

## Minutes for 9/26/2017 OPEB TRUST MEETING

Minutes accepted on 1/30/2018

3 in favor, 2 abstention

The meeting was called to order by Tim Harrison at 3:17 PM. In attendance were James Smith, David Hall, Christopher Woodruff, Timothy Harrison, Nancy Konisky and Lisa Troast

The first order of business was to accept the minutes from the 01/31/2017 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, 2017. Dory noted that overall the economy is still good with a prediction that interest rates will rise. Previously the bond market had been down, however, the bond market has corrected itself and that works to our benefit. Our OPEB portfolio ended with a balance of \$822,058.27 on June 30, 2017. We made our annual deposit of \$105,000 and our balance as of 9/25/17 is up to \$947,878.88. Dory explained that our portfolio since inception has a time weighted return of 5.46% and our goal is between 6.5% - 7.5%, so we are progressing nicely. David wanted to clarify that we've been down below benchmarks due to our more conservative portfolio in earlier years. Dory agreed and stated that we have been catching up to the benchmarks since switching to the Moderate Aggressive portfolio in 2015. She illustrated that in the past three years, we've had less risk and higher return than the three benchmarks. Where in the past, we saw less risk and less return with our more conservative portfolio.

Tim concluded that our portfolio is looking much better and after Fall Town Meeting, our portfolio should reach close to 1 million dollars with the added FY18 deposits. Tim noted that our GASB45 summary showed a discount rate of 4.5%. Dory said that may change with the new GASB75 requirements for next year. Tim agreed that our OPEB liability will go up with GASB75, but we are still in good shape.

David asked what made up the alternatives in our portfolio allocation. Dory explained that alternatives included anything that was not a stock or not a bond – things such as real estate and hedge funds would be examples of alternatives.

Tim moved onto the next agenda item – New and Old Business. He handed out some worksheets detailing the findings of the GASB45 Update and the OPEB Contribution worksheet. The update was not a full actuarial, but it showed our ARC had increased by \$90,000. Our Arc is now currently at \$1.7 Million. Tim stressed that next year all the rules will be changing with GASB75 requirements. Jim asked what the intent of GASB75 would be and what changes would it entail. Tim explained that GASB75 would be focusing on figuring out each Town's total liability minus plan assets. Each year we recognize

additional liability which includes a portion of unfunded liability spread over 30 years. GASB75 could increase our 9 million liability to 17 million.

Jim stated that OPEB is becoming a bigger issue with the rating agencies as well. We are established with an OPEB Committee and an OPEB Funding policy, so we are ahead of the curve in that respect, but it is still a growing problem. Tim referenced an article in the Wall Street Journal that estimated an increase of GASB75 on the Municipal balance sheets. Lisa mentioned a 'fund as you go' strategy that our Fiscal Advisors had mentioned other towns are trying. Jim suggested talking to other communities to see how they would structure a pay as you go strategy. David pointed out that our funding policy was effective in potentially getting us an additional deposit of \$50,000 after Fall Town Meeting. He is hoping that will help us with the rating agencies. Tim agreed – We have been recognizing this OPEB liability since 2012 and making efforts to get ahead of it. Jim pointed out that the State needs to step in too. They had tried increasing the retirement age and tenure years in the past, but it failed. If the State doesn't get on board with a change, towns will continue to struggle with this growing liability.

David asked when the GASB75 actuarial will happen and Tim confirmed it will be roughly one year from today – sometime next Fall. We will have plenty to discuss after that actuarial data is rolled out.

David made a motion to adjourn and Nancy seconded that motion. All in favor of this motion.

Tim adjourned the meeting at 3:52 PM.

Respectively submitted

Lisa M Troast

Secretary, OPEB Trustees