



Town of Winchester

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Board of Selectmen Meeting
Monday, August 29, 2016

BUSINESS

Docket Item G - 5: Retiree Health Insurance – Extension of Premium Rate
for Post 2004 Retirees

Supporting Documents:

G - 5: Memo from Assistant Town Manager
Suggested motion.
Meeting Minutes from July 27, 2015 and April 22, 2014

Action Required: VOTE to extend premium rate contribution to
June 30, 2019.



Town of Winchester

Board of Selectmen
71 Mt. Vernon Street
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August 26, 2016

To: Board of Selectmen

From: Stephen Powers, Selectman

Re: Health Insurance - Retiree Premium Rates

As you recall the Board on July 27, 2015 voted to amend the mitigation health insurance plan adopted by the Board of Selectmen to provide for a retiree premium rate of 41.5% for eligible post 2004 retirees (including all eligible retiree who have retired on or before June 30, 2014) until June 30, 2017. A copy of this vote is attached to this memo.

I am requesting that the Board this evening vote to extend this action until June 2019. I have attached a draft motion for your consideration. Town Counsel has reviewed the motion and feels it is consistent with the original vote establishing the mitigation plan and the vote last year to maintain the 41.5% to this category of retirees until June 2017. Town Counsel has requested that the proposed motion be reviewed by our special health insurance counsel.

I respectfully request that the Board support this extension to maintain the 41.5% to retirees that fall in this specific category for this defined period of time.

MOTION: That the mitigation health insurance plan adopted by the Board of Selectmen on April 22, 2014, be amended to provide for a retiree premium rate of 41.5% for eligible post-2004 retirees (including all eligible retirees who have retired on or before June 30, 2014) until June 30, 2019.

DRAFT

*Motion: That the Board of Selectmen approve and sign the deed for the sale of Wright-Locke Farm to the Wright Locke Land Trust.
Grenzeback – Whitehead All in favor. VOTED.

Update on Package Store License: Town Counsel

Town Counsel referenced the neighbors and others who have protested the hearing notice. He noted that the legal notice sent out for the license hearing referenced June 29, 2014, which was a Sunday. The legal notice was also sent to the abutters per statute; this notice had a cover letter that announced the hearing for Monday, June 29, 2015, but attached the legal notice with the 2014 date. Town Counsel informed the Board that he was asked about this, did some research and it is his legal opinion that the fact that the legal notice had a 2014 date is de minimus. He explained that his opinion is based upon the fact that it is not logical to assume that the Board would be advertising an agenda or holding a public hearing on Monday, June 29, 2014 in calendar year 2015. Town Counsel informed the Board that he has passed this on to the Alcoholic Beverage Control Commission and they have received a parallel complaint by a citizen, which is being investigated. He noted that the Town's rules apply to protests by abutters, not citizens in general.

Town Counsel indicated that it was his recommendation to the ABCC investigator who contacted the Town Manager's Office to obtain all notices, postings, meeting minutes, etc. from the Town in order to make its own determination. Town Counsel explained that the statute under which the Town operates is Chapter 138 §15a, which has been adopted by the Board of Selectmen as it is specific in its requirements, and is now a part of the Board's Rules and Regulations for the issuance of Package Store Licenses.

Town Counsel further explained that in this case, the proponent's attorney obtains a list of abutters from the Assessor's office in order to send a cover letter to all who have been certified as abutters by the Assessors and who are entitled to notice; certified return receipts are returned to the attorney and an affidavit is submitted to the Town indicating same. If the ABCC determines that this notification was done improperly, they will so advise the Town. Town Counsel informed the Board that there is no reason for the Board to reopen the hearing, especially since this is being investigated by the ABCC, the ultimate license authority.

Retiree Health Insurance Rates

Selectman Powers recalled that post-2004 retired employees were at an 80% - 20% health insurance premium payment split; pre-2004 retirees are at a 70% - 30% health insurance premium payment split. There is a \$55,000 mitigation fund but only \$3,000 of that amount has been paid out. He suggested that the small payout is due to the fact that retirees don't want to get into a long process to obtain reimbursement. He explained that his hope is that the Board will consider paying this directly to the rate as the mitigation plan. The annual cost for the 185 post-2004 retirees is \$1.211million; the previous retiree percentage share is at 33.5% or \$405,000. The budgeted share at 50% would be \$605,000.

