FY17 Budget Questions & Answers
Finance Committee – January 7, 2016

# & Department	Question	Answer
152 Human Resources		
Pam	Pre-Employment Medical Exam - Please explain the reduction to $7,000 from the $9,000 in FY16 Budget and the $8,000 requested for FY17.	FY14 $8,909.40 - Actual. FY15 $5,439.90 - Actual. Increase reflects transferring medical and psychological assessments from police and fire budgets to HR FY16 $9,000 Current spent to date $2,291. Budget increased due to retirements, employee turnover, and increased testing costs (pre-employment physicals, drug testing, psychological testing, and physical agility testing).
Jodi	If there is a hiring freeze why would the budget for pre-employment medical expenses and legal advertising not be cut further or at least be in line with 2015?	Hiring freeze is considered temporary and does not include critical positions, e.g. public safety.
Dan	Why does the Comp. Reserve go from $440,000 in FY17 to $740,000 in FY18 and to $940,000 in FY19? I know we have many contracts about to be negotiated but does town management think the increases will be that great each year?	I cannot discuss the specific assumptions about the "placeholders" for the outlying years As presented in the Town Manager budget message, we only have one contract settled for FY17 (Fire). In addition, we still have not received the JLMC ruling regarding the Superior Police Officers. I'd also like to note that we only projected step and longevity increases in the budget for FY18 & FY19. With each contract that we settle, we can adjust the operating budgets accordingly and decrease this comp reserve assumption.
Jodi	What contracts are outstanding and/or expire at end of FY16?	CWA, OPEIU, WPA, WPWA expire 6/30/16 WSOA expired 6/30/2013 IAFF expires 6/60/2017
Dan	Why big spikes in comp reserve in FY18 & 19?	Please see above

# & Department	Question	Answer
Pam	What does professional development cover?	Education reimbursement (tuition & fees) for course completion that is job related. Also includes trainings that may not be budgeted for in a department budget.
Pam	Why has professional development had such a high percentage increase in the last couple budgets?	Finance Director obtained his Master's & the Fire Chief is obtaining his Undergraduate degree. Several employees are pursuing degree's that coursework has been approved for reimbursement.
945 Unclassified		

Pam	Can you give us a brief explanation of the general nature of the health insurance benefits?
	To be specific:
	• Are all retired employees required to go onto Medicare at age 65?
	  ○ If so, what happens to the town health insurance coverage?
	  ○ Does it continue as before (i.e. double coverage)?
	  ○ Does it get replaced with Medicare Supplemental Insurance? If so what's the cost and how much is covered by the town vs the employee?
		• Yes, all retirees and eligible dependents who are Medicare eligible must go onto Medicare at age 65.
		• When a retiree is Medicare eligible they move from the "active plan" to Medex. There is no break in coverage as one plan ends and the other begins.
		• No double coverage
		• At the time of retirement the active coverage is replaced by Medex (Medicare Supplemental Plan) (Medicare Part B drives the effective date of the supplemental coverage (Medex)).
		• Medex: Town 60%/Retiree 40%
		Current Rate – $307.09/month (Town $184.25/ Retiree $122.84 per month)
		A retiree and eligible spouse has health insurance for the duration of their retirement.

Pam	During employment, how much of the cost (health insurance) is covered by the town vs the employee?	HMO: Town 65%/Employee 35% PPO: Town 60%/Employee 40%
Pam	Are employees still working past the age of 65 required to go onto Medicare at age 65? • If so, what happens to the town health insurance coverage?	• An employee who is over age 65 and has town insurance has to remain on an active plan. Their Medicare Part B is deferred and cannot be picked up until the employee retires. • No double coverage

