

**Advisory Committee Meeting
Juliani Room, Wellesley Town Hall
Wednesday, November 14, 2018, 7:00 p.m.**

Those present from the Advisory Committee included Jane Andrews, Julie Bryan, Todd Cook, Rose Mary Donahue, Mary Gard, Bill Maynard, Paul Merry, Dave Murphy, Lina Musayev, Betsy Roberti, Tom Skelly and Andrea Ward

Tom Skelly called the meeting to order at 7:00 p.m.

7:00 p.m. Citizen Speak

There was no one present for Citizen Speak.

7:00 p.m. Retirement Board: Overview

Lynn Whynot, Retirement Administrator; David Kornwitz, Chair, Retirement Board; and Charlie Cahill, Member, Retirement Board, presented.

Introduction

- Agenda tonight is educational/informational – nothing on Town Meeting agenda for this spring
- Wellesley’s retirement system is managed by the Retirement Board and operates independently under Chapter 32 of the Massachusetts General Laws (MGL), which establishes benefits, contribution requirements and an accounting structure
- Retirement Board has five members: Finance Director (ex officio), two elected members, Board of Selectmen (BOS) appointee, and fifth member appointed by other four members

Pension Plan Overview

- Pension plan is a defined benefit plan for Town employees other than teachers (teachers have separate State-sponsored plan)
 - Town contributes a portion each year and mandatory contributions by employees
 - 84% of employees contribute 9% of their pay plus 2% on pay over \$30,000; a few employees contribute less due to their retirement age and length of service
 - Pension plan replaces Social Security for Town employees
 - Full-time Town employees are vested after 10 years
 - By comparison, Social Security employee contribution is 6.2% of pay with an annual contribution cap of \$7,979 and an annual wage cap of \$128,700; benefits under pension system on average higher than under Social Security
 - Approximately 700 Town employees in the retirement system; in the last fiscal year, they contributed \$3.8 million into the pension plan
- As a result of the 2012 pension reform, employees hired after April 2012 (50% of Town employees) accrue reduced benefits

Pension Plan Financials

- Information is as of last valuation, 1/1/17
- Market value of assets was \$164 million; actuarial value was \$169 million
- Accrued liability of \$224 million and unfunded liability of \$55 million
 - Expected to be fully funded by 2030
 - FY19 general fund cost is about \$7 million

- OPEB (Other Post Employment Benefits) is the retiree health insurance; it has an unfunded liability of \$75 million as of 6/30/16, an FY19 general fund cost of about \$3.4 million, and anticipated full funding date of 2037

Pension Funding

- Prior to 1977, the pension was funded on a “pay-as-you-go” basis and benefits were paid out as needed
- At the 1978 Annual Town Meeting (ATM), the budget was increased to address the unfunded past service liability and funding was sustained throughout 1980s
- By the end of FY97 the plan was fully funded
- For 10 years, from FY98-09, there were no annual contributions by the Town; investment earnings were used to cover the Town’s ongoing costs
- In FY10, following the 2008 market decline, Town resumed contributions with the expectation that the liability will be fully funded by 2030
- FY20 appropriation at ATM will be \$7.7 million (up from \$7.1 million in FY19)
- Will have updated pension and OPEB valuations and liabilities in 2019
 - OPEB has a fiscal year calendar beginning July 1; valuations and liabilities on July 1, 2018 will reflect non-Medicare changes made to health insurance
 - Pension plan is on a calendar year; as of January 1, 2019, valuations and liabilities will be updated to reflect the gains of 2017 and the volatile markets in 2018
 - FY21-23 appropriations will be determined based on updated valuations

There was a question whether the Retirement Board assists with the investment of OPEB assets and the setting of the discount rate: Technically the Town Treasurer is responsible for OPEB, but the Retirement Board often expresses a non-binding view point on this.