Selectman Powers' suggestion would be to take the difference between the \$605,000 and \$502,000, which is \$103,000, and with the \$55,000 in the current mitigation account, results in an additional \$48,000 needed per year. He indicated that his hope is that this act as a freeze, particularly in light of the fact that the rest of the State has a frozen contribution rate. He pointed out that the retirees were happy with the 70% - 30% split. Selectman Powers explained that his attempt is to freeze the post-2004 retirees at a 41.5% premium contribution for two years. He informed his colleagues that he has reviewed this with both the Town Manager and the Assistant Town Manager, as well as with the Comptroller.

Town Manager indicated that all of the numbers that have been reviewed are accurate, and the important number is the annual budgetary impact, which is approximately \$103,000, not a deal breaker within the overall health care cost which is approximately \$12 - \$13million. He recalled that the previous

Board worked diligently to develop a mitigation plan and final rate plan; this plan extends that. In this and next fiscal year, the cost is something that can be absorbed within the overall budget. Town Manager explained that based upon advice provided by Town Counsel and himself, his recommendation is against too much tinkering with what has already been done. He pointed out that Chapter 32B is a very difficult set of statutes to navigate, and staff wants to be sure that what has been accomplished can be upheld. He explained that what has been proposed by Selectman Powers does not run afoul of the mitigation effort, but rather extends it for the next two fiscal years. Relying upon Town Counsel's advice, Town Manager indicated that he does not believe that the Board would be hazarding what has been put in place at this time last year, as the primary concern is that the Town has a plan that can withstand a challenge. He pointed out that this does not have a huge, long-term impact on the unfunded liability because it does go away. Town Manager informed the Board that the actuary will provide information on what the long-term liability is for OPEB, taking this into account, noting that it is intended to have an end date within this and next fiscal year.

Town Counsel complimented Selectman Powers regarding this mitigation plan. He noted that the Town of Winchester is the only town in the State that has successfully enacted Home Rule legislation at the Selectmen's table in order to continue to control rising health care costs. He explained that Selectman Powers' proposal is temporary in nature, of limited applicability, and is specifically authorized by Chapter 32, which contemplated flexibility in the use of mitigation plans and, in the original legislation, allowed reduction in costs to be shared with union members. Town Counsel suggested that Selectman Powers' proposal would pass legal muster. Town Counsel also cautioned the Board against discussing legal opinions at table because they are the subject of litigation.

Vice Chairman Grenzeback recalled that he had previously recused himself from discussion and voting on this subject, however his wife retired from the Winchester Public Schools prior to 2004 and he has been informed by the Ethics Commission that his recusal is not necessary. He informed his colleagues that he will participate in the vote this evening.

Selectman Whitehead informed his colleagues that he would like to incentivize retirees to the new plan being introduced in January. Town Manager explained that this discussion involves HMO plans, not indemnity plans. Town Manager explained that this is a step that the Board can take once the product is committed from Harvard Pilgrim and the pricing is known because the price point will dictate how percentages are gaged to benefit the rate payers and the Town. He noted that it is his and Town Counsel's position regarding indemnity plans for Medicare extension plans, that the Board of Selectmen has discretion beyond the 50% limit that exists in Chapter 32B to be able to decide what the percentage will be. He noted that this is not the question being addressed here because these are HMO Plans, the premium percentage of which people are now paying 41.5% and can increase to 50%. Under Section 16, the premium percentage can be anything that the Board would like it to be.

Town Counsel pointed out that the indemnity plans are not being addressed in this proposal. He also cautioned against discussing legal opinions at the table because this is a matter of controversy between the Town of Winchester and the former Attorney General, and is being litigated in Superior Court. He explained that he does not want to discuss publicly what he has fought vigorously to protect on the Town's behalf.

Town Manager recalled that for many years, the Town was paying 90% of the premium costs for indemnity plans

*Motion: That the mitigation health insurance plan adopted by the Board of Selectmen on April 22, 2014, be amended to provide for a retiree premium rate of 41.5% for eligible post-2004 retirees (including all eligible retirees who have retired on or before June 30, 2014) until June 30, 2017, and thereafter in accordance with said April 22, 2014

vote.
Powers – Bettencourt

All in favor.

VOTED.

Lt. Colonel John Hanlon / Hemroulle, Belgium – Dr. Ellen Knight, Town Archivist

Town Manager recalled that the Board had previously been informed about John Hanlon and his service during World War II's Battle of the Bulge. He recalled that Lt. Colonel Hanlon asked the residents of Hemroulle for white bed sheets that could be used as camouflage in the snowy winter. Later, Winchester residents graciously provided sheets in return, which were brought to Belgium by the Colonel.

