



Town of Wayland Massachusetts

OPEB Advisory Committee

Kent George
David Gutschenritter
Cliff Lewis (Chair)
Maryanne Peabody
Jay Sherry

Minutes of January 28, 2014 Committee Meeting

In Attendance were Committee Members: Kent George, David Gutschenritter, Cliff Lewis, Maryanne Peabody and Jay Sherry. Also invited and in attendance for most of the meeting was Paul Keating, Town Treasurer of Wayland.

This meeting was recorded by WayCam and can be found at:

<http://waycamtv.pegcentral.com/player.php?video=d75604320bf7f7346077229b9c7d20bc>

The meeting was called to order at 6:55 pm in the Senior Center of the Wayland Town Building. The following topics were addressed:

1. The Committee had previously arranged to meet with both of the fund managers of the two OPEB investment funds individually and invited the Town Treasurer to attend these sessions.

To open the meeting the Committee welcomed the Rockland Trust investment group and Cliff noted that the Committee was only asking for a high level overview of their company and its investment policies as with regard to Wayland's OPEB fund specifically and its general policies towards municipal and other governmental investments. He noted that in the future we would likely have more detailed questions and would be asking them to possibly return for those inquiries.

The Rockland Investment Management Group spoke about their company and its values and then turned to the specific investment manager of the Wayland account who spoke of the management of the Wayland OPEB fund in particular.

Particulars of note during the presentation:

- Rockland has \$2.2 Billion under investment;
- They represent a large portion of the municipal investment market in the Northeast;
- They use the "Prudent Man" approach to investment management meaning that they establish an investment policy with the client and use a diversified investment model;
- In response to a question from David as to the three most important characteristics they would like to see from a client community? The answer was: that (a) that the community have a diversified oversight committee that works with the investment manager to, (b) create a workable investment policy that (c) follows a prudent man approach. They are very happy to see that Wayland has formed a committee to oversee the OPEB investments because that

gives them better understanding of the need of the client and they can provide better service and potentially returns in line with the need of the client.

Next up was the Bartholomew Group and Cliff again reiterated that this was a “get to know you” meeting and would be too short to get into detailed investment issues and policies but we would likely want a more detailed discussion with them sometime in the future. Bartholomew also presented broad information about their company and values and then specifically about the management of the Wayland OPEB investment account.

Particulars of note during the presentation:

- Bartholomew has a reputation for managing municipal investments and has a strong track record;
- They provide similar services to Rockland and like to use a diversified investment approach such as the “prudent man” as well;
- Interestingly, when David asked the same question of this group as he asked Rockland, “what do you think are the most important characteristics they would like to see from a client community”, their first answer was the same as Rockland. . . . they like to see a diversified investment committee with which they can work that will understand risk and reward, and one that will develop an investment policy with the fund manager. Further, they indicated that many town treasurers have little time to devote to fund management and some are even so worried about losing money that they are happy to make all low risk investments that will not provide the kind of returns that an OPEB fund should be seeking. They also reiterated the need for a formal investment policy to set guidelines for the fund manager

Jay asked whether the town investment committee should consist of investment pros that live in town and could bring that expertise to the committee. The answer was no, that is not necessary, but a committee that understands the policy goals and the needs of the town are the best.

Cliff noted that as a committee we can speak to Town Meeting whereas the Town Treasurer, who is not a Town resident, is extremely limited as to speaking at Town Meeting regardless of the subject matter.

Jay asked Paul Keating how much money the Town had invested with Bartholomew. Paul noted that they managed the \$3 million in various other Town trust funds.

Cliff closed out this part of the meeting by noting that the Town can do better with its OPEB investments as far as the returns are concerned and we can do this with the current managers if that seems appropriate or with other managers if so deemed necessary.

After some short discussion Mr. Keating, while told he could stay for the rest of the meeting, elected to depart.

2. Approval of minutes.

The Committee reviewed the minutes for the January 14, 2014 meeting and the minutes for the December 5, 2013 meeting. Both were approved unanimously, as amended.

Discussion ensued about whether the Committee needed to submit minutes for members’ attendance at other meetings where there happened to be a quorum of this committee, such as the meeting held

by the Town to provide clear information about the Open Meeting Law. There have been two instances of those but where no Committee discussion was held or action taken, but Cliff elected to submit very general minutes of those meetings at a meeting in the future for approval.

3. Discussion by Cliff meeting with the Board of Selectmen liaison, Anthony Boschetto.

Cliff met with Mr. Boschetto this week and discussed the funding need we feel we have to get a legal opinion on the trust fund issue. Mr. Boschetto told Cliff to proceed with retaining counsel for that purpose. Cliff thinks it appropriate to deal with the Assistant Town Administrator to find the budget for that amount once we have secured an attorney.

