HOLLISTON FINANCE COMMITTEE
MEETING MINUTES
January 13, 2015

The Committee convened in Room 105 at Town Hall at 7:02 PM. Present from the Committee were Chairman Ken Szajda, Vice Chairperson Michelle Zeamer, Dan Alfred, Charlie Kaslow, Bill Dowd and Beth Liberty. Brendan Shea was absent.

1. Minutes – Moved by Bill Dowd, Seconded by Charlie Kaslow to approve the minutes of the meeting on December 16, 2014. Four in favor, none opposed, two abstentions (Zeamer and Alfred), the motion carried.
2. Reserve Fund Transfer Requests – The Committee received two Reserve Fund Transfer requests. One is from Veterans Services for unexpected costs relating to approved veteran's benefits claims (Attachment I), and the other is for a number of unexpected costs for Professional Services in the Selectmen's department (Attachment II). There were several questions that required Town Administrator Paul LeBeau, and so the matters were postponed until later in the meeting when Paul would be present.
3. School Committee review of union contracts – School Committee member Anne Louise Hanstad, School Committee Chairperson Carol Emmons and Superintendent Brad Jackson appeared before the Committee to review a presentation on union contract settlements with School Department bargaining units over the past seven months. (Attachment III) The Committee had a lengthy conversation about the financial struggles associated with meeting the School Committee's objective of a high performing school district and a fair and competitive salary structure in the context of limited annual budget increases. The Finance Committee expressed its appreciation for the School Committee's time and effort to bring the FinCom up to date.
4. Other Post Employment Benefits (OPEB) valuation review – Dan Rhodes of the Segal Companies was present to describe and explain the most recent actuarial valuation of the Town's OPEB liabilities. Dan explained the first section of the valuation document (Attachment IV). Following that, a number of questions that had been posed by Bill Dowd (Attachment V) were addressed by Dan, Town Administrator Paul LeBeau and Treasurer/Collector Mary Bousquet. There was a lengthy discussion about the process of setting the valuation's discount rate/asset return rate. Town Administrator Paul LeBeau pointed out that there were not two different asset return assumptions being used. Rather, he had analyzed the historical performance data for a number of investment asset classes and settled on 6% while also asking for a valuation at 5.5%. It was agreed that the discount rate/asset return assumption should be re-evaluated before the next valuation. There was also a lengthy discussion about the pro's and con's of using a level payment schedule rather than the increasing payment schedule calculated using the GASB methodology. It was agreed that further dialog about this approach should take place between the Selectmen/School Committee/Finance Committee. The Committee expressed its appreciation to Mr. Rhodes for providing a good explanation of the OPEB valuation. Near the end of this discussion, Charlie Kaslow left the meeting.
5. Reserve Fund Transfer Requests – Paul LeBeau clarified the Veteran's Services requests as money needed for claims already approved and the Professional Services money for the Rail Trail being related to the contracted work done to evaluate the impact of the tree cutting on the trail right of way by Solect Solar. Moved by Dan Alfred, Seconded by Michelle Zeamer to approve a Reserve Fund Transfer in the amount of $20,000 from the Reserve Fund to Veteran's Services, Org 01543, Object 57100. Five in favor, none opposed, no abstentions, the motion carried. Moved by Michelle Zeamer, Seconded by Dan Alfred to approve a Reserve Fund Transfer in the amount of $25,000 from the Reserve Fund to Selectmen, Org 01122, Object 52000. Five in favor, none opposed, no abstentions, the motion carried.

6. Adjournment – At 10:20 PM moved by Michelle Zeamer, Seconded by Dan Alfred to adjourn the meeting. Five in favor, none opposed, no abstentions, the meeting was adjourned.

Approved_______1/20/15____________________

REQUEST FOR TRANSFER OF FUNDS

(Reserve Fund Transfer for extraordinary or unforeseen expenditures in accordance with General Laws, Chapter 40, section 6, or for any use authorized by law under Chapter 44, section 33B. Please see instructions on next page.)

TO THE BOARD OF SELECTMEN AND THE FINANCE COMMITTEE, HOLLISTON, MA

Date: **December 17, 2014**_________ Department:_**Veterans Services**________

The undersigned respectfully requests a: __X__ Reserve Fund Transfer *or*

_____ Line Item Transfer

in the amount of $**20,000**__________ from: __X__ Reserve Fund *or*

_____ Budget Account Name ______________________

Organization No.______, Object No.__________

to Budget Account Name **Veterans Services**____, Organization No._01543 , Object No._57100____

Explanation: (what is purpose of the funds requested, what was or is unforeseen or extraordinary, what was not included in budget request)

To pay for the projected cost of Veterans' Benefits for the remainder of FY15. The budget for benefits was increased in FY15 to $18,000 from the FY14 budgeted amount of $10,000. However, there continues to be an increase in the caseload and the costs for those cases. The caseload increased by four during FY14 and there has been another case added in FY15 to date.

Present unexpended balance in account: $ **1,346** Town Accountant's initials:__________

Total anticipated further expenditure: **$21,346** (remainder of fiscal period)

Total of previous transfers this year: **$0** (this line item)

Signatures: x_______________________ _______________________

x_______________________ _______________________

x_______________________ _______________________

TO THE ACCOUNTANT:

By vote of the Board of Selectmen at a meeting held on ______________ and/or by vote of the Holliston Finance Committee at a meeting held on ________________ and as recorded by them, a transfer as requested above was voted in the amount of $_______________.

Date ________________ By ________________ Received by Town Accountant ___________

REQUEST FOR TRANSFER OF FUNDS

(Reserve Fund Transfer for extraordinary or unforeseen expenditures in accordance with General Laws, Chapter 40, section 6, or for any use authorized by law under Chapter 44, section 33B. Please see instructions on next page.)

TO THE BOARD OF SELECTMEN AND THE FINANCE COMMITTEE, HOLLISTON, MA

Date:_**January 6, 2015**____________

The undersigned respectfully requests a: __X_ Reserve Fund Transfer *or*

_____ Line Item Transfer

in the amount of $__**25,000**______ from: __X__ Reserve Fund *or*

_____ Budget Account Name ______________________

Organization No.______, Object No.______

to Budget Account **Selectmen – Professional Services**, Organization No._**01122**_, Object No.______

Explanation: (what is purpose of the funds requested, what was or is unforeseen or extraordinary, what was not included in budget request)

The requested funds would be used for consulting services for recruitment of a Town Administrator ($15,000); to cover legal expenses associated with the Rail Trail and the Andrews building ($8,800); and to cover professional services associated with the rail trail ($1,200).

Present unexpended balance in account: $ Town Accountant's initials:__________

Total anticipated further expenditure: $ (remainder of fiscal period)

Total of previous transfers this year: $ (this line item)

Signatures: X __________________ ______________________

X __________________ ______________________

X __________________ ______________________

TO THE ACCOUNTANT:

By vote of the Board of Selectmen at a meeting held on ______________ and/or by vote of the Holliston Finance Committee at a meeting held on ________________ and as recorded by them, a transfer as requested above was voted in the amount of $_______________.