Town Archivist Ellen Knight noted that in 1944, some villagers in Belgium donated their sheets to camouflage American soldiers. Lt. Colonel Hanlon made a promise to the villagers to return the sheets, which he did after the War and with interest. The villagers were so grateful for being remembered, they sent the only thing of value that they had, ten paintings of the Stations of the Cross. In return, Winchester sent drawings of the churches that received the paintings. Hemroulle was and is a little village, but now it is a part of Bastogne, a place that remembers the American contribution during WWII.

Ms. Knight noted that this year is the anniversary of the Battle of the Bulge, and questions were raised about whether or not the paintings still exist, some of which came from Belgium. She explained that the good news is that eight paintings still do exist in Winchester. They have been photographed and after sixty-five years it will be possible for the residents of Hemroulle to see them again.

Ms. Knight informed the Board that it has been learned that the role that Winchester played has been under-reported. She explained that she and the Town Manager have discussed sending a new gift to Belgium, something that would be appropriate for an embassy or museum that would become a part of the historical record. Ms. Knight suggested the gift for the church at Hemroulle be a set of reproductions of the original paintings accompanied by a CD with digital files. Nancy Schrock has offered to do the book binding. She indicated that she is present this evening to suggest a gift to Bastogne and if the Board is agreeable to making a gift, to send along a letter of greeting as well.

Town Manager informed the Board that he and Ms. Knight had discussed a budget and suggested that the Board approve a budget of \$1500 from the Selectmen's Gift Account to supplement the Archives Budget in order to get this effort off the ground.

*Motion: That the board of Selectmen allocate \$2000 from the Board of Selectmen Gift Account for development and printing of a gift history of Colonel Hanlon and the 500 Sheets.

Grenzeback – Powers

All in favor.

VOTED.

Town Manager informed the Board that he would prepare a proclamation for inclusion with the gift.

Resident Parking Permit Renewal – WHS Neighborhoods

Town Manager informed the Board that there have been some complaints about the start time of the construction at the High School, which is currently a work in progress with the project management team. There have been no complaints about parking on the streets abutting the High School project. Selectman Whitehead indicated that the only complaint that he has heard is about the increase in traffic during morning student drop-off.

*Motion; That the Board of Selectmen authorize the "Resident Only" parking restriction for Cedar, Holland, Nelson, Oak, Spruce, Summer, Tremont, Westley and Winter Street be extended through August 31, 2017 and that residents be issued permits at no cost, with the restriction applicable Monday – Friday

Johnson – Grenzeback

All in Favor.

VOTED.

Retiree Health Insurance Mitigation Plan Discussion and Vote

Selectman Grenzeback recused himself from participation in this discussion and left the table. Chairman Wilson outlined the process to be followed this evening, noting that it has been a long and complicated one and her hope is that interested individuals have reviewed the detailed information on the website. The Chairman noted that there is no magical solution to this issue and the outcome may not satisfy all. She explained that the current benefits landscape is complicated and the monthly premiums range from \$36/month to \$239/month.

Chairman Wilson recalled that in 2009, the Town received an actuarial study that outlined the \$93million liability, with the Finance Committee beginning to address this issue with Town Meeting as far back as 2008. She noted that the Finance Committee has continued to advocate for a plan to address this issue and fully fund the liability. A study committee was formed that included representatives from the Board of Selectmen, the Finance Committee, the Audit Advisory Committee and at-large members. Recommendations were presented to Town Meeting and to the Board in 2011 and 2012, suggesting a combination of approaches both to increase funding and to decrease costs. First, the Town could increase its annual contributions to the fund to defray long-term liability which would require that the Town find at minimum, an additional \$1million per year in its budget or from additional tax dollars, beyond the pay-as-you-go amount. Town Management advised and the Board of Selectmen agreed that until the time the Town could find additional revenue as with a tax override, this approach was not feasible without spending down reserves or unreasonable service cuts, although will be a part of the future piece of the puzzle.

