

**Town of Redding
OPEB Trust Board Regular Meeting Minutes
Monday, 2/27/2023
6:00PM via Zoom**

Filed subject to approval.

Present

- Jenifer Wyss, Chair
- Dr. Kimberly Yonkers, Vice Chair
- Ward Mazzucco
- Jamie Barickman
- Robert Dean
- Karen Gifford

Also Present:

- Jim Sanders, Finance Director
- Kate Pizzi, Fiducient Advisors
- Richard Casey, Fiducient Advisors
- Stephen Chykirda, Hooker & Holcombe
- Michael Thompson, Selectman

Chair Wyss called the meeting to order at **6:01PM**.

1. To Approve the Minutes of the Monday, 11/28/2022 OPEB Trust Board Meeting.

Motion:

Mr. Mazzucco made a motion to approve the Minutes of the Monday, 11/28/2022 OPEB Trust Board Meeting. Ms. Gifford seconded the motion. The vote was unanimous, and the motion carried.

2. Public Comment.

Chair Wyss opened the floor to Public Comment. There was no Public Comment.

3. Fiducient Advisors Quarterly Oversight Review.

Kate Pizzi & Richard Casey of Fiducient Advisors presented the Quarterly Investment Review for the Fourth Quarter 2022 to the OPEB Trust Board.

Ms. Pizzi suggested that the OPEB Trust Board should re-allocate some of their assets in the Trust. See below for details:



12/31/2022	Asset Allocation											Forecasts				Past (1/88-12/22)			
	Fixed Income	Equity	Real Assets	Alternatives	Cash	ST Bonds	TIPS	US Bond	US Equity (LC)	US Equity (SC)	Int'l Dev. Equity	EM Equity	Real Estate	Annualized Net Return	Annualized Volatility	Normal 100 Year Flood*	Non-Normal 100 Year Flood**	Annualized Net Return	Annualized Volatility
Current Mix (A)	35%	61%	5%			28.0%		7.0%	24.6%	8.0%	18.5%	9.5%	4.5%	7.4%	11.8%	-19%	-26%	7.7%	9.9%
Observation Mix (A)	35%	61%	5%			10%	3%	22%	24.6%	8%	18.5%	9.5%	4.5%	7.5%	12.1%	-20%	-27%	7.9%	10.0%

The suggestion is as follows:

- Reduce the short-term bonds allocation from 28% to 10%
- Utilize this 18% shift to increase US Bond allocations from 7% to 22% and increase TIPS allocation from 0% to 3%

Discussion followed concerning this suggestion and performance of the Trust during this period.

4. Possible Re-Allocation of Investments

Mr. Mazzucco suggested that the OPEB Trust Board give serious consideration to the advice of Fiducient Advisors. Discussion followed.

Motion:

Mr. Mazzucco made a motion to accept the suggestion of Fiducient Advisors concerning asset re-allocation. The re-allocation is as follows:

- **Reduce Short-Term Bonds allocation from 28% to 10% (a decrease of 18%)**
- **Increase US Bond allocation from 7% to 22% (an increase of 15%)**
- **Increase TIPS allocation from 0% to 3% (an increase of 3%)**

Vice Chair Yonkers seconded the motion. The vote was unanimous, and the motion carried.

5. Investment Statement

Motion:

Mr. Barickman made a motion to accept the Charles Schwab January 2023 OPEB Trust Statement. Ms. Gifford seconded the motion. The vote was unanimous, and the motion carried.

6. July 1, 2022, Actuarial Valuation Report Review with Hooker & Holcombe

Stephen Chykirka of Hooker & Holcombe presented the July 1, 2022, Actuarial Valuation Report to the OPEB Trust Board. Discussion followed concerning liabilities, rates of return, and anticipated benefit payments.

7. FY 2024 Trust Funding Budget

Chair Wyss asked the OPEB Trust Board if the Actuarially Determined Employer Contribution (ADEC) should be paid via the FY 2023-2024 operating budget or if it should be paid via the Unassigned Fund Balance and Special Town Meetings. Discussion followed.

Chair Wyss explained that the potential funding would be \$200k. The ADEC was \$285,902, of which \$102,954 is associated with pay-as-you-go benefits that are paid out of the General Fund. The residual \$182,948 is the amount that would be contributed to the OPEB Trust. This number was rounded up to \$200k for budgeting purposes. Discussion followed.

