



Town of Wayland Massachusetts

OPEB Advisory Committee

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

Minutes of May 14 2014 Committee Meeting (as approved June 11, 2014)

In Attendance were: Kent George, David Gutschenritter, Cliff Lewis, Maryanne Peabody, Jay Sherry

This meeting was recorded and is currently available on WayCAM On Demand at:
<http://waycamtv.pegcentral.com/player.php?video=7502ae3b1ccca70178ce0b7a54107c8e>

The meeting was called to order at 7:34 pm by Chair Cliff Lewis in the Selectmen's Meeting Room of the Wayland Town Building. The following Agenda topics were addressed:

- 1. Public Comment:** There were no members of the public present at this meeting.
- 2. Approval and Posting of Minutes from previous Committee Meetings**

Cliff Lewis emphasized the importance of getting approved minutes from prior meetings properly posted on the town website. He reviewed minutes that are still outstanding which include:

- January 8 2014: Maryanne Peabody to post.
- December 5 2013: Kent George to post.
- January 28 2014: Kent to post, as amended and approved.
- February 12 2014: Maryanne to write, get approved by the Committee and then post.
- March 11, 2014: Kent took the minutes during this brief meeting prior to the OPEB Committee's Public Information Session.
- March 24 2014: All committee members to check their records to try to recall who was responsible for the minutes of this meeting. Maryanne thinks this meeting's minutes might be her responsibility.

3. FY2015 Major Theme: Actuarial Estimates

(WayCAM video on this topic starts at 7:20)

Jay re-emphasized the importance of getting an actuarial model from Segal Company that accurately predicts OPEB benefit payments in the very short term, because of its impact on the long-term forecast of required funding in 2038. He shared with the Committee his calculation that even the revised premium-based OPEB projection the Committee received from Segal Company in September 2013 is \$200,000 too high for FY2013, or an error of 13% for last year. The same forecast is \$250,000 too high for FY2014, or an error of 17% for this year. Jay's view is that the \$250,000 error is likely repeated in future years, but with the addition of healthcare inflation of 5% per year compounding the error in future years. This suggests to Jay that the \$79.4 million funding target for 2038 shown in the September Segal report is significantly overstated, and he suggested that the Committee ask Segal Company to produce a more accurate model without these consistent over-estimates of projected OPEB benefits.

Jay then recounted his teleconference of May 6 with Assistant Town Administrator John Senchyshyn and Daniel Rhodes of Segal Company on this request, which was first made on February 10, 2014.

Jay took the action item to continue to press Segal Company on both this reconciliation of the 12/31/2012 valuation and the assumptions to be used in the 12/31/2014 valuation, especially the healthcare inflation rate. Cliff suggested that John Senchyshyn probably has an indication of West Suburban's healthcare rates for FY16. Dave asked that the Committee take a look at healthcare inflation on the same plans from year to year.

4. FY2015 Major Theme: Return on investment

(WayCAM video on this topic starts at 30:05)

Cliff wants to be able to go to next year's Town Meeting and report that we have a pretty good handle on the management of the OPEB investment account. Given the language of Wayland's special OPEB statute, the Committee needs to work this with the Town Treasurer/Collector Paul Keating.

Cliff recounted the meeting with Town Counsel Mark Lanza regarding the OPEB special statute, and how difficult or easy it might be to change the statute. The Committee then reviewed the language of the current special statute and noted the apparent conflict in the language describing the duties of the Town Administrator, Finance Director and the Town Treasurer with respect to the OPEB Trust Fund.

Jay recounted his conversation with Wayland's Representative Tom Conroy who in turn introduced Jay to Paul Todisco of PRIM (Pension Reserves Investment Management) Board. Cliff indicated we should coordinate any moves regarding PRIM with Paul Keating.

Dave spoke of his view that the ongoing long-term role of the OPEB Committee should evolve to two principal roles:

- A. Assumptions to be used by the actuary in each biennial OPEB valuation
- B. Review of investment policy and asset allocation for the OPEB investment account.

Cliff said next steps should include coordination with John Senchyshyn, Brian Keveny and Paul Keating, and he agreed to set up a meeting on the governance of the OPEB Investment Account. Kent noted that we need to work with Melanson & Heath on what the Management Discussion & Analysis for Wayland's FY2015 financial statements says about our OPEB funding strategy. Jay agreed to introduce Cliff Lewis to Paul Todisco via email.

5. FY2015 Major Theme: Legislative Review

(WayCAM video on this topic starts at 56:45)

Maryanne action item is to check in with Massachusetts Municipal Association regarding the OPEB survey we responded to. There may be some good feedback from other towns. There may be an opportunity for Wayland to present the results of its OPEB Committee work at its forum.

6. FY2015 Major Theme: Cost Reduction

(WayCAM video on this topic starts at 1:00:15)

Cliff indicated that there are two areas of cost reduction that the Committee hasn't completely run to ground yet:

- i. Reducing Wayland's contribution to OPEB costs from over 70% down to 50%
- ii. Allowing retired married couples to purchase two individual plans instead of a family plan, which might require Wayland to get a plan outside West Suburban.

Maryanne indicated we need a meeting with Selectmen and Personnel Board in executive session because of the impact of such discussions on collective bargaining. Cliff agreed to take the action item to work with our liaison Tony Boschetto to get this meeting scheduled.

7. FY2015 Major Theme: Accounting

(WayCAM video on this topic starts at 1:11:05)

Kent agreed to develop a plan to pursue three items in the accounting area:

- i. The number of FTE employees paid for by grants, boards and the remaining 35 revolving funds that we have yet to account for regarding their OPEB investment account contributions
- ii. Determine who is paying for the current “pay as you go” OPEB expenses from employees who retired from enterprise and revolving funds...
- iii. Evaluating the creditable service of today’s retired employees to determine whether Wayland is owed money from other towns.

Jay recounted his meeting with John Senchyshyn where John agreed to look at the creditable service of 50 existing non-Medicare retirees. Kent also agreed to take on the task of evaluating the OPEB cost of adding headcount to our employee population, and the Melanson & Heath MD&A regarding OPEB.

8. Next Meeting: Planned for June 11 2014 at 7:30 PM.

The Committee voted 5-0 to adjourn the meeting at 9:14 PM.

Respectfully submitted,

Jay Sherry