Chairman Wilson noted that the Town took several actions on the cost side; it changed plan providers and avoided a 10% increase in premiums for the benefit of retirees and the Town. In 2012, the Town, like 259 other communities in Massachusetts, took advantage of the newly enacted Municipal Health Insurance Reform Legislation. This allowed the Town to change its plan design, copayments and deductibles to be consistent with the most highly selected insurance plan offered by the State to its employees. The Town's unions participated in this process and they determined how to allocate \$195,000 in avoided expense for the benefit of plan participants, including retirees. During this time, Chairman Wilson explained that Town management met to discuss health care expenses with two groups of union representatives, each of which included a retiree representative. Finally, the Finance Committee and the GASB Study Committee, the cross disciplinary group put together to study the issue, recommended shifting the split in retiree health insurance contributions. The Board considered information provided by its actuaries, its insurance advisor and information about contribution rates from other communities. Chairman Wilson pointed out that notably, only two other communities were identified that had contribution rates as high as Winchester's at 90%.

Chairman Wilson explained that the Board also examined the impact on the various retiree groups. In November, 2012, the Board voted that as of July 2014, premium splits would be changed to the consistent split of 50%-50%, a rate that was already in place for some retirees. She noted that the Board recognized that this might create a financial hardship for some retirees and made its vote subject to the condition that a mitigation plan be adopted to "mitigate, moderate or cap" the impact of the changes for low income and/or high impact retirees. The fund was seeded with approximately \$55,000, although the Board anticipated that this amount would be increased substantially as the mitigation plan was designed. Retirees were notified immediately at the time of the vote, and Town Meeting was informed. In 2014 the Board anticipated that its mitigation plan would be primarily means based with a possible phase-in period. The Board expected to use an objective income-based standard for what was an appropriate level of income to spend for health insurance, looking to the Affordable Care Act for confirmation. Those who were being asked to spend more would be reimbursed by the Town. Chairman Wilson noted that the opposition to a means-based plan was

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widespread and passionate, some of the opposition coming from the retirees themselves, but also from other parts of the community and the concerns about privacy, access and pride are well documented in the comments made by many who attended meetings and through the local media.

Chairman Wilson recalled that with assistance from Senator Lewis, a working group was assembled that consisted of two members from the Board of Selectmen (Selectmen Wilson and Johnson), the Town Manager, the Comptroller and a number of retirees who also engaged the assistance and advice of now Moderator, Peter Haley. The retiree representatives were Jan Dolan, Ginny Laats, Joan Grenzeback and John Frongillo. She offered the Board's thanks to these individuals for their willingness to represent the retiree population through what is now known as the Winchester Retirees Health Insurance Committee. This group met to share ideas on how the mitigation plan might best meet the goal of alleviating financial hardship for those retirees most impacted by the contribution changes. Chairman Wilson indicated that this goal was shared by every person at the table. Through these conversations, and with assistance from Senator Lewis and Mr. Haley, the Winchester Retirees Health Insurance Committee identified the pre-2004 group of retirees as those most vulnerable to the rate change. Those retirees had previously enjoyed splits of 90% - 10% if on Medicare, or 85% - 15% or 71% - 29%. As the longest retired, these individuals in general were more likely to have lower pension income than more recent retirees.

The retiree representatives asked whether the Board could replace its means-based mitigation plan with a plan that would offer permanent relief to this identified group of retirees. Town Manager with the help of the Town's professional advisers performed the analysis and the proposal to change the pre-2004 retirees to a split of 70% - 30% instead of 50% - 50% would cost the Town in 2014 dollars approximately \$350,000 per year and the Town would sacrifice about \$3.5 million to \$5million of the long-term liability savings. The Chairman explained that the arrangement would also reduce the impact on the largest population of the current retirees, more than 300 in number and likely those with the lowest income.

Selectman Johnson and Chairman Wilson, the Board's representatives to the working group, along with the Town Manager determined that this was a fair and reasonable balance between the finances of the Town and the burden on the retirees, as well as achieving the goal of mitigating the highest impact. On March 24th the plan was recommended to the full Board. The recommended plan also included a two-year phase in period for all retirees and in addition, advocated for a means-based mitigation fund, smaller than what had originally been planned, but available to all based upon income. This was primarily to address unusual cases. Following the recommendation, the Board voted to release for public comment, this draft mitigation plan offering the features. The plan was published on the Town's website and was mailed to each of the Town's retirees. Written comments were received from sixteen individuals and organizations, including the Finance Committee, the MultiCultural Network, and the Winchester Retirees Health Insurance Committee. These comments were in addition to the extensive comments received by the Board as a whole and individually in the many months leading up to the release of the draft plan. Chairman Wilson noted that this issue has been the subject of extensive and varied comments and the Board is grateful for the robust input. She explained that the Board had originally intended to vote on the plan at their April 2nd meeting, but the Board was happy to amend that schedule at the request of the newest member, Selectman Powers. She explained that the Board is now in the position to vote on the draft plan and invited Ken Lombardi to the table to provide the financial information and the effect of the mitigation plan.