There was a question whether anyone had gone back and tried to determine where Town would be if, during the 11-year period that it didn’t make any pension contributions, it had in fact made the minimum contribution (the point of asking this is that Town will again, within the next 11 years, reach fully funded status and will need to decide how to proceed): Retirement Board will be giving this a lot of thought; Town did use surplus to cover costs during that period; if could do over, would amortize the surplus and have some level of annual appropriation (maybe \$1 million or \$2 million, but not \$0 or \$7 million) that would have left plan better funded and better able to withstand market fluctuations; in future, will never want to stop appropriations.

There was a question about OPEB and Medicare: OPEB/supplemental health insurance is on top of Medicare. There was a follow-up question whether the Town’s provision of OPEB is consistent with other municipalities, since OPEB has largely gone away in the private sector: Yes, all municipalities are required by MGL Chapter 32B to provide supplemental health insurance.

There was a question why the annual pension contribution continues to increase despite the increasing market value of the assets: We are still paying the unfunded liability, we are amortizing it over a shorter period of time, the appropriation is designed to have a growth element consistent with Town taxes (3.5%), and there is an increased number of individuals (service cost increasing). At some point, that rate of growth will slow, and annual appropriation will start to come down to perhaps \$7-9 million (but before that, could grow as high as \$11 million).

There was a follow-up question as to whether the appropriations would stay in that range even with continued market growth: Board tries to dampen fluctuations; almost 18% market returns in 2017, but in 2018 might be closer to 0; we assume 6.62%, so to extent it outperforms (or underperforms) that rate, we

don't immediately capture all the difference; also paying for COLA increases; starting to reflect improvements in longevity in the valuations; trying to be conservative in long term investment performance (lowered assumed interest rate from 6.75% to 6.62%). There was an additional comment/question that the assumed interest rate (6.62%) seems very low when compared to other municipalities (e.g., Mass Teachers is 7.5%): Would argue that other municipalities are incredibly high when compared to reality. To put into perspective, if Town were using that 7.5% rate we would be 90% funded today; we are clearly the best-funded municipality and in the best position because of conservative management of assumptions. At some point, as we achieve fully funded status, Board will be discussing whether should take some risk off the table in terms of how the assets are invested; e.g., lower long term investment outlook but significantly lower risk profile so that occurrence of an event like 2008 would be greatly mitigated.

There was a comment that funding the pension and OPEB liability is becoming a larger and larger component of the Town budget, particularly if appropriation gets to \$14 million level (\$11 million for pension and \$3 million for OPEB), but one with limited visibility to ATM; there is an opportunity to better educate people and provide more transparency.

There was a brief discussion of the budgetary pressure due to the large number of pending capital projects and the importance of ensuring that annual appropriations for accrued liabilities are not unduly high as a result of the assumptions being used.

- Retirement Board has been prudent in its past appropriation requests; for example, after market collapse of 2008 could have asked Town to go from \$0 to \$6 million, but prudently phased that in over time

Asset Investment

- Pension and OPEB assets fully invested in the PRIT Core Fund
 - Pooled investment fund that invests the assets of the Massachusetts Teachers' and State Employees' Retirement Systems, and the assets of county, authority, district, and municipal retirement systems that choose to invest with them
 - Year to date as of September 30, 2018, PRIT Fund returns are 8.67%.

There was a question whether, given Board's statement that it might take some risk off the table, it would leave PRIT, or whether there is there flexibility within PRIT to change the asset allocation: Board working with PRIT to come up with alternative sleeves of investment portfolios that would be less risky (e.g., more fixed income, return-seeking assets); don't anticipate moving away from PRIT at this time; joining PRIT was one of best decisions Board made, as Town has access to many alternative investments it wouldn't have otherwise. There was a follow-up question whether PRIT changes its investment allocation year to year: It tries to hit a target that's a little more than a 7% return; this is what their portfolio is designed to produce. There was a further follow-up question as to PRIT's administrative cost: Exceedingly inexpensive, about 50 basis points all in.

A comment was made that it would be helpful to show the components of the investments: The valuation reports are posted on the Town's website and funding schedules for five years are listed.