Date ________________ By ________________ Received by Town Accountant ____________

Collective Bargaining Agreements: A Report to the Finance Committee

January 13, 2015

New Three Year Agreements

- Holliston Federation of Teachers
  - Teachers' Unit (2014-2017)
  - Paraprofessionals' Unit (2014-2017)
  - Secretaries' Unit (2014-2017)
- Holliston Nurses' Association (2014-2017)

School Committee Objective

- To sign a Collective Bargaining Agreement that balances the following interests:
  - Affordability
  - Maintaining a competitive wage and benefits package

Teachers' Unit

Significant Non-Wage Changes

- Eliminated CAGS column effective 4-1-14
  - Grandfathered those already there
  - Allowed those working on CAGS to be placed on CAGS for one-school year
- Added M+60 column for 2016-17 year
- Mandated direct deposit
- Capped Tuition Reimbursement to $45,000 per year

Significant Non-Wage Changes (2)

- Incorporated Teacher Evaluation agreement into document
- Modified job description of HS Dept. Heads, ESL Facilitator and K-12 Curriculum Specialists to include teacher evaluation responsibilities.
- Expanded adoption benefit to include surrogacy.

Significant Non-Wage Changes (3)

- Adjustments to Sick Leave Bank:
  - Eliminated eligibility to teachers in their first year of employment
  - Added language to curb excessive use during May & June

Wage Adjustments

- 2014-2015 School Year
  - All Steps Frozen
  - All teachers receive $1,405 increase
- 2015-2016 School Year
  - All teachers receive Step Increases
  - Added Step 13A (2% higher than Step 13)
  - 0% adjustment to salary schedules
- 2016-2017 School Year
  - All eligible teachers receive Step Increases
  - 1.5% increase to all salary schedules

Financial Analysis
The Cost of No Settlement
--Teachers' Unit--

	Steps	Lanes	COLA	Total
FY15	355,225	87,510	-	442,735
FY16	368,192	90,000	-	458,192
FY17	339,925	90,000	-	429,925
Total				1,330,852

Financial Analysis
Estimated Settlement Cost
--Teachers' Unit--

	Steps	Lanes	CAGS	M+60	COLA	Step 13a	Total
FY15	-	87,231	-	-	355,097	-	442,328
FY16	366,032	65,000	(48,754)	-	-	210,553	592,831
FY17	388,163	65,000	-	15,305	297,810	-	766,278
Total							1,801,437

Financial Analysis
Incremental Cost of Settlement
--Teachers' Unit--

	Estimated Cost of Final Settlement	Fixed Cost with No Settlement	Incremental Cost
FY15	442,328	442,735	-
FY16	592,831	458,192	134,639
FY17	766,278	429,925	336,353
Total	1,801,437	1,330,852	470,992

Paraprofessionals' Unit

Significant Non-Wage Changes

- Mandated use of Direct Deposit
- Increased annual sick day allotment from 10 to 12.
- Curbed use of personal days in May/June

Significant Non-Wage Changes (2)

- Adjustments to Sick Leave Bank
  - Eliminated eligibility to access Bank in first year of employment
  - Capped eligibility in 2nd and 3rd year of employment to 5% of days worked.
  - Eliminated automatic assumption that "tie votes" favor the employee.
  - Increased maximum size of pool from 150 days to 300 days

Cost-Saving Adjustments

- Eliminated all sub-categories of Paraprofessionals, replacing them with a "General Paraprofessional" category which covers all job functions
  - Estimated savings ~$6,900 per turnover
  - Exception: Those currently in higher category will remain.
- Reduced one Professional Day in 2015-2016.
- Reduced one Professional Day in 2016-2017.

Wage Adjustments

- 2014-2015 School Year
  - All Steps Frozen
  - General Paraprofessionals receive $0.65/hr adjustment
  - All Paraprofessionals receive 1.1% increase
- 2015-2016 School Year
  - All Paraprofessionals receive step increases
  - General Paraprofessionals receive $0.40/hr adjustment
  - All Paraprofessionals receive 1.0% increase (but are paid for one less day)
- 2016-2017 School Year
  - All Paraprofessionals receive step increases
  - All Paraprofessionals receive 1.5% increase (but are paid for one less day).

Financial Analysis
Estimated Settlement Cost
--Paraprofessionals' Unit--

	Steps	COLA	Job Class Change**	Work Yr Adjust	Total
FY15	-	58,189	-	-	58,139
FY16	15,206	49,384	<13,781>	<11,190>	39,619
FY17	50,869*	30,627	<13,901>	<11,748>	55,847

* Assumes all Paraprofessionals hired in FY15 remain through FY17

** Assumes two turnovers annually

Secretaries' Unit

Significant Non-Wage Changes

- Require meeting with involuntarily transferred secretary but specifies transfer decision not subject to grievance or arbitration.
- Specifies Sick Leave Bank decisions not subject to grievance/arbitration.
- Eliminates automatic "no work" day on "snow days."

Wage Adjustments

- 2014-2015 School Year
  - All steps frozen
  - All Secretaries receive $0.46/hour increase
- 2015-2016 School Year
  - All Secretaries receive step increases
  - New Step 10 added which is 1.5% higher than Step 9
  - 0% adjustment to salary schedule
- 2016-2017 School Year
  - All Secretaries receive step increases
  - 1.5% increase to all salary steps

Financial Analysis
Estimated Settlement Cost
--Secretaries' Unit--

	Steps	COLA	Total
FY15	-	13,364	13,364
FY16	13,372	-	13,372
FY17	4,539	10,851	15,390

Nurses' Unit

Significant Non-Wage Changes

- Eliminated CAGS column effective 4-1-14
  - Grandfathered those already there
  - Allowed those working on CAGS to be placed on CAGS for one-school year
- Added M+60 column for 2016-17 year

Wage Adjustments

- 2014-2015 School Year
  - All steps frozen
  - All nurses receive $1,405 increase
  - Increase Nurse Leader stipend from $4,000 to $6,000
- 2015-2016 School Year
  - All nurses receive step increases
  - Added Step 13A (2% higher than Step 13)
  - 0% adjustment to salary schedules
- 2016-2017 School Year
  - All eligible nurses receive step increases
  - 1.5% increase to all salary schedules

Financial Analysis
Estimated Settlement Cost
Nurses' Unit

	Steps	COLA	Stipend Adjust.	Total
FY15	-	4,215	2,000	6,215
FY16	6,366	-	-	6,366
FY17	2,306	4,626	-	6,932