Ken Lombardi informed the Board that there currently are thirty-eight (38) pre-2004 non-Medicare retirees with individual coverage. This population breaks down into twenty-one retirees that appear will not be entitled to Medicare and seventeen (17) that will ultimately be entitled to Medicare. Currently, the membership pays 15% of the premium, approximately \$107 / month and would have been the cost on July 1, 2014 however based upon the proposal the share increases to 22½% resulting in a \$161.28 premium, increasing again to \$214.91 on July 1, 2015. The premium split would then

remain at a 70% - 30% split. Mr. Lombardi explained that all of this is based upon current costs and would be subject to change as renewal advice occurs. For the seventeen (17) members who will move to Enhanced, even though the contributory share shifts from 15% to 22½% and then to 30%, most of the population will move into the Enhanced level and all will see a significant reduction in premium contribution as they migrate into Enhanced and enroll in Medicare.

Pre-2004 members who have non-Medicare coverage and enrolled in the HMO, there is not a significant change in cost structure based upon going to the 70% - 30% premium split. There are currently four retirees in this group that have family coverage, and one of the members is not likely to move to Enhanced because they are Medicare ineligible at this time. Cost differences are not significant in this population. For the others that have family coverage in this bracket, there will be a significant cost reduction because they will be going from a family split down to the progression of the 20% premium increasing to 30% premium based upon the agreed upon mitigation proposal.

Mr. Lombardi explained that additionally, the Town Manager's recommendation to lower future retiree costs moves the Enhanced plan to a calendar year arrangement to take better advantage of Medicare rules and regulations and lower costs. The expectation is that the Enhanced rate will level out and possibly reduce on January 1st beginning in 2016. The renewal will be off-cycle and not on the typical fiscal year cycle. For the approximately thirty (30) other non-Medicare retirees that are post-2004, all will migrate to Medicare, but in the meantime their cost goes from \$236.40 / month at 33% to \$297.29 / month and then to \$358.19. With time, this population will migrate to the lower cost plans.

Mr. Lombardi informed the Board that there are nine (9) non-Medicare retirees who purchase a family plan, and at this time the split is currently 66 1/3% and 33 1/3%. As this population migrates to Enhanced, they will also see a cost reduction. Mr. Lombardi explained that the Town Manager, through negotiations with the current insurance provider, Harvard Pilgrim Health Care, was able to secure a two (2) person rate. He noted that there are four of the post-2004 non-Medicare retirees having to pay a family rate. There are fifteen (15) pairs of family members that have non-Medicare coverage that are in the post-2004 category and then on July 1st will see a significant cost reduction as they will not be contributing to a full premium rate but rather contributing to a two-person rate beginning on July 1, 2014. The cost reduction will be from \$594.59 down to \$322.14.

Mr. Lombardi noted that there are a significant number of retirees, all with family coverage and about seventy-six (76) in number, in all likelihood that will be able to migrate to the Enhanced plan because they will be entitled to Medicare. He explained that the focus this evening is on the Town's Medicare supplement plans however the Town does have a Medicare HMO style arrangement that is available, as well as other senior plans. He indicated that it would be a lower-cost service area program, i.e., must reside in the State.

Town Manager noted that he has provided a brief memo that recommends a plan that is robust and takes into consideration the various constituencies. He indicated that he believes that the plan is reasonable and recommended the Board's endorsement.

*Motion: That the Board of Selectmen, in accordance with the Board of Selectmen's vote of November 5, 2012 pertaining to Health Care Premiums for retirees and in order to provide a plan to mitigate, moderate or cap the impact of premium rate changes for retirees of low income, and / or who may have high out-of-pocket healthcare costs and who would otherwise be disproportionately affected, that effective July 1, 2014 the following mitigation plan be adopted for implementation in accordance with Chapter 32B section 11C, 16, 18A and 19 in accordance with Attachment "A": Mitigation Plan:

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- 1.) All post-2004 retirees (both non-Medicare and Medicare) plans to be cost-phased to 50%-50% (in equal amounts) over a two year (fiscal) basis. This phase-in to apply to all retirees who retire before June 30, 2015.
- 2.) All pre-2004 retiree plans (both non-Medicare and Medicare) to be cost-phased to 70%-30% (in equal amounts) over 18 months with the first change occurring July 1, 2014 and the second change occurring January 1, 2016. The rate for these plans to be established at 70%-30% going forward instead of 50%-50%.
- 3.) All pre-2004 non-Medicare retirees to migrate to HPHC Enhance Medicare Plan 70%-30%.
- 4.) A means-based mitigation fund of approximately \$55,000 as a further safety net for retiree subscribers who would qualify for further mitigation in accordance with the Affordable Care Act income standards. This fund to be in effect for no less than three (3) years but possibly available on an ongoing basis depending upon the level of need shown as the plan is put in place.
- 5.) The phase-in results are subject to the usual annual rate increase proposed by Harvard Pilgrim for all subscribers.

Johnson – Fontana

Selectman Powers informed the Board that had he been a sitting Selectman at the time this vote was taken he would have grandfathered all pre-2004 retirees. He explained that it is very aggressive to increase rates to 50%, noting that when Town Manager Howard was Mayor of Malden, the health insurance split was increased to 80% - 20%, and questioned why Winchester felt it was entitled to increase the premium split to 50%. He recalled that he was a member of the Board of Selectmen when PERA was funded, and after thirty-two years, the Town of Winchester is approximately 92% funded; no effort was made to fund the retirement system in one year [Note: The pension is currently approximately 77% funded.]. He suggested that this is a plan that puts the funding of the liability on the backs of the senior citizens. Selectman Powers pointed out that there is a Town Meeting vote on the horizon and a State vote related to Chapter 32B, therefore suggested that the Board of Selectmen delay voting this evening.

Selectman Fontana commented that this group that consists of the Town Manager, Senior Management, and advisor Ken Lombardi is well-informed and thoughtful and aware of all of the factors related to this complex topic of OPEB. He pointed out that the top category of cost growth in public budgets over the last thirty years is health care services. He explained that this problem is far from over and can be distilled into two categories. He suggested that contributions made today dwarf future contributions. He noted that this liability is not a curve that declines nor is it a curve that stays flat in the future or one that increases at a proportionate rate over time, but rather a curve that is increasing at an exponential rate. Selectman Fontana pointed out that this liability could have severe and drastic consequences if it is not addressed. He noted that the population being served with the health care benefit is increasing, not stabilizing or shrinking; the liability is drastically underfunded.

Speaking to pension reform, Selectman Fontana explained that what eventually happened was a severe change in benefits and contributions; pension reform did not end well for anyone and there were losers across the landscape. He informed the audience that as a member of the Board of Selectmen he gave thought to designing a plan or implementing a policy to deal with this complicated issue that is a significant crisis that is not unrecognized, and at the same time being true and empathetic to retirees, future retirees, employees and taxpayers. He noted that he thought about both grandfathering and freezing benefits, but knew that the further this issue is pushed out the more significant risk that it poses. Selectman Fontana suggested that the way to deal with this is through shared compromise. He indicated that he does not like the statement that this issue has been put on

the backs of the retirees because the Board has taken several actions that have been articulated. Selectman Fontana noted that the Board is asking the retirees to be a part of the solution, but has also instituted health care design and plan benefit changes, and the Town now has a balanced budget since Town Manager Howard's arrival where previously the budget had been running in deficit; reserves are in place. He suggested that a shared solution is best rather than dealing with this issue in the future.

Selectman Powers offered the following amendment to the original motion:

*Motion: That the Board of Selectmen amend the pre-2004 retirement plans for both non-Medicare and Medicare participants, to be cost phased in at 75%-25% over two years, with the first change occurring July 1, 2014 and the second change to occur on July 1, 2016; the rates being established at 75% - 25% going forward.

Powers - Johnson

Chairman Wilson informed her colleagues that she feels that a 70%-30% rate split was a good rate to achieve for the pre-2004 retirees and happens to be consistent with the average rate split for communities in Massachusetts. She noted that it also provides some parity to the cost increases between the pre-2004 population and the post-2004 population, based upon dollar amount. Each phase of the implementation now has Medicare retirees whether pre-2004 or post-2004 experiencing between a \$35 - \$40 increase. She questioned the impact on the OPEB liability if the 75%-25% adjustment were to be made.

