

**MINUTES  
TOWN OF BELMONT  
BOARD OF SELECTMEN  
BEECH STREET CENTER  
Monday, October 20, 2014  
6:00 PM**

RECEIVED  
TOWN CLERK  
BELMONT, MA  
2014 DEC - 2 AM 11:33

**CALL TO ORDER**

A regular meeting of the Board was called to order in open session at 6:15 p.m. by Chair Rojas at the Beech Street Center. Selectmen Baghdady and Paolillo were present. Town Administrator Kale and Assistant Town Administrator Marshall were also present.

Chair Rojas reviewed the agenda.

**QUESTIONS FROM TOWN RESIDENTS**

Mr. Joseph Tellier, South Cottage Road, said he was concerned about the construction on Leonard Street. He expressed concern that the construction caused water damage to several business and rats that have been treated for several weeks by owners in the area. Chair Rojas said that Mr. Tellier should meet with the Town Administrator and set up a time to deal with the concerns by Mr. Tellier. Mr. Kale confirmed that he would speak with Mr. Tellier and Mr. Clancy.

**ACTION BY APPOINTMENT**

**Comcast Petition**

Mr. Kale noted that this petition request will need to be continued until the Board meets again on Wednesday, October 29, 2014.

*The Board moved:* To continue the Comcast petition to October 29, 2014.  
The motion passed unanimously (3-0).

**Vote: The Official Warrant for the Fall Town Meeting: November 17, 2014**

Mr. Kale reminded the Board that it was required to vote the warrant two weeks before the scheduled Town Meeting, but proposed the vote at their meeting on October 29, 2014.

**Donation Acceptance: Friends of Belmont S.P.O.R.T.**

Mr. Kale recommended that the Board accept the donation from the Friends of Belmont S.P.O.R.T. – who recently received a grant from the Learning by Giving Foundation to help with the focus on healthy eating habits, exercise and lifestyles.

The Board expressed their appreciation to this organization and gratefully accepted the grant.

*The Board moved:* To accept the donation in the amount of \$3,000, from the Friends of Belmont S.P.O.R.T., to be used by the Recreation Department for special needs programs.

The motion passed unanimously (3-0).

#### **Belmont Center Business Association, Tree Lighting Ceremony, Thursday, 12/4/14**

Mr. Kale explained that this is a yearly event and that the logistics run very smoothly by the public safety departments to close the streets for the ceremony.

*The Board moved:* To approve the Belmont Center Business Association's request to host the 24<sup>th</sup> holiday celebration on Thursday, 12/4/14, beginning at 5:45 p.m.

The motion passed unanimously (3-0).

#### **Town Administrator's Report**

Mr. Kale said that he will give his report at the meeting on Wednesday, 10/29/14.

#### **Committee Liaison Reports**

Financial Task Force Update: Selectman Paolillo said that the Financial Task Force is continuing to meet and will be ready to provide the Board with a preliminary report later in the fall.

#### **ACTION BY CONSENT**

##### **Approval of application from Mr. Kaluga T. Kaggwa for a Class II License to Buy and Sell Motor Vehicles at 280 Trapelo Road**

Mr. Kale explained that this issue will require another continuation to the Board's next meeting Wednesday, October 29, 2014 to work on resolution of uses and congestion on the site.

*The Board moved:* To defer action on the license request, as noted above, to October 29, 2014.

The motion passed unanimously (3-0).

##### **Approval of application from Mr. Dennis A. Dyer for a Common Victualler License at 628 Trapelo Road who is purchasing Sweet Peach Diner**

Chair Rojas noted that the applicant's legal counsel has requested that the Board review this license request at a later date.

*The Board moved:* To *continue* the license request, as noted above, to October 29, 2014.

The motion passed unanimously (3-0).

