

Finance Committee Meeting Minutes (Approved 5/15)

April 29, 2019

1<sup>st</sup> Floor Conference Room, Town Hall.

Finance Committee Members Present: Dorsey (Chair), Fletcher (Vice Chair), Sullivan, Hilario, McNerney, and Goldman.

Also in Attendance: Driscoll, Behan, Breen, and Powell (later in the meeting by phone) of the Swampscott Retirement Board ("Retirement Board") and Cheryl Herrick- Stella, Town Accountant. Nancy Lord also attended in her capacity as the Retirement Administrator. Lisa Van Demark, a third party consultant for the Retirement Board, also attended.

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Mr. Dorsey called the meeting to order at approximately 7:05 pm. The Retirement Board also called its meeting to order.

The Retirement Board made a presentation about the proposed warrant Article 18, Authorize Increase for Retirees Cost of Living Base. Article 18 concerns a proposal to increase by \$1,000 the maximum base amount on which the cost of living adjustment ("COLA") is calculated for pension payments.

Mr. Driscoll asked if the committees should discuss the proposed Article, and the committees agreed to. Initially, Mr. Driscoll provided some background on the Retirement Board's current consultant, Segal Consulting and its past use of Stone Consulting.

Mr. Driscoll then discussed the history of the proposed article, including how the Retirement Board had viewed potential increases to COLA over the past eight years. Mr. Driscoll also discussed some common perceptions and misperceptions about the COLA increases, including that the COLAs do not apply to the entire amount of a town employee's pension.

The Retirement Board indicated that the average pension for a town employee is approximately \$25,000, and explained the inputs in calculating the amount of an employee's pension. Mr. Driscoll also noted that many employees have a pension of less than \$14,000.

Ms. McNerney asked about social security benefits for town employees, including the average amount received by town employees.

At this point, Mr. Powell joined the meeting by phone.

Mr. Driscoll then discussed the funding of the town's pension obligations, including the funding ratio. Mr. Driscoll indicated that Swampscott has done relatively well in funding its obligations and may be ahead of the state average. He then explained how the Retirement Board invests pension money compared to the Pension Reserves Investment Management Board ("PRIM"), a state entity. Approximately 75 % of employee money is managed by PRIM-selected investment advisers and roughly 25 % is managed by Retirement Board-selected investment advisers. Some towns (including Marblehead) have pushed out their funding obligations to 2040 or other years.

Mr. Breen and Mr. Driscoll then discussed the investment returns for town employees, and certain assumptions that the Retirement Board makes to reach its target return.

Mr. Dorsey asked whether the FY20 budgeted line item would be higher if investment performance had been lower. Mr. Driscoll answered yes.

Mr. Driscoll then compared Swampscott's COLA base to other towns. About 27 towns (including Swampscott) use a COLA base of \$13,000. The amount ranges from \$12,000 to \$18,000 for other towns. McNerney asked how many towns use \$12,000 as a base. Mr. Driscoll answered 30 other towns use \$12,000 as their COLA base.

Ms. McNerney asked what Swampscott was doing to address its OPEB liability. Mr. Driscoll explained that the town was seeking to reduce its unfunded pension liability. Some discussion ensued about defined pension benefits and other unfunded commitments, including health insurance.

Ms. Sullivan inquired whether increasing Swampscott's COLA base would add to the town's unfunded liability. The Retirement Board indicated that the expansion of the COLA base could cost about \$70,000 a year. Some further discussion ensued regarding "fresh start," social security liabilities, the precise retirement vesting period for town employees, and employee contributions, including for certain groups of town employees. Mr. Driscoll then further discussed the average social security benefit for town employees, and explained how the benefit may be calculated.

Ms. McNerney and others commented on how the proposed COLA base increase would add to the town's budget. There was discussion about how pension and social security benefits are taxed.

Mr. Driscoll then discussed specifically Article 18, including the request to increase the COLA base, and the Retirement Board's recommendation.

Mr. Dorsey asked Mr. Driscoll to provide the assumptions for how the COLA base increase would affect the town budget. Ms. Sullivan and others commented that the COLA base increase will add money to the budget in perpetuity. Ms. Fletcher asked how much the investment returns impacted the \$70,000 increase.

The Retirement Board then concluded its presentation and adjourned.

The Finance Committee continued to discuss other items, including the Recreation revolving account. Members discussed whether the revolving account had any actual budgetary impact and asked about individual line items. There was also discussion about cash vis-à-vis credit card transactions, and whether Recreation would need additional employees. There was further discussion about formulating a recommendation for the amount of money for the revolver account.

The Finance Committee next discussed the group's meeting schedule. No meeting was necessary for later in the week. The Finance Committee also would like to meet with the town administrator again.

The Finance Committee then decided to adjourn. Ms. Sullivan made a motion to adjourn and Ms. Hilario seconded the motion.

Adjourned at approximately 9:00 pm.