Selectman Powers noted that he does not have this impact number, however the OPEB liability is a thirty year liability that the Board is trying to settle in one year, something that he does not feel is proper. Selectman Fontana noted that the problem does not go away, is still significant, and will result potentially in budget cuts, reserve expenditures, override funding, etc.

Insurance consultant Ken Lombardi informed the Board that he cannot comment on the proposal to tweak the contributions put forward by Selectman Powers, but reminded the Board that the single biggest issue that the Town has is the significant number of retirees who are insured as a part of the Town's health plan. He noted that there are 500 individuals covered under the various retiree options and only about 700 active employees, almost a 50-50 split with the number continuing to grow. He indicated that he is not sure that the Town can delay or consider significant changes to their proposal. He suggested that the Board be mindful of the size of the population which continues to grow to the point where if left unattended will create an even bigger issue.

Chairman Wilson pointed out that another piece of relief that will be available to the pre-2004 population is the introduction of the plan that is an HMO-like plan and when implemented will be priced at a favorable contribution rate for both the retiree and the Town, creating an incentive to select the plan. This will allow retirees to mitigate their own cost increase. Chairman Wilson also noted that the Board has been hearing about the burden placed on retirees for a long time and she understands where it comes from. If the mitigation plan is approved this evening, Chairman Wilson noted that the Town will have reduced its long-term liability cost over thirty years from \$93million to \$64million. She explained that there is still a lot of work remaining and the Board of Selectmen, with assistance from the Finance Committee, Town Meeting and others in the community will need to continue to work to find a way to fund this liability. She suggested that much of this will rest with the taxpayers. She indicated that the taxpayers already support retiree healthcare benefits by funding the budget in millions of dollars annually for the cost of healthcare benefits. Chairman Wilson explained that in the future, the Board will need to look for ways to obtain more revenue or the taxpayers will bear the burden of foregone opportunities in the budget.

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Vice Chairman Johnson noted that the Board worked very hard to accommodate everyone with the biggest improvement made being the "spouse + 1" which will reduce what participants pay now. He pointed out that this is a complicated issue and urged people to take their time and read about it.

*On the Amendment to the motion:

In favor:	Powers	
Opposed:	Fontana, Johnson, Wilson	VOTED.

*On the main Motion:

In favor:	Fontana, Johnson, Wilson	
Opposed:	Powers	VOTED.

Chairman Wilson declared a recess at 8:35 PM; she reconvened the meeting at 8:40 PM at which time Selectman Grenzeback rejoined his colleagues at the table.

Hospital Gift Account Funds for Ambulance Purchase

Vice Chairman Johnson noted that the issue of Hospital Gift Account funds being used for the ambulance purchase was recently raised by the Capital Planning Committee. The Finance Committee has also made some minor adjustments to the capital plan, including the ambulance as an add-on. He noted that the MIS request has been reduced and the public safety building firing range eliminated. He informed his colleagues that there is approximately \$110,000 as a balance in the Hospital Gift Account and his suggestion is for the Board to consider using the bulk of this amount towards the ambulance purchase in place of Free Cash. There would be a remaining balance of \$9973 in the Hospital Gift Account.

In response to Selectman Powers' question as to whether there are any requests for Hospital Gift Funds relating to health or safety issues on the horizon, Town Manager indicated that there are no known requests coming forward. He reported that a PILOT payment will be received later this Spring. Chairman Wilson informed her colleagues that she has no objection to using some of the gift account funds for this purpose, but questioned how this request would fit with the other capital pieces.

Vice Chairman Johnson recalled that the Capital Planning Committee had requested two separate warrant articles with a request to use Free Cash as a funding source. Chairman Wilson indicated that she would like to have a recommendation from the Finance Committee. Selectman Powers suggested that the Finance Committee should be happy with this solution because Free Cash funds would not be used. He explained that the Hospital Gift Account was set up to be used for things of this nature, therefore a consistent usage. Vice Chairman Johnson pointed out that Chief Nash has indicated that the back-up ambulance currently in use will not be certified by the State in the next round of certifications.

*Motion: That the Board of Selectmen authorize the expenditure of \$100,000 from the Hospital Gift Account towards the purchase of the Fire Department Ambulance.

Johnson – Powers

Town Manager noted that the MIS reduction was prioritized, although it has been in the queue for a while. He informed the Board that he talked with the IT Director earlier today and he indicated that he will live with whatever funds he receives however the upgrade to the MIS system will be done piecemeal.