



**COMMONWEALTH OF MASSACHUSETTS
TOWN OF NEW MARLBOROUGH
OFFICE OF THE BOARD OF SELECTMEN
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**Tara B. White, Chair
Nathaniel H. Yohalem
Michele Shalaby
Board of Selectmen**

**Minutes of Selectmen's Meeting
July 14, 2014**

Board Members Present: Tara B. White, Chairman
Michele Shalaby
Nat Yohalem

Others Present: Michael Skorput, Administrative Assistant
Sharon Fleck, Administrative Secretary
Sheila Labarbara, Berkshire County Retirement

The meeting of the Board of Selectmen convened at 5:01 at p.m.

After a discussion, a motion was made and seconded and so voted by all members to hold the minutes of the July 12, 2014 Selectmen's meeting.

Sheila Labarbara attended the Selectmen's Meeting in order to answer some of the questions that were asked during the Town Meeting:

History of the Plan – There are 105 retirement systems in the State of Massachusetts which were created in 1937. All operate in the same manner. The plan is a defined benefit plans which takes into account age, service and salary. This is not a defined contribution plan. The contributions the members make for a new member is 9% of their earnings, plus an additional 2% for salaries over \$30,000.00, calculated on base salary only. Funding schedules were set up in the early 1980's. The funding schedule is comprised of two things – the normal costs and a portion of the assessment to get the fund fully funded. Approximately 50% of the unfunded portion is the Town's assessment. As an example: if the Town's assessment is \$100,000,00, half of that (or \$50,000.00) would go toward the unfunded liability of the pension fund. Municipal employees do not contribute to Social Security; they contribute to the Berkshire County Retirement System. Only employees who work more than 20 hours a week contribute to the pension system. If employees work less than 20 hours a week, they participate in a mandatory compensation plan called OBRA (Omnibus Budget Reconciliation Act). If an employee has worked 30 years or more in public employment, any Social Security compensation would be offset by the Berkshire County Retirement Plan, which surpasses the Social Security benefit. The pension plan is instead of Social Security. However, if a person has only short-term municipal employment, they get a benefit but it is still offset by Social Security. However, for a person who contributed to Social Security for 30 years or more, there is no Social Security off-set.

Who is in the Plan? – Municipal employees who work 20 hours or more per week. There are 23 municipal employees participating in the New Marlborough plan, some of whom may be shared employees with other towns, but still qualify because they work 30 hours a week or more. There are employees on the Town of New Marlborough plan, who are not active employees, who are not part of the assessment, but may be vested and just waiting to collect their pension.

How is the Town's Assessment Calculated? - Berkshire Retirement has a Funding Schedule which gives an annual appropriation for every year. It currently is about 77% funded, and should be fully funded by 2025-26, at which point our assessments should be reduced by half and we would only be assessed for "normal" costs. As an example, the FY15 assessment is \$8,100,000.00 and is based on the December 31 wages which then determines what percentage of the total annual salaries have been paid in the entire system. New Marlborough's share comes to 1.09% for FY15. The assessments vary year by year due to changes in salaries. As an example, wages for 2012 were \$322,000.00 vs \$431,862.00 for 2013, vs. \$341,000.00 for 2011. Sheila Labarbara explained that Berkshire County Retirement is actually a year behind in calculating assessments because year-end figures are used and not fiscal year figures. It was the \$110,000.00 wage increase from 2012 to 2013 that caused the Town's assessment to increase. Sheila explained there is a certain amount of the assessment that is out of the Town's control, i.e. New Marlborough is a small Town; however, if one of the larger Towns reduces the number of employees, New Marlborough's share will increase. Selectman Shalaby asked what the total wages were in the system. Sheila explained the total was \$39.7 million in 2013.

Early Retirement Incentive – An Early Retirement Incentive was adapted by the New Marlborough Selectmen in 2002. This meant that the Town of New Marlborough paid the difference between what a person would have received for a pension, plus five (either in age or years of service), allowing a person to retire 5 years early. Three employees took advantage of this program in 2002. It is not possible for New Marlborough to opt out of this program before 2022 (it was a 20 year plan). The New Marlborough program was level based for fifteen years and should end in 2017, which would then reduce the Town's share by approximately \$14,000.00.

How are the Funds Invested? – Pension funds are invested through the Pension Reserve Investment Trust, and since 1998 the funds have been invested in the State's plan, which YTD has returned 4.87%. There is over \$50 billion invested in the Fund.

Fees – Fees for the period May 1-31, 2014 were \$18,000.00 and YTD \$77,000.00 in management fees. Monthly fees average one tenth of 1% of the total funds invested, although additional fees are assessed quarterly.

When is the Plan Fully Funded? – The plan will be considered fully funded when there is enough money in the plan to pay both the benefits to everyone who is in the system and wants to retire and those who aren't ready to retire and are not vested. The plan is expected to be funded in 2025.

What Factors Affect the Fund – A market decline, such as what happened in 2008 will affect the fund as well as employment figures. There are a large number of people retiring now as the "baby boomers" come of age. With a declining population in the school systems, will employment decline or will those people be employed elsewhere? This is one of the issues being followed by Berkshire County Retirement. Berkshire County Retirement is considering changing the way the assessments are calculated, taking into account both active employees and retirees, a

process called "smoothing," which is a fairer way to assess the towns. Because both Police and Fire employees can retire early, this affects the assessment significantly.

Still to be Answered – Why did New Marlborough's salaries go up over \$100,000.00 thereby affecting the Town's assessment? Sheila presented the Board with a list of employees and further explained that some employees were employed part-time in different towns (police officers, for example), who did not qualify to participate in the plan, then qualified to participate by working part-time for New Marlborough thereby adding to the Town's assessment.

The Selectmen thanked Sheila Labarbara for her time and the information she was able to provide to the Board.

Being that there was no further business to be brought before the Board, a motion was made, seconded and so voted by all members to adjourn the meeting at 5:50 p.m.

Respectfully submitted,

Sharon Fleck
Administrative Secretary