Other Area Settlements

Recent Local Teacher Agreements

	FY13	FY14	FY15	FY16	FY17	3-year COLA
Hopkinton	2.00%	2.00%	2.00%			6.00%
Ashland			1.50%	2.00%	2.00%	5.50%
Framingham	1.00%	2.00%	2.00%			5.00%
Natick		2.00%	1.85%	2.00%		5.85%
Keefe		2.00%	1.50%	2.00%		5.50%
Millis		1.40%	2.25%	1.50%		5.15%
D/S			1.60%	1.60%	1.60%	4.80%
Westwood		1.50%	1.50%	2.00%		5.00%
Milford	1.50%	2.00%	2.00%			5.50%
Holliston			**0.00%**	**1.50%**	**2.00%**	**3.50%**

Segal Consulting

Town of Holliston

Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2014 in accordance with GASB Statements No. 43 and No. 45

THE SEGAL GROUP
Founded in 1939

Segal Consulting
116 Huntington Avenue 8th Floor Boston, MA 02116-5744
T 617.424.7300 www.segalco.com

December 23, 2014

Mr. Paul D. Lebeau
Town Administrator
703 Washington Street
Town Hall
Holliston, MA 01746

Dear Mr. Lebeau:

We are pleased to submit this report on our actuarial valuation of postemployment welfare benefits as of June 30, 2014 under Governmental Accounting Standards Board (GASB) Statements Number 43 and 45. It establishes the liabilities of the postemployment welfare benefit plan in accordance with GASB Statements Number 43 and 45 for the fiscal year beginning July 1, 2013 and summarizes the actuarial data.

This report is based on information received from the Town. The actuarial projections were based on the assumptions and methods described in Exhibit II and on the plan of benefits as summarized in Exhibit III.

We look forward to discussing this with you at your convenience.

Sincerely,

Segal Consulting, a Member of The Segal Group, Inc.

By:

Kathleen A. Riley, FSA, MAAA, EA
Senior Vice President and Actuary

Daniel J. Rhodes, FSA, MAAA
Vice President and Consulting Actuary

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SECTION 1
EXECUTIVE SUMMARY

SECTION 2
VALUATION RESULTS

SECTION 3
VALUATION DETAILS

SECTION 4
SUPPORTING INFORMATION

PURPOSE

This report presents the results of our actuarial valuation of the Town of Holliston (the "Employer") postemployment welfare benefit plan as of June 30, 2014. The results are in accordance with the Governmental Accounting Standards, which prescribe an accrual methodology for accumulating the value of other postemployment benefits (OPEB) over participants' active working lifetimes. The accounting standard supplements cash accounting, under which the expense for postemployment benefits is equal to benefit and administrative costs paid on behalf of retirees and their dependents (*i.e.,* a pay-as-you-go basis).

HIGHLIGHTS OF THE VALUATION

During the fiscal year ending June 30, 2014, we project the Town will pay benefits (net of retiree contributions) on behalf of retired employees of about $1,182,000. This amount is less than the annual "cost" (the "Annual Required Contribution," or ARC) of approximately $2,297,000.

The GASB statements provide the method for selecting the investment return assumption (discount rate). If the benefits are fully funded, the discount rate should be based on the estimated long-term investment yield on the investments expected to be used to finance the payment of benefits. If financing is pay-as-you-go, the discount rate should be based on the expected yield on the assets of the employer. If the benefits are partially funded, a blended discount rate can be used that reflects the proportionate amounts of plan and employer assets expected to be used.

The Town of Holliston has established a qualified Trust and will make an initial contribution of $4.81 million in fiscal year 2015. The Town's funding policy is to contribute $1,500,000 each year beginning in fiscal year 2016.

Because the Town of Holliston will fund the ARC beginning in fiscal year 2015, we have used a 6.0% investment return assumption to discount the liability. In the prior valuation, we used a pay-as-you-go discount rate of 3.5%.

Assets set aside to fund OPEB liabilities must be held in a trust or equivalent arrangement, through which assets are accumulated and benefits are paid as they come due. Employer contributions to the plan are irrevocable, plan assets are dedicated to providing benefits to retirees and their spouses in accordance with the terms of the plan, and plan assets are legally protected from creditors of the employer.

To determine the amortization payment on the unfunded actuarial accrued liability (UAAL), an amortization period and amortization method must be selected. We have used a 30-year period, with amortization payments increasing at 3.5% per year. Based on the current level of funding, the UAAL will be paid off in approximately 21 years. Initially, the amortization payments increase by less than 3.5% and begin to decrease over time as a result of accelerated funding.

We have included funding schedules on pages 8 and 9 of this report using a 6.0% discount rate and an alternate discount rate of 5.5%, as requested.

GASB guidelines prohibit the offset of OPEB obligations by the future value of Medicare Part D subsidies. Therefore, these calculations do not include an estimate for retiree prescription drug plan federal subsidies that the Employer may be eligible to receive for plan years beginning in 2006.

Employer decisions regarding plan design, cost sharing between the Employer and its retirees, actuarial cost method, amortization techniques, and integration with Medicare are just some of the decisions that affect the magnitude of OPEB obligations. We are available to assist you with any investigation of such options you may wish to undertake.

This valuation does not include the potential impact of any future changes due to the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 other than the excise tax on high cost health plans beginning in 2018 (reflected in this valuation) and those previously adopted as of the valuation date.

KEY VALUATION RESULTS

- The **unfunded actuarial accrued liability (UAAL)** as of June 30, 2014 is $30,416,000. Going forward, net unfunded plan obligations will be expected to change due to normal plan operations, which consist of continuing accruals for active members, plus interest on the unfunded liability less contributions. Future valuations will analyze the difference between actual and expected unfunded actuarial accrued liabilities.
  - As of June 30, 2014 the ratio of assets to the AAL (the funded ratio) is 0.00%.
- The **Annual Required Contribution (ARC)** for fiscal year 2014 is $2,297,000. The ARC is expected to remain relatively level as a percentage of payroll, as long as the ARC is fully funded each year. If the ARC is not fully funded, it may be expected to increase as a percentage of payroll over time.

Plan obligations of $30,416,000 as of June 30, 2014 represent a decrease of $17,377,000 from $47,793,000 as shown in the June 30, 2012 valuation.

Plan obligations had been expected to increase $4,138,000 due to normal plan operations, which consist of continuing accruals for active members, plus interest on the total obligation, less expected benefit payments. The decrease was the net effect of the following:

- An **actuarial experience loss** increased obligations by $123,000. This was the net result of gains and losses due to demographic changes.
- **Valuation assumption and plan changes** decreased obligations by $21,638,000. This was the net result of a *decrease* in obligations due to 1) valuation year per capita health costs not increasing as much as projected, 2) increasing the discount rate from 3.5% to 6.0% and 3) a change in the retirement eligibility requirements for members hired on or after April 2, 2012, partially offset by *increases* in obligations due to 4) the net affect of revising the future trend on medical/prescription drug costs and Part B premium costs, 5) changes in the demographic assumptions as described in Exhibit II, Section 4, and 6) reflecting the excise tax on high cost health plans beginning in 2018. The addition of the excise tax in this valuation results in a 0.86% increase in the actuarial accrued liability and a 1.57% increase in the normal cost. The complete set of assumptions is shown in Exhibit II.

