

**Joint Meeting Minutes
Dukes County Pooled OPEB Trust
November 14, 2019
Dukes County Administration Building, Edgartown, MA**

Members Present: Cheryl Sashin, Oak Bluffs; Kathy Logue, West Tisbury; Jonathan Snyder, Chair, Tisbury; Amy Tierney, MV Schools Business Administrator; Lauren Thomas, MV Transit Authority; Noreen Flanders, Dukes County; Melanie Becker, Chilmark

Also present: David Lee, DAHAB; Sander Shapiro, West Tisbury, OPEB Financial Advisory Committee, Maura McGroarty, O.B. Finance Committee

Members not present: James Hagerty, Edgartown; Curtis Schroeder, MV Commission; Sibel Suman, Aquinnah

Jonathan convened the meeting at 10:41 am

Approve minutes of July 19, 2019 meeting

Amy motioned, seconded by Lauren to approve the minutes as written; all ayes.

Chairman's report on TA Realty transfer

Jonathan reported that we have committed a total of \$1.7 million to TA Realty LLP, and we had previously sent a total of \$1.2 million. In September, TA Realty called for the remaining \$500,000, and Jon arranged that transfer effective October 1st. With that transfer, our investments are allocated almost exactly in accordance with our asset allocation policy.

Investment Discussion with David Lee of Dahab Associates

David reported that for the quarter (3rd quarter of calendar 2019) the Pooled Trust ranked in the 34th percentile; meaning that our fund did better than 66% of all other public OPEB trust funds. That is a considerable improvement. This was the first quarter for us to be fully invested in Dahab recommended investments; our three year percentile was 96 (96 % of all other public OPEB funds were doing better than us,) so this a rapid turnaround to have already achieved the 34th percentile.

Treasurer's Report

Kathy presented the Balance Sheet as of Sept. 30, 2019 and the Profit/Loss Statement as well as the 9/30/19 breakout by member units. There was discussion about corrections to the Quick Books account, the group thanked Kathy for all the work she has done for the last four months.

Conference call with Linda Bournival of KMS Actuaries

This year's bi-annual actuarial study was done for each unit individually, not as a joint study for all of the units. Linda gave explanations for other differences and assumption changes in this year's report:

The sources of experience gain or loss include:

- Gain on account of medical premium rates lower than expected: Our prior reports assumed a trend rate of 8% in year 1 and 7% in year 2, meaning that the assumed increase in medical premiums between the valuation dates was 15.56%. Actual medical premium rates increased less than this, leading to a liability gain.

- Loss on account of retirees not eligible for Medicare: All retirees in the prior valuation were assumed to be eligible for Medicare at age 65. We collected information in this valuation indicating that some retirees are not or will not ever be eligible for Medicare. Because of the higher costs of the active (non-Medicare) plans, the liabilities for these individuals increased and led to an experience loss for the units with these retirees.
- Gain or loss due to general demographic changes: Changes in demographics such as the number of employees and retirees, their average age, and average service compared to the prior valuation also have some impact on the experience gain/loss.

Assumption changes include:

- Health cost trend rates: The year one trend rate assumption was reset to 8%, which then decreases 0.5% per year to 5.5% and then grades down to an ultimate trend rate of 3.9% in 2075 utilizing the Society of Actuaries Getzen Medical Trend Model. As a result, higher trend rates overall and for a longer period of time were assumed compared to the prior valuation's assumption, leading to an increase in liability due to the assumption change.
- Discount rate: For units where the combination of current assets and assumed future contributions is not sufficient to fund all future benefit payments, a blended discount rate is used that incorporates a municipal bond rate that is updated annually. This year's bond rate of 3.50% was lower than the prior year's rate of 3.87%, leading to lower discount rates and higher liabilities for the units that are not sufficiently funded to disclose liabilities at the long-term rate of return.
- Mortality tables and mortality improvement scale (for units with teachers only): Our valuations use the mortality tables that are consistent with the Dukes County and Massachusetts Teachers Retirement Systems. Since the prior valuation, the Massachusetts Teachers Retirement System updated their mortality table and improvement scale to reflect experience showing that members were living longer than expected under the prior assumption. Liabilities therefore increased for units with teachers due to the increased life expectancy under the updated mortality assumption.

Conference call with Jennifer Cook of CliftonLarsonAllen – auditors

Kathy thanked CliftonLarsonAllen as well staff at Dahab for their assistance in getting the beginning balances corrected. She said that she and Jon will work together to prepare a response to the points raised in the Management Letter.

Policy of Asset Allocation- Second Reading

After discussion, Noreen moved, seconded by Amy to approve the Asset Allocation as written. All ayes.

Policy on Expenses Allocation – Second reading

Kathy reported that Linda Bournival suggests a minimum assessment for participation in the actuarial study, and Kathy suggested that basing the assessment entirely on census, regardless of whether a unit had any funds in the Trust, was the best way to achieve this, without actually going to a minimum charge for the study. Jon will make changes to our policy and bring them to the next meeting for a second reading.

Jon will coordinate with David Lee to schedule our next meeting on the date that David will be on- island meeting with the Dukes County Retirement Board.
The meeting was adjourned at 12:43 pm

Respectfully submitted, Melanie Becker, Secretary/Clerk
Approved: May 14, 2020

Documents attached:

Dahab Associates: Dukes County Pooled OPEB Trust Performance Review; September 2019

Treasurer's Report – quarter ending September 30, 2019

Draft Audit and Management Letter – June 30, 2019

Policy on Asset Allocation

Policy on Expense Allocation

Minutes; July 19, 2019