Minutes for 8/28/2018 OPEB TRUST MEETING

Minutes accepted on 10/02/2018

3 in favor, 1 abstention

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

The first order of business was to accept the minutes from the 01/30/2018 meeting. However, due to absences at that meeting, we did not have a quorum for voting purposes. Acceptance of minutes will be postponed.

Chuck Patterson and Alex Bartholomew from Bartholomew & Company then gave an update on the annual performance of the Town’s OPEB funds as of June 30, 2018. Our OPEB portfolio ended with a balance of $1,025,126.75 and a weighted return of 5.43%. Alex explained that 2017 calendar year showed a strong equity return on stocks where 2018 is proving to be a very flat market. Public equities have done well since 2009 to present, but they are predicting the returns will not be so lofty in the near future. Alex recommended a new concept of investing more in private equities rather than public ones.

Alex introduced Bartholomew’s new private equity fund with a $50,000 buy in. He explained that 4.5% of our portfolio would be invested in private equities. These funds would be held to a soft lock up for one year. He explained that although the private equity investments are not liquid, they produce greater returns. These equities are bought like bonds – they ladder them out due to the first few years typically creating negative returns. The reason for negative returns at the start is that these are small companies you haven’t heard of and the investors need time to fund and build the company to get them ready for earnings. Alex explained that after the one year lock up, you will see quarterly returns typically between 10 – 12% which is higher than the 6-8% we are seeing in public equities.

Chris asked if the one year lock up applies to each investment. Alex said yes, but he would confirm. Tim clarified to the Board that this is purely a recommendation from Bartholomew and they have nothing to gain. Chuck agreed and said everything is paid off total market value. Tim asked the Board if this was a funding strategy we’d like to consider. Lisa stated yes, but she’d like to see examples of other local communities who have already moved to this investment strategy and see how they have done. Alex said he would check with other local communities to see if he could forward their contact information to us as references. Tim would also like to see July’s month end statement on the private equities when it is available. Alex agreed to forward it when it becomes available. Jim asked the life span of the plan. Alex stated inception is July 1, 2009 with negative performance in the beginning to get the companies up and going, but the investment overlap will help offset those rough beginnings. Jim said he favors this private equity investing and definitely feels it is something the Board should consider.

The Board agreed and Tim suggested we meet again in September after we have feedback from other communities and a July statement. We agreed to set up our next meeting in September to discuss this new investment strategy.

Tim moved onto the next agenda item – Tim handed out a sheet showing all the OPEB Contributions since inception. We continue to invest over $100,000 annually into the OPEB fund. In FY18 we deposited $155,000 into the OPEB fund. The June 30, 2108 balance was $1,025,126.75. Tim stated there may be even more invested into OPEB after the October Town Meeting.

Tim moved onto agenda item Old Business/New Business and suggested we set up a meeting in September to review the private equity investment idea. Lisa said she would send an email to confirm viable dates for that meeting. Tim announced that the new actuary would be giving us a presentation as soon as our data is available, so we’ll have to schedule that when the time comes.

Tim asked for any further questions. Chris requested that copies of the handouts be available to the absent members. Lisa agreed to make up a packet for them.

Chris made a motion to adjourn, Tim moved the motion and Nancy seconded that motion. All in favor of this motion.

Tim adjourned the meeting at 4:05 PM.

Respectively submitted

Lisa M Troast

Secretary, OPEB Trustees