

MINUTES FOR 02/23/2021 OPEB TRUST MEETING

MINUTES ACCEPTED ON 3/23/2021

In favor 4 , 1 abstention

The meeting was called to order by Tim Harrison at 3:06 PM. This was a remote meeting via ZOOM, and in attendance were James Smith, David Hall, Timothy Harrison, Chris Woodruff and Lisa Lynch. Nancy Konisky was absent.

The first order of business was to accept the minutes from the 1/21/2020 meeting. Chris moved to accept the minutes, Tim seconded the motion. The minutes passed 4 in favor, 1 abstained.

Brian Jamros and Kathleen Glowacki from Bartholomew & Company gave an update on the annual performance of the Town's OPEB funds, as well as an economic update. Kathleen began with the economic update, stating there was a major dip in the market when the Pandemic hit, but it rebounded quickly due to the stimulus. She stated that more recently business confidence was positive, which was mostly due to the availability of the COVID vaccines. Kathleen then stated that one thing that is concerning is the unemployment rate. She said that one in twelve people work in the hospitality industry, including hotels, bars, and restaurants, which comprise more than 50% of the unemployed.

Next, Kathleen stated that growth stocks have done very well since last March, and international stocks have done better than domestic stocks. She also said that the next round of stimulus is so enormous that it's hard to wrap your head around. She stated that from a long term economic perspective there is a risk of inflation. The past couple of days, though, she said stocks were up in the airline and hotel industries, which probably means that people are hopeful, and beginning to make travel plans.

Brian began a discussion on the performance of our OPEB Trust Funds. He stated that as of 2/22/2021, the OPEB Trust Fund value was \$2,332,549.16. Tim stated that contributions to the OPEB Trust Fund are on hold right now, but if approved at May Town Meeting, Tim plans to move \$495,000.00 to the OPEB Trust for FY 2021. Brian stated that since inception, the annualized rate of return is 6.79%, with contributions being \$1,663,053.30. Over the last twelve quarters, Brian stated that our rate of return was 14.45%, net of fees. In comparison, Brian said our portfolio is doing better than the benchmarks.

Kathleen noted that when COVID hit, the corporate bond market tanked, so Bartholomew jumped in to corporate bonds and sold, and then moved in to secured funds, which are mortgages, and loan debt. She said this was opportunistic on the part of Bartholomew. Kathleen also noted that our Private Equity holdings are up 12% and 13% this year.

Chris asked if there were any changes in our international investing. Kathleen stated they shifted on the equity side by 5%.

Brian said that Bartholomew would like to introduce Real Estate to our portfolio. They have been recommending this to their clients for the past year. Tim asked Brian to give us the information to review. Tim said the committee could review and discuss the information at a quick meeting before our next regular meeting in 6 months. Kathleen said the Real Estate would just be a small group as an income generator, and they would only be high quality, well-known companies. She said none of the companies would be retail. Adding Real Estate, she said, would smooth out the fixed income.

The next item on the agenda was the KMS Actuary Report. Tim referenced page 2 of the report, which compares our total plan members from 6/30/19, to 6/30/20. The total plan members went from 423 to 388, which reduces the Town's liability. Tim also noted, that on page 3 of the report it indicates the change in the discount rate for the same period of time.

David questioned what flexibility we have in our funding policy, and what effect a change in the policy would have on the discount rate and net liability. Jim noted that our current funding policy includes contributing 10% of free cash each year. David said that if we can reduce the cost of health insurance, then it will reduce our liability. Jim stated that for the upcoming FY2022, our current health care provider, Fallon, quoted us a 20% increase in our health care costs. The Town, Jim said, is looking at possible plan design changes as well as HSA (health savings accounts) for every employee on the health plan. It was noted by Jim, that employee salaries do not keep up with health care increases.

Tim asked if anyone had questions on his financial statements showing OPEB Contributions and the Balance Sheet as of 12/31/2020. There were no questions, so Tim went on to say that once we receive the Real Estate information from Brian, then Lisa will get it out to the committee members for review. We will then schedule a quick meeting to discuss this information.

Jim asked Tim to look into how other towns may be using their OPEB Funds to defer current costs. Tim said he would look in to this.

David motioned to adjourn. Seconded by Chris. All in favor.

Meeting adjourned at 4:08 pm.

Respectfully submitted,

Lisa A. Lynch

Secretary, OPEB Trustees