**Approval of a Change of Hours request from Craft Beer Cellar at 51 Leonard Street to open at 10:00 am on Sundays in accordance with recent updates to M.G.L., Chapter 138 Section 15.**

Ms. Suzanne Schalow, from Craft Beer Cellar, appeared before the Board regarding the request for change in Sunday hours to answer any questions that the Board of Selectmen may have. Mr. Kale explained that Mass. State Laws have changed and now allow for the selling of liquor on Sunday mornings, starting at 10:00 a.m. He said it is unclear whether or not communities are obligated to consent to the change in hours to begin sales at 10:00 a.m. Sunday.

Selectman Paolillo asked why it was necessary to sell alcohol on Sunday morning. Ms. Schalow said that shoppers are looking to buy products as early as 10:00 a.m. Selectman Paolillo said he's uncomfortable with selling liquor at 10:00 a.m. on Sunday. Ms. Schalow said she care very much about Belmont and just want to meet the needs of the community in the case that people who shop in the store live in Belmont and may want to take purchases to football games. The ability to have consistency in hours of operation from 10:00 a.m. to 10:00 p.m. is very nice for the business.

Chair Rojas said the Board will wait for Town Counsel to issue clarification on whether the Board of Selectmen may make decision on the opening hours on Sunday as legislated.

*The Board moved:* To continue the Sunday hours request for Craft Beer Cellars to Wednesday, October 29, 2014, or if Town Counsel has not yet issued clarification based on information from the Alcohol Beverage Control Commission, the matter may need to be continued to November 3, 2014.

The motion passed unanimously (3-0).

**Approval of Applications from the Belmont Hill School for One Day Liquor Licenses for Special Events at the Belmont Hill School Jordan Athletic Center:**

- KWA – Women's Speaker Series, Thursday, November 13, 2014 from 6:00 P.M.– 9:00 P.M. Application for Wine and Beer Only
- Alumni Holiday Dinner; Thursday, December 11, 2014 from 6:00 P.M.– 9:00 P.M. Application for All Alcohols
- KWA – Women's Speaker Series, Thursday, March 31, 2015 from 6:00 P.M.– 9:00 P.M. Application for Wine and Beer Only

*The Board moved:* To approve the one-day license request(s), as noted above.  
The motion passed unanimously (3-0).

**Approval of Application from Bonnie Friedman for a One-Day Liquor License for a Bar Mitzvah at the Beech Street Center. The event will be on October 25, 2014 from 6:00 – 10:00 P.M.**

*The Board moved:* To approve the one-day license request, as noted above.  
The motion passed unanimously (3-0).

**Approval of Application from the Friends of the Belmont Public Library for a One-Day Liquor License for a Retirement Party. The event will be held on November 13, 2014 from 4:00 – 6:30 P.M.**

*The Board moved:* To approve the one-day license request, as noted above.  
The motion passed unanimously (3-0).

The Board took a short recess.

## **PRECINCT MEETING: PENSION & OPEB DISCUSSION**

Opening Remarks: Chair Rojas introduced other members of the Board and introduced the Panel members:

Benefits Overview: Mr. Greg Mennis, Warrant Committee Member, Director of Public Sector Retirement System of the PEW Charitable Trust

Pension Overview: Mr. Tom Gibson, Vice Chair Belmont Retirement Board

OPEB Overview:

- Ms. Linda Bournival, OPEB Valuation Actuary, KMS Actuarial Accounting Requirements

- Mr. Richard Sullivan, Partner, Powers & Sullivan

Rating Agency Perspective: Mr. Peter Frazier, Senior VP, First Southwest

Mr. Will Brownsberger, State Senator, and Mr. Dave Rogers, State Representative

The presentations made for the Other Post Employment Benefit (OPEB) are available at the following link on the Town of Belmont website [www.belmont-ma.gov](http://www.belmont-ma.gov), reports and presentations, financial, 10-20-14 BOS precinct mtg. on pension and OPEB liabilities

### **Benefits Overview: Mr. Greg Mennis, Warrant Committee Member and Director PEW Charitable Trust project on State and Local Retirement Systems**

