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**Subject:** OPEB Trust Status  
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Hi Tom,

In reference to our phone conversation yesterday, I am following up with you on our thoughts as to what we would suggest the best course of action to be relative to the funding options for the OPEB liability.

As I had mentioned, back in mid-2013, Gov. Deval's administration had established a committee of state and municipal representatives to look at retiree benefits and was looking to make sweeping changes to the retiree benefits across the Commonwealth. At the time, I was chairing the MA Society of CPA's Government Auditing and Accounting Committee, and many of us within governmental auditing firms had identified that the existing OPEB Trust language was a bit unclear as it related to GASB compliant areas for a few different reasons, so we had encouraged this retiree benefits committee to make certain changes to the OPEB Trust law under MGL Chapt. 32B s.20 – which they concurred with and submitted to the State Legislature. For whatever political reasons, apparently these changes that we thought would get made to the OPEB Trust law to clarify things never made it out of legislative sub-committee that year and then the next year was a major election year, and no one picked up the torch of pension reform to see it through.

Jump forward a couple of years now, and Gov. Baker's administration has championed what is more commonly known as the Municipal Modernization Bill (HD #4330-15). Within this bill, the Department of Revenue was able to take those changes that were being suggested to the OPEB Trust law and request that they now get made. I have researched and inquired with the MA Municipal Association and the Director of Local Services for the DOR and both have indicated to that the bill was broken up into 5 sub-parts and presented to 5 legislative sub-committees who have all voted them out of committee for the overall Legislature to vote on. As it now stands, Gov. Baker's Office is trying to get these 5 parts to be re-combined for a single vote in front of Legislature; and there is a strong belief that such a vote will take place by the end of July 2016 before Legislature goes on break. If the bill is passed, it is immediately active; and it will specifically allow for entities like the CRA to vote and establish an OPEB Trust Fund under MGL Chapt. 32B s.20. It is my understanding that the original wording deficiency was an oversight, and DOR believes that the OPEB Trust law was never meant to exclude an entity like the CRA.

Therefore, my strong suggestion to the CRA Board is wait the roughly 100 days or so until Legislature is anticipated to act on the bill. Given the multitude of financial benefits to municipalities that are included in the overall bill, I would find it most unlikely that the bill would get voted down – but admittedly it is a political area where anything can happen until it does. Gov. Baker's Office is hoping that the 5 sub-parts will be re-combined because if left broken up, the pieces can then be voted piecemeal by the Legislature so that certain parts might be approved and others not get approved (for whatever reasons). Wait the 100 days for hopefully a positive vote by Legislature; the Board can then freely vote to adopt the OPEB Trust Fund under MGL Chapt. 32B s.20 without any restrictions, and it will still be within the same present fiscal year.

If the CRA Board feels it is a necessity to be as pro-active on this issue as possible and waiting the 100

days to take any sort of action is not desired, it might be possible (check with your attorney because this would be a legal question not an accounting question) for the Board to vote to adopt MGL Chapt. 32B s.20 now - with the caveat that the vote will only become formally enacted, upon the Legislature approving the applicable sections of the Municipal Modernization Bill that allows for the inclusion of the CRA as a valid entity under the law. In short, that would mean that the CRA's OPEB Trust Fund would be established and usable at the time the Legislature voted affirmatively. But I'm not sure that this really does much for the CRA (and probably isn't worth the effort), as the Board could probably plan now to vote to adopt the OPEB Trust Fund at their August 2016 meeting anyway.

If for some reason the bill were to be voted down in Legislature, that would not be the end of options for the CRA. The second option would be for the CRA to create its own OPEB Trust Plan specifically for itself, but would then have to request someone such as the Cambridge area legislators to get it voted and approved by the Legislature (which many local municipal based entities do for a variety reasons each year). This is actually how the first few OPEB Trust Plans were created in the Commonwealth years ago, prior to Chapt. 32B s.20 establishing a state-wide OPEB Trust Fund. Obviously, this is not the most desired option due to the cost of creating the plan in-house and then having to wait for the Legislature to approve it, but it would ultimately allow for the CRA to have an OPEB Trust. The moral of the story being that it really is not a matter of "if" the CRA can have an OPEB Trust Fund but "when" and under what legislative act.

We feel it is likely that Legislature will fix the oversight this July and then the CRA can create its OPEB Trust Fund this summer, so continuing to spend the next few months getting the trust fund planned out, figuring out how much will be funded in 2016, and selecting an investment advisor into which the funds will be deposited and held would seem like logical preparation activities leading up to the Legislative vote.

Chad

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