

MINUTES OF THE BUDGET/MANAGEMENT COMMITTEE
Town Hall Council Chambers
AUGUST 9, 2004

PRESENT: Ken DiFazio – Chairman, Sue Kay (Absent), Colin McPherson, Michael Molisse, Paul Leary

OTHERS: Dick Swanson, Frank Fryer, James Wilson, Barbara Costa, Marsha Silva, TJ Lacey, Greg Shanahan, Jane Hackett

Chairman DiFazio called the meeting to order at 6:30 p.m.

04 161 – Acceptance of Legislation regarding laid off Police and Fire (Chapter 360 & 235)

Mr. DiFazio stated that since the last meeting, a memorandum dated July 29, 2004 from Jane Hackett has been submitted explaining what the proposed language would be regarding the measure. A second letter was received from Marsha Silva, Retirement Director, dated August 4, 2004. The Chairman invited Ms. Silva to explain the measure to those present.

Marsha Silva stated she has provided a spread sheet to the committee members. It is a survey of the surrounding towns retirement systems, and if they had accepted the legislation. The towns that indicated no, either had no lay offs or had not considered the matter. She was not aware of any city that had discussed the matter and denied it. Those that did accept it are shown in bold print. She provided the number of members of each of those retirement systems. In addition, this date, she received an email from the City of Boston which indicated that although they had not accepted those two pieces of legislation, on September 5, 2002, they initiated a home rule petition that then became law which allowed any city employee to purchase lay off time, specifically under 2 ½.

Mr. DiFazio asked if they were to adopt just the home rule, would it cover all of the proposed legislations. Ms. Silva stated she believed it would not. Because the legislation exists for the police and fire fighters, the Board wanted to utilize that vehicle, and the home rule petition would be for all those who are not police and fire.

Mr. McPherson stated he was looking at the number of months they were buying back, and questioned if that was the number of months they would be able to retire earlier. He questioned the expense incurred for the taxpayers should that occur. Ms. Silva stated it was her impression that the focus of the buyback is not the ability to retire earlier, but to show unbroken service for promotional exams. Theoretically, a person could retire a few months earlier if they took advantage of the buyback, but not necessarily. If a fireman bought back two months, it makes a total difference in cost to the town of \$235 per year on his retirement allowance, which is a small amount. You would be replacing this person who is at the top of his rate, with someone who earns less. Mr. McPherson asked if it would cost an additional two months of full pay to the employee. Ms. Silva stated

Mr. McPherson was using the actuarial calculations, without knowing the employees life expectancy. As far as the taxpayer is concerned, while the town does make an appropriation to the retirement system, about 1/3 of the retirement allowance comes from the employees own contribution from his work history, and the investments provide the bulk of the retirement allowance. It is not a direct taxpayer cost. Mr. McPherson asked what the \$23,000 total on the spreadsheet represents. Ms. Silva stated that is the total that they are paying in. With \$13,800 being the contributions they are making up if everyone did this, they would also be paying in about \$9,600 in interest for a total of about \$23,400 that these 12 employees would pay into the system if they chose to take advantage of this. Mr. McPherson stated that was their share and the town would have a share. Barbara Costa stated that the only way the town would have a share would be the additional appropriation. The total effect on the whole funding schedule up to 2028 would only be \$20,000 over that amount of years if everyone opted to take the option. Most people would only be out for a year, considering when someone would retire or they would not. They are retiring someone at a higher rate of pay, and hiring back someone at a lower rate of pay on the town expense side. Mr. McPherson stated he questioned and had concern about allowing earlier retirement and incurring more cost.

Mr. Wilson stated that if everyone bought back their time, the difference in their appropriation would be a direct result of the actuarial study. In the actuarial study you have the employee's contribution, return on investment, and the unfunded liability, and the town's portion of that over the next 23 years. We cannot specifically identify what the \$23,000 would cost the town. Ball park figure would be approximately \$1,100 per year on the appropriation. Mr. McPherson stated he did not understand that item.

Barbara Costa stated that what must be understood about the actuarial study that is done every three years; it takes what we have invested so far, and what is coming in, and does a projection as to what we are going to need according to the rate of return. It is an inaccurate science and changes every three years.

Councilor Leary MOTIONED to recommend favorable action on measure #04 161 to the full town council. Councilor Molisse seconded. VOTED UNANIMOUSLY.

Mr. DiFazio questioned if Chapter 360 applies to laid off workers in 1981 and 1982, and if Chapter 235 applies to all other fire fighters and police for all dates, and if the home rule petition extends to all other town employees. Ms. Costa stated that was true and the employee would have to be reinstated within three years.

04 162 – Acceptance of Home Rule Petition

Chairman DiFazio stated the measure is being proposed by the Retirement Board. Additional information dated July 29, 2004 was received from Ms. Hackett. Ms. Hackett stated it was suggested language only.

Councilor Leary MOTIONED to recommend favorable action on measure #04 162 to the full Town Council. Councilor Molisse seconded. VOTED UNANIMOUSLY.

04 163 – Acceptance of MGL Chapter 32 Section 20A

Chairman DiFazio stated the measure is being proposed by the Retirement Board via a memorandum dated July 29, 2004 by Jane Hackett. Ms. Hackett stated a similar copy is coming to the Town Council regarding the general government. It is something they are working on regarding Chapter 258 on the Town side. They are meeting with the insurance coverage people regarding errors and omissions with concerns on a potential gap in coverage and the Mayor wanted the committee to know it may be coming.

Councilor Leary MOTIONED to recommend favorable action on measure #04 163 to the full Town Council. Councilor Molisse seconded. VOTED UNANIMOUSLY.

04 164 – Performance guarantee for Holly Estate subdivision

Chairman DiFazio stated a letter was received dated July 29, 2004 from Jane Hackett regarding the Holly Estate subdivision proposing language to move the measure. Mr. DiFazio stated he has discussed how the two bonds would work with James Clarke, Planning Director.

Councilor Molisse MOTIONED to recommend favorable action on measure #04 164 to the full Town Council. Councilor Leary seconded. VOTED UNANIMOUSLY.

ADJOURNMENT

Councilor Leary MOTIONED to adjourn. Councilor Molisse seconded. VOTED UNANIMOUSLY.

Respectfully submitted,
Doreen Teodorson, Recording Secretary

Approved by: _____
Kenneth DiFazio, Chairman