ACCOUNTING REQUIREMENTS

The Governmental Accounting Standards Board (GASB) issued Statement Number 43 -- *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and Statement Number 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* Under these statements, all state and local governmental entities that provide other post employment benefits (OPEB) are required to report the cost of these benefits on their financial statements.

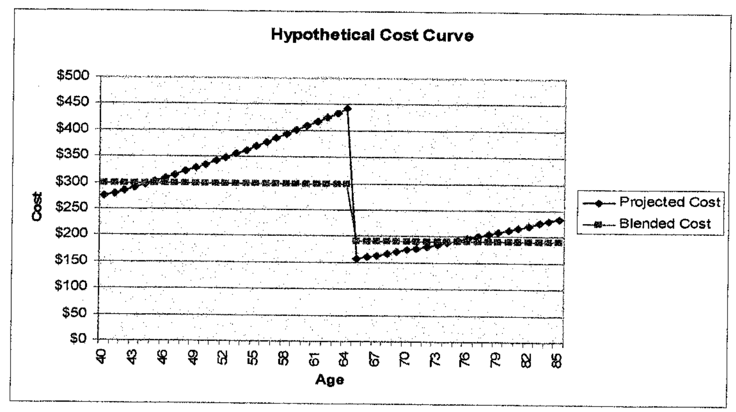
The statements cover postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. These benefits, referred to as OPEB, are typically financed on a pay-as-you-go basis. The new standard introduces an accrual-basis accounting requirement; thereby recognizing the employer cost of postemployment benefits over an employee's career. The standards also introduce a consistent accounting requirement for both pension and non-pension benefits.

The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions. This amount is then discounted to determine the actuarial present value of the total projected benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the Plan.

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. This ARC is compared to actual contributions made and any difference is reported as the net OPEB obligation (NOO). In addition, required supplementary information (RSI) must be reported, including historical information about the UAAL and the progress in funding the Plan.

The benefits valued in this report are limited to those described in Exhibit III of Section 4.

The following graph illustrates why a significant accounting obligation may exist even though the retiree contributes most or all of the blended premium cost of the plan. The average cost for retirees is likely to exceed the average cost for the whole group, leading to an implicit subsidy for these retirees. The accounting standard requires the employer to identify and account for this implicit subsidy as well as any explicit subsidies the employer may provide.

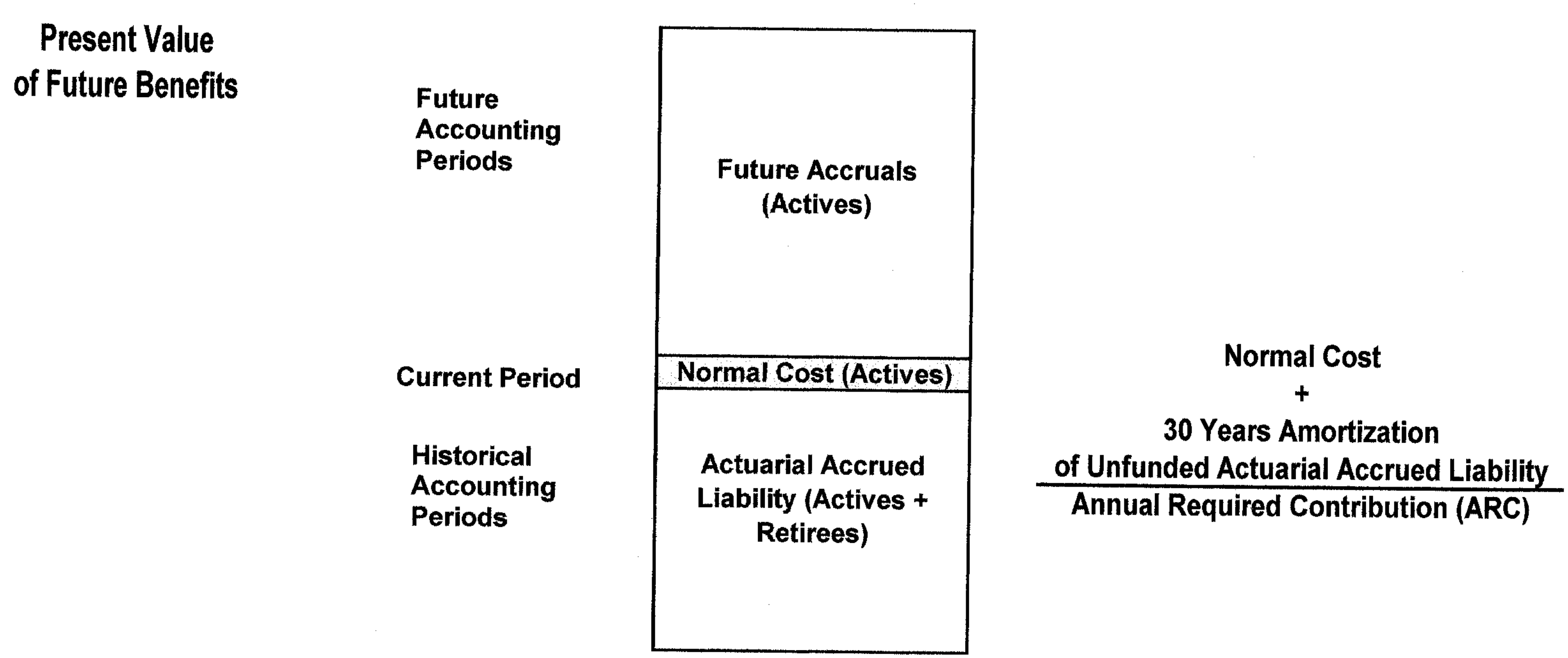


SECTION 1: **Executive Summary for Town of Holliston June 30, 2014 Measurement Under GASB 43 and 45**

This graph shows how the actuarial present value of the total projected benefits (APB) is broken down and allocated to various accounting periods.

The exact breakdown depends on the actuarial cost method and amortization methods selected by the employer.

GASB 43/45 Measurement



Net OPEB Obligation = $ARC_1 + ARC_2 + ARC_3 +$

$- Contribution_1 - Contribution_2 - Contribution_3 - \ldots$

SECTION 1: Executive Summary for Town of Holliston June 30, 2014 Measurement Under GASB 43 and 45

Actuarial computations under GASB statements are for purposes of fulfilling certain welfare plan accounting requirements. The calculations shown in this report have been made on a basis consistent with our understanding of GASB. Determinations for purposes other than meeting the financial accounting requirements of GASB may differ significantly from the results reported here.

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits does not incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets, if any.

The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that the Employer is required to implement a funding policy to satisfy the projected expense.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The key results are shown on an funded basis for the current year and a pay-as-you-go basis for the prior year.

