

## Town Retiree Health Insurance Advisory Committee

April 12, 2018

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Meeting called to order at 7 PM on April 12, 2018, in the Winchester Town Hall.

Present: V. Laats, Retiree  
J. Dolan, Retiree  
J. Frongillo, Active Employee/Firefighter  
J. Melkonian, FinCom  
P. Cheimets, Personnel Board; Chair  
J. Brouder, Citizen at Large; Secretary Pro Tem  
S. Ward, Ex-Officio; Town Comptroller  
S. Tracy, Ex-Officio; Town Treasurer

1. **Welcome** – Chairman Cheimets welcomed the group and called the meeting to order.
2. **Minutes** - Chairman Cheimets asked the Committee to approve the minutes from the March 15, 2018 meeting. Upon motion made and seconded, the minutes from the March 15, 2018 meeting were accepted.
3. **PEC Agreement & Board of Selectmen Vote**
  - a. J. Brouder discussed the process by which the Town and the Public Employee Committee (PEC) negotiated plan design changes and mitigation under the terms of Sections 21-23, MGL, 32(b). Under the terms of the PEC Agreement, the Town made plan design changes which lowered the health insurance premiums for FY19 and reduced the Town's expense. The PEC agreed to use their mitigation monies under S. 21-23 to set contribution percentages for Medicare retirees at 30% and for non-Medicare Retirees at 25%. The Board of Selectmen approved these new contribution percentages at the April 9, 2018 meeting.
4. **OPEB**
  - a. The Committee discussed the approach which would formally tie OPEB Funding to Pension Funding. When the Pension funding was complete, the same annual dollar amount (appropriation) would then move to funding the OPEB liability. It was discussed that other communities are currently using this approach. It was discussed that 2029 is the "current" date that the Town expects to fully fund the pension liability. It was discussed that this date can, and may, change based on the performance of the Town's investment portfolio.
  - b. Comptroller Ward asked the Town's Pension and OPEB Actuary, D. Sherman, to run a variety of scenarios to estimate how much would be required in both current

contributions and future transfers once the pension liability was fully funded. Sherman's analysis of seven different options suggested:

- i. *If the Town continued making a \$250,000 contribution to OPEB through 2029 and then bumped that to \$5.9 million he could use a 7.5% discount rate in calculating future growth. Continuing the \$5.9 million contribution would achieve full OPEB funding in 2040.*
- ii. *If the Town continued making a \$250,000 contribution to OPEB through 2029 and then bumped that to \$3.0 million he could use a 6.5% discount rate in calculating future growth. Continuing the \$3.0 million contribution would achieve full OPEB funding in 2049.*
- iii. *If the Town continued making a \$250,000 contribution to OPEB through 2029 and then bumped that to \$3.0 million (and bumped it again in 2040 to \$3.5 million) he could use a 7.0% discount rate in calculating future growth. Continuing the \$3.5 million contribution would achieve full OPEB funding in 2048.*
- iv. *If the Town increased the current \$250,000 contribution to \$500,000 he would use a 4.25% discount rate in calculating future growth. At this contribution level the OPEB account would never reach full funding.*
- v. *If the Town increased the current \$250,000 contribution to \$500,000 and increased that amount to \$3.0 million in 2030, he would use a 7.5% discount rate in calculating future growth. At this contribution level the OPEB account would reach full funding in 2043.*
- vi. *If the Town increased the current \$250,000 contribution to \$750,000 he would use a 4.75% discount rate in calculating future growth. At this contribution level the OPEB account would reach full funding in 2054.*
- vii. *If the Town increased the current \$250,000 contribution to \$750,000 and increased that amount to \$2.0 million in 2030, he would use a 7.5% discount rate in calculating future growth. At this contribution level the OPEB account would reach full funding in 2043.*

## **5. Reporting to Town Meeting**

- a. Chairman Cheimets said that the RHIC needs to start thinking about a report to Spring Town meeting and it was agreed that this would be discussed at the next meeting.

6. **Next Meeting-** The next meeting is scheduled for July 9, 2018 at 7 PM. Motion to adjourn; seconded; meeting adjourned.

Respectfully Submitted,  
John Brouder