



**Town of
Cohasset
Massachusetts**

OPEB

REPORT AND RECOMMENDATIONS TO THE BOARD OF SELECTMEN

JANUARY 28, 2014

Topics

- Committee Membership
- Review the Current OPEB Issue
- Recommendations
- Strategy to Address These Challenges

OPEB Committee

- John Chapman- PhD in Public Policy from Harvard University and has done health policy and health services research work for 30 years, currently as a Sr. Scientist at Brandeis University
- Timothy Davis – University of Vermont BA, Harvard MBA, President/CEO Advanced Materials manufacturing companies, Currently, Managing Director; FreshTracks Capital; Venture Capital
- Carl Forsythe - Columbia BA, Cornell MBA, CEO of Globe Composite Solutions, director of SharePlus Bank (NASDAQ:SPBC), and advisor to iCracked, Inc. and Rebel Coast Winery.
- Steve Gaumer- Selectman
- Peter Pescatore- Current Chairman of the Advisory Committee. Experienced multicompany CEO COO/CFO with an MBA and Advanced Management Programs from BU and Syracuse
- Paul J. Schubert, M.D.-Current School Committee Chairman and Budget Planning Group member; Cardiologist 17 yrs at Harbor Medical Associates; Georgetown Univ B.S., M.S., M.D.

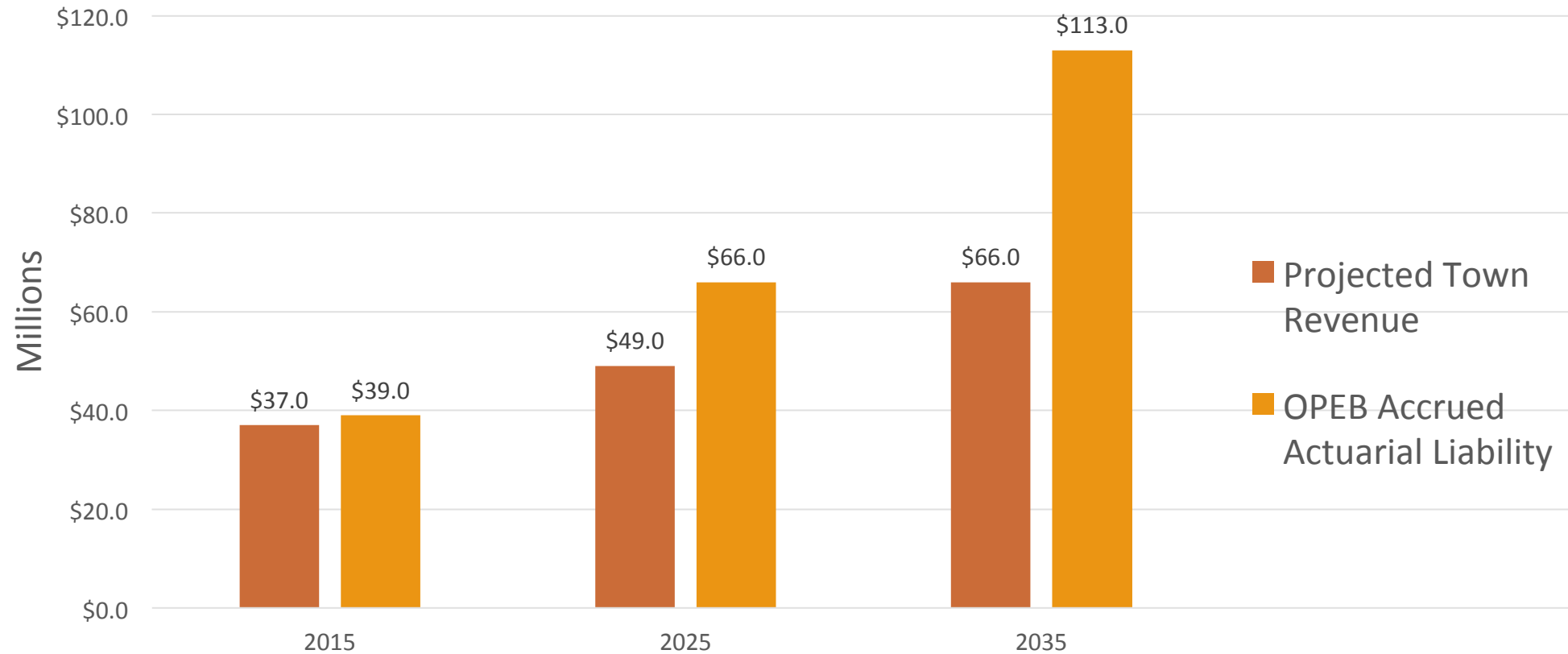
Options

1. Do Nothing
2. Reform Benefits to Sustainable Levels (employees / retirees)
3. Increase OPEB Trust Fund Balances
4. A combination of #2 & #3