SUMMARY OF VALUATION RESULTS
ALL DEPARTMENTS

	6.0% discount rate	3.5% discount rate
Actuarial Accrued Liability (AAL) by Participant Category	**June 30, 2014**	**June 30, 2012**
1. Current retirees, beneficiaries and dependents	$16,207,676	$23,801,303
2. Current active members	14,207,953	23,992,139
3. Total AAL as of June 30, 2014 and 2012: (1) + (2)	$30,415,629	$47,793,442
4. Actuarial value of assets as of June 30, 2014 and 2012	0	0
5. Unfunded actuarial accrued liability (UAAL) as of June 30, 2014 and 2012: (3) – (4)	$30,415,629	$47,793,442
6. Total AAL as of June 30, 2013 and 2011	28,946,467	45,727,038
7. Actuarial value of assets as of June 30, 2013 and 2011	0	0
8. UAAL as of June 30, 2013 and 2011: (6) – (7)	$28,946,467	$45,727,038
Annual Required Contribution for Fiscal Year Ending June 30, 2014 and June 30, 2012		
9. Normal cost as of July 1, 2014 and 2012	$940,698	$1,825,664
10 Normal cost as of July 1, 2013 and 2011	895,903	1,738,727
11. Adjustment for timing	26,485	30,167
12. Normal cost adjusted for timing: (10) + (11)	$922,388	$1,768,894
13. 30-year amortization (increasing 3.5% per year) of the UAAL as of June 30, 2013 and 2011	1,335,200	1,524,234
14. Adjustment for timing	39,472	26,445
15. Amortization payment adjusted for timing: (13) + (14)	$1,374,672	$1,550,679
16. Total Annual Required Contribution (ARC): (12) + (15)	2,297,060	3,319,573
17. Projected benefit payments	1,182,330	1,310,882

Note: Assumes payment in the middle of the fiscal year.

SECTION 2: Valuation Results for the Town of Holliston June 30, 2014 Measurement Under GASB 43 and 45

FUNDING SCHEDULES

30 Years Closed (6.0% discount rate, payments increasing at 3.5%)

Fiscal Year Ended June 30	(1) Projected Benefit Payments	(2) Normal Cost with Interest	(3) Amortization of UAAL	(4) Total Funding Requirement (3) + (2)	(5) Additional Funding	(6) Assets at End of Year	(7) AAL at End of Year	(8) UAAL at End of Year (7) – (6)
2014	$1,182,330	$922,388	$1,374,672	$2,297,060	$0	$0	$30,415,629	$30,415,629
2015	1,276,916	968,507	1,478,578	2,447,085	4,810,000	4,952,198	31,923,040	26,970,842
2016	1,453,421	1,016,932	1,343,638	2,360,570	1,500,000	6,793,674	33,389,029	26,595,355
2017	1,625,568	1,067,779	1,359,465	2,427,244	1,500,000	8,745,639	34,818,092	26,072,453
2018	1,775,283	1,121,168	1,369,287	2,490,455	1,500,000	10,814,722	36,233,725	25,419,003
2019	1,866,834	1,177,226	1,373,549	2,550,775	1,500,000	13,007,950	37,697,754	24,689,804
2020	2,020,892	1,236,087	1,374,838	2,610,925	1,500,000	15,332,772	39,151,613	23,818,841
2021	2,102,708	1,297,891	1,369,107	2,666,998	1,500,000	17,797,083	40,672,100	22,875,017
2022	2,218,325	1,362,786	1,359,760	2,722,546	1,500,000	20,409,253	42,231,595	21,822,342
2023	2,319,817	1,430,925	1,344,200	2,775,125	1,500,000	23,178,153	43,850,320	20,672,167
2024	2,388,255	1,502,471	1,322,440	2,824,911	1,500,000	26,113,187	45,569,369	19,456,182
2025	2,507,668	1,577,595	1,295,812	2,873,407	1,500,000	29,224,323	47,345,962	18,121,639
2026	2,633,051	1,656,475	1,259,970	2,916,445	1,500,000	32,522,127	49,181,273	16,659,146
2027	2,764,704	1,739,299	1,212,875	2,952,174	1,500,000	36,017,799	51,076,430	15,058,631
2028	2,902,939	1,826,264	1,151,952	2,978,216	1,500,000	39,723,211	53,032,511	13,309,300
2029	3,048,086	1,917,577	1,073,913	2,991,490	1,500,000	43,650,948	55,050,531	11,399,583
2030	3,200,490	2,013,456	974,499	2,987,955	1,500,000	47,814,349	57,131,437	9,317,088
2031	3,360,515	2,114,129	848,111	2,962,240	1,500,000	52,227,554	59,276,090	7,048,536
2032	3,528,541	2,219,835	687,239	2,907,074	1,500,000	56,905,552	61,485,260	4,579,708
2033	3,704,968	2,330,827	481,603	2,812,430	1,500,000	61,864,230	63,759,611	1,895,381
2034	3,890,216	2,447,368	216,758	2,664,126	(1,226,090)	64,313,747	66,099,685	1,785,938
2035	4,084,727	2,569,736	224,344	2,794,080	(1,290,647)	66,843,769	68,505,887	1,662,118
2036	4,288,963	2,698,223	232,196	2,930,419	(1,358,544)	69,455,688	70,978,473	1,522,785
2037	4,503,411	2,833,134	240,323	3,073,457	(1,429,954)	72,150,802	73,517,526	1,366,724
2038	4,728,582	2,974,791	248,734	3,223,525	(1,505,057)	74,930,299	76,122,939	1,192,640
2039	4,965,011	3,123,531	257,440	3,380,971	(1,584,040)	77,795,248	78,794,396	999,148
2040	5,213,261	3,279,708	266,450	3,546,158	(1,667,103)	80,746,575	81,531,345	784,770
2041	5,473,925	3,443,693	275,776	3,719,469	(1,754,456)	83,785,046	84,332,974	547,928
2042	5,747,621	3,615,878	285,429	3,901,307	(1,846,314)	86,911,252	87,198,189	286,937
2043	6,035,002	3,796,672	295,420	4,092,092	(1,942,910)	90,125,579	90,125,579	- -

Notes: Assumes payment in the middle of the fiscal year.
Beginning in fiscal year 2034, a portion of the projected benefit payments will be paid out of the OPEB Trust.