# & Department	Question	Answer
	• Does it continue as before in addition to Medicare (i.e. double coverage)? • Does it get replaced with Medicare Supplemental Insurance? If so what's the cost and how much is covered by the town vs the employee? • If the employee is not required to enroll in Medicare, does the town health insurance continue indefinitely? What proportion is paid by the town vs the employee?	• At the time of retirement the "active" coverage is replaced by Medex (Medicare Supplemental Plan) (Medicare Part B drives the effective date of the supplemental coverage (Medex)). • Medex: Town 60%/Retiree 40% Current Rate – \$307.09 month (Town \$184.25/ Retiree \$122.84 per month). If a retiree does not qualify for Medex (Retirees who were hired before 1982 and did not contribute to Medicare are not eligible for Medicare). This is a finite # of people and the risk diminishes through attrition), they would remain on an active plan for the duration of their retirement. HMO Town 65%/Retiree 35% PPO Town 60%/Retiree 40%
Pam	Are all retired employees required to go onto Medicare at age 65? • If so, what happens to the town health insurance coverage? • Does it continue as before (i.e. double coverage)? • Does it get replaced with Medicare Supplemental Insurance? If so what's the cost and how much is covered by the town vs the employee? • If not, does the town health insurance continue indefinitely? What proportion is paid by the town vs the employee?	• Yes, all retirees who are Medicare eligible must go onto Medicare at age 65. • When a retiree is Medicare eligible they move from the "active" plan to Medex. There is no break in coverage as one plan ends and the other begins. • No double coverage • At the time of retirement the "active" coverage is replaced by Medex (Medicare Supplemental Plan) (Medicare Part B drives the effective date of the supplemental coverage (Medex)). • Medex: Town 60%/Retiree 40% Current Rate – \$307.09 per month (Town \$184.25/ Retiree \$122.84 per month). • A retiree and eligible dependent has health insurance for the duration of their retirement.

# & Department	Question	Answer
Pam	Does the town cover any of the cost of Medicare for either employees or retirees over the age of 65?	No, the town does not cover any of the cost for Medicare Part B.
Dan	How do Medicare costs affect the OPEB liability? The last Odyssey report says that the big reduction in OPEB liability at the time of the report was "mainly due to premiums for Medicare integrated plans decreasing vs. an expected 11% increase over the two (2) year period resulting in a $26 million gain." What are Medicare Integrated plans, and what liability does the town have for covering the cost of these?	• Employees that are retired and age 65 or over are required to be on our Medicare supplemented plan. The monthly rate for the Medicare plan (employee & employer share) dropped from $431.00 per month to 273.44 per month on Nov 1, 2013. With approximately 2/3's of our retirees over age 65, this greatly reduced the OPEB liability. • The Town pays 60% of the premium for the Medicare supplemented plan, or $184.25 per month (employee pays $122.84). • The Town adopted MGL 32B Section 10 that extends health insurance to retirees and their dependents. The cost of these plans (the premiums) is the basis of the OPEB liability. The "big reduction" was due to Medicare Part D subsidies from the Federal Government being directly applied to the cost of the premiums and changes to how prescription drugs are purchased that resulted in significantly lower premiums. These lower premiums are what reduced the OPEB liability. While I cannot forecast what the future holds there are no discussions or legislation that I aware of that would change this currently or in the near future.
Dan	Retirement Assessment: this increases $245k from FY16. On what basis are we assessed for retirement costs, and who does the assessing? Are these monies	The non-teacher employees that qualify (over 20 hours per week) belong to the Middlesex Retirement Pension System. Middlesex Retirement performs an actuarial study every three years to determine our

# & Department	Question	Answer
	actually paid out somewhere? Into a pension fund? If so what pension fund?	assessment. Attached is Westford's assessment summary from Middlesex Retirement for FY15 to FY17. Teachers pay into Mass Teachers Association and the Town does not pay a retirement assessment.
Dan	Medicare Tax: Is this the town's portion of the payroll Medicare tax?	Yes, the Town is required to pay the 1.45% for Medicare tax (employees also pay 1.45%).
Pam	I hear it said that the cost of health insurance is going up "because of Obamacare". How does this work? What is it about Obamacare that increases the health insurance cost to the town?	Currently the ACA fees are approximately 2.75% ($330,000) of the annual premium. These are taxes and fees that have been added to the premium by BCBS that have to absorbed by the policy holder, Westford. The ACA fee was approximately 2% in 2014 and increased to 2.75% in 2015.
John	Why is auto liability $17,550 more?	The auto budget does not include premium discounts that we may receive through MIIA which are reflected in the FY15 actual such as prepay discount (5%) and MIIA Rewards discount (up to 8%).
John	Most liability expenses are up significantly from FY15 actual. Why?	The premiums are difficult to compare from year to year because we receive rebates and credits that are used to offset the premiums and may not receive the same in the following year. We are now tracking the costs more closely.
Dan	Explain Health Insurance expense reduction from FY17 request and FY17 TMR.	Dan: I keep a spreadsheet that I update monthly to track to the Town's health insurance expense. The original projection when budgets were due in August 2015 was $9,940,000. After open enrollment and making some health plan design changes, the projection for FY17 was reduced to $9,697,491 in November 2015. This is an expense line item that I keep a close eye on so adjustments can be made if necessary.