Motion:

Mr. Barickman made a motion to recommend to the Board of Selectman to fund the ADEC contribution of the OPEB Trust out of the FY 2023-2024 operating budget, pending approval of the Board of Finance. Mr. Mazzucco seconded the motion. The vote was unanimous, and the motion carried.

Motion:

Mr. Mazzucco made a motion to recommend to the Board of Selectmen to include \$200,000 in the FY 2023-2024 operating budget to fund the ADEC contribution, subject to the Board of Finance approval. The vote was unanimous, and the motion carried.

Discussion followed concerning how this budget item should be presented and accounted for.

8. Other Business

There was no other business discussed.

9. Public Comment

Chair Wyss opened the floor to Public Comment.

Michael Thompson thanked the OPEB Trust Board for their service.

Motion:

Ms. Gifford made a motion to adjourn the meeting. Mr. Mazzucco seconded the motion. The vote was unanimous, and the motion carried.

The meeting was adjourned at **7:23PM**.

Submitted by,

Zachary Smith

Memorandum to the OPEB Trust Board

Saturday, 2/25/2023

Published by Jenifer Wyss

Good afternoon. At the OPEB meeting on Monday, the Board will need to make decisions on: (1) whether to recommend including \$\$ in the BOS budget for FY23-24 or continuing to fund the OPEB Trust through the unassigned fund balance and (2) if included in the BOS operating budget, the associated amount. Additionally, there should be a discussion on the appropriate presentation of the OPEB funding in the year-over-year budget. Let me try to fill in the details below.

At the BOS meeting this Monday, the BOS held off approving the FY23-24 budget, pending the outcome of the OPEB Trust Board meeting. Currently, the BOS budget does not include any amount associated with funding the Trust. Rather, the draft operating budget only includes the pay-as-you-go benefits amount.

1. **Operating budget vs. unassigned fund balance:** Since there is now a history (albeit short but a substantial amount) of funding the Trust, the actuary was able to increase the discount rate from 2.21% to 6% which had the effect of significantly decreasing the liability. Also, the actuary has now calculated an Actuarially Determined Employer Contribution (ADEC). For FY 23-24, the ADEC is a gross amount of \$285,902, of which \$102,954 is associated with the pay-as-you-go benefits and \$182,948 is the amount that is recommended by the actuary to put into Trust assets. The OPEB Trust Board needs to decide for FY23-24, whether to recommend that the BOS include an amount in their operating budget related to funding the Trust or whether we just wait and see whether there is a surplus at the end of FY23 and then have a Special Town meeting to transfer funds from the unassigned fund balance. Previously, I was conflicted on which direction to head (operating budget v. unassigned fund balance), but am now clear on what I think is the most appropriate path. While I would prefer the BOS budget to stay as flat as possible, I think we need to include an amount in the BOS budget as opposed to waiting to see if there is a surplus at the end of this FY, for several reasons:
 - a. Our auditor indicated that the rating agencies do not look favorably on discretionary funding from the unassigned FS on a long-term basis because it can be viewed as being less committed to funding the Trust compared to putting an amount into the operating budget.
 - b. We were able to get the actuary comfortable in **increasing** the discount rate which significantly decreased the liability. If we continue to, on a discretionary basis,

wait to see if there is a surplus to fund the Trust, I am concerned that the actuary will recommend **d**ecreasing the discount rate which will increase the liability.

- c. Best practices, as noted by the munis that we previously talked to, include amounts in the operating budgets. None of them waited to see if there was a surplus to fund the Trust.
 - d. OPEB benefits are part of the participants' total compensation, for current services they perform. As such, we should be funding that part of their compensation now so that we can pay the associated benefits later.
 - e. Seems foolish to think that there will be a surplus each year or a surplus that is substantial enough to fund the Trust.
 - f. Bottom line, continuing to fund through the unassigned fund balance is sort of like committing half-way.
2. **Amount:** As noted above, the FY 23-24 ADEC totals \$286k (\$103k estimated for ongoing benefit payments and \$183k to be put into the Trust assets). To ensure that we meet the ADEC, I would recommend putting \$200k in the Trust rather than \$183k, just in case the pay-as-you-go amount is slightly larger than \$103k. If the pay-as-you-go amount is higher than expected, then that higher-than-expected amount would essentially be viewed as a decrease in the amount we are actually putting in trust assets.
3. **Budget presentation:** During the BOS meeting this Monday, there was a discussion about whether the budget year-over-year should be a comparison of the Approved Budget or the Final Budget. I do not think a formal motion/vote needs to be taken at the OPEB Trust Board or the BOF meeting about this issue but would like to understand your views.