

Trustees of Town Donations

Minutes

Meeting: January 19, 2021

Present: James Dohoney, Chair; Christine Ayotte-Brennan, Vice Chair; Rick Miller; Gavin Morrissey; and Jennifer Ubaldino. Also present: Kerry Lafleur, Treasurer; Larry Stone, Town Actuary; and Linda Escobedo, Select Board Observer.

Call to Order: The meeting was called to order at 7:00 PM, by a roll call vote. The Chair noted that this was a special meeting of the Trustees and that he felt that it was beneficial to take these two agenda items up separate from regular business.

Item 1, Review of Pension & OPEB Liabilities. The Chair introduced Larry Stone, Town Actuary, who provided an overview of both the pension and OPEB liabilities. Beginning with the Pension Liability, Mr. Stone noted that the Concord Retirement System is one of the best funded retirement systems in the Commonwealth. The System's portfolio is fairly conservatively invested with just over 65% in equity. The Treasurer explained that for the purposes of this discussion, the Trustees are looking at the Town's Pension Reserve only and not the Retirement System as a whole. The Town uses the Pension Reserve fund to smooth the increases in the Town's annual assessment for budgetary purposes. The Pension Reserve has a balance of approximately \$10M and as the System nears "fully-funded" status, the Town needs to determine how much of this fund is used each year to match the funding schedule while preserving its ability to smooth increases.

The Treasurer asked Mr. Stone to provide an overview of the Town's OPEB liability to give the Trustees an understanding of the advisory role being sought under the OPEB Trust bylaw. OPEB stands for Other Post Employee Benefits and generally refers to the health insurance benefit provided to retirees. For years, municipalities operated on a pay-as-you-go basis, but due to recent GASB (Governmental Accounting Standards Board) requirements, the liability has to be disclosed on financial statements. While there is no requirement to fund the liability, there are certain financial incentives to do so relative to bond rating and balance sheet. Like with the pension liability, the Town of Concord is way ahead of the pack in terms of funding and has been making annual contributions to the OPEB Trust Fund since 2009.

Mr. Stone reviewed the most recent OPEB valuation with the Trustees, noting that the valuation assumes a discount rate of 6.5%, which is based upon the current asset allocation and expected rates-of-return. Discussion ensued regarding how the trust fund was current invested

and how other municipalities invest their OPEB trust funds. Mr. Stone mentioned that some use PRIT (Pension Reserves Investment Trust) to invest and manage, but that the Town has traditionally felt that PRIM (Pension Reserves Management) Board is a bit more aggressive than the Town has been, though PRIT remains a great tool for many because of its size and ability to access a wide variety of investments.

A lengthy discussion ensued where members asked specific questions about the purpose of the fund, timing and cash flow requirements and the specific vote of Town Meeting relative to the Trustees role in advising the Treasurer on investment decisions.

The Trustees determined that the fiduciary responsibility they currently have with respect to the trust funds (preserve purchasing power), and consequently, the investment philosophy is very different than the fiduciary responsibility and investment philosophy they would have relative to the pension reserve and OPEB funds (grow corpus). And further, because of the size of the pension reserve and OPEB trust fund and relative complexity of managing each, this work would represent a significant expansion in scope and would essentially become the bulk of the Trustee's work, changing it to from being focused on beneficiaries to investment management and achieving a specific return. As such, there was general agreement that while they would be happy to provide informal advice to the Treasurer, they did not believe that it made sense to serve in a formal advisory role. The Trustees thanked Mr. Stone for providing them with a better understanding of the issues.

The Treasurer thanked the Trustees for their consideration and stated that she would report this decision to the Select Board and determine how to proceed given the bylaw requirement.

Item 2, Review Request for Proposals. The Treasurer reported that she had drafted a Request for Proposals for Investment Management Services using recent RFP's from other Town's as a template. As drafted, the RFP would include all three- (3) funds: Trust Funds; Pension Reserve; and OPEB Trust Fund. After discussion, the Trustees agreed that while it would be beneficial to lump the Trust Funds in with the other larger funds, the goals of each are different and it likely made more sense to issue two separate RFP's. The Chair agreed to contact the current Investment Manager and let him know that the Trustees would be issuing a Request for Proposals for Investment Management Services in the near future.

Following additional discussion, the Trustees decided they would give additional thought to both items before the next meeting and then make a final decision at that time about their ability serve in an advisory role for the OPEB Trust Fund investments and whether combining all three- (3) funds under one RFP made sense.

It was noted that the next meeting of the Trustees of Town Donations is scheduled for February 9, 2021. This meeting had been previously scheduled for January 26, 2021.

There being no other business, the meeting was adjourned at 8:40 PM.