# & Department	Question	Answer
Dan retirement Pam health insurance	Please provide a break-out of number of participants for the retirement assessment and health insurance.	Retirement: As of December 31, 2013, we had 179 retirees collecting a pension through Middlesex Retirement. (Does not include teachers.) The average Westford retirement as of 12/31/14 is $14,318 for 179 retirees. Health Insurance: As of December 2015 – 1,002 employees & retirees enrolled on the health insurance: Town Active – 156 School Active – 391 Retiree Town Active – 26 Retiree School Active – 64 Retiree Medex Town – 67 Retiree Medex School – 298
Pam	Do different health insurers get evaluated annually? If so, why was bcbs shield selected in the most recent renewal?	We are always evaluating our utilization and how the group is running. Claims are cyclical in nature and this past year the claims activity was at an abnormally high level. BCBS discounted numerous large losses to offer a palatable renewal. Westford's claims data at the point we would have marketed the group was running at a loss for BCBS. We informally spoke to other carriers about their prospects of a competitive offer and they felt they could not compete with the current BCBS offer at that time.
Pam	Did the deductibles change in the current plan?	No, but we did negotiate higher copays that went into effect 11/1/2015.
Pam	Does the town offer a health savings plan?	Section 125 Plan (Health & Dependent Spending) Current - $2,550 max pretax deduction for health spending and $5,000 for dependent spending

# & Department	Question	Answer
Pam	Are the insurance policies renegotiated every year?	Do we go out to bid every year? We do not as the claims activity of the group is the driving force to the process. If the group is running poorly, there is no incentive for another carrier to pick us up. In the case of changing carriers, there is not enough data to go out to the marketplace the first year. When we do not go out to bid we are aggressive in negotiating a reasonable renewal.
Jodi	What is the sick leave/vaca buy back policy?	Collective bargaining agreements vary in sick leave buyback. All of the contracts are on our website. Non-union employees receive one for four if they retire or become deceased while in the Town's employment after five years of employment. The new personnel regulations for non-union employees further limit the sick buy back policy. If an employee leaves employment, they are paid for any accrued vacation time. There are limits to how much vacation time employees may earn and carryover from year to year.
John	What is the average deductible?	$5,000 for property and $1,000 for automobile
John	Where are the building insurance policies?	We buy all of the policies in bulk from MIIA. The property is listed under the comprehensive policy.
John	Is auto liability for all town vehicles? Does that include collision/comprehensive and liability?	Yes, it includes comp and collision, but for older vehicles we remove the collision after they depreciate.

Town of Westford
January 7, 2016 Budget Hearing
945 Risk Management Account
Revised January 12, 2016

	FY16 Budget	FY16 Actual*	FY17 TMR Budget	
Comprehensive Liability	107,956.00	130,213.64	140,000.00	7.52%
Excess Umbrella Liability	8,260.00	8,538.27	9,136.00	7.00%
Auto Liability	66,410.00	82,757.35	88,550.00	7.00%
Public Officials Liability	23,840.00	25,668.25	27,500.00	7.14%
Education Liability	14,681.00	13,685.50	15,000.00	9.61%
Police/Fire Liability	42,661.00	54,207.53	49,000.00	-9.61%
General Liability	45,402.00	45,668.46	53,000.00	16.05%
Workers comp	312,400.00	284,170.00	342,000.00	20.35%
Total	**621,610.00**	**644,909.00**	**724,186.00**	12.29%
MIIA rewards			18,745.00	
Prepay discount			28,967.44	
Estimated FY17 Final Expense			**676,473.56**	