SECTION 2: Valuation Results for the Town of Holliston June 30, 2014 Measurement Under GASB 43 and 45

30 Years Closed (5.5% discount rate, payments increasing at 3.5%)

Fiscal Year Ended June 30	(1) Projected Benefit Payments	(2) Normal Cost with Interest	(3) Amortization of UAAL	(4) Total Funding Requirement (3) + (2)	(5) Additional Funding	(6) Assets at End of Year	(7) AAL at End of Year	(8) UAAL at End of Year (7) – (6)
2014	$1,182,330	$1,015,227	$1,379,431	$2,394,658	$0	$0	$32,476,964	$32,476,964
2015	1,276,916	1,065,988	1,484,634	2,550,622	4,810,000	4,940,505	34,046,546	29,106,041
2016	1,453,421	1,119,287	1,366,114	2,485,401	1,500,000	6,752,931	35,575,906	28,822,975
2017	1,625,568	1,175,251	1,390,733	2,565,984	1,500,000	8,665,040	37,070,046	28,405,006
2018	1,775,283	1,234,014	1,410,860	2,644,874	1,500,000	10,682,315	38,552,944	27,870,629
2019	1,866,834	1,295,715	1,427,085	2,722,800	1,500,000	12,810,540	40,086,741	27,276,201
2020	2,020,892	1,360,501	1,442,060	2,802,561	1,500,000	15,055,818	41,613,203	26,557,385
2021	2,102,708	1,428,526	1,452,187	2,880,713	1,500,000	17,424,586	43,209,455	25,784,869
2022	2,218,325	1,499,952	1,460,995	2,960,947	1,500,000	19,923,636	44,848,111	24,924,475
2023	2,319,817	1,574,950	1,466,363	3,041,313	1,500,000	22,560,134	46,549,680	23,989,546
2024	2,388,255	1,653,698	1,468,729	3,122,427	1,500,000	25,341,639	48,355,425	23,013,786
2025	2,507,668	1,736,383	1,469,894	3,206,277	1,500,000	28,276,127	50,222,762	21,946,635
2026	2,633,051	1,823,202	1,466,343	3,289,545	1,500,000	31,372,012	52,153,192	20,781,180
2027	2,764,704	1,914,362	1,456,924	3,371,286	1,500,000	34,638,171	54,148,204	19,510,033
2028	2,902,939	2,010,080	1,440,178	3,450,258	1,500,000	38,083,968	56,209,271	18,125,303
2029	3,048,086	2,110,584	1,414,234	3,524,818	1,500,000	41,719,284	58,337,843	16,618,559
2030	3,200,490	2,216,113	1,376,666	3,592,779	1,500,000	45,554,543	60,535,339	14,980,796
2031	3,360,515	2,326,919	1,324,273	3,651,192	1,500,000	49,600,741	62,803,143	13,202,402
2032	3,528,541	2,443,265	1,252,758	3,696,023	1,500,000	53,869,480	65,142,594	11,273,114
2033	3,704,968	2,565,428	1,156,226	3,721,654	1,500,000	58,372,999	67,554,979	9,181,980
2034	3,890,216	2,693,699	1,026,387	3,720,086	1,500,000	63,124,212	70,041,522	6,917,310
2035	4,084,727	2,828,384	851,215	3,679,599	1,500,000	68,136,742	72,603,376	4,466,634
2036	4,288,963	2,969,803	612,620	3,582,423	1,500,000	73,424,961	75,241,610	1,816,649
2037	4,503,411	3,118,293	282,109	3,400,402	(1,103,009)	76,330,398	77,957,200	1,626,802
2038	4,728,582	3,274,208	291,983	3,566,191	(1,162,391)	79,334,641	80,751,012	1,416,371
2039	4,965,011	3,437,918	302,203	3,740,121	(1,224,890)	82,439,923	83,623,792	1,183,869
2040	5,213,261	3,609,814	312,780	3,922,594	(1,290,667)	85,648,433	86,576,149	927,716
2041	5,473,925	3,790,305	323,727	4,114,032	(1,359,893)	88,962,307	89,608,537	646,230
2042	5,747,621	3,979,820	335,058	4,314,878	(1,432,743)	92,383,618	92,721,242	337,624
2043	6,035,002	4,178,811	346,784	4,525,595	(1,509,407)	95,914,357	95,914,357	- -

Notes: Assumes payment in the middle of the fiscal year.
Beginning in fiscal year 2037, a portion of the projected benefit payments will be paid out of the OPEB Trust.

DEPARTMENT RESULTS

Actuarial Accrued Liability (AAL) and Annual Required Contribution – 6.00% Discount Rate

	All Other	School	Water	Total
Actuarial Accrued Liability (AAL) by Participant Category				
1. Current retirees, beneficiaries and dependents	$3,544,124	$12,392,926	$270,626	$16,207,676
2. Current active members	5,537,460	8,576,641	93,852	14,207,953
3. Total AAL as of June 30, 2014: (1) + (2)	$9,081,584	$20,969,567	$364,478	$30,415,629
4. Actuarial value of assets as of June 30, 2014	0	0	0	0
5. Unfunded actuarial accrued liability (UAAL) as of June 30, 2014: (3) – (4)	$9,081,584	$20,969,567	$364,478	$30,415,629
6. Total AAL as of June 30, 2013	8,572,182	20,025,029	349,256	28,946,467
7. Actuarial value of assets as of June 30, 2013	0	0	0	0
8. UAAL as of June 30, 2013: (6) – (7)	$8,572,182	$20,025,029	$349,256	$28,946,467
Annual Required Contribution for Fiscal Year Ending June 30, 2014				
9. Normal cost as of July 1, 2014	$291,608	$636,407	$12,683	$940,698
10 Normal cost as of July 1, 2013	277,722	606,102	12,079	895,903
11. Adjustment for timing	8,210	17,918	357	26,485
12. Normal cost adjusted for timing: (10) + (11)	$285,932	$624,020	$12,436	$922,388
13. 30-year amortization (increasing 3.5% per year) of the UAAL as of June 30, 2013	395,405	923,685	16,110	1,335,200
14. Adjustment for timing	11,689	27,307	476	39,472
15. Amortization payment adjusted for timing: (13) + (14)	$407,094	$950,992	$16,586	$1,374,672
16. Total Annual Required Contribution (ARC): (12) + (15)	693,026	1,575,012	29,022	2,297,060
17. Projected benefit payments	290,720	873,605	18,005	1,182,330

Note: *Assumes payment in the middle of the fiscal year.*

December 23, 2014

ACTUARIAL CERTIFICATION

This is to certify that Segal Consulting, a Member of The Segal Group, Inc. has conducted an actuarial valuation of certain benefit obligations of the Town of Holliston other postemployment benefit programs as of June 30, 2014, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statements Number 43 and 45 for the determination of the liability for postemployment benefits other than pensions.

The actuarial valuation is based on the plan of benefits verified by the Town and on participant, premium data and financial information provided by the Town or from vendors employed by the Town. Segal Consulting does not audit the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. Segal, however, does review the data for reasonableness and consistency.

The actuarial computations made are for purposes of fulfilling plan accounting requirements. Determinations for purposes other than meeting financial accounting requirements may be significantly different from the results reported here. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security at termination or adequacy of funding an ongoing plan.

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB Statements Number 43 and 45 with respect to the benefit obligations addressed. The signing actuaries are members of the Society of Actuaries, the American Academy of Actuaries, and other professional actuarial organizations and collectively meet their "General Qualification Standards for Statements of Actuarial Opinion" to render the actuarial opinion contained herein. Further, in our opinion, the assumptions as approved by the Town are reasonably related to the experience and expectations of the postemployment benefit programs.