Mr. Mennis began by explaining his work as Director of the PEW Charitable Trust project for Public Sector Retirement Systems. He highlighted relevant issues such as the amount of unfunded pension liabilities, the high level exposure to the ups and downs of the stock market and economic uncertainty, and the fact that most states are wrestling with daunted by the funding mechanisms of this liability. It is my understanding that this not a conversation about taking away benefit promises for anyone who works for the Town but rather whether we have the right plans in place to manage the commitment. The Town has one of the lowest funded ratios which is only 52% of the pension liability which is largely the result of practices in the decades past where not enough money was put aside to pay for the benefits, but steps have been taken to increase the funding of the liability and Belmont has a plan to fully fund the liability in twelve years and he would put that plan in the top quartile within MA municipalities among the strongest policies. The discussion here is that there are two opposing views. One is that the

Town of Belmont has taken fiscally disciplined steps to manage its liabilities and emphasizes that it needs to stick with the plan and things will be okay. On the other hand there is a view that expresses concern that there is too much uncertainty about the economy going forward and that will create more pressure on the budget than there is today. He would advocate for something in the middle to continue the discussion.

**Pension Overview: Mr. Tom Gibson, Vice Chair Belmont Retirement Board**

Mr. Gibson introduced members of the Retirement Board. He explained that retirement plans are set up in Belmont by statute. PERAC regulates the retirement plan and any change requires legislative action. Assets and investment is structured so that the Town Treasurer is the statutory custodian and the fund is audited regularly. In Massachusetts, municipal employees and employers do not contribute to Social Security. Any Social Security benefit that a public employee may be entitled to by private employment eligibility or a spouses employment, are subject to reduction or elimination by the “windfall elimination” provision and the government pension offset.

He then explained the funding history of the retirement plan when it was funded on a “pay as you go” basis and municipalities would pay into the fund when an employee retired. As a result of this practice, a large pension unfunded liability occurred and in 1987 the legislature determined that the liability had to be paid down and required municipalities pay for the pension obligation within a maximum of 40 years. He discussed the investing options available for the retirement funds, noting the returns on the investments and the Town of Belmont is on target to fully fund by 2027.

Mr. Gibson noted that investment earnings, employer, and employee contributions make up the retirement fund. He added that Belmont experience has outperformed the PRIT fund. He explained the system valuation – which is a “snapshot comparison” of how Belmont is doing with regard to funding the liability.

Mr. Gibson reviewed the statistics on active and inactive members as well as the retirees/survivors/beneficiaries. Our members include employees of the Town of Belmont, the Belmont Housing Authority and the Belmont Light Department. The average benefit is \$23,141.76 in 2013. He reviewed Chapter 131 of the Acts of 2010 and Chapter 176 of the Acts of 2011 and the cost implications of these changes.

**OPEB Overview: Ms. Linda Bournival, OPEB Valuation Actuary, KMS Actuarial**

Ms. Bournival reviewed many factors that relate to OPEB and that many of the calculations are dependent on a variety of factors.

**GASB-45** – In 2006, the Governmental Accounting Standards Board rule is the accounting standard requires that the Town report measured OPEB liabilities as specified by the rule, but does not require that OPEB be prefunded. Most communities/entities are funding OPEB on a pay as you go method and not prefunded as required for Pension. GASB-45 reporting requires updated Annual Required Contribution (ARC) which is

calculated by the accounting standard as a guideline for measuring the OPEB liability. The assumptions used to calculate the obligation vary wildly for elements such as plan structure and level of coverage within communities, amounts of contribution by employees or retirees, Medicare eligible employees/retirees, when employees elect to retire.

**Census Data** – those who are eligible for a retirement benefit are eligible for OPEB benefits.

**Plan Provisions** – the Town pays 50% and the retirees pays 50% of the premium which is the maximum allowed by law.

**Economic Assumptions** – projecting the stream of benefits the town is required to pay in the future for life expectancy of enrollees. The discount rate represents the accrued liability for present value. The valuation of the liability is updated every two years to assure that the requirement continues to be on trend with the assumptions for the liability.