Pension COLA

- Retirees and beneficiaries in payment status are eligible to receive an annual cost of living adjustment (COLA) each July 1st
- Annual adjustment is subject to vote by the Retirement Board

- Annual COLA awards are subject to the increase in the Consumer Price Index (CPI) as published by the Social Security Administration each October and may not exceed a maximum of 3% per year.
- Retirement Board needs Town Meeting approval to increase the *base benefit amount* to which the COLA may be applied
 - In 1997, the COLA base was increased from \$9,000 to \$12,000
 - In 2010 a law was enacted to allow a municipality the ability to increase the COLA base in \$1,000 increments. In 2013 ATM approved raising the COLA base to \$15,000 and in 2018 ATM approved raising the COLA base to \$16,000 in 2018, \$17,000 in 2019 and \$18,000 in 2020.

There was a brief discussion about the Town’s cost modeling for new employees (the \$20,000 cost allocation that accompanies a new hire) and whether that reflects pension as well as health care benefits. It was noted that Town employees are paying a significant portion of their retirement benefits from their salaries; were it not for death and disability benefits (which are needed to provide a safety net since employees not eligible for social security), they would be paying 100% of their retirement benefits.

7:38 p.m. Board of Health: Overview

Leonard Izzo, Director, Health Department; Shepard Cohen, Chair, Board of Health; Marcia Testa Simonson, Vice Chair, Board of Health; and Lloyd Tarlin, Secretary, Board of Health, presented.

Overview

- Board of Health (BOH) is a three-member elected board
- BOH and Wellesley Health Department (WHD) staff spend 50% of their time working with other boards and groups on Town health issues
- Responsibilities of public health include: prevent epidemics and spread of disease; protect against environmental hazards; prevent injuries; promote and encourage healthy behaviors; respond to disasters and assist communities in recovery; assure quality and accessibility of health services)
- Public health agencies focus on 10 essential services, including enforcing state laws and regulations as set forth in MGL Chapter 11
 - The federal government has delegated most of public health responsibilities to the state, which in turn has delegated to towns/cities/counties
 - Town of Wellesley’s public health regulations are found in Town Bylaw Article 34

Inspectional/Permitting Responsibilities

- BOH is responsible for a wide range of legally required inspections, reviews and permits, including camps, pools, food establishments/restaurants, livestock, tobacco, housing and body art
- Food establishment inspections were the largest number of BOH inspections from FY15 to FY18

There was a question as to what “plan reviews” are and how the BOH is involved: Mostly restaurants/renovations; BOH must approve any changes to food establishments. BOH is also involved in 40B projects and the 900 Worcester Street project, as there is the need to license and inspect the pools, the ice rinks and potential food services. If there is a septic system, then the BOH is also involved.

There was a question whether the newly filled second environmental health inspector position has helped with the departmental work load: Long recruitment process; very happy with new hire; she joined when there was a great deal of camp work to do within the department; additional position has allowed Director to work on other things, such as the new food code implementation.

A question was asked as to why hockey rinks are inspected by the Health Department: To ensure air quality/circulation given operation of Zamboni equipment inside the rink.

A question was asked about the BOH role in 40B developments: Depends on the development; concerns can range from sewage systems to on-site drainage (e.g., prevent mosquito breeding) to trash to walkability and playground equipment.

- Number of BOH encounters with animal/livestock services has increased over past three years
- Revenues from inspections are increasing each year (over \$82,000 in FY18)
- Town received \$637,000 in meals tax revenue in FY17; the busier the restaurants, the more income, but also the busier the Town's inspectors are
- Example of everyday environmental public health threat: rodent infestations
 - Rats can spread diseases, ticks and fleas so there is a public health reason to keep the rodent population down; recent increase in the suburban rat population
 - Health Department inspects homes that are being demolished in order to certify that they are pest-free (to protect neighboring properties)

There was a question whether the Board has recommendations as to what homeowners can do about rodent infestations: Generally, an inspection is needed, the burrows identified, and a pest control company hired; rat poison is not the solution (poisoned rats will infect raptors that eat the rats, and dogs can eat the poison).