Kathleen A. Riley, FSA, MAAA, EA	Daniel J. Rhodes, FSA, MAAA
Senior Vice President and Actuary	Vice President and Consulting Actuary

Memo: To: Paul LeBeau 1/12/15 (Amended)
From: Bill Dowd
Subject: Preliminary Questions on the December 23, 2014 OPEB valuation by Segal Consulting

1. Please confirm that even though the plan is only partially funded – a funded ratio of greater than 0%, but less than 100% - the fact that the Town sets aside each year an amount of money equal to or greater than the ARC, the accounting standard allows the plan to be characterized as "fully funded" for discount rate purposes. If so, how does the reference to a "blended discount rate" for partially funded plans work in actual application of the standard?

2. Does the private sector accounting rule – FAS 106 – allow for use of the expected asset return rate as the discount rate?

3. Under GASB 45, does the assumption on expected asset return have to match the assumption on discount rate?

4. What are the Medicare D subsidies referenced on page 1, who receives them now, how much a will they be in FY15 and how are they currently handled?

5. What is the ACA excise tax, on whom is it assessed and how can it be avoided?

6. On page 4, just before the chart, the report states that the accounting standard requires the employer to identify and account for the implicit subsidy associated with the use of blended premium rates including non-retirees for pre-65 retiree claim costs, as well as any explicit subsidies the employer may provide. Where in the report are these subsidies identified and accounted for?

7. On page 1, the report indicates that the Unfunded Actuarial Accrued Liability (UALL) will be paid off in approximately 21 years. Yet in the table on page 8, the UAAL is not fully amortized until 2043. Please explain.

8. How are the values in Column 6 on page 8 derived?

9. On page 1, the report states that amortization payments are assumed to increase at 3.5% annually. At the top of pages 8 and 9, that assumption is repeated. Only the years after 2034 increase at 3.5%. Please explain.

10. Why was page 9 requested?

11. Please explain the cause of, and the impact of, the change from a positive number to a negative number in Column 5 in 2034.

12. Why would we draw on the trust before full funding?

13. When will all benefit payments be taken from the trust?

14. Once the plan is fully funded, what will the annual OPEB cost look like? Will it be a matter of appropriating the "Normal Cost" each year and depositing it to the trust?

15. On the letter labeled "Supplemental Calculations", the cost of implementing 50% premium contributions for surviving spouses is shown as $1,882,174. There is also a reference to a plan change referred to as "Moving non-Medicare participants into Benchmark plans". What is a "non-Medicare participant", how many of them are there, and why is this value being calculated? How would such a change be implemented?

16. On page 17, the report states that Per Capita Cost Development utilizes either current fully insured premium rates or rates by age and gender derived by actuarial factors. Are the Per Capita Health Costs shown on page 24 the result of that process? Do the numbers in that table correlate to the blue line in the chart on page 4? Why aren't actual claim costs utilized for these calculations?

17. How many current employees will not be eligible for Medicare at age 65?

18. On page 8, the forecast of future costs, liabilities and funding are displayed. The table reflects a decision made two years ago to use a flat and steady $1.5 million in addition to actual pay-as-you-go insurance costs in lieu of the Annual Required Contribution (ARC), Column 4 on the table. For example, in 2016, the Town's retiree health insurance costs will be the actual pay-as-you-go insurance costs - $1,453,421 – plus the $1.5 million contribution to the trust for a total of $2,953,421. That is $592,851 MORE than the ARC for 2016. Following this forward, for some reason (explanation requested at questions 11 and 12 above) in 2034, instead of appropriating the $1,500,000 it appears the Town will get $1,226,090 from the trust, offsetting the estimated insurance pay-as-you-go costs of $3,890,216 such that the Town's cost that year is equal to the ARC, or $2,664,126. That's a $2,726,090 swing – in the Town's favor – in one year. Why is it in the Town's best interest to build a financial model with that kind of large and one-year distortion? Further, if you add up all the annual pay-as-you-go insurance amounts (Column 1) and combine them with the Additional Funding amounts in Column 5, you get a total of $108,524,585 over the 30-year period. If you add up the ARC's (Column 4), the total is $85,583,669 – almost $23 million lower. So not only does the flat $1,500,000 create a huge one-year distortion in 2034, but over the 30-year period it appears to have cost us $23 million. Using the 2012 valuation that provided both the ARC only and $1.5 million models, it appears this is the result of the $1.5 million accelerating the amortization of the UAAL. In that instance, supplemental funding produced a lower cumulative cost than using the ARC only. It would be important to see a 2014 ARC column in a table that assumes the Town appropriates just the ARC each year, meaning, for example, that in 2016 the town would supplement the actual pay-as-you-go costs with $907,149 instead of $1,500,000. This needs to be examined and evaluated much more thoroughly. An expanded table that I created reflecting the

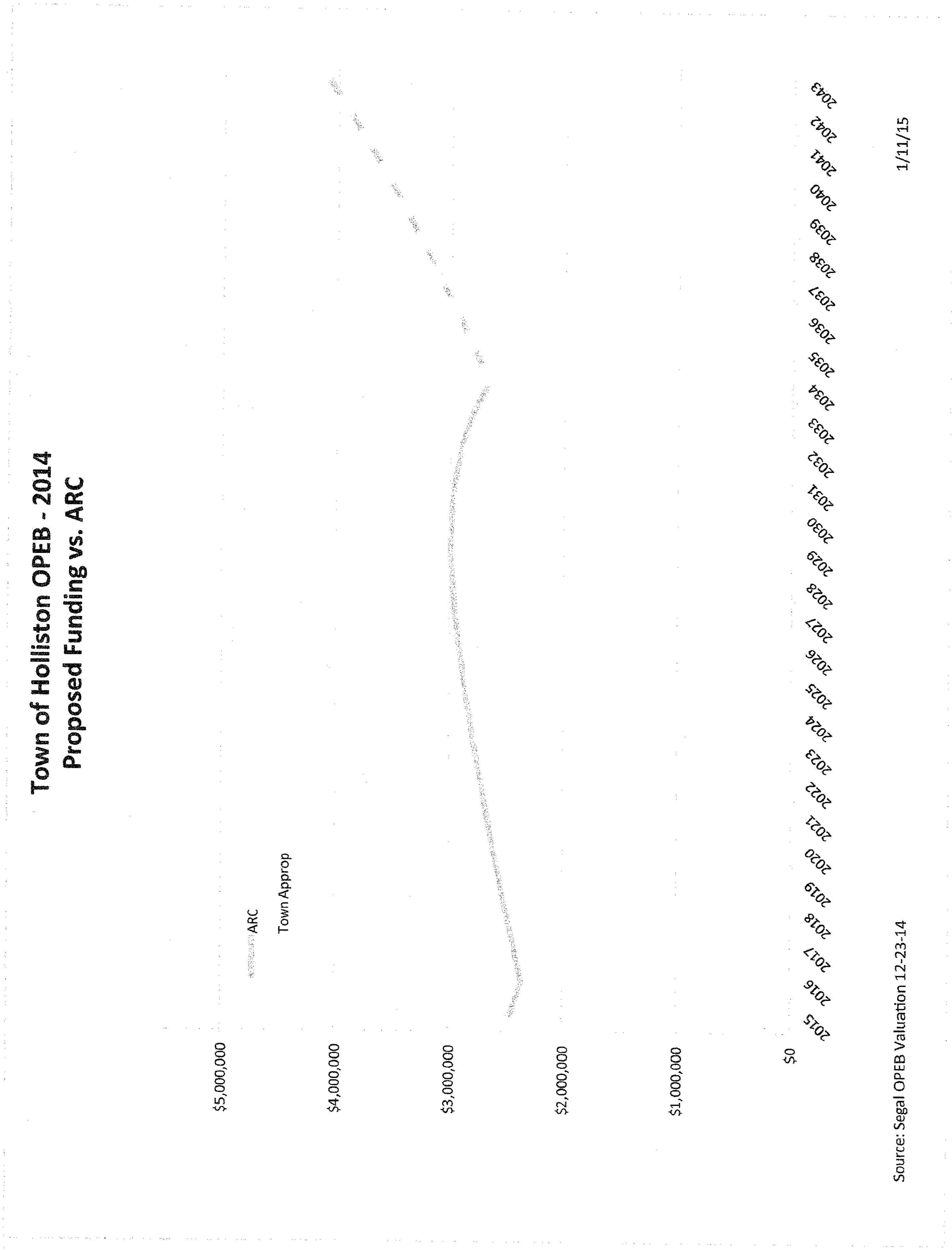
calculations above is attached. Also attached is a chart graphically depicting the difference between our chosen funding approach and the ARC from the 2014 valuation.

