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 and Thomas Hartwell. Also in attendance was Finance Committee Selectman Liaison Robert Landry. Absent was Steve Caron and Finance Committee Liaison John Barry, School Committee Liaison Paula Colby-Clements and Finance Director Donna Walsh.

Approval of Minutes – October 8, 2015

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

Presentation by Town Manager

Mr. Flanagan introduced himself to the Committee. He noted that the CIP for FY17-21 had been released on October 30th. OPEB funding plan had been carried forward - $500K from the general fund and (increasing $100K each year) to $600K; 25% of free cash (awaiting DOR certification but anticipate $1.25M from free cash); along with water and sewer enterprises for an approx. total of $2.1M to be allocated.) He added that a contract had been signed with Segal to complete an actuarial report within 90 days and "the clock is ticking."

Mr. Flanagan added that while the size and magnitude of the issue was the same with his previous employer Arlington, its designating $859K/year was not close to funding to the ARC. He added that the Arlington Board of Selectmen had not taken steps to institute a study committee as did Andover and admitted it was a good first step.

In answer to Mr. Morris' question with regard to evaluating the OPEB problem from the school side, Mr. Flanagan felt that dialogue and collective bargaining collaboration between the school and town was key in fairly and efficiently addressing the OPEB liability.

Preliminary Recommendations Discussion

Mr. Morris handed out Mr. Hartwell's list of preliminary recommendations (see attached.) He then stated the role of the state is a major part in solving the OPEB problem. He has been told at the governor's office that an official of the Department of Revenue is the key person to talk with about this problem, and Mr. Morris is currently pursuing him to appear at the next meeting. House Bill59 has been refiled, but does not seem to be "on anyone's radar screen to any particular depth" at the government level.

Mr. Hartwell relayed recent personal encounters with the Lt. Governor and State Treasurer and confirmed his belief that the issue is not on their radar screen.

Mr. Morris added that the size and scope of the problem is controlled by not only the state, but the retirement board and collective bargaining unions of both town and school. The need for collaboration and a unified approach to understand the long-term costs among the unions is a key point in preparing for the actual collective bargaining process.

Mr. Hartwell reiterated the need to educate all players across the board of the real liability. Mr. Baldwin added that while widespread changes may need to be made, not one small group should bear the burden. GASB dictates that full liability be indicated on balance sheets and be addressed on a consistent basis. Everyone needs to "speak with one voice" and work "harder and smarter" in evaluating the same exact information. Mr. Morris added that a draft report would be available to all parties for discussion and finalization.

Mr. Morris questioned the number of employees of town and school: 300/950. Mr. Hartwell added that while teachers' pensions are covered by the MTRS, they are eligible for town health benefits upon retirement. Non-teachers' pensions, however, are covered by the town as well as retirement benefits.

Mr. Morris added that the town is dealing with a relatively small "piece of the pie" with few levers. Mr. Hartwell reported that at the October retirement board meeting, he had proposed changes in eligibility requirements, and he was asked to draft a proposal for same and present at next meeting, November 19th @ 8:00a.m. The board's attorney will also be present to address the legality of proposals. He summarized as follows the requirements to be eligible for retirement/OPEB.

a) New employees – full time requirement.
b) Under 50 years of age – 20 hours/week – half year and get half-year credit – 20 years.
c) Over 50 – nothing changes,

Mr. Morris asked if changes could be done at the local level by "administrative fiat." Mr. Hartwell responded that many communities were making these changes at the local level, but that legal vetting would be needed. He added that the Town of Reading required full-time employment for eligibility. Mr. Morris asked Mr. Hartwell if he could bring to the next meeting specific recommendations, after meeting with the retirement board and attorney.

Mr. Hartwell stated meaningful reform must include present and future employees and retirees. He added that these changes would not affect the unfunded liability but would stop "the bleeding." He noted that the numbers involved in the total liability are charted on a spreadsheet and available for viewing.

Mr. Baldwin noted that the changes in GASB requiring full disclosure of the liability on the balance sheet will lead to all parties involved, including taxpayers, to take widespread steps to address the need for change, both for sustaining the active employees and retirees and future.

Presentation by Mr. Hartwell

Mr. Hartwell received permission of the Chair to summarize his recommendations for change (see attached.)

a) We need experts to guide us. Actuarial reports in the past have not been accurate.
b) Freeze town budget and max up to full tax rate.
c) Sell available town assets.
d) Develop statement of investment policy and strategy.
e) Employees to bear more on share of medical insurance; i.e 50/50%.
f) Must retire from town to get OPEB benefit.

g) Establish funding policy to fully fund within 30 years.
h) Pay minimal required for retirees.
i) Buy out employee's vested benefits.
j) Fund to irrevocable trust and not stabilization fund.
k) Charge other towns for responsibility of employees who transfer.
l) Sell bonds to fund liability and invest in market.
m) Unions be well informed of numbers.
n) State gives municipalities power to change terms of health insurance.

Mr. Landry added active employees are subject to collective bargaining and not retirees. Ms. Hall summarized Sections 21-23, municipal healthcare reform, which gave the power to the Public Employee Committee (PEC) to adopt a plan no worse than Tufts Navigator or go to GIC. As part of the plan 25% of first year's savings were escrowed to reimburse employees for out-of-pocket expenses, co-pays, deductibles etc. This year we went to a self-funded plan, but every annual cycle we have the right to readopt Sections 21-2.

Mr. Landry pointed out that healthcare represented 10% of annual budget and this reform enabled the town to make reforms outside of the collective bargaining process. However, reimbursement of expenses negated the impact of meaningful plan design because it tended to not affect subscriber behavior. Discussion ensued on the possibility of further tailoring of plan design changes, including tiering of hospitals, drugs, etc.

Next Meeting
Mr. Morris will attempt to have guests Katie McKee of MMA and representative from Governor's office.

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

Meeting adjourned at 8:55 a.m.

Respectfully submitted,

Christine Martin Barraford
Recording Secretary

Attachments:
Mr. Hartwell's Presentation