

Call to Order

The meeting was called to order by Vice-Chairman Baldwin at 7:40 a.m. in the Third Floor Selectmen's Conference Room A. Chairman Morris was detained and arrived at 7:50 a.m. The meeting was taped but not live cablecast.

In attendance were Vice-Chairman Mark Baldwin, Chairman Michael Morris and Thomas Hartwell. Absent were Steven Caron, Mark Wickersham, and School Committee Liaison Paula Colby-Clements. Also in attendance were Finance Committee Liaison John Barry, Selectman Liaison Robert Landry and Finance Director Donna Walsh.

Approval of Minutes – August 20, 2015

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

Valuation Results as of June 30, 2013 Measurement Using GASB 75 Discount Rate

Mr. Baldwin asked Mr. Hartwell to discuss the above subject delineated in the attached document. Mr. Hartwell said that as of the actuarial report of 2013, using a discount rate of 5.75%, unfunded liabilities were assessed at \$145M. Under the new GASB 75 and using the same assumptions, a blended rate of 3.18% (7% rate of return on assets and 2.75% muni rate) would be used, amounting to liabilities of \$270M. This calculation was performed by Max Arai, who is not an actuary but is a CFA. The \$270M is a rough estimate but shouldn't be materially off as the 2009 actuarial calculation had an unfunded liability of \$245M when using a blended rate of 3.50%. With pension liabilities projected to be \$115M at 6/30/15 based on the 2014 actuarial report, this would result in a combined liability of over \$385M, resulting in the Town having a negative net worth. He urged the state legislators to refile House Bill 59. Mr. Baldwin asked legislators Senator Barbara L'Italien and Representatives Jim Lyons and Frank Moran for their comments on how the state plans to address this problem.

Presentation by Senator Barbara L'Italien

Ms. L'Italien said this was the first part of a two-part visit with the Committee. She summarized Deval Patrick's 2013 "An Act Providing Retiree Healthcare Benefits Reform," (see attachment) which would increase a) the minimum years of service requirement from 10 to 20 years; b) the minimum age for eligibility to 60 for Group 1, 55 for Group 2 and 50 for Group 4; c) prorate benefits on a scale from 50% premium contribution after 20 years to the maximum current retiree benefit (80% of premium for state retirees at 30 years); d) exempt current retirees and certain employees who are nearing retirement age from the reforms; and e) provide future surviving spouses with a minimum 50% employer premium contribution.

She said that although the above bill failed, there were several other bills (see attachments) due to be filed on September 8th--Acts relative to a) HB2377 Rep. Muradian, retiree healthcare; b) SB1343/4 Sen. Donnelly, the contribution for insurance premiums of certain retired employees and dependents; c) SB419 Sen. Rodrigues, the transfer of retirees to a medicare health plan; d) SB1432 Sen. Tarr, expanding insurance choices for state and local employees; e) SB1329 Sen. Brownsberger, reducing other post-employment benefit liabilities; f) HB2350, Rep. Kaufman,

retiree health benefits; and g) HB2283 Rep. Peter, retirement and health insurance benefits in Massachusetts.

Discussion ensued on the reality of an unfunded state liability of \$2B and municipal liability of \$3B, the importance of reform and the need for negotiation on both sides of the issue resulting in a balanced solution.

Selectman Landry asked that the July 1, 2016 moratorium on changes to healthcare be lifted. Chairman Morris asked him to summarize his request in a memorandum to be submitted to legislators.

Presentation by Representatives Moran and Lyons

The above sentiments of Senator L'Italien were reiterated by both Representatives. Mr. Lyons pointed out that putting a bill to "study" was a euphemism for killing a bill, which was done of House Bill 59. He agreed that increasing the retirement age was necessary, and he would see to the refile of House Bill 59. He asked for input from the Committee to include in the bill. The Committee agreed that assigning local control to municipalities was key in moving forward with reform in Andover. Mr. Lyons noted that time was of the essence in filing Bill 59 in order that it be included for consideration in the second legislative session.

Public Participation

Ms. Martel, an active employee in the division of CD&P, addressed the Committee and Legislators and handed out a summary memo she was asked to write by Chairman Morris at the last meeting. As a 29-hour-week nurse for the past 28 years, she expressed concern that she and dedicated "part-time" employees would be adversely affected by increasing eligibility requirements from 20-30+ hours. She added that she and employees like her in the public sector have never paid into the social security system and depend solely on their municipal retirement benefits. She expressed concern that the public was being informed of this 150 year old problem with OPEB with the "undertone" that it was the employees' problem and consequently would be solved on the "shoulders of the employees." Mr. Morris reiterated his position that the Committee was in a fact-finding position and would make its recommendations in consideration of all parties involved, especially employees.

Review and Update of Open Items

1. New Actuarial Study - Ms. Walsh reported that two firms had submitted RFPS for the actuarial report: Segal and Arthur Gallagher. The process of evaluation would result in an award of contract early next week.
2. Healthcare Options and Collective Bargaining – Ken Lombardi and Phil Collins, employment counsel, would be invited to attend meeting on September 18th.
3. Committee Recommendations – Mr. Morris stated that in anticipation of the Committee making recommendations in a formal report to the Selectmen, that Mr. Hartwell start assembling data and submit to Christine for drafting.

Next Meeting

The next meeting is scheduled for Friday, September 18th at 7:30 AM. Attorney Collins and Ken Lombardi would be invited to attend

Adjournment

Upon motion duly made by Mr. Baldwin and seconded by Mr. Hartwell, it was unanimously voted to adjourn. Motion passed 3-0.

Meeting adjourned at 9:05 a.m.

Respectfully submitted,

Christine Martin Barraford
Recording Secretary

Attachments:

Valuation Results as of June 30, 2013 Measurement Using GASB 75 Discount Rate
Copies of Suggested State Legislation
Memo from Employee Joanne Martel