

MINUTES FOR 02/28/2023 OPEB TRUST MEETING

MINUTES ACCEPTED ON JANUARY 30, 2024

In favor 4, 0 abstention

The meeting was called to order by Tim Harrison at 4:00 PM.

This was a HYBRID meeting (both in person and via ZOOM). Attending in person were Timothy Harrison, James Smith, Lisa Lynch, Harrison McKinlay, and Brian Jamros from Bartholomew & Company.

In attendance via ZOOM were Chris Woodruff and Kathleen Glowacki from Bartholomew & Company.

Absent was David Hall.

Tim introduced the new school Business Manager, Harrison McKinlay.

We were not able to approve minutes because not all members that were at those meetings were in attendance at this meeting.

Brian Jamros started the presentation for Bartholomew & Co. by giving an overview of the company. Brian has worked as an Investment Advisor for the Town since 2012.

Kathleen Glowacki, from Bartholomew, stated that historically the TWR was 5.11%, less fees, but she said this is lower than expected for the future. As for current activity, the TWR was 5.03% for the period of 7/1/22 to 1/31/23. She said our portfolio is 50/30/20 (Equity/Bonds/Alternatives), which helps to smooth out the ride. Kathleen said inflation is starting to come down, but there is still some volatility to be had. She went on to say that the international markets are doing better than domestic markets. Additionally, the Alternatives, Blackstone RE and Partners, are up so far this year.

Brian noted that late last year Private Equity was added and all are doing well. These help lower our unfunded liability.

Chris asked about “shock adjustments”. Kathleen said we are a little more conservative in nature, but there is still global and political uncertainty. She noted that the war in Ukraine has been going on for over a year, but the key to any kind of “shock” is the way the Federal Reserve reacts. Bartholomew believes we are properly positioned, and they upped credit quality. Brian stated that our portfolio is well diversified.

Tim began a discussion regarding whether we should change our investment ratios. Should we stay at 65/35 or jump to 70/30? Brian stated that with our 30-year investment, with contributions, our unfunded liability will go up 10-15% if we stay with a 65/35 investment ratio. He went on to say that if we go up to 70/30, our unfunded liability will go down.

Jim asked what the majority of towns are doing for percentages. Brian stated that historically, Town treasurers are looking at safety, liquidity and yield; therefore, they often have a 65/35 investment ratio. Kathleen noted that about 50% of towns are at a 70/30 investment ratio. Tim noted that the COVID year was an anomaly with our funding.

Chris asked about dollar/cost averaging, and Brian responded by noting the timing of our contributions, which are usually twice a year. There is usually a contribution after July 1st and then after fall Town Meeting.

Lisa made a motion to change our investment ratio to 70/30. The motion was seconded by Harrison McKinlay. All in favor.

Private Share Funds were added to the portfolio in November 2022. A fact sheet was distributed via email. Kathleen noted that this was a way to add diversity to the portfolio. The funds are invested with 3.0% in Blackstone RE and 7.0% in AMG/Pantheon.

A motion was made by Lisa to add Private Share Funds. It was seconded by Tim. All in favor.

Tim passed out the December 31, 2022 OPEB Contribution Statement. He noted that we have already earned an entire year of our retiree premium.

Next, Tim discussed the Actuary Report that had been distributed. He noted that on 6/30/21, the unfunded liability was \$62 million, but on 6/30/22 it was \$30 million. This is because the discount rate went up. Tim referred to page 3 of the report, and stated that it is an assumption driven report. He also noted that all new employees are required to pay \$5.00 per pay period to OPEB. In FY2022, this amounted to a \$1,030.00 contribution. Jim noted that this amount will increase as new hires replace existing employees.

Tim noted that we have a \$1.3 million unfunded liability with Worcester Regional Retirement System. He said that when we are fully funded with Worcester Regional, the \$1.3 million can go toward OPEB.

Tim motioned to adjourn at 4:55 pm, which was seconded by Lisa. All in favor.

Respectfully submitted,

Lisa A. Lynch

Secretary, OPEB Trustees