**Demographic Assumptions** – determining when an employee will retire, turnover rates, participation rates, longevity and mortality assumptions.

**Belmont's OPEB Liability** – the accrued liability as of July 1, 2012 was \$195.9M when the last valuation was issued. The trend rates will be adjusted before the 2014 valuation is underway.

**Belmont's OPEB Trust** – Belmont has established an OPEB irrevocable trust which is a vehicle in place for dedicated funds to address the liability. GASB 45 requirements for the acceptable irrevocable trust structure include three specific provisions: the employer contributions must be irrevocable, the funds in the trust must be spent to pay for these benefits (medical for retirees only) and the trust assets are legally protected from creditors and recognized in financial statements.

**Funding Options** – GASB 45 does not require prefunding and there are many ways to fund these obligations, so most municipalities include “pay as you go”, currently. The other extreme is fully pre-funding the Annual Required Contribution (ARC) for the annual expense, which is the most aggressive level of funding. Some municipalities partially prefund the liability closer to the Pay as you Go rate and not on the ARC.

**OPEB Liability Sensitivity Analysis Discount Rate** – The lower the discount rate that is used increases the costs needed to pay benefits for the future and create a higher projected liability.

**Comparison of Nearby Communities** – This is difficult to compare, as described in the presentation the cost for each community is dependent on the plan provisions and contributions from employer and employee, plan elections by retirees, census data of the population and future population participating in the benefit plan, discount rate used to calculate present and future value of the plan (how long will the benefits be needed for the retiree?), investment of the trust assets and funding allocation approved by the Town.

### **Accounting Requirements: Mr. Richard Sullivan, Powers & Sullivan**

Mr. Sullivan explained how the funding of the pension is reported on Belmont's financial statements in comparison to the way that the OPEB are required to be reported.

He acknowledged Belmont for its strong Moody's rating.

### **Rating Agency Perspective: Mr. Peter Frazier, First Southwest**

Mr. Frazier discussed the rating agency perspective which is an exhaustive review of the Town financial strengths and creditworthy rating process. He explained bond rating scale which is assigned to determine the interest rate and cost of debt issuance which rates the risk and ability of the Town to pay the debt. The Town of Belmont has an AAA bond rating, which is the highest and it affords Belmont the lowest possible interest rates when borrowing money. The AAA rating also allows Belmont greater market access.

Mr. Frazier explained the considerations of the rating agency. He noted that only 14 cities and towns have achieved the AAA rating by Moody's. He then discussed the view by rating agencies of Town policies and practices for funding Pension and OPEB. There is a provision for special legislation by Home Rule Petition to request authorization to bond for Pension obligation. However, there is no option for any legislation that would allow municipal bond for OPEB. The earnings and taxable status of bonding are restrictive and for the two communities which received special legislation allowing for a bond issue have lost income earnings for allocation to the liability of Pension.

### **Residents' Questions to Panel:**

Chris Doyle, Pct. 1, asked about the teachers as part of the state retirement system. Mr. Gibson explained that there was an act of the legislature in 1940's that created a plan for teachers and it is common in other States, as well.

Jim Williams, Pct. 1, asked who prepared the Management Analysis in the 2013 Annual Audit. Mr. Sullivan explained that the Town Administrator, the Town Accountant, the Town Treasurer, and the financial team all contributed to the MD&A for the Annual Audit which is a summary of the Annual Audit. Mr. Williams asked the Board of Selectmen where the funding was budgeted and Selectman Paolillo answered that the investment of the pension fund and annual contribution was paid annually from the operational budget and tax revenue. There are many other needs for which consideration of an override may be necessary to fund.

Vincent Stanton, Royal Road, asked about OPEB discount rates. Ms. Bournival said that the discount rate by each community is controversial and not necessary applicable to Towns unilaterally given the differences in every plan and the participants. A discount rate of 4% seems to be the average discount rate. Mr. Stanton expressed concern that the discount rate relevant for Belmont is closer to 2% to be more realistic for the interest market available on short term funds.