Public Health Nursing Services

- BOH also provides public health nursing services, which include visits, vaccinations and monitoring/reporting of infectious diseases
 - Wellesley's "Vote and Vaccinate" program made national news

Public Health Community Social Services

- BOH also works to increase healthy behaviors and helps with social service needs in Town by coordinating with families dealing with emotional, physical and social issues
- Currently providing up to 26 hours/week of social services (split between two employees)
- During FY18 there were 250 encounters, 50% of which were house calls

Community Wellness Programs

- Include emergency preparedness, first aid training, eye health, shingles clinic, and Community Wellness Fair
- Would like to provide more education on teen vaping; more nicotine in e-cigarettes than in traditional cigarettes, so risk of addiction is there

There was a question as to how teenagers under 21 obtain e-cigarettes: They are buying them on-line and in stores; one method is to buy on Amazon and ship them to a Whole Foods locker pickup location.

There was a brief discussion about e-cigarettes and the difference between open pod and closed pod systems.

Mental Health Services

- BOH offers mental health services primarily through its contract with Human Relations Services (HRS)
- 60% of HRS mental health resources allocated for community mental health and 40% allocated to school outreach workers to work with public schools' staff

New Items for FY19

- New camp regulations recently enacted
- New Massachusetts food code (the Food & Drug Administration's 2013 code) announced effective October 2018; much more time intensive for inspectors than prior code

There was a question why Town is using a 2013 code instead of 2018: This is a state mandate, rolled out with no notice; two inspectors were trained last week; there will be new inspection forms; BOH will be working to educate restaurants in town.

- BOH will continue to assist the Food Recovery and Share Table programs in the schools; will be expanded into the High School
- Continued involvement with Tolles Parsons Center (lunch services); new restaurant plan reviews; 900 Worcester Street project (two swimming pools, two ice rinks, proposed food services and on-going monitoring of the de-watering systems)

A comment was made that, with respect to the planned community wellness offerings, there should be coordination with other Town departments (e.g., Schools, COA, Police, Fire, Library): BOH and department staff work with other Town boards and organizations on all programming; all programs are sponsored with one or two other boards. For example, Health Department received grant last year from the Fund for Wellesley for summer camp transportation, as attendance had been poor in the past due to transportation difficulties; BOH worked with School Department, Recreation and Wellesley Friendly Aid, resulting in children attending camp for seven weeks last summer; also worked closely with Schools on Food Share program.

A question was asked whether there is duplication of social work services in Town and what efforts are being made to coordinate those services: Segregation of services by age helps prevent overlap/duplication; for example, residents 60 and older fall under COA and school-aged population handled by Schools. However, when the schools are not in session over the summer, the BOH picks up some of those service needs; BOH social worker also has slightly broader focus than school social worker, who is focused mainly on education. Several recent meetings of Town social services providers from all departments have taken place to inventory services and share information. Frequent communication and collaboration; School social worker who covers Fiske meets regularly with BOH social worker; COA crisis team communicates with BOH.

A question was asked as to who maintains utilization records for services: Each organization maintains its own utilization records.

8:36 p.m. Discussion of Town Bylaw Sections 14.6 and 11.12 (Notice of Request for Capital Projects)

Permanent Building Committee/Rose Mary Donahue

- PBC has stated position, via 10/22/18 memorandum, that a completed feasibility statement presented to PBC will satisfy the requirement of Town Bylaw (TBL) Section 14.6 that information regarding projects for which funding will be sought must be presented to PBC at least 120 days in advance of Town Meeting (so-called "120-day rule")
 - TBL Section 14.6 requires that such information be "simultaneously submitted to the Advisory Committee," and that requirement is restated in Section 11.12
- PBC has not yet formally voted on this memo/interpretation

- Town Counsel has been consulted; recommendation is that Advisory wait to take any formal action until PBC does
- PBC is primary driver and technical expert here; submission of materials to Advisory is ancillary to submission to PBC

There was a question whether, if a project has a feasibility study completed, it satisfies the 120-day rule: Yes. There was a follow-up question whether feasibility studies themselves are subject to the 120-day rule: No, bylaw defines a “project” for which that information must be submitted as design and/or construction.

