting was adjourned.

Respectfully Submitted,
David Gutschenritter

OPEB Charter

At its regular meeting on Monday, May 6, 2013, the Board of Selectmen voted to approve the following charge of the OPEB Advisory Committee:

MEMBERS: Five members chosen by and reportable to the Board of Selectmen whose commission shall serve until such time as the following goals are achieved or a date no later than June 1, 2015: one member from the Finance Committee, one member from the Personnel Board, and three independent members from the public whose selection will be based upon their qualifications as deemed appropriate by the Board.

GOALS: Evaluate and document a clear understanding of how the town's fiduciary responsibilities are currently being carried out. Evaluate and develop as necessary appropriate trust fund documents to protect the beneficiaries, review the current investment management and funding policies and make recommendations for improvement or revisions, review and recommend improvements to current reporting or develop additional reporting to ensure appropriate benchmarks and performance indicators for investments and to provide regular fund financial reports. Develop a plan for containing current and long-term costs for OPEB including retiree health care benefits and for coordinating with the Commonwealth of Massachusetts on effective cost containment and other legislation.

Possible actions:

1. Review and evaluate all current OPEB documents and develop appropriate policy documents, guidelines and trust documents as required.
2. Evaluate current investment management policy and funding plan and recommend and develop future policy changes.
3. Evaluate current financial reporting and develop reporting policy and standards. Create financial reporting model and metrics as deemed necessary for internal management and public disclosure including for Annual Town Meeting and Annual Town Report. Develop appropriate benchmarks and performance indicators to assist in appropriate funding and management planning.
4. Review existing financial information and verify key amounts as deemed necessary, including a determination of the actual amounts paid for health insurance benefits for current retirees for FY 2012 and FY 2013 and any other relevant periods as deemed necessary. Work with the Town's Finance Director, Board of Selectmen, Finance Committee and if necessary the Audit committee to recommend


the services of any independent insurance advisors and/or auditor to perform special procedures as deemed necessary, such procedures may include the following:

- Review all current OPEB beneficiaries to ensure they are qualified for the benefits they are receiving under state law and related contractual obligations of the Town, .
 - Review the annual costs paid for current retiree benefits to determine proper segregation of costs between School, Town and Fee Payors, and evaluate data to assure proper segregation of the annual funding of OPEB obligations.
 - Analyze premiums paid on behalf of current retirees compared to standard premium rates for active employees and compare amounts to actuarial assumptions to properly calculate the annual costs of benefits paid for retirees for both fiscal 2012 and FY 2013. Analyze results to properly ensure that amounts paid by active employees does not include a disproportionate amount of funding for retiree health benefits. Analyze information to evaluate assumptions used for actuarial valuations and OPEB obligations.
 - Conduct an analysis of data to determine if any amount of OPEB funding was provided by taxpayers on behalf of fee-based program staff and evaluate methods of reimbursement and recommendations for future policy changes.
5. Evaluate current personnel management plan and cost containment and mitigation plans to include appropriate coordination with the Board of Selectmen on employee contractual obligations and negotiations.
 6. Evaluate and advise the Board of Selectmen on matters with the Commonwealth of Massachusetts and GASB with respect to proposed legislation and regulations/standards related to future OPEB obligations and reporting.
 7. Recommend statutory and bylaw amendments as necessary to effect such changes.

**DISCLOSURE BY NON-ELECTED MUNICIPAL EMPLOYEE OF FINANCIAL INTEREST
AND DETERMINATION BY APPOINTING AUTHORITY
AS REQUIRED BY G. L. c. 268A, § 19**

| | MUNICIPAL EMPLOYEE INFORMATION |
|--------------------|---------------------------------------|
| Name: | John L. Sherry, III (“Jay”) |
| Title or Position: | Committee Member |

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| Municipal Agency: | OPEB Advisory Committee of the Town of Wayland |
| Agency Address: | Wayland Town Building 41 Cochituate Road Wayland MA 01778-2614 |
| Office Phone: | 508-308-3422 (personal phone) |
| Office E-mail: | Sherry.jay@gmail.com (personal email) |
| | My duties may require me to participate in a particular matter, and I may not be able to fully participate because of a financial interest that I am disclosing here. I request a determination from my appointing authority about how I should proceed. |
| | PARTICULAR MATTER |
| Particular matter E.g., a judicial or other proceeding, application, submission, request for a ruling or other determination, contract, claim, controversy, charge, accusation, arrest, decision, determination, or finding. | My wife has been a teacher in the Wayland Public Schools for 13 years. For ten or more of those years she has worked half-time or more. As a consequence, she is now vested in OPEB and upon her eventual retirement she will receive retiree healthcare and Other Post Employment Benefits. As her husband, I will also personally benefit from the Town of Wayland's OPEB after her retirement. Should the OPEB Advisory Committee in the future deliberate and vote on changes to OPEB that affect my wife's retirement benefits, there will be a conflict of interest. |
| Your required participation in the particular matter: E.g., approval, disapproval, decision, recommendation, rendering advice, | To potentially deliberate and vote on recommendations to the Board of Selectmen to revise the Town's qualifying criteria for employees to receive OPEB, or to adjust the level of retiree benefits. |

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| investigation, other. | |
| | FINANCIAL INTEREST IN THE PARTICULAR MATTER |
| Write an X by all that apply. | <p><input checked="" type="checkbox"/> I have a financial interest in the matter.</p> <p><input checked="" type="checkbox"/> My immediate family member has a financial interest in the matter.</p> <p><input type="checkbox"/> My business partner has a financial interest in the matter.</p> <p><input type="checkbox"/> I am an officer, director, trustee, partner or employee of a business organization, and the business organization has a financial interest in the matter.</p> <p><input type="checkbox"/> I am negotiating or have made an arrangement concerning future employment with a person or organization, and the person or organization has a financial interest in the matter.</p> |
| Financial interest in the matter | <p>My wife is not retired today, so there is no immediate financial interest in the matter.</p> <p>But if my wife were retired today and were to be enrolled in the same Fallon Select Care Family Plan she selected for FY2014, the value of the annual retiree health benefits alone paid by the Town under Wayland's current OPEB would be approximately \$11,250. This amount is calculated from the Town's website. This amount would likely increase in future years with the growth in healthcare costs, and would continue until she became Medicare-eligible in 2020. I'm uncertain exactly what the Town's contribution to retiree benefits is for those 65 or older, so I make no estimate of them.</p> <p>I'm also not familiar with the financial cost of any other non-pension, non-healthcare retiree benefits provided by the Town, so I can't estimate them.</p> |
| Employee signature: |  |
| Date: | June 25, 2013 |

DETERMINATION BY APPOINTING OFFICIAL

| | APPOINTING AUTHORITY INFORMATION |
|--|---|
| Name of Appointing Authority: | |
| Title or Position: | |
| Agency/Department: | |
| Agency Address: | |
| Office Phone: | |
| Office E-mail | |
| | DETERMINATION |
| Determination by appointing authority: | As appointing official, as required by G.L. c. 268A, § 19, I have reviewed the particular matter and the financial interest identified above by a municipal employee. I have determined that the financial interest is not so substantial as to be deemed likely to affect the integrity of the services which the municipality may expect from the employee. |

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| Appointing Authority signature: | |
| Date: | |
| Comment: | |

Attach additional pages if necessary.

The appointing authority shall keep this Disclosure and Determination as a public record.

Form revised February, 2012