

Minutes for 1/19/16 OPEB TRUST MEETING

Minutes accepted on 08/02/2016

4 in favor, 1 abstention

The meeting was called to order by Tim Harrison at 3:15 PM. In attendance were James Smith, David Hall, Timothy Harrison, Christopher Woodruff, Susan Rothermich and Lisa Troast.

The first order of business was to accept the minutes from the 7/28/15 meeting. David made the motion to accept the minutes, Sue seconded the motion. The minutes passed 4 in favor.

Chuck Patterson from Bartholomew & Company introduced Brian Jamros who is new with Bartholomew. Chuck then gave an update on the semi -annual performance of the Town's OPEB funds as of December 31, 2015. Chuck noted our June to December 2015 yield has dropped a bit. The time weighted return is down 2.04%, but that was due to a tough financial year in 2015, but is fine on a relative basis. Bartholomew feels this downward market trend will continue with China's numbers not doing well and the housing market showing a trend in rentals over purchases. He summarized that although our account is down, it is not as low as the benchmark and overall, the portfolio is doing as expected in a down market.

Sue asked how the money would be invested if we added another \$100,000 into the fund. Chuck said the money goes in when it is received either that day or the next day. Bartholomew does not market time – the money would be invested immediately following the directives of our portfolio model. Sue asked if investing the appropriation all at once is a good strategy – should we send it quarterly rather than annually. Jim noted the appropriation is effective July 1, so we would have to hold onto it and potentially lose our average 4% profit if we didn't invest immediately. Chuck offered that most towns in the Commonwealth invest their money all at once like we do. Our current OPEB yield is 2.19% which is better than the interest rates we have on our bank accounts.

Dave asked how much international equity fund we have in China. Chuck said in general we don't have a large exposure in China and would not advise pulling out since this is a long term investment. Per Chuck, it is good to ride the wave and Bartholomew is monitoring these accounts. Jim agreed that we just need to be patient.

Tim asked if Chuck is seeing any trends in more Communities opening OPEB trusts and funding OPEB. Chuck says they manage 102 OPEB accounts in the Commonwealth and are a major player in the OPEB world. They are seeing more communities setting up Trusts and Committees. In 2018, GASB75 will change how OPEB is reported on the balance sheet. According to Chuck, we are way ahead of the game.

(Chris Woodruff arrives 3:44 PM)

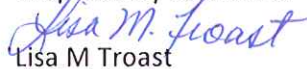
Tim announced the next item on the agenda is to discuss long term funding goals. Jim noted that we put \$100,000 in the OPEB budget every year, but he is starting to wonder if that is enough since our OPEB Liability grows at a greater rate. Jim noted that our Worcester Regional Retirement liability should be paid off in 2035 and once that is paid we could put that \$600,000+/- toward the OPEB liability.

Tim stated our ARC is 1.4 Million, but our normal cost is \$708,000 annually, so we should, at the bare minimum, be putting \$708,000 toward OPEB to keep up with our normal cost. Dave noted that if we didn't have to worry about rating agencies, we would most likely forget funding the OPEB because it is too much to manage in the budget. Tim disagreed because he feels we may not be able to afford it, but it is a true cost of employment that needs to be addressed. Jim is more worried about the liability and how more and more dollars will need to go toward OPEB funding which means those dollars will be taken away from things like Police and Schools. That is a scary thought. Dave clarified that he is stating that no matter how much money we put toward OPEB it is never enough and maybe that money is better used on our current budget needs. Jim stated our OPEB Liability has gone down over the past four years from \$22 Million to \$14 Million due to the health insurance plan design changes we have been making. Unfortunately, the OPEB Liability is still half of our entire budget.

Dave made a recommendation to settle on a funding plan that would direct the Board of Selectmen to settle on a figure to contribute to OPEB and not add more once that figure is established. Tim suggested we make the normal cost be our funding goal even if we can't touch the unfunded liability. Jim noted that normal cost is \$700,000 and we are only putting \$100,000 toward that liability annually, so we are still \$600,000 short of making that goal. He feels it would be a mistake to try to cover the full \$600,000 gap at this time. Dave suggested making a goal of adding \$25,000 to our budget every year to fund OPEB. It may take a while to get to the \$700,000, but we'll be further along. Discussion ensued on how this increase would affect operating budget. Overall, Jim likes the idea of an incremental increase.

Tim made a motion to adjourn the meeting at 4:22 PM.

Respectively submitted


Lisa M Troast

Secretary, OPEB Trustees