

Call to Order

The meeting was called to order by Chairman Morris at 7:32 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, Mark Baldwin, Steven Caron, Thomas Hartwell and Mark Wickersham. Also in attendance were School Committee Liaison Paula Colby-Clements, Finance Committee Liaison John Barry and Finance Director, Donna Walsh.

Approval of Minutes – June 23, 2015

Upon motion duly made by Mr. Wickersham and seconded by Mr. Caron, it was unanimously voted to approve the above minutes. Motion passed 4-0. Mr. Baldwin arrived after vote was taken.

Review of ICMA Trust Fund Investment

Mr. Morris' request to add the above agenda item was consented to by all members.

Mr. Hartwell reported Morningstar assigned a rating of 3 stars (on a scale of 1 to 5 stars - see attached.) The fund had a standard deviation between 7-8 (as compared with the town's pension fund investment standard deviation of 12,) indicating it is a more conservative investment than the pension fund investment. He noted the Andover Retirement Board is considering hiring an investment consultant to help with the management of its investments. Since OPEB investments should be invested similarly to retirement investments, he recommended the committee hold off on making any recommendation on changes to the OPEB investments until we see the Retirement Board's consultant recommendations. The committee concurred.

Mr. Caron offered to look into well-performing endowment funds and report back to the Committee. Mr. Hartwell will provide in the dropbox the Hingham investment consultant report to illustrate what he hopes to see coming out of hiring an investment consultant.

OPEB Subcommittee Report Summary as of November 24, 2014

Mr. Morris opened the discussion on the above Report Summary (see attached) beginning with the Recommended Action #7 with regard to reducing the town's share of health care premium contributions (\$17M) to be in line with area communities.

Mr. Caron questioned the status of wellness programs in place as incentive to reduce premiums. Both Ms. Hall and Ms. Marconi of Human Resources reported that the town had had a robust and varied wellness program with MIIA and was pursuing one with BCBS, the new healthcare provider. Ms. Marconi reported that there was a strong core of employees enrolled in different wellness programs, but that targeted programs to those at risk for chronic diseases were not as successful. Ms. Marconi agreed to follow up with BCBS to explore health program incentives to reduce rates.

She was also asked to conduct a survey of the core group of eighteen AAA rated communities to compare plans, particularly with regard to spousal coverage. It was noted that private sector plans required greater employee contributions.

Discussion then ensued on a) the impact of the new GASB 75 on present liability of approx.. \$160M. Mr. Hartwell noted a) it appears the new GASBs may require the town's unfunded liability to increase to well over \$250 million as the town may now have to use a lower discount rate; b) the advisability of appropriating funds to a stabilization fund rather than present irrevocable trust in light of possible state legislation that may affect all municipalities' OPEB liabilities; c) the need to understand real numbers and its impact on town's future hiring practices and risk; and d) the continuing need for transparency and education of all parties, including employees, retirees, collective bargaining units, residents, etc.

Mr. Morris asked Ms. Walsh to confirm the Trustee of the OPEB Trust and she confirmed it was the Town, c/o the Town Treasurer.

Recommended Action #8

Mr. Morris opened the discussion on the Recommended Action #8 with regard to exploring alternative employment methodologies such as outsourcing for current and future jobs that are not mission-critical to the delivery of town and school services. Mr. Morris asked Ms. Hall if outsourcing had been utilized in town/school and she said very little. Ms. Walsh was in the process of finalizing a report that showed the all-in costs of employment, including salary, benefits, retirement and OPEB as compared with outsourcing costs.

Ms. Walsh pointed out that it was not just the dollars but the function of the job that needed to be considered. Lack of flexibility of contractor, particularly in cases of emergency, was pointed out as a major detriment to outsourcing. The terms of collective bargaining units may also limit those jobs that can be outsourced. Ms. Hall assured the Committee that town employees were highly committed to their jobs, and she expected that they would work creatively to be part of constructive solutions going forward. The involvement of retirees in filling part-time positions was suggested to be explored, i.e. gardening at the cemeteries, etc.

Recommended Action #9

Mr. Morris opened the discussion on the Recommended Action #9 with regard to understanding the Retirement Board's decisions affecting the town's operating costs and OPEB liabilities. Mr. Morris had requested at its last meeting that Ms. Kothman prepare a report on the impact of part-timers' funding the retirement system both now and in the future and the net sum thereof. Also needed was data on cost for retirees' spouses and beneficiaries. In Ms. Kothman's absence, Mr. Morris asked Ms. Walsh to check with her on the progress of this report. It was emphasized that Ms. Kothman's presence was needed at OPEB meetings, and perhaps she should be designated the Retirement Board liaison to the Committee, instead of relying on Mr. Hartwell to represent.

Discussion ensued with regard to the unsustainability of healthcare costs running higher than pension costs. It was agreed that the town as a corporate entity needed to enunciate a clear policy on eligibility for retiree healthcare and enlist the Retirement Board in decisions that will reflect and implement that policy.

Feedback ensued from employee members of the audience expressing concern for a) the drastic effect of cutting benefits for those retirees advanced in age; b) the effect of cutting benefits on the recruitment of future qualified employees; c) the effect of cutting benefits on current employees with long years of dedicated service expecting certain benefits; and d) the responsibility of the town to fulfill its obligation to all sectors.

Next Meeting

The next meeting is scheduled for Thursday, July 23rd at 7:30 AM. The agenda is to continue reviewing the Recommended Actions of the previous OPEB Subcommittee.

Adjournment

Upon motion duly made by Mr. Caron and seconded by Mr. Hartwell, it was unanimously voted to adjourn. Motion passed 4-0. Mr. Wickersham had previously left the meeting.

Meeting adjourned at 9:07 p.m.

Respectfully submitted,

Christine Martin Barraford
Recording Secretary

Attachment:

*OPEB Subcommittee Report Summary as of November 24, 2014
Morningstar Inc. Rating Report*