

DENNIS WATER DISTRICT

Board of Water Commissioners, District Finance Committee, Board of Selectmen and Dennis Finance Committee

Minutes of Meeting held

February 24, 2015

A meeting, having been duly posted, was held this date at the Dennis Town Hall, 485 Main Street, South Dennis. The joint meeting was called to order at 6:30 PM by Chairman Paul McCormick, Dennis Board of Selectmen
In attendance

Water Commissioners

Paul F. Prue

Charles F. Crowell

Peter L. McDowell

District Finance Committee

David Talbott

Greg Stone

James Plath

Kathleen Riley, an actuary with Segal Group gave the attached presentation on Other Post-Employment Benefits OPEB). She advised that her firm has been engaged by Barnstable County to do the next actuarial valuation for the period ending June 30, 2014. They are currently collecting data for the study. She stated that ultimately, it will cost less to fund the OPEB obligation than to continue to pay-as-you-go and accumulate even more unfunded liability. She discussed the rising costs of health care for retirees as they age and with the rising costs of medical/drug expenses. Ms. Riley demonstrated the financial implications for the Town and Water District based on a funding schedule or on a pay-as-you-go approach to addressing the OPEB liability. Over time, the higher the interest rate that is earned on an OPEB trust fund; the lower the liability.

Kathleen Riley presented the attached funding schedules for the Town and the Water District.

Mr. Plath stated that this does not take into effect that a municipality would hire any new employees until 2042.

Kathleen Riley responded that this takes into account replacing employees who have left, but not additional employees.

Sheryl McMahon suggested that the Board might consider a policy when considering new employees and include the cost of funding the normal OPEB costs along with other employee benefit costs.

Peter McDowell thanked Kathleen Riley for her presentation. He stated that it drives home how costly and expensive municipal employees truly are. He said it would be interesting to look at what the true costs of those employees that were added by Proposition 2½ and not just their salaries. The Water District also offers life insurance and dental insurance. The Town offers those benefits as well. The Town pays 60 percent of the premiums. This is part of the current contracts. He asked what would happen if new officials and administrators took over and didn't want to pay such a high amount, what would happen? Ms. Riley answered that the State requires municipalities that adopt the section to pay at least 50%.

Jim Plath asked for clarification on the charts. He wanted to double check the amounts that were calculated for 2012 that the Town needs to come up additionally in order to fully fund the OPEB liability.

Sheryl McMahon commented that since we are becoming so much more aware of these liabilities, we could address the additional liability of new employees in the beginning. With the new employees that were hired, we are only currently liable for their normal cost. We could now fund that employee and pay a little more to ensure that we are still fully funded in future years.

Jim Plath asked about PRIT. Rick White stated that a substantial number of communities invest their retirement, and now OPEB trust funds in PRIT Fund. Several years ago, legislation was passed that if a retirement system couldn't compete with PRIT, then they had to invest in PRIT.

Sheryl McMahon shared that Barnstable County is almost entirely with PRIT. She stated that the flash point of this is the solar revenue. The Town Administrator has put forward and had discussions with us by dedicating a portion of it to fund OPEB liability. That and wastewater are the two largest considerations that this Board has looked at in terms of allocating the solar revenue towards.

Peter McDowell asked about the range in which communities that have allocated some funding to OPEB. He wondered if they have allocated in terms of whether they are fully funding or what they can afford?

Kathleen Riley stated that there is a large range in this. Some communities are moving towards full funding, but others are just doing a little at this time. Anything that can be contributed or allocated towards OPEB liability makes a difference.

Alan Tuttle stated that he would hate to think of what the state's obligation is in terms of OPEB liability. He asked if they have addressed it.

Kathleen Riley stated that they have done a little, but that she didn't remember their funding ratio at this time.

Wayne Bergeron stated that the Town has a OPEB trust. He would like to further discuss with the Finance Committee funding some of the Town's OPEB obligations. He suggested that one thing to consider might be to take a little money out of free cash and put towards this.

At 6:56 PM Chairman McCormick thanked Ms. Riley for her presentation. He then declared a brief recess before resuming the balance of the Selectmen's meeting. A majority of the members present from the Water Commission and District Finance Committee left the meeting and there was no longer a quorum present. No action or votes were taken during the meeting by either committee.

Respectfully submitted,

Sheryl A McMahon, Clerk