

Minutes for 1/31/2017 OPEB TRUST MEETING

Minutes accepted on 9/26/2017

4 in favor, 1 abstention

The meeting was called to order by Tim Harrison at 3:20 PM. In attendance were James Smith, David Hall, Timothy Harrison, Nancy Konisky and Lisa Troast. Christopher Woodruff was absent.

The first order of business was to accept the minutes from the 08/02/2016 meeting. David made the motion to accept the minutes, Lisa 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 December 31, 2016. Dory noted that the market has been very volatile with all the changes leading up to the election. Overall the economy is still good with a prediction that interest rates will rise. Unfortunately, bonds took a major fall which resulted in a drop in our portfolio. Our trust fund yielded a positive return of 1.68%. Although 1.68% is a weaker return, Dory noted that we are still beating out the benchmark returns. The benchmarks dropped their yields much lower than ours dropped. Overall our fund is doing well in a tough market. Dave asked how our funds were managed and if they were part of a pool? Dory explained that our funds are NOT part of a pool. They are individually managed under the moderate-aggressive policy. Tim stated and Dory confirmed that our money is actively watched and moved as needed if not making the benchmarks.

Tim announced the next item on the agenda was to review multiple handouts that he had prepared. The first handout was part of the Town's Annual report and it stated the amount of money invested in OPEB as of 6/30/16 was \$657,018. Tim provides this information to our auditors annually and will update the OPEB Committee with this information going forward.

The second handout was the OPEB funding policy which we discussed in the last meeting. This policy was presented to the Board of Selectmen and accepted on 12/6/16.

The third handout was the 2016 OPEB Summary Report. This report had some dated information, but was a good comparative to see what rates other communities have compared to our rate. Jim asked why our rate was lower than most. Tim explained that most communities are just mirroring the pension rates and our rate is more realistic. Our rate will stay true to the liability time frame where those higher rate communities will most likely end up extending their liability time frame. Dory noted that per GASB74 and GASB75, actuarials must use a formula for discount rate.

The fourth handout was the GASB74 and GASB75 which clarified Dory's earlier comment explaining the blended rate that must now be used. The blend depends on how much you have invested and a single equivalent discount rate will be determined. Jim noted that GASB45 and now GASB74 & GASB75 all increase pressure for towns to address the OPEB issue which is not going away. Dave noted that he was formerly a skeptic at funding OPEB, but since we are going to be forced into doing it, he is glad we are funding and thus, further ahead in the long run.

The fifth handout was highlighting the Municipal Modernization Bill update and its effect on OPEB. It states that either a Town Treasurer or an elected group of Trustees must make up the OPEB Trust Committee. Jim noted that we have a balanced OPEB Board with an Accountant, Treasurer and people with outside experience in Finance. Tim stated that we may be grandfathered in and not be required to have an official Board because we already had our Trust adopted and created a Committee. Dave suggested we consult Town counsel to confirm we don't legally need to do anything. Tim agreed and Jim volunteered to check with Town Counsel on this issue.

The final handout was the Actuarial Valuation from 6/30/2016. Tim noted this valuation was a roll forward rather than a full year valuation. We have an accrued liability of \$16,648,275 and our normal cost per year is \$803,060. Our Annual Required Contribution or ARC is \$1.6 Million. The school represents 65% of our unfunded liability. The Sewer Department was fully funded, but their liability went up and they will be fully funded in a year or two. Discussion ensued about the idea of OPEB reform and how it was tried before, but failed. Tim expressed frustration at the fact that our actuarial does not give us credit for a 6% discount rate, but he noted that our rate should be better with the new GASB rules. Dave agreed that the discount rate plays a huge impact on our liability. Jim noted that alongside funding, plan design changes also have a positive impact on the OPEB liability.

This concluded the handouts and we wrapped up the meeting with agenda item five – old business/new business. Jim stated that we had asked Kevin Blanchette at Worcester Regional Retirement System (WRRS) if we could prepay our pension liability with the idea of using that money toward OPEB. He was told it was not possible. Tim, then contacted PERAC and was told it was possible, but WRRS would have to separate our portfolio from the rest.

Tim noted that Worcester Regional Retirement bases their allocations on population, not assets. Last year our unfunded liability was \$12 MIL and this year it was \$16 MIL. This is because our proportion of people in the system went up. Dave clarified that this means we share an average demographics with other communities, so ARC period and catch up time should be similar for all communities. Tim agreed and Jim noted that the payoff target keeps moving out. Dave asked if this was because they are not using an appropriate discount rate and thus making payoff look much better than reality. Jim confirmed that to be true.

Dave made a motion to adjourn and Nancy seconded that motion. Four in favor of this motion.

Tim adjourned the meeting at 4:18 PM.

Respectively submitted

Lisa M Troast

Secretary, OPEB Trustees