

2015 OCT 15 AM 8:23

BELMONT WARRANT COMMITTEE MEETING MINUTES
APPROVED (ON OCTOBER 14, 2015)
OCTOBER 7, 2015, 7:30 P.M.
CHENERY COMMUNITY ROOM

Present: Chair Libenson; Members Alcock, Dash (arrived at 8:32 pm), Epstein, Fallon, Gammill, Helgen, Lisanke, McLaughlin, Mennis, Sarno, Starzec; BOS Chair Baghdady; School Committee Rep. Slap

Town Administrator Kale

Members Absent: McVay and Schreiber

The meeting was called to order at 7:32 pm by Chair Libenson.

Chair Libenson began by discussing the WC minutes process.

Approval of Minutes

Chair Libenson explained the minutes process: Lisa creates a draft and sends it to Member Gammill, who then does an editing pass. That set is then sent to the full WC for their input. WC members are to modify their own comments, if necessary. Once the WC meets, it should be prepared to vote on the minutes as the first item on the agenda.

Member Gammill suggested that motions be written down. The WC discussed. Chair Libenson suggested that the WC can see how it goes. He then explained that members who were not present at the relevant meeting should abstain from the approval of those minutes.

The minutes of 6/10/15 were approved with two abstentions.

The minutes of 9/30/15 will be reviewed next week as the first agenda item.

Pension Report and Discussion

Chair Libenson acknowledged Member Mennis for his extraordinary work on the report.

Member Mennis began by reviewing the new information within the report. He directed the WC to read the Executive Summary, the AAA comparisons on page 5, and encouraged them to read several of the articles about Pension Obligation Bonds (POBs) listed on the last page.

Member Mennis then reviewed some of the analysis, including the funding schedule options. Belmont's current schedule, based on a full funding target date of 2027, is aggressive, and this is viewed favorably by the rating agencies. Mr. Mennis relayed a

comment by Mr. Carman to him that, if the schedule changes, the message to the rating agencies and others should change as well. The assumptions impacting the funding schedule are fluid, and alternatives can be explored. However, modifications to the funding schedule will need to come from the Retirement Board. Mr. Mennis and Mr. Kale noted that the next Actuarial Review and Valuation report will be issued in the summer/fall of 2016, based on data as of January 1, 2016. This report will be the basis for the revised schedule that will affect the FY18 and FY19 operating budgets. Mr. Kale explained the PERAC approval process via the Retirement Board.

Member Mennis added that fluctuations in the stock market will impact the future funding schedules. He suggested that the WC be thoughtful about the analysis before issuing its report to Town Meeting.

The WC discussed the timing of the report. Member McLaughlin suggested that the October 15 deadline may be too soon. He added that the impact to the future operating budgets will require serious discussion. He then discussed the return on investment and the POB option.

Chair Libenson raised several issues concerning the report:

- When will it be issued? (October 15?)
- How generic or specific will the report be?
- What recommendations will it include?

Member Gammill discussed the funding schedule notion, noting that it will be recalculated every two years. Member Helgen reiterated that the unfunded amount will go up or down (depending on the investment return – which has only been *assumed*) and that will impact the funding schedule.

Chair Libenson reviewed some of the assumptions that impact the actuarial valuation, e.g., rates of return, how long people live, salary levels, etc.

Member McLaughlin summarized the three options: stay the course, modify the schedule, issue POBs. Member Mennis explained the Massachusetts Pension Reserves Investment Management (“PRIM”) system and investment options, noting that Belmont has done at least as well as PRIM or better.

Member Fallon asked for more information about a potential debt exclusion to fund the obligation.

Member Mennis then reviewed several tables (page 4) which reflect amortization payments, service costs, pension contributions, and funded ratio for years 2015-28. Page 5 includes two tables comparing the Moody’s Aaa rated communities/pension fund ratio. The WC discussed the tables and made suggestions to make the tables more clear.

The WC agreed that mentioning an aggressive funding schedule’s operating budget

impact is important. Also important is noting why the funding schedule needs to be aggressive (because the town underfunded this obligation in the past). Member Sarno noted that the ratio of the funding schedule to the town's overall budget would be important.

The Aaa rating was briefly discussed.

Referring to page 6, Member Mennis discussed the impact on the town budget. BOS Chair Baghdady asked if it makes sense to look at the impact of the obligation on other towns' budgets. Member Mennis said what would be needed is the growth rate and the total budget of the other towns. Member Helgen suggested this would be a big undertaking. Member Epstein added that this data would, in the end, defy interpretation.

The WC agreed and continued discussing issues related to the report. (3.5% was identified as the baseline number.) Member Gammill noted that the 2027 number is directly related to the stock market. The variability of the stock market makes predictions challenging.

Member Lisanke raised the issue of gaining a deeper understanding into the investment portfolio and the POBs, taking into consideration the current interest rate environment.

Member Mennis then reviewed Section 4: Modifying the Current Funding Schedule. The WC discussed the rate of growth, the investment return, budget impact, pushing out the schedule, and working with the Retirement Board on the funding schedule.

Member McLaughlin reminded the WC that the pension obligation fulfills a promise made to employees. Member Fallon noted that this report is informative and will be a lot to take in for many TM members. She suggested not adding more speculative budget numbers to the report.

Member Epstein noted that TM is interested in knowing the impact to the operating budget.

Member Gammill raised the topic of two other types of long-term liabilities, the OPEB obligation and the major capital projects identified in the Financial Task Force report. He questioned whether a Pension Obligation Bond would reduce the town's ability to borrow in order to fund future capital projects.

Member McLaughlin noted that Selectman Williams has put forth an alternative funding proposal and was invited to attend this meeting, but was not present.

Chair Libenson stated that this document will be helpful in informing TM. He asked if the WC would be comfortable in submitting this report to TM, by the 15th. Member McLaughlin said that the WC can decide when it meets next week, which is the 14th. SC Rep Slap suggested that a public forum (information session) be held for TM members to ask questions about the report. The WC mostly supported this idea.

Chair Libenson stated that revisions will be incorporated and the WC will decide next week whether or not the report will be published.

Member Epstein suggested keeping the report less comprehensive, less detailed, and that an overview be submitted to TM.

Updates: Board of Selectmen, School Committee, Planning Board, and Minuteman

Board of Selectmen: BOS Chair Baghdady thanked Member Mennis and the WC for the work on the Pension Report.

School Committee: SC Rep Slap informed the WC that there is an updated enrollment report, which she distributed. The net addition as of October 1 (compared to the previous year) is 81 students. Kindergarten was a little lower than expected, so instead of hiring a Kindergarten teacher, a Guidance Counselor was hired at the Chenery – allowing for one GC per class (four total). Classroom space is expected to be an issue, as enrollment grows.

Capital Budget Committee: Member Fallon raised the topic of more communication with between the WC and the CBC. She then reviewed the main functions of the CBC. The Board of Selectmen has sought the input of the CBC on prioritizing the remaining capital projects. The WC is welcome to have a role in that process.

Public Contributions

Mr. Geoffrey Lubien, TMM Precinct 7 and member of the OPEB Funding Advisory Group, offered several comments on the draft pension report.

Adjournment

Member McLaughlin moved to adjourn at 9:40 p.m.

Submitted by Lisa Gibalerio

WC Recording Secretary