Floyd Carman stated that the OPEB trust fund is invested in a fund that is currently earning 8%. The discount rate is the long term projection of the overall fluctuation and calculation of the earnings used by Actuary to value the fund.

Ms. Chris Doyle, Pct.1, asked how Pension and OPEB factors into contract negotiations. Selectman Paolillo offered that Belmont made changes to the OPEB benefit plan when the option was made available, immediately to limit the cost of the obligation. Consideration of potential impact to Pension and OPEB is given when staffing changes are possible for increase or

decrease. The Warrant Committee is a participant in that consideration.

Mark D'Andrea, 97 Waverley Street, Pct. 3 TMM suggested that benefits have to be reduced and the legislature is working on the issue. He asked for assurance that reducing the benefits is something that is being explored. Senator Brownsberger stated that in the State Budget, health care is 40% and mostly Medicaid. The cost of OPEB is about a 10<sup>th</sup> of the total health care cost. For future employees, the OPEB benefit may need to go away or a new "deal" for people coming on board, but you cannot cut or eliminate the OPEB for employees who made a deal with the State or the Municipality. Chair Rojas said that the town is doing everything it can do to better manage the benefits for new employees and make changes necessary, that the Town has control over. Representative Rogers noted that there was a special Commission to study this matter last year in Massachusetts and issued a lengthy report. The report makes the point that the costs need to be controlled, but on the other hand, you want to be equitable and fair with employees and be able to attract and retain new employees. The benefit package is the reason that employees from the private sector who are paid more would be willing to come to the public sector for offset to wages.

The rate of inflation hovers at 1-2% and health care costs are rising in the 10% range.

Mark Carthy, Pct. 1, suggested that OPEB should be included when hiring new employees.

Mac Eisenback asked about the return on the investment of Belmont's plan and about the investment selection process. Mr. Gibson provided some background information on the assets, the equity, and the overall return on the investments for Belmont.

Mike Widmer, Pct. 5 Town Moderator, offered that only 5 communities are able to pay for OPEB benefits. The state budget will not "bail out" the cities and towns. The longer we delay addressing OPEB, the harder it will be to control these costs. These benefits are not affordable; the numbers don't work.

Senator Brownsberger spoke to OPEB, stating that the benefit should be eliminated entirely for future employees. Selectman Paolillo asked what municipalities can do to lower the OPEB costs? Senator Brownsberger said that what the town contributes could possibly be cut down. However, the Town currently funds the minimum allowed by statute.

Dan Barry, Goden Street, said he would like to see the numbers net of expenses.

Jim Williams, Pct. 1, said that the unfunded pension and OPEB obligations are unmanageable and that the status quo for funding that obligation is clearly not tenable. The Board will need to look at new strategies.

Mr. Vincent Stanton, Pct. 1, asked about the Medicare eligibility of town employees. Ms. Bournival addressed this question.

Mr. Joe White, Pct. 4, asked about collective bargaining with regard to health care benefits. Mr. Kale responded that this is all negotiated. Mr. White asked a question regarding non-union

employees who receive a 2% raise without having bargained it for it. Chair Rojas said giving non-union employees a 2% raise is about the acknowledgement and retention of valued employees.

Closing Remarks:

Chair Rojas thanked the panel members for coming. He said more would be done on this topic. He thanked all the town employees who put this presentation together.

**NEXT MEETINGS**

Monday, October 27, 2014 at 8:00 a.m. (Executive Session in Selectmen Meeting Room)

Wednesday, October 29, 2014 at 6:00 pm (Selectmen Meeting Room)

Monday, November 3, 2014 at 6:00 pm (Chenery Middle School, Auditorium)

The Board moved to adjourn the meeting at 9:46 p.m.

A handwritten signature in black ink, appearing to read 'DKale', written over a horizontal line.

Mr. David Kale, Town Administrator