4. Discussion of the funding sources for the makeup of revolving fund OPEB responsibilities.

Cliff also noted that our presentation to the Board of Selectmen was seen in a favorable light but that the Selectmen were going to have to defer to the Finance Committee and the School Committee to approve the transfer of funds from the seven accounts that have not contributed to OPEB since inception. These are the funds in the amount of approximately \$1.2 million that we are planning to propose be transferred to the OPEB fund in our Town Meeting warrant article. Cliff has been trying to get the School Committee to put this discussion on its agenda to decide what and how to bring the funding up to date. Cliff and Maryanne had met with Dr. Stein who had requested the meeting to help him understand the issues and they did so along with two other school business personnel. Maryanne noted that Dr. Stein was concerned about having to transfer money for prior years out of the revolving accounts and also had questions about whether the employees for which the funding was being set aside were actually OPEB eligible. In addition Dr. Stein was concerned about how to manage the OPEB costs in certain accounts such as the Cafeteria. However, Cliff and Maryanne got the clear impression that Dr. Stein has no problem going forward with the payments, but was definitely concerned about the catch up.

Jay noted that when the Town Meeting votes to transfer money from the revolving accounts that the accounts must have that amount available at the date of Town Meeting or we end up with a tax recap problem later in the year. It seems clear that at least two of the revolving funds will not have the amount of money available to meet the transfer at that time, so we will need to work that out and see how many years it might take. David noted that he had spoken to Brian Keveny and Brian had a meeting scheduled with John S. and Geoff McDonald, the school business manager this week to discuss how to figure out how the seven funds that require make up can be managed to do so. Cliff asked the Committee how it wants to proceed as to the School Committee and it was agreed that he and David would be the go to people to work with the School Committee, the Finance Director and the Finance Committee to see if we can get all the approvals and the appropriate amounts ready for us to complete the warrant article.

Jay noted that the taxpayers expect that those make up funds be transferred to the OPEB fund as soon as possible, especially after the matter is brought to Town Meeting and so therefore what the School Committee needs to do is to either fund it all now or make a plan to fund it as soon as possible.

Finally, Jay made a motion to that the Committee empowers Cliff and David to negotiate with the School Committee and the Finance Committee to fund the makeup OPEB contributions of \$1.2 million as soon as possible. The Committee voted unanimously to approve this motion.

4. Find an attorney to assist the Committee on the question of the Trust Fund.

The Committee needs to find an attorney to advise it on the pluses and minuses of having only the trust set up by Massachusetts State Law versus one that might give Town employees more of a feeling of safety on the value of OPEB going forward for 26 years or more. Jay volunteered to speak to each of the fund managers to ask if they have recommendations to suggest as a qualified attorney to help us with this work.

5. Development of a communications strategy and plan for a public meeting for voters before Town Meeting.

Jay discussed his and Cliff's meeting with Susan Wagner of the Wayland Town Crier and will send all Committee members a draft of her proposed article for the Crier in this week. Susan was very cooperative with Jay and willing to get this done. The draft for all Committee members will require a very fast turnaround in order to get it in this week.

Jay then handed out a draft communication plan that encompasses all potential opportunities to get our proposed warrant article approved at Town Meeting in April. Part of the plan is to attempt to convince the Finance Committee that all of the makeup funds that we propose to have paid by the Town Enterprise and School Revolving Accounts, be all returned to the taxpayers as an immediate tax holiday through the General Fund (free cash). This effort is an attempt to create fairness in that the taxpayers absorbed the entire contributions to OPEB in the prior years. It is not clear that the Finance Committee will use the makeup cash to reduce the tax rate, but we can propose so in our warrant article and then meet with them to try to get their approval to do so.

Other factors in the communication plan is to make the voters aware that we are working with the Town Treasurer and the fund managers to make every reasonable effort to create investments that could reach our goal of a return of 7% per year.

Jay went through a list of other opportunities to get the message out via Wayland Voters Network, eWayland News, Wayland Patch, WaylandTransparency.com, the local newspaper and all other forms of public communication. Cliff noted that we should also talk to Tom Conroy, the State Rep and now candidate for State Treasurer, and Maryanne suggested Wayland's State Senator Richard Ross.

Maryanne brought up the need for this Committee to work with the Town Personnel Board and Human Resources Director to discuss the planning for the proposed changes in the Town match to OPEB funding for retiree health plans. Cliff noted that we should make it clear to those parties that one of our Committee goals is to see that this is done and that we will work with them to see it through.

Cliff brought up the need to set a schedule for using the large hearing room in Town Building to hold a public hearing for our presentation. Jay noted that he spoke to Maryanne DiNapoli, of the Selectmen's and she noted that there are times that the room is not available so we need to be aware of that. After discussion of the pros and cons of various dates the Committee agreed to set the date at Tuesday evening, March 11, 2014.

The Committee then discussed our own next meetings dates and agreed to a meeting on February 12, 2014 and a second meeting on March 5, 2014

Mr. George left the meeting at this time.

The Committee continued to discuss the retention of an attorney to help with the issue of the Trust needs and the planned presentation to the public on March 11, 2013.

Cliff brought up the issue of how the Town allows accrual of OPEB benefits for part-time employees.

Maryanne noted that there are new rules as of FY2009 and those need to be reviewed. Cliff wanted to be sure that whatever we suggest that we also want to provide with a hardship exception.

Maryanne noted that in a union environment it may not be possible to do that. Currently, if an employee needs more sick time due to a long term illness the other employees volunteer to take some of their own time and transfer it to the other employee. Cliff made clear that this Committee should lead the way in seeking cost reductions as should every one of Town employees. Jay noted that the Board of Selectmen should be leading the way on this and we should be offering guidance to them.

The Committee then voted unanimously to adjourn the meeting at 10:07 PM.

Respectfully submitted,

Kent E. George