*Applied $18,745 in MIIA Rewards to the FY16 Actual Expense

FOR 2016 13

	ORIGINAL APPROP	TRANFRS/ ADJSTMTS	REVISED BUDGET	YTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
0100 GENERAL FUND							
01152100 HUMAN RESOURCES - P/S							
01152100 511020 HUMAN RESOURCES DI	94,905	1,897	96,802	47,292.41	.00	49,509.59	48.9%
01152100 511070 BENEFITS COORDINAT	56,604	1,125	57,729	28,203.41	.00	29,525.59	48.9%
01152100 511520 ADMIN ASSISTANT	37,915	816	38,731	18,806.63	.00	19,924.37	48.6%
01152100 515050 LONGEVITY	2,371	0	2,371	.00	.00	2,371.00	.0%
TOTAL HUMAN RESOURCES - P/S	191,795	3,838	195,633	94,302.45	.00	101,330.55	48.2%
01152200 HUMAN RESOURCES - EXP							
01152200 517020 PRE-EMPLOYMENT MED	9,000	0	9,000	2,291.50	.00	6,708.50	25.5%
01152200 524090 OTHER CONTRACTUAL	500	0	500	.00	.00	500.00	.0%
01152200 534035 ADVERTISING-EMPLOY	3,000	0	3,000	1,441.00	.00	1,559.00	48.0%
01152200 542010 OFFICE SUPPLIES	1,800	0	1,800	577.88	.00	1,222.12	32.1%
01152200 550030 MEDICAL RELATED EX	1,000	0	1,000	.00	.00	1,000.00	.0%
01152200 557010 PROGRAMS & ACTIVIT	3,000	0	3,000	2,399.06	.00	600.94	80.0%
01152200 570000 OTHER CHARGES AND	12,000	0	12,000	5,721.00	.00	6,279.00	47.7%
01152200 571100 MEETINGS & CONFERE	300	0	300	.00	.00	300.00	.0%
01152200 573010 DUES AND MEMBERSHI	1,100	0	1,100	1,031.95	.00	68.05	93.8%
TOTAL HUMAN RESOURCES - EXP	31,700	0	31,700	13,462.39	.00	18,237.61	42.5%
01152600 H/R - COMPENSATION RESERVE							
01152600 519010 COMPENSATION RESER	200,000	-85,153	114,847	4,440.32	.00	110,406.68	3.9%
TOTAL H/R - COMPENSATION RESERVE	200,000	-85,153	114,847	4,440.32	.00	110,406.68	3.9%
01152800 HUMAN RESOURCES - ENCUMBRANCES							
01152800 570000 OTHER CHARGES AND	350	0	350	289.05	.00	60.95	82.6%
TOTAL HUMAN RESOURCES - ENCUMBRANCES	350	0	350	289.05	.00	60.95	82.6%

FY16 YTD BUDGET

FOR 2016 13

	ORIGINAL APPROP	TRANFRS/ ADJSTMTS	REVISED BUDGET	YTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
TOTAL GENERAL FUND	423,845	-81,315	342,530	112,494.21	.00	230,035.79	32.8%
TOTAL EXPENSES	423,845	-81,315	342,530	112,494.21	.00	230,035.79	
GRAND TOTAL	423,845	-81,315	342,530	112,494.21	.00	230,035.79	32.8%

