

Call to Order

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

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

Ms. Morache Presentation

Mr. Morris asked Ms. Morache to summarize her health insurance impact analysis (see attached.)

Ms. Morache is the representative for retirees on the PEC and used numbers available to her in that role to summarize rate change impacts on retirees. She made the following points: a) increases over the last five years have added up; b) increasing contribution to 50% would have percentage impact between 42% and 264%; c) for those retired for a long time, their pensions are small; d) a majority of retirees on the town-side make less than \$12K/year; e) retiree COLA @ 3% on first \$12K does not go very far; f) medicare costs have increased 16% for those not on social security, which is a majority of public employees; g) teachers were switched from GIC last year to the town program with some disruption; and h) present reform at the state level ensures the grandfathering of retirees, and she would suggest that the committee seriously consider this option as well. She will forward her original spreadsheet of above data to the Committee.

Mr. Morris said the committee would take this under advisement and meet with Ms. Hall of Human Resources to discuss. Ms. Morache asked if she could share this information with the Board of Selectmen and Mr. Morris agreed. Mr. Morris also suggested that retirees follow closely with the upcoming Board of Selectmen meetings.

Change in Schedule

Because of Good Friday, the meeting date to distribute the final report has been changed to Thursday, March 24th @ Noon.

Draft Report of Recommendations

Mr. Morris said this was first time the committee had to review the draft of recommendations. Following discussion on the format of the report, it was decided to review the content first and then decide on final format of presentation. Both Mr. Baldwin's narrative and Mr. Hartwell's powerpoint presentation were reviewed for content. Key points of general statements to be included/adapted in the report follow:

Introduction

Numbers will change when new actuarial data is available as new rate has been established.

Mission Statement

Mission Statement broken down into three statements.

Goal #1: Develop a Clear Understanding of the Town's Liability (What is OPEB?)

- Impact of change in GASB is emphasized. Describe early adoption.
- Ensure that actuarial report be performed every two years.
- Evaluate assumptions used particularly regarding discount rate and ensure they are conservative and achievable. Indicate that the report has been reviewed and given the approval granted by the Committee.
- Past performance should be evaluated and the changes made in investment strategy, if required. Independent audit of actuary hired by the Town every five years. Ensure strong return on investments.
- Communicate actuarial results to all stakeholders and use them in their own decision making to continue sustainable benefits.

Goal #2: Create a Plan for containing current and long-term OPEB Costs

- Potential impact of not addressing unfunded liability on decline in services (Mr. Hartwell to create chart as visual.)

Economic Recommendations

- Economic recommendations summarize contributing factors, i.e. negative investments.

Systematically increase retirees' premium contribution to 50%

- Systematically increase contribution rate to 50%, awaiting actuarial data, which will show largest return on savings. Include "Spanos Bill" (recommendation of retiree for current retirees to share burden with active employees.)

Increase eligibility standards

Change in eligibility rules. Mr. Hartwell reported that the Board was open to consider this option once the numbers are available for review. The decisions made by the Retirement Board directly affect OPEB. In this way unfunded liability will not be changed, but it will "stop the bleeding."

- Eligibility at 30 hours or full-time, awaiting data from Ms. Walsh. Emphasize direct relationship is established between pension eligibility and OPEB eligibility. Mr. Hartwell to add language to strengthen full-time option.
- Mr. Baldwin expressed frustration that he did not have quantifiable financial data to support rest of economic recommendations. The recommendations, however, still stand. Mr. Hartwell suggested that the body which has the authority to effect these changes be noted.

Eliminate buy-back option

- Mr. Hartwell agreed to supply data from Retirement Board minutes for those who had "bought back" time in the last year.

COLA increases

- Mirror social security COLA increases to up to 3% of \$12K. If no social security increase, no increase for Andover retirees. The savings for one year of no COLA's would be up to \$2.8M.

Spouses of deceased retirees

- Recommendation that present spouses of deceased retirees would be grandfathered but at whatever contribution rate is established, but future spouses of deceased retirees would be continued on the plan at 100% contribution. This would be reconsidered at next meeting when Steve returns.

Require employee retire from town or have 25 years of vested service

- Mr. Hartwell reported there were approx. 137 employees who have left Andover but are eligible for OPEB in the future. This recommendation would prevent future employees from being eligible for OPEB after they left employment here but did not retire.

Defined contribution style plans

- Mr. Hartwell will attempt to provide quantifiable data on savings to unfunded liability.

Strategic Recommendations

- Strategic recommendations will not affect present liability but have potential for decreasing unfunded liability in the future.

Role of Retirement Board

Of utmost importance and consideration is the role of the Retirement Board. The Board of Selectmen to increase its power and authority over the Retirement Board by changing its composition. The process of how appointments are made needs to be examined. Mr. Morris opined that this is “where the rubber hits the road.” The Board needs to be more responsive to the needs of the community, and their decisions unchecked threaten the financial health of the town.

New Recommendation: implement a pre-funding plan for new hires where expenses are accounted for as they are earned.

Upon motion duly made by Mr. Hartwell and seconded by Mr. Baldwin, to approve pre-funding plan that costs are approved as earned. Motion passed 3-0.

Establish control policies regarding OPEB participation and reporting

Mr. Hartwell commented that increasing controls is in everyone’s interest. From the perspective of his auditing experience, this was well worth the effort. Mr. Marconi of HR supported that position from the point of view of her experience with HR audits every two years. Ms. Hall of HR also indicated that part-time employees are consistently hired without being in the school budget usually as special one-on-one instructional aides to new students. Mr. Hartwell noted that while these hires could not be planned, they nevertheless had an effect on the OPEB liability.

Create a compensation advisory committee

This would be part of the permanent OPEB Advisory Committee.

Implement a meaningful wellness program

Included in the “flavor” of the recommendations for positive reform.

Implement citizens' dashboard concept

Continue as assignment of permanent OPEB Advisory Committee.

Coordinate with legislators on cost containment measures

Mr. Baldwin to expand on meetings held with legislators and others that, notwithstanding refiling of House Bill59, Town is responsible for reform.

Audience Feedback

Audience feedback included: a) consideration of graduated contribution rate in relation to amount of pension, i.e. 50% rate for \$20K pension as opposed to \$100K is a sizable "hit"; b) full-time employment as special ed teacher is not the norm but part-time is; c) cutting of contributions of 11% into retirement fund negatively affects foundation of pension fund; d) consideration of cost savings (\$1M) from plan design changes being allocated to OPEB unfunded liability.

Adjournment

Meeting adjourned at 9:30 a.m.

Respectfully submitted,

Christine Martin Barraford
Recording Secretary