19. Why is the Town treating OPEB differently from Pensions? For Pensions, the Town is funding only its portion of the pensions equivalent to the ARC as allocated by the Middlesex County Retirement Plan to a plan that has been significantly underfunded for decades. **IF** the Town has financial resources to accelerate funding of unfunded benefit liabilities, why is being applied to only one and not shared with both?

Town of Holliston OPEB Valuation Table - 2014

Modified by Bill Dowd

	Segal 1 Projected Benefit Payments	Segal 2 Normal Cost With Interest	Segal 3 Amortization of UAAL	Dowd 3a Amort Chg %	Segal 4 Total Funding Requirement (3) + (2)	Segal 5 Additional Funding	Dowd 5a Town Appropriation	Dowd 5b % Change	Dowd 5c Town Approp vs ARC
2015	$1,276,916	$968,507	$1,478,578	-	$2,447,085	$1,500,000	$2,776,916	-	$329,831
2016	$1,453,421	$1,016,932	$1,343,638	-9.1%	$2,360,570	$1,500,000	$2,953,421	6.4%	$592,851
2017	$1,625,568	$1,067,779	$1,359,465	1.2%	$2,427,244	$1,500,000	$3,125,568	5.8%	$698,324
2018	$1,775,283	$1,121,168	$1,369,287	0.7%	$2,490,455	$1,500,000	$3,275,283	4.8%	$784,828
2019	$1,866,834	$1,177,226	$1,373,549	0.3%	$2,550,775	$1,500,000	$3,366,834	2.8%	$816,059
2020	$2,020,892	$1,236,087	$1,374,838	0.1%	$2,610,925	$1,500,000	$3,520,892	4.6%	$909,967
2021	$2,102,708	$1,297,891	$1,369,107	-0.4%	$2,666,998	$1,500,000	$3,602,708	2.3%	$935,710
2022	$2,218,325	$1,362,786	$1,359,760	-0.7%	$2,722,546	$1,500,000	$3,718,325	3.2%	$995,779
2023	$2,319,817	$1,430,925	$1,344,200	-1.1%	$2,775,125	$1,500,000	$3,819,817	2.7%	$1,044,692
2024	$2,388,255	$1,502,471	$1,322,440	-1.6%	$2,824,911	$1,500,000	$3,888,255	1.8%	$1,063,344
2025	$2,507,668	$1,577,595	$1,295,812	-2.0%	$2,873,407	$1,500,000	$4,007,668	3.1%	$1,134,261
2026	$2,633,051	$1,656,475	$1,259,970	-2.8%	$2,916,445	$1,500,000	$4,133,051	3.1%	$1,216,606
2027	$2,764,704	$1,739,299	$1,212,875	-3.7%	$2,952,174	$1,500,000	$4,264,704	3.2%	$1,312,530
2028	$2,902,939	$1,826,264	$1,151,952	-5.0%	$2,978,216	$1,500,000	$4,402,939	3.2%	$1,424,723
2029	$3,048,086	$1,917,577	$1,073,913	-6.8%	$2,991,490	$1,500,000	$4,548,086	3.3%	$1,556,596
2030	$3,200,490	$2,013,456	$974,499	-9.3%	$2,987,955	$1,500,000	$4,700,490	3.4%	$1,712,535
2031	$3,360,515	$2,114,129	$848,111	-13.0%	$2,962,240	$1,500,000	$4,860,515	3.4%	$1,898,275
2032	$3,528,541	$2,219,835	$687,239	-19.0%	$2,907,074	$1,500,000	$5,028,541	3.5%	$2,121,467
2033	$3,704,968	$2,330,827	$481,603	-29.9%	$2,812,430	$1,500,000	$5,204,968	3.5%	$2,392,538
2034	$3,890,216	$2,447,368	$216,758	-55.0%	$2,664,126	-$1,226,090	$2,664,126	-48.8%	$0
2035	$4,084,727	$2,569,736	$224,344	3.5%	$2,794,080	-$1,290,647	$2,794,080	4.9%	$0
2036	$4,288,963	$2,698,223	$232,196	3.5%	$2,930,419	-$1,358,544	$2,930,419	4.9%	$0
2037	$4,503,411	$2,833,134	$240,323	3.5%	$3,073,457	-$1,429,954	$3,073,457	4.9%	$0
2038	$4,728,582	$2,974,791	$248,734	3.5%	$3,223,525	-$1,505,057	$3,223,525	4.9%	$0
2039	$4,965,011	$3,123,531	$257,440	3.5%	$3,380,971	-$1,584,040	$3,380,971	4.9%	$0
2040	$5,213,261	$3,279,708	$266,450	3.5%	$3,546,158	-$1,667,103	$3,546,158	4.9%	$0
2041	$5,473,925	$3,443,693	$275,776	3.5%	$3,719,469	-$1,754,456	$3,719,469	4.9%	$0
2042	$5,747,621	$3,615,878	$285,429	3.5%	$3,901,307	-$1,846,314	$3,901,307	4.9%	$0
2043	$6,035,002	$3,796,672	$295,420	3.5%	$4,092,092	-$1,942,910	$4,092,092	4.9%	$0
					$85,583,669		$108,524,585		$22,940,916


Town of Holliston OPEB - 2014
Proposed Funding vs. ARC
ARC
Town Approp
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Source: Segal OPEB Valuation 12-23-14
1/11/15