There was a brief discussion about the Facilities Management Department presentation at the 11/13 Board of Selectmen meeting concerning upcoming capital projects. Two of the projects discussed at that meeting, the Middle School systems project and the Main Library renovation project, are considered by PBC/FMD to fall within the 120-day rule; PBC and Advisory have feasibility studies for both. The Middle School piping project is an ongoing project; design funds were approved at last ATM.

There was a brief discussion regarding receipt of feasibility studies and presentations on projects. Advisory has received the feasibility studies for both the Middle School systems and Main Library renovation projects and they are available in Dropbox; Advisory has heard presentations about both projects previously and on December 12 will have additional presentations from PBC and project proponents.

8:46 Liaison Reports/Administrative Matters

Planning Board (PB)/Dave Murphy

- Town development review team (TDERT), which consists of all relevant boards and is focused on large projects in Town, recently met to focus on the Wellesley Office Park (WOP)
- Likely to be request for zoning bylaw change for a 40R district at a Special Town Meeting within ATM in the spring
- Meeting held under auspices of BOS and PB; every department in town was represented; challenges and opportunities of this project were discussed; concerns raised by Advisory last week were echoed, and other concerns were raised
- Next steps: Friday (11/16) meeting of department heads with the developer to give feedback/seek information
- BOS public hearing scheduled for December 3 to solicit public comment/feedback
- Project presents significant opportunities for the Town in terms of housing and advancement of the Housing Production Plan (HPP), as well as increased revenue from a higher assessed valuation for the property
- Project also presents challenges because of the siting next to the Charles River, a 10-year flood plain and wetlands
- Limited time to continue to talk about this at Advisory

There was a comment that Advisory should have PB and Town Counsel come in and explain how 40R works, as well as long-term costs to the Town from the project.

A question was asked if anyone is talking about the density of the project, as 350 units feels very dense: 40R zoning is for high density housing and payments come from the state to towns that set up these 40R districts.

There was a brief discussion of the 40R concept and the Host Community Agreement (HCA) that would accompany the zoning changes.

There was a question whether the Town writes the HCA and whether it is binding: This agreement is negotiated; it goes with the property and additional owners. The timing for negotiation of the HCA is January, and Town Meeting will have to approve it as well as the zoning changes. The HCA is similar to the development agreements that the Town negotiates in other situations, such as with the Linden Street development.

There was a question as to what mechanism will ensure that later phases of project are consistent with plan being presented now (e.g., what would prevent the developer from converting six office buildings to 250- or 350-unit residential structures once 40R district created): Likely would be a provision in the HCA that specifies allowable amount of overall square feet of different types of space (office, residential, etc.).

There was a question whether PB is still intending to come forward this with bylaw changes on other topics (e.g., outdoor lighting, off-street parking) that were presented earlier this fall: Still proceeding as if so.

9:12 p.m. Minutes Approval

Andrea Ward made and Paul Merry seconded a motion to approve the October 24, 2018 minutes. The motion passed unanimously

9:13 p.m. Adjourn

Julie Bryan made and Lina Musayev seconded a motion to adjourn. The motion passed unanimously.

Items Reviewed During the Meeting

- *Retirement Board*, Presentation to Advisory Committee, November 14, 2018
- *Board of Health*, Presentation to Advisory Committee, November 14, 2018
- Memorandum to Wellesley Advisory Committee and Project Proponents from Tom Goematt, Chair, Permanent Building Committee (PBC) and PBC Committee Members, Re: Clarification of PBC Bylaw 14.6 Requirements (October 22, 2018)