

## Minutes for 8/2/16 OPEB TRUST MEETING

Minutes accepted on 01/31/2017

4 in favor, 1 abstention

The meeting was called to order by Tim Harrison at 3:19 PM. In attendance were James Smith, David Hall, Timothy Harrison, Christopher Woodruff, Nancy Konisky and Lisa Troast.

The first order of business was to introduce Nancy Konisky as the newest member of the OPEB Trust. She replaces Susan Rothermich on the Trust Committee.

Next order of business was to accept the minutes from the 1/19/2016 meeting. David made the motion to accept the minutes, Chris seconded the motion. The minutes passed 4 in favor, 1 abstained.

Dory Huard from Bartholomew then gave an update on the annual performance of the Town's OPEB funds as of June 30, 2016. Dory noted that the market has been flat to down, overall, but there is hope for an increase in growth in the future with more US hiring and positive growth in Europe. In spite of this flat to down market, our trust fund yielded a positive return of 2.49%. Although 2.49% is a weaker return, Dory noted that we are still beating out all the benchmark returns. Overall our fund is doing well in a tough market, especially considering we just recently moved to a moderate-aggressive portfolio in January 2015.

Tim asked if there were any questions or comments regarding Dory's analysis of our portfolio. Tim noted that our portfolio market value was always above or equal to the cumulative flows (see page 3 of portfolio review). Dory stated that Bartholomew's goal is to never let the fund go so far down that you can't dig out and we had enough funds and growth to protect us during the market down turns, so we succeed in that.

Dave asked if moderate aggressive was still considered a good strategy for us. Dory said 70% of her clients are moderate aggressive and this is a smart plan for a long term investment. You don't want to be too aggressive too soon.

Tim announced the next item on the agenda is to discuss long term funding goals. Jim drew our attention to an article in the Beacon that addressed the effects of OPEB funding on local communities. Communities are getting creative in trying to fund OPEB. Jim stated the Board of Selectmen do have the option to adapt MGL 32b Sections 21 – 23, but that is not something they are interested in at this time and it would require a re-negotiation with the unions. The article stated that the public could react negatively if the State does not get involved with the OPEB deficit and could vote to get rid of OPEB benefits altogether!

Tim stated that it was nice to know other communities are starting to address these OPEB issues. Tim suggested that a good start for Sutton would be to use the pension liability payoff as a future funding source in 2035. Dave liked the idea, but noted it is pushing a solution out almost twenty years. Jim also agreed it was a good starting point and reminded us that we are still annually contributing \$110,000 to the OPEB trust fund and will continue to find other funding sources. Jim noted that health insurance plan design changes and shifting some of the burden to the employees would help lower our OPEB costs. Jim brought up the idea of switching employee contributions to 50% rather than the current 30% specifically for retirees on the active plan.

Lisa noted that based on a recent OPEB survey, the bond rating companies like to see that the total OPEB Liability is 50% or less than the overall operating budget. Tim stated that Sutton's bond rating is coming up soon. Chris liked the idea of coming up with a funding policy in order to preserve our bond rating as a short term solution.

Jim suggested three key items be written into a policy that would be presented to the Board of Selectmen for approval. These items are as follows:

- 1) Earmark pension money for OPEB funding once the pension liability has been paid off.
- 2) Identify any new revenue sources that could be put toward OPEB funding— examples: cell tower revenue
- 3) Continue to contribute \$100,000 annually as a minimum

Dave liked that the minimum contribution was set at \$100,000, but asked if we could pull back that money at any given year if we needed it for other items. Jim confirmed that this policy, once accepted, was more of a guideline than a law, so adjustments could be made to it. Tim advised that we do not specify a funding source on item #2 – that we generally state that “we will continue to look at new revenue sources as additional funding”. He noted we can always make the policy stronger down the road.

Chris made a motion to have the policy drafted and sent before the Board of Selectmen.

Lisa seconded that motion. Five in favor of this motion.

Jim and Tim will draft the policy and email the OPEB Trust Committee a copy.

Tim made a motion to adjourn the meeting at 4:25 PM.

Respectively submitted

Lisa M Troast

Secretary, OPEB Trustees