** END OF REPORT - Generated by Dan O'Donnell **

FOR 2016 13

	ORIGINAL APPROP	TRANFRS/ ADJSTMTS	REVISED BUDGET	YTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
0100 GENERAL FUND							
01945200 RISK MANAGEMENT							
01945200 517100 RETIREMENT ASSESSM	3,993,806	0	3,993,806	3,993,806.00	.00	.00	100.0%
01945200 517150 HEALTH INSURANCE	9,293,000	0	9,293,000	4,919,725.94	.00	4,373,274.06	52.9%
01945200 517152 MEDICARE PART B PE	14,000	0	14,000	6,463.00	.00	7,537.00	46.2%
01945200 517160 LIFE INSURANCE	7,000	0	7,000	3,611.43	.00	3,388.57	51.6%
01945200 517165 RETIREE HEALTH ALL	6,000	0	6,000	.00	.00	6,000.00	.0%
01945200 517170 MEDICARE TAX	822,016	0	822,016	379,868.88	.00	442,147.12	46.2%
01945200 517180 WORKERS COMPENSATI	312,400	0	312,400	284,170.17	.00	28,229.83	91.0%
01945200 517185 WORKERS COMPENSATI	40,000	0	40,000	.00	.00	40,000.00	.0%
01945200 517190 UNEMPLOYMENT COMPE	140,000	0	140,000	10,021.94	.00	129,978.06	7.2%
01945200 519020 SICK LEAVE/VAC BUY	50,000	0	50,000	1,682.25	.00	48,317.75	3.4%
01945200 550030 HEALTH RELATED PRO	0	0	0	3,280.00	.00	-3,280.00	100.0%*
01945200 574010 COMPREHENSIVE LIAB	107,956	0	107,956	130,213.64	.00	-22,257.64	120.6%*
01945200 574020 EXCESS UMBRELLA LI	8,260	0	8,260	8,538.27	.00	-278.27	103.4%*
01945200 574030 AUTO LIABILITY	66,410	0	66,410	82,757.35	.00	-16,347.35	124.6%*
01945200 574040 PUBLIC OFFICIALS L	23,840	0	23,840	25,668.25	.00	-1,828.25	107.7%*
01945200 574045 EDUCATION LIABILIT	14,681	0	14,681	13,685.50	.00	995.50	93.2%
01945200 574050 POLICE/FIRE LIABIL	42,661	0	42,661	54,207.53	.00	-11,546.53	127.1%*
01945200 574090 GENERAL LIABILITY	45,402	0	45,402	45,668.46	.00	-266.46	100.6%*
01945200 574190 INSURANCE DEDUCTIB	10,000	0	10,000	6,000.00	.00	4,000.00	60.0%
01945200 578000 OPEB TRUST EXPENSE	712,425	-712,425	0	.00	.00	.00	.0%
TOTAL RISK MANAGEMENT	15,709,857	-712,425	14,997,432	9,969,368.61	.00	5,028,063.39	66.5%
01945800 RISK MANAGEMENT - ENCUMBRANCES							
01945800 570000 OTHER CHARGES AND	65,019	0	65,019	46,920.82	.00	18,098.02	72.2%
TOTAL RISK MANAGEMENT - ENCUMBRANCES	65,019	0	65,019	46,920.82	.00	18,098.02	72.2%
TOTAL GENERAL FUND	15,774,876	-712,425	15,062,451	10,016,289.43	.00	5,046,161.41	66.5%
TOTAL EXPENSES	15,774,876	-712,425	15,062,451	10,016,289.43	.00	5,046,161.41	
GRAND TOTAL	15,774,876	-712,425	15,062,451	10,016,289.43	.00	5,046,161.41	66.5%

** END OF REPORT - Generated by Dan O'Donnell **

Unit Results (Continued)

Summary of Actuarial Valuation Results for Town of Westford — 3100

The valuation was made with respect to the following data supplied to us:		
1. Retired participants as of the valuation date (including 15 beneficiaries in pay status, no retired participants in suspended status and no beneficiaries in suspended status)		179
2. Participants active during the year ended December 31, 2013		542
3. Inactive participants entitled to a return of their employee contributions		170
4. Inactive participants with a vested right to a deferred or immediate benefit		20

The actuarial factors as of January 1, 2014 are as follows:		
1. Normal cost		$2,791,927
2. Administrative expenses		182,085
3. Expected employee contributions		-2,074,782
4. Employer normal cost: (1) + (2) + (3)		$899,230
5. Actuarial accrued liability		90,856,576
Retired participants and beneficiaries	$36,458,867	
Active participants	52,853,047	
Inactive participants	1,544,662	
6. Actuarial value of assets		45,928,945
7. Unfunded actuarial accrued liability: (5) - (6)		$44,927,631

The actuarial factors projected to FY15 are as follows:	Amount	% of Payroll
1. Projected employer normal cost, adjusted for timing	$934,583	4.21%
2. Projected unfunded actuarial accrued liability	46,663,136	
3. Payment on projected unfunded actuarial accrued liability, adjusted for timing	2,760,480	
4. Payment on 2002 ERI, adjusted for timing	101,587	
5. Payment on 2003 ERI, adjusted for timing	25,361	
6. Payment on 2010 ERI, adjusted for timing	60,947	
7. Total FY15 Appropriation: (1) + (3) + (4) + (5) + (6)	$3,882,958	17.47%
8. Total FY15 Appropriation, payable on July 1	3,808,963	17.14%
9. Projected payroll	22,223,033	

The actuarial factors projected to FY16 and FY17 are as follows:	FY16	FY17
1. Projected employer normal cost, adjusted for timing	$971,966	$1,010,845
2. Payment on projected unfunded actuarial accrued liability, adjusted for timing	2,910,352	3,121,235
3. Payment on 2002 ERI, adjusted for timing	101,587	101,587
4. Payment on 2003 ERI, adjusted for timing	25,361	25,361
5. Payment on 2010 ERI, adjusted for timing	60,947	60,947
6. Total Appropriation: (1) + (2) + (3) + (4) + (5)	$4,070,213	$4,319,975
7. Total Appropriation, payable on July 1	3,993,806	4,238,879

Note: Recommended contributions are assumed to be paid on July 1 and December 31, unless otherwise noted.