

## The Commonwealth of Massachusetts

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August 6, 2007.

To the Honorable Senate and House of Representatives:

Pursuant to Article LVI, as amended by Article XC, Section 3 of the Amendments to the Constitution of the Commonwealth of Massachusetts, I am returning to you for amendment House Bill No.1441, "An Act Authorizing The Town of Belmont to Establish Another Postemployment Benefits Trust Fund."

Municipalities across the Commonwealth are struggling to keep up with the significant and growing costs of post-employment benefits for their retired employees, especially health insurance premiums. As you know, I have recommended several mechanisms for addressing this issue in the Municipal Partnership Act. The recently enacted legislation that will allow municipalities to provide health insurance through the Group Insurance Commission and the legislation that will transfer investment of underperforming local retirement system funds to the PRIT fund are two methods by which municipalities will be able to protect their retirement funds. Another similar opportunity is provided in Section 8 of this year's budget (Chapter 61 of the Acts of 2007) which creates a State Retiree Benefits Trust Fund in which local retirement systems may participate.

The town of Belmont seeks by this legislation to establish an Other Postemployment Benefits (OPEB) Fund in the town to meet the ongoing and future costs of group health insurance premium contributions for the town's retirees and their families and other post-employment benefits, a reasonable means to address the town's increasing unfunded liability.

As written, however, the bill has an editing error that renders the intent of the bill unclear. Accordingly, I recommend that paragraph (b) of Section 2 of

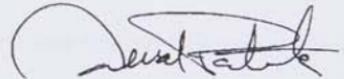
House Bill No. 1441 be amended, by striking out the fourth sentence and inserting in place thereof the following sentence:—

Subject in each instance to the approval of the town's contributory retirement board, the town treasurer shall invest and reinvest the amounts in the OPEB Trust Fund not needed for current disbursement consistent with the prudent investor rule; but no funds shall be invested directly in mortgages or in collateral loans.

I also recommend amending the title of the bill, to accurately reflect its purpose by striking out the title and inserting in place thereof the following language:—

An Act Authorizing The Town Of Belmont To Establish An Other Postemployment Benefits Trust Fund.

Respectfully submitted,



DEVAL L. PATRICK,  
*Governor.*