

## Call to Order

### Roll Call

Chair Moffitt called the meeting to order at 6:00p.m and initiated roll call. Through video conferencing mode, present were Chairperson Eugenie Moffitt-Y, Andrew Betts-Y, Mary Ellen Logee-Y, Paul Monticciolo-Y, Kevin O’Handley-Y, Spiro Christopulos-Y and Paul Russo-Y. Absent was John Barry. Absent was Linn Anderson. Also present were Finance Director Donna Walsh. The meeting was videotaped and recorded but not live cablecast.

### Changing Membership Eligibility in Retirement – Mr. Hartwell

Mr. Hartwell noted that he is appearing before the Finance Committee as a resident and not as a member of the Retirement Board or the Revenue and Expenditure Task Force. He then commenced his presentation on Changing Membership Eligibility for Retirement (see attached PowerPoint presentation).

Due to an unfunded pension liability, the Town Manager is proposing an integrated financial plan to address this liability by Pension Obligation Bonds. Pension reform is also needed to fund future pension promises without putting an undue burden on taxpayers and ensuring basic benefit promises to current employees and retirees are kept. The recommendation to change membership eligibility will affect only future part-time employees hired from the date of the proposed regulation and will not affect active employees or retirees. The following change are proposed:

- Change eligibility from part-time to full-time.
- Change buyback eligibility from part-time to full-time.

A public hearing sponsored by the Retirement Board is scheduled for April 29<sup>th</sup> to consider these changes.

He then continued on why pension obligation bonds together with pension reform is necessary pointing out the following:

- Andover has incurred operating losses of approximately \$48M over the last five years, principally due to escalating pension and OPEB expense.
- Andover’s pension contributions will increase by 358% over the next 17 years from \$12M for FY2021 to \$43M in FY2037.
- Unfunded pension liability increased in 20 years from \$15M to \$165M, an increase of 1100%.
- Retirement plan will be fully funded and the annual pension contribution rate will be stabilized within the next 17-20 years, saving the taxpayers money.
- Slow down the growth of the town’s negative net position.
- Positively impact decisions of business investors and taxpayers attempting to determine future business and home locations.

One of the few reform measures available to a retirement board is the discretion to determine membership eligibility for the retirement system. Currently any employee with 20+ hours/week is eligible. Other towns such as Reading Wakefield and Methuen have increased that eligibility threshold. Changing eligibility will slow down the 6.70% annual growth in actuarial accrued liability.

In FY2020 the employer 'normal' pension cost was 8.89% of payroll, which was using a 6.25% discount rate. Had this been calculated using the corporate bond rate, the cost would have been significantly higher. The actuarially determined contribution is \$12M, but the actual pension expense is \$20M. Changes in assumptions make up the difference between the actuarially determined contribution and pension expense.

Changes in membership eligibility also affects participation in Other Post Employment Benefits (OPEB). If the eligibility requirements changed:

- The town's full funding schedule would be reduced from 45 years to 38 years using 35 hours and from 45 years to 40 years using 32.5 hours.
- The present value of 50-year cash flow payments would be reduced from \$302.3M to \$271.9M using 35 hours and \$281.6M using 32.5 hours.
- Current active employees number 1,382; \$2,501/per employee for total OPEB expense of \$11,945,431.
- An average salary of \$20K requires a pension contribution of \$1,778 and OPEB expense of \$2,501 for a total cost of \$279, or 21% of salary.
- Inclusive of a family plan healthcare, the total cost of benefits to the town is 187% of the \$20K salary.

An alternative to the retirement system would be a contribution to a 457 plan at 7.5% of gross compensation. Part-time employees would, however, still be eligible for health insurance and accrued sick and vacation leave. A contribution from the town to the employees 457 plan could also be considered.

Mr. Hartwell in closing stated that the fiduciary responsibility of the town is to ensure future benefits of current employees and retirees are protected. Without pension reform and passage of the pension obligation bonds, pension benefits will be at risk.

Discussion ensued including the following highlights:

- Since most of the part-timers are on the school side, there is concern that changing eligibility will negatively impact hiring and retention of good employees.
- Request by school committee to delay action until school status during COVID is stabilized.
- Maintaining benefit of health insurance will have positive impact.
- Town matching contribution to 457 plan also a positive impact.

Mr. Hartwell noted that a public hearing is scheduled for 4:00PM on April 1<sup>st</sup>. Support of the FinCom and attendance by liaison and others would be helpful. Mr. Russo pointed out that, while pension reform goes hand in hand with mitigating future pension liability, the passage of pension obligation bonds in and of itself is critical.

Following discussion and upon motion duly made by Mr. Russo and seconded by Mr. Christopoulos, it was unanimously voted to support the concept of reform and changing eligibility for retirement. Chairperson Eugenie Moffitt-Y, Andrew Betts-Y, Mary Ellen Logee-Y, Paul Monticciolo-Y, Kevin O'Handley-Y, Spiro Christopoulos-Y and Paul Russo-Y. Motion passed 8-0.

**Review the Warrant – Plan for Voting**

Ms. Moffitt reviewed the plan for voting. Following the departmental budget meeting on Saturday, April 10<sup>th</sup>, warrant article votes will take place at the FinCom meeting on April 14<sup>th</sup>. Liaisons will follow up with remaining questions after the Saturday meeting.

**FinCom Working Group – FinCom Report and West El/Shawsheen School Project**

Mr. Monticciolo updated the Committee on the progress of the draft report and letter.

Messrs. Betts and Russo reported that they are awaiting the schedule of information sessions on the integrated financial plan to be presented by the Town Manager. They will attend as many sessions as possible.

With regard to the school project, Mr. Christopoulos suggested the real estate portfolio be reviewed with the intention of considering the sale of property not needed to offset the cost of the entire project debt.

**Liaison Updates***School*

Mr. Russo reported an FTE increase of 9.85 next year, mostly attributable to additional staff for full day kindergarten.

**Approval of Minutes of March 10, 2021**

Upon motion duly made by Mr. Christopoulos and seconded by Mr. Russo, it was voted to approve above minutes. Chair Eugenie (Janie) Moffitt-Y, Andrew Betts-Y, Mary Ellen Logee-Y, Paul Monticciolo-Y, Paul Russo-Y, John Barry-A, Kevin O’Handley-Y and Mr. Christopoulos-Y. Motion passed 7-0-1 with Mr. Barry abstaining.

**Meeting Schedule for April**

Saturday, April 10 @ 9:00AM – Departmental budget reviews

Wednesday, April 14 @ 6:00PM

Wednesday, April 21 @ 6:00PM

Monday, April 26 @ 6:00PM

Wednesday, April 28 @ 7:00PM – Triboard Meeting

Working groups to continue

**Adjournment**

Upon motion duly made by Mr. Christopulos and seconded by Mr. Betts, it was unanimously voted to adjourn. Chair Eugenie (Janie) Moffitt-Y, Andrew Betts-Y, Mary Ellen Logee-Y, Paul Monticciolo-Y, Paul Russo-Y, John Barry-Y, Kevin O’Handley-Y and Mr. Christopulos-Y. Motion passed 8-0. The meeting adjourned at 7:17PM.

Respectfully submitted,

Christine Martin Barraford  
Recording Secretary

*Attachments:*

*Changing Membership Eligibility for Retirement – Mr. Hartwell  
Minutes of Meeting March 10, 2021*