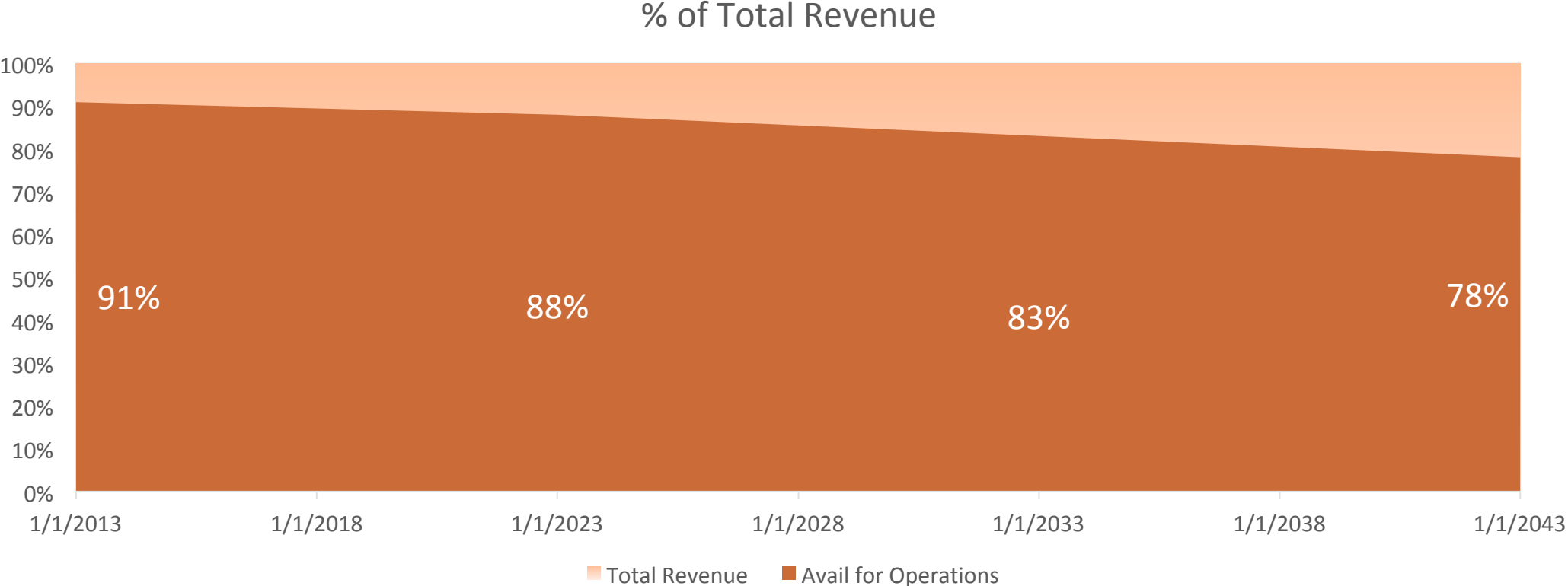
Do Nothing

- Reduce Spending in other budgets / increase revenue with operational tax override
- Total Unfunded Liability Increases from \$36.2 Million in 2013 to \$181 Million in 2043
- % of Revenue Available to Fund Operations Goes from 91% in 2014 to 78% in 2043.
- Risk of bond rating downgrade

Do Nothing: Accrued Liabilities Outstrip Town Revenue



Reduces Amount Available to Fund Town Operations Including Schools



Recommended Approach



Initial Recommendations

1. Move all employees currently in the MIAA Plans to new MIAA recommended Plans
 - This can be done by the Town Manager under his current authority
 - Having the unanimous support of the Board of Selectmen would be helpful
2. Move all retired teachers from the GIC Plan to the MIAA Plans
 - This can be done by BOS voting to rescind Section 11E of Chapter 32B
 - A transition phase-in or mitigation plan should be developed
 - The process for rescinding is as follows:
 1. Hold a public hearing with a 31-day notice in which each of the insured retired teachers and survivors are notified.
 2. At the meeting/hearing, conduct a vote by the retired teachers and survivors to express their opinion. This vote is non-binding.
 3. A certified copy of the vote is to be sent to GIC.
 4. Once received, GIC will coordinate termination procedures with the Town. This process takes about 3 months to ensure continuity of coverage from GIC to the MIAA Town Plan.

Current Census & Liability by Group And Recommended Changes

	Number of Participants	Annual Cost		
		Current Plans		Recommended Plans
		With 32b	Without	(Without 32B)
Retirees and Survivors				
Teachers	134	\$ 658,875	\$ 387,574	\$ 395,361
Non-Teachers	102	\$ 400,238	# \$ 400,238	# \$ 335,570
Sub-total	236	\$ 1,059,113	\$ 787,812	\$ 730,931
Active Employees and Dependents				
Existing Town Employees	248	\$ 2,846,410	\$ 2,846,410	\$ 2,846,410
Total Annual Cost		\$ 3,905,523	\$ 3,634,222	\$ 3,577,341
Savings			\$ 271,301	\$ 328,182

Future Tasks

- Explore ways to reduce the Town's healthcare costs
 - Plan benefits
 - Contribution
 - Co-Pays
- Explore ways to mitigate the financial impact of certain changes on the employee
 - Phase-in plans
 - Phase-in changes
 - Create a mitigation fund
- Explore ways to address the current unfunded liability
 - Tax override to increase the size of the OPEB Fund
 - Borrow money to fund the OPEB Fund
 - Commit portion of savings from actions that reduce Town's healthcare costs