

Audit Committee Approved 12.20.17

BOS Approved 01.09.18

Town of Wenham  
Audit Committee & Board of Selectmen  
Meeting of June 17, 2016  
Town Hall, 138 Main Street

Pursuant to the Open Meeting Law, M.G.L. Chapter 30 A, §18-25, written notice posted by the Town Clerk delivered to all Board and Committee members, a meeting of the Audit Committee and the Board of Selectmen was held on Friday June 17, 2016 at 10 am in the Selectmen Meeting Room

Audit Committee members present: Jack Wilhelm, Selectman; Mike Lucy Finance Committee Chair; Richard Jones  
Also present: Catherine Harrison, Selectman; Peter Lombardi, Town Administrator; Angel Will, Finance Director  
Odyssey Advisors present: Francis Fraine, Kurtis Thompson

Abbreviations used:

BOS - Board of Selectmen

OPEB- Other Post Employment Benefits

GASB – Government Accounting Standards Board

The meeting of the Audit Committee and the Board of Selectmen was called to order at 10 am

This was an informal presentation by Odyssey Advisors, Actuaries & Management Consultants.

**Biannual OPEB evaluation overview**

- Presentation of GASB 45 Results – June 17, 2016
- Letter from Odyssey to Finance Director dated March 21, 2017 Re GASB 45 – Summary of Results
- Balance Sheet GASB 45

Mr. Fraine lead the review of Town's liability which increased over the past year from \$4 million to \$5 million, exceeding the estimate increase of \$4.5 million citing OPEB expense, Health Care costs and increases in termination, retirement and mortality rates.

He briefly spoke of the assumptions and cost methods that would be used for GASB 75.

A lengthy discussion followed regarding the Town's OPEB liability that continues to increase annually.

This included Service Costs/ Normal Costs of future benefits projected to be accrued and paid over the career of active employees and the amortization of past liability, that left unpaid continues to accrue.

The overview included assumptions used in the calculations and how the calculations are done.

Health Care expenses were increased at the industry standard rate of 5%, although 8% may be more realistic.

The average cost sharing of health insurance for retirees is 25%-40%; Wenham is 25%.

The town was encouraged to look at the entire package for both retirees and active employees, noting retirees and active employees do not need to have the same cost share percentage. Different possible scenarios were mentioned.

The cost per employee was shown in a total compensation which included salary and retirement/medical benefit value.

There was a lengthy discussion regarding health insurance costs, regional options vs self-insured.

Odyssey stressed the importance that credit agencies are looking for a 5 to 7 year plan for OPEB funding with the understanding that this has been an unfunded liability over many years; the use of Free Cash without a policy to support it is not considered a plan.

GASB 75 will be initiated in 2018; liabilities will move to the balance sheet, new disclosures, net flows, investment policies.

The discount rate will be tied more heavily to funding; scenarios will be provided.

The next evaluation is in 2018.

Audit Committee/BOS 6.17.16

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In order for funding to be recognized for under GASB 75 the town must have a formal investment policy and a formal funding policy statement. The last 5 years of funding OPEB will be averaged and used in GASB 75.

Funding / investment scenarios were provided as an example, as well as a list of investment advisors available to the town. Currently the town is with Bartholomew.

A general discussion regarding investments for OPEB restrictions for municipalities followed.

GASB 75 will require a calculated amount to fund OPEB for current employees and a percentage of unfunded liability at a minimum of 3% increase annually. New employees could be funded in full annually.

When the Pension Fund is full funded (2036) that funding could be applied to increase funding for OPEB.

The meeting was adjourned at 11:06 am.

Respectfully Submitted By

Catherine Tinsley

12.19.17