

Call to Order

The meeting was called to order by Chairman Morris at 7:30 a.m. in the Third Floor Selectmen's Conference Room A. The meeting was taped but not live cablecast.

In attendance were Chairman Michael Morris, Vice-Chairman Mark Baldwin, Steven Caron (arrived at 7:40 a.m.) and Thomas Hartwell. Also in attendance was Finance Director Donna Walsh. Absent were Selectman Liaison Robert Landry, School Committee Liaison Paula Colby-Clements and Finance Committee Liaison John Barry.

Minutes of January 29, 2016

Upon motion duly made by Mr. Hartwell and seconded by Mr. Baldwin, it was voted to approve the above minutes. Motion passed 3-0.

Actuarial Report

Ms. Walsh reported that she and the Town Manager would be conference calling with Kathy Riley today. Mr. Morris asked her to set up an additional conference call as soon as practicable to include Mr. Hartwell.

Beverly Hills Alternative Retirement Health Plan

Mr. Hartwell reported he had been emailing the CFO of the City of Beverly Hills to discuss the above program offered to their active employees in 2010, and would continue to pursue. He presented the written report he had obtained on its website which covered the following key points of a five-step program:

- a) A market pay rate study was conducted and revealed employees were being compensated slightly above market rate.
- b) Development of benefit cafeteria plan.
- c) Development of benefit alternative retirement health plan.
- d) 58% of employees elected to be in the buyout program and placed monies in a defined contribution plan to be used for retirement.
- e) State of California, but not Massachusetts, allows for defined contribution plan.
- f) Projected savings over period of five years was substantial.
- g) Projected OPEB liability savings long-term was substantial.
- h) Buyout amounts distributed specific to each employee.
- i) Floating of a bond to cover the cost, the interest of which was lower than rising medical costs.

Discussion ensued and members agreed on the feasibility of this program in Andover and asked Mr. Hartwell to further research. Mr. Baldwin noted this option would not be vetted in time to include in the March report, but would be referenced as an option for future vetting. Mr. Morris noted this option could be fodder for the future permanent OPEB committee recommended to be established.

Mr. Baldwin's Draft Report

Discussion ensued on the format of the draft report and Mr. Morris noted that notwithstanding the opinions of all members, the report present unanimity on its recommendations. Mr. Hartwell would like to see the report in matrix rather than narrative form, to more clearly represent the majority and minority opinions. Mr. Caron noted he had further recommendations to make and would like to see them presented "in their own light." Mr. Morris asked Mr. Baldwin to continue with his present format and get something "down on paper" which could be revisited and reviewed.

Review of Recommendations

Recommendation #7 – systematically move retirees to 50% contribution. Discussion ensued including: a) whenever contribution is reduced by 1%, OPEB unfunded liability also reduced by 1%; b) reduction for retirees could be decided by Board of Selectmen, while active employees' reduction would need to be bargained; c) a reduction by 5% a year would yield xxx savings – a dollar amount to be determined by the actuary; d) need to view entire situation from point of view of total compensation and financial impact on employees – a question for HR; e) health and wellness program to reduce costs; f) state approval needed for establishment of defined contribution plan.

Mr. Morris asked Mr. Hartwell to consult the healthcare consultant to discuss defined contribution plans. Mr. Caron also noted the documented success of wellness plans in both public and private industry that would reduce overall healthcare costs. Mr. Morris asked Mr. Caron to research the City of Boston's recently published article on its mandatory wellness programs for its police and fire employees and its positive effect on reducing costs and realizing savings. Mr. Caron suggested that our healthcare consultants provide this information.

Recommendation #7 is on hold until next meeting.

Recommendation #10 – Mr. Morris noted that the same labor council has been retained for both town and school. Mr. Morris will polish the language of this recommendation.

Recommendation #11 – Mr. Morris will polish the language of this recommendation.

Recommendation #12 – Mr. Morris noted this is subject to actuarial schedule indicating both closed and open amortizations. Discussion ensued.

Recommendation #13 - on hold until next meeting.

Recommendation #15 – Mr. Morris will polish the language of this recommendation.

Recommendation #16 – Mr. Hartwell reported that the Retirement Board has consistently approved COLA's up to 3% on the first \$12,000. He noted that the social security COLA was 1.7% last year and 0% this year, but COLA's of 3% were still approved for retirees. A question for the actuary is, if we freeze COLA increases for one year, by how much is the unfunded liability reduced. He noted that pension and OPEB costs amount to 11% of current budget. Continuing at this rate is unsustainable and may in fact jeopardize future retirees' pensions. He also made the

following points: a) a strong recommendation needs to be made to Board of Selectmen that they address the COLA issue with the Retirement Board; b) the proposed cutting of OPEB funding by \$1M is “kicking the can down the road.” Mr. Caron expressed his disapproval of unilaterally cutting COLA’s in perpetuity. Mr. Morris noted that the decisions of the Retirement Board need to consider its effect on OPEB as well as present employees.

It was agreed that the recommendation would be made that COLA’s should be consistent with social security COLA, but in any event would not exceed 3% or social security, whichever number is lower. Mr. Morris will polish the language.

Recommendation #17 – Mr. Hartwell purported that the Town files early on GASB75. Mr. Walsh indicated that every municipality is facing the same problem that under the new GAS75, all liabilities will be increased. Discussion ensued and touched on the following points: a) effect on Moody rating; b) early adoption not feasible with auditors, and not advisable to be “first to file;” and c) the pros and cons of “footnoting” information of impacting lending rate but at the same time informing taxpayer of reality.

Mr. Morris agreed to draft language of the recommendation to include both options of including liability in the management discussion and analysis section and/or footnote of the financial report. In this way the taxpayer would have knowledge of change in 2018 due to GASB75.

Next meeting

Friday, February 26th

Other

Mr. Morris stated he had seen Governor Baker at a function recently, introduced himself as a resident of Andover and Chairman of the OPEB Advisory Committee, and he was unable to engage him in discussion of the issue.

He also noted that he heard several communities had banded together to cooperatively purchase Canadian drugs at significant savings.

Audience Feedback

There were several comments from the audience, including a) advocacy for the “most vulnerable post-medicare group of retirees”; b) moral obligation of changing the rules “midstream”; c) the “double whammy impact” of no COLA and increased contribution; d) social security COLA based on percentage of entire benefit, whereas COLA for Andover retirees based on first \$12K only; e) taxpayers are consumers and beneficiaries of past and present services of municipal employees; f) concentrating purely on the financial impact and not the human impact runs the risk of being “unkind and amoral”; g) “sky is falling” mentality belies Moody rating of AAA indicating that the town is solvent.

Mr. Morris expressed his sensitivity to “the most vulnerable among us” and his support for present and past employees and their contributions to making the Town of Andover the great town it is. He reiterated his moral and legal obligation to the present employees and maintaining staffing levels.

Adjournment

Upon motion duly made by Mr. Morris and seconded by Mr. Hartwell, it was unanimously voted to adjourn.
Motion passed 4-0.

Meeting adjourned at 9:24 a.m.

Respectfully submitted,

Christine Martin Barraford
Recording Secretary

*Attachments: Draft #3 Report of Recommendations
Mr. Baldwin's draft report*