

## **Finance Committee OPEB Subcommittee Minutes**

**Aug. 24, 2011**

The meeting was called to order at 1:05 p.m. in the first floor meeting room, Town Hall. Present were subcommittee members Kay Moran, Bob Saul and Doug Slaughter, and Finance Director Sanford Pooler.

### **Agenda**

1. Suggest options the Finance Committee should consider for putting money into the Other Post Retirement Benefits fund.
2. Minutes

### **Discussion and Action**

Pooler distributed paper copies of his draft Amherst OPEB funding model spreadsheet received earlier via email. Numbers in the “Actuarial accrued liability” row start at \$50,824,623 for FY 10 and increase annually to \$261,359,750 for FY 2043. Those numbers came from the town’s actuaries and assume a 7% return on fund investments. Annual funding sources assumed in this draft model are (a) \$30,000 in unspent health insurance appropriations from the previous year (historical average), (b) \$60,000 in Medicare Part D payments to the town, which have previously been redirected to the Health Claims Trust Fund; (c) \$5,000 annually in non-contributory retirees net savings, money no longer needed to pay pensions for deceased retirees who were hired before employees contributed to the pension fund; (d) an annual appropriation from the General Fund, starting at \$100,000 and increasing each year by \$100,000; (e) an assumed gain on assets held in the fund; and (f) pension funding redirected to the OPEB fund once the Hampshire County Retirement fund is fully funded. If this draft model were followed, OPEB would be fully funded by about 2040.

Pooler said several other communities are already putting some money into OPEB funds. All municipalities will soon have to report OPEB funding progress annually to the state Public Employees Retirement Administration Commission.

Payment method (b) is complicated because some of the Medicare Part D payments are for regional school district employees, some for Pelham employees. The regional school committee has apparently expressed no interest in establishing its own OPEB trust fund at this time. Payment method (c) is tricky because, since pension payments go to the Hampshire County Retirement Board, it’s difficult to find out how many of those older non-contributory retirees are left, and whether they’re still drawing pensions. Payment method (d) is doable, but subcommittee members recognized that increasing each year’s appropriation by \$100,000 would be difficult, and require convincing Town Meeting members to fund a long-term obligation instead of immediate needs or wants. Pooler said the amount could be less, in which case fully funding the OPEB would take longer. Payment method (f) won’t be available for several decades.

Slaughter said it took us 40 years to build up the liability, and it could well take 40 years to reduce it. If we don’t start to pay this now, he said, future Amherst residents will lose many

services to pay the obligation. Moran said that putting money into an OPEB fund is similar to putting money into reserves, except it's for a particular future use.

All **AGREED** to recommend that the Town start putting money into the OPEB fund.

Saul suggested that once the annual amount to be set aside is determined, it should come first from one-time revenue sources, if any, and then from the General Fund.

According to Pooler, the combination of unspent appropriations and greater-than-expected revenue for FY 11 will result in a surplus of close to \$1 million. Some of the unexpected revenue came from new state aid, distributed when the state itself had unexpectedly high capital-gains tax revenue. At an earlier meeting of municipal officials, State Sen. Rosenberg said this was a one-time thing and warned all not to expect it again next year.

The subcommittee **VOTED** unanimously to recommend that the Finance Committee discuss the possibility of putting \$500,000 of this surplus into the OPEB fund, if possible at Fall Town Meeting, to get the fund started.

In any case, Slaughter said, the Town should make yearly appropriations to the OPEB fund at Annual Town Meetings, beginning in the spring of 2012. The subcommittee members **VOTED** unanimously to recommend that the Finance Committee consider this.

The subcommittee **VOTED** unanimously to approve the minutes of the 7/26/11 meeting, with a correction made by Pooler.

The meeting adjourned at 2:25 p.m.

Submitted by Kay Moran, acting clerk