

TOWN OF PEMBROKE
APPROVED
ADVISORY COMMITTEE MINUTES
06 MARCH 2017

Chairperson Linda Peterson opened the meeting of the Advisory Committee in Pembroke Town Hall at 7:30PM on 06 March, 2017. Also present were Stephen Curley, Timothy Brennan, James McCollum, John G. Brown, Jr. Stephen Walsh, and Elizabeth Monks

Absent: Richard McManus

Guests: Thomas P. Hartwell, CPA

Jim Sullivan, Duxbury resident

Linda Peterson welcomed Tom and thanked him for agreeing to speak with the Advisory Committee.

Tom said he will present a high level overview. He is not here representing the Town of Andover or their Retirement Board. He is now retired and babysitting his grandchildren. He has 33 years of experience looking at finances. After retiring he joined the Retirement Board and was disappointed in seeing how the Board was being managed. Changes needed to be made if there was going to be anything there for their employees.

- Long Term Rate of Return/discounted rate – what you would pay for your pay down. Higher the discount rates the lower unfunded liabilities. They are linked together to keep unfunded liabilities lower. Discount should be 3%; Pembroke's pension is 8%. Instead of \$27M Pembroke should be double that. Retirement Boards won't change that. The Advisory Committee has the responsibility for the towns financial.
- Discount rate – Tom went to the Andover Board of Selectmen and presented to them in October. He explained that the town needed to come up with their own evaluation. He convinced the Board of Selectmen to prepare their own evaluation; he referred to page 4 of his presentation to the Andover Board of Selectmen. The Board of Selectmen agreed and delayed financials until they got support to pension liability calculator.
- Pembroke should have a policy on GASB 68. Tom drafted this policy for Andover; he can provide Pembroke with a copy. Look at the Plymouth County Retirement Board 5 years earned and 10 years earned 4.82%; poor investment earnings. Using the S&P 500 increased in the 80's and 90's but in last 15 years interests rates have decreased and the market is volatile. Accounting rules should be forward thinking not historical. Rates should be 3 ½% to 4%; treasury bills have gone down by 3%.

Tom suggests three methods to use and referred to page 5 of his handout:

1. Building Block Method (BBM)
2. Consensus Forecast
3. Stochastic Simulation

Andover came up with a rate of 6 ½% and went against the Retirement Board.

The Board of Selectmen must hear the message.

- Other Assumptions – Review the minutes of the Plymouth County Retirement Board; they're not fully documented. Actuary Revenue options; they're using old generational table; the RP-2000-AA Mortality Tables. The town has a responsibility that this is being done. You have \$100M surplus; \$27M on balance sheet; \$27M for OPEB (probably a lot higher). The Retirement Board skills have no diversity or retirement expertise. The Retirement Board members are retirees, current employee, elected officers; 4 out of the 5 members are elected officers and the 5th is the former Mayor of Brockton. Need an independent board that is looking out for retirees and competent people with expertise in Risk Management, Financials (someone with investment committee experience).

²The Chairperson did not vote on this motion.

- Towns can't go bankrupt in Massachusetts. PERAC oversees the 104 pension plans in the state. Only one person from the 104 boards came to see them. You need to have experts on these Boards. Does your board understand Mortality rates, COLA? All pension boards pay 3% of first \$14,000. In Andover If they stopped the COLA for one year the town's unfunded liability would be reduced by approximately \$2.8M and future payment of \$9.6M would be reduced. The one town that has good fiscal discipline is Leominster. They did not grant COLA until they were fully funded. Discount rate 5 ½%; 80% funded.
- The Plymouth County Retirement Board members do receive an annual stipend of \$4,000 per year.
- Town employees working 20 hours or more a week are automatically eligible for healthcare. One suggestion is to hire people to work less than 20 hours per week; they can still be enrolled in a 457 plan and the town can contribute 3%. Unions have fought this.
- Healthcare Investment Risk – PRIM obtains this rate 7½%; standard deviation is 12½%; 43% investment in risk 40% level 3. Pembroke's investment is less risky; portfolio is done in-house investment advisors running \$800M of investment.
- Tom went to PERAC. They came in to Andover and completed an audit and issued a clean audit. He then spoke at the PERAC Investment Committee recommending an Investment Management Process. Three weeks ago PERAC sent Andover the need to have it.
- Timothy Brennan said the Plymouth Retirement Board's policy has not been updated in six years. Tom noted that PERAC does not look at the risks of the pension plans. He put together the recommendations for Andover; their Unfunded OPEB Liabilities are \$189M. Pembroke's Unfunded OPEB Liabilities is \$55M; in 30 years it will be \$162M.

Tom has two recommendations:

1. Town step up to the plate and start contributing. Andover's plan for FY17 is to contribute 0.50% of revenues which would be approximately \$920,000 which is down from the \$2M contributed in FY16.
 2. Town only has to pay 50% of healthcare costs; Pembroke is paying 75%-80%. Gradually increase employee/retiree contribution rates to 50%. Andover can't implement until 2018 due to a new state bill.
- Timothy Brennan asked about Pembroke exploring removing itself from the Plymouth County Retirement Board. Tom estimates if Pembroke goes with PRIM today the cost of having an office could be approximately \$250,000 a year. Tom said of the 351 towns Pembroke is the only town he has been invited to discuss this topic; he would like to get this message out to all towns.

Advisory thanked Tom for coming to Pembroke and sharing this valuable information.

Stephen Curley reviewed the Debt Schedule. For FY18 \$112,000 will go off the books. This year's debt is \$437,000 for the DPW on top of their \$1M budget. We need to stop adding to our debt. He noted in 2009 the town debt was \$389,000; 2018 it's \$1.1M.

Upon motion moved by Stephen Curley 2nd by James McCollum following the discussion it was

VOTED¹: To accept the meeting minutes of 27 February 2017. Timothy Brennan, John G. Brown Jr., Stephen Walsh and Elizabeth Monks supported the motion.

²The Chairperson did not vote on this motion.

The following documents received were reviewed and discussed:

- FY18 Unmet Requests
- State Aid History
- Employee Benefits vs. Tax Levy Increase
- Massachusetts DOR – Division of local Services:
- Snow & Ice– Stephen Curley noted the 22 town report with total miles that needed to be plowed. Of the 22 towns Pembroke is the 15th, 16th, and 17th highest. We're spending the money and not getting the results.
- Healthcare Comparison – For 2015 total expenses, Pembroke's is 11.39% of total budget; Plymouth is 17.63%; Middleboro and Norton are higher than Pembroke.

Linda noted that at the next Advisory meeting they will begin to go through the FY18 Budget.

- The committee agreed to request the following documents:
- Send email to Ed Thorne, Town Administrator requesting a "draft" copy of Annual Town Warrant Articles
- Send email to Michael Buckley, Town Accountant requesting a breakdown of FY17 Operating budget through February and tax collection update, i.e. excise taxes and what would be the saving to the town if they moved to the GIC state Health care plan

Stephen Walsh noted that the Pembroke Youth Hockey board voted to stop Bingo at the Community Center effective July 1, 2018. Not sure how the town will cover the costs such as heating the building. This bill could be as high as \$45,000. The town may want to consider including the Community Center in the repurposes of town buildings such as the Police, Fire and DPW; do a master plan.

John Brown asked if Advisory still planned to do a "show and tell" at the Library before the Annual Town Meeting in May. Linda said yes.

The next Advisory Committee meeting is scheduled for Monday, March 13, 2017 at 7:30PM.

The Advisory Committee adjourned at 9:35PM.

Respectfully submitted,

Stephen Curley, Clerk

²The Chairperson did not vote on this motion.