OPEB

REPORT AND RECOMMENDATIONS TO THE BOARD OF SELECTMEN

JANUARY 28, 2014
Topics

- Committee Membership
- Review the Current OPEB Issue
- Recommendations
- Strategy to Address These Challenges
OPEB Committee

- John Chapman- PhD in Public Policy from Harvard University and has done health policy and health services research work for 30 years, currently as a Sr. Scientist at Brandeis University

- Timothy Davis – University of Vermont BA, Harvard MBA, President/CEO Advanced Materials manufacturing companies, Currently, Managing Director; FreshTracks Capital; Venture Capital

- Carl Forsythe - Columbia BA, Cornell MBA, CEO of Globe Composite Solutions, director of SharePlus Bank (NASDAQ:SPBC), and advisor to iCracked, Inc. and Rebel Coast Winery.

- Steve Gaumer- Selectman

- Peter Pescatore- Current Chairman of the Advisory Committee. Experienced multicompany CEO COO/CFO with an MBA and Advanced Management Programs from BU and Syracuse

- Paul J. Schubert, M.D.-Current School Committee Chairman and Budget Planning Group member; Cardiologist 17 yrs at Harbor Medical Associates; Georgetown Univ B.S., M.S., M.D.
Options

1. Do Nothing

2. Reform Benefits to Sustainable Levels (employees / retirees)

3. Increase OPEB Trust Fund Balances

4. A combination of #2 & #3
Do Nothing

- Reduce Spending in other budgets / increase revenue with operational tax override
- Total Unfunded Liability Increases from $36.2 Million in 2013 to $181 Million in 2043
- % of Revenue Available to Fund Operations Goes from 91% in 2014 to 78% in 2043.
- Risk of bond rating downgrade
Do Nothing: Accrued Liabilities Outstrip Town Revenue

Projected Town Revenue
OPEB Accrued Actuarial Liability
Reduces Amount Available to Fund Town Operations Including Schools
Recommended Approach

- December - January: Work with BOS to Develop Potential Solutions
- February 2014: Present Recommendations to BOS
- April 2014: Seek Town Support at Town Meeting
- May 2014: Implement Recommendations
Initial Recommendations

1. Move all employees currently in the MIAA Plans to new MIAA recommended Plans
   ◦ This can be done by the Town Manager under his current authority
   ◦ Having the unanimous support of the Board of Selectmen would be helpful

2. Move all retired teachers from the GIC Plan to the MIAA Plans
   ◦ This can be done by BOS voting to rescind Section 11E of Chapter 32B
   ◦ A transition phase-in or mitigation plan should be developed
   ◦ The process for rescinding is as follows:
     1. Hold a public hearing with a 31-day notice in which each of the insured retired teachers and survivors are notified.
     2. At the meeting/hearing, conduct a vote by the retired teachers and survivors to express their opinion. This vote is non-binding.
     3. A certified copy of the vote is to be sent to GIC.
     4. Once received, GIC will coordinate termination procedures with the Town. This process takes about 3 months to ensure continuity of coverage from GIC to the MIAA Town Plan.
## Current Census & Liability by Group And Recommended Changes

<table>
<thead>
<tr>
<th>Number of Participants</th>
<th>Annual Cost</th>
<th>Current Plans</th>
<th>Recommended Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>With 32b</td>
<td>Without</td>
</tr>
<tr>
<td><strong>Retirees and Survivors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Teachers</td>
<td>134</td>
<td>$658,875</td>
<td>$387,574</td>
</tr>
<tr>
<td>Non-Teachers</td>
<td>102</td>
<td>$400,238</td>
<td>$400,238</td>
</tr>
<tr>
<td>Sub-total</td>
<td>236</td>
<td>$1,059,113</td>
<td>$787,812</td>
</tr>
<tr>
<td><strong>Active Employees and Dependents</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Existing Town Employees</td>
<td>248</td>
<td>$2,846,410</td>
<td>$2,846,410</td>
</tr>
<tr>
<td><strong>Total Annual Cost</strong></td>
<td></td>
<td>$3,905,523</td>
<td>$3,634,222</td>
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<tr>
<td><strong>Savings</strong></td>
<td></td>
<td>$271,301</td>
<td>$328,182</td>
</tr>
</tbody>
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8/1/18
Future Tasks

• Explore ways to reduce the Town’s healthcare costs
  • Plan benefits
  • Contribution
  • Co-Pays

• Explore ways to mitigate the financial impact of certain changes on the employee
  • Phase-in plans
  • Phase-in changes
  • Create a mitigation fund

• Explore ways to address the current unfunded liability
  • Tax override to increase the size of the OPEB Fund
  • Borrow money to fund the OPEB Fund
  • Commit portion of savings from actions that reduce Town’s healthcare costs