

MINUTES FOR 01/18/2022 OPEB TRUST MEETING

MINUTES ACCEPTED ON January 30, 2024

In favor 4 , 0 abstention

The meeting was called to order by Tim Harrison at 4:05 PM.

This was an in person meeting, and in attendance were James Smith, David Hall, Timothy Harrison, and Lisa Lynch. Brian Jamros and Kathleen Glowacki from Bartholomew & Co. were also in attendance. Nancy Konisky and Chris Woodruff were absent.

The first order of business was to accept the minutes from the 3/23/2021 meeting. Dave moved to accept the minutes, Lisa seconded the motion. The minutes passed 3 in favor, 1 abstained.

Next on the agenda was the Bartholomew & Company presentation given by Brian Jamros and Kathleen Glowacki. Brian began by going over the Portfolio Review handout as well as reviewing our Portfolio Allocation History. Tim pointed out that we earned much more in the Trust than if we had put the funds in our general fund. Since inception, the Trust Fund has had a TWR (time weighted return) of 7.02%.

Kathleen noted that the addition of Private Equity and Real Estate to our portfolio has helped our performance. We have had consistent returns since inception. She said we should start to see some more normalization in the market this year (since COVID). She said that inflation is a concern, but OPEB is a long-term investment, which is good. Kathleen also noted that having the Real Estate investment is good because it is separate from the bond market. Our \$80,000 investment in Blackstone Real Estate currently has a value of \$94,000. She also mentioned that the mutual funds pay out capital gains, and that is why we had a large earning at the end of December 2021.

Brian opened up the discussion to questions.

Tim asked if the 65/35 ratio is what other municipalities are doing? Brian said we are in the “normal range”, where 70/30 is probably the average. There are one or two other towns that are very conservative, with an 80/20 ratio.

Dave asked about the returns on a 70/30 ratio. Brian said that a 70/30 ratio probably had a little higher return. Dave asked if the Alternatives are split between equities and bonds? Kathleen said YES. Next, Dave questioned whether it was a good idea to change to 70/30 during a volatile market? Both Kathleen and Brian agreed that it would be alright to make the change during a volatile market because OPEB is a long term investment.

Next, Tim asked Brian and Kathleen to explain bond funds. Brian said there are two sides to the OPEB bond funds. Kathleen said the different funds are International & Domestic. She said that because we are buying pooled investments we are not locked in to a specific type of bond. We are more diversified.

Jim asked what we should do in this environment of rising rates and a declining stock market? Kathleen said the international side may rise, but COVID may be in a different place in other economies, and therefore, we should just stay the course. Brian noted that making changes on the margins can make a big difference.

Dave asked the group if we want to consider changing our investment ratios? Tim said we should wait, and noted that we may be adding more funds to the OPEB Trust.

Next, Tim went over the OPEB Financial Statements, and noted that there could be another big jump in retirees in the next year. Costs are greater when employees work over age 65 and are still on a 70/30 plan. Tim also passed out an article that addresses the question of saving for OPEB verses pay as you go. We will be much better off if we continue to save.

On 2/1/22, Tim noted, that there will be a joint meeting of the Select Board and the Finance & Warrant Advisory Committee to hear a presentation by KMS Actuaries to discuss the actuary report. Tim said we did discover that the roll forward year on the report did not reflect our changes from Fallon to MIIA. Those plan changes left off the Interim Actuary Report will probably mean that our long term liability may not be as dire as the report indicated. Both Tim & Dave pointed out that \$67 mil is not really an actual amount we can achieve, and we shouldn't try. We just need to keep putting funds aside.

Tim asked Lisa to send the Actuary Report to the Finance Committee members.

Jim stated that at the joint meeting on 2/1/22, he would like the chair of the OPEB Committee and the chair of the Finance Committee to sit at the table with the Select Board.

Tim motioned to adjourn, and Lisa seconded the motion. All in favor.

Meeting adjourned at 5:10 pm.

Respectfully submitted,

Lisa A. Lynch

Secretary, OPEB Trustees