

**Joint Meeting Minutes**  
**Dukes County Pooled OPEB Trust**  
**April 6, 2018**  
**Dukes County Administration Building Meeting Room**

**Members Present:** Jonathan Snyder, Chair, Tisbury; Lauren Thomas, MV Transit Authority; Kathy Logue, West Tisbury; Amy Tierney, MV Schools Business Administrator; Curtis Schroeder, MV Commission; Sander Shapiro, West Tisbury; Melanie Becker, Chilmark  
**Also Present:** Maura McGroarty and Herb Kiehn, both Oak Bluffs Finance Committee  
**Members not present:** Noreen Flanders, Dukes County; Steve Jordan, Edgartown; Sibel Sumin, Aquinnah

Jonathan convened the meeting at 9:02 am

**Kathy moved, seconded by Curtis, to approve the minutes as written of the March 16, 2018 meeting. All ayes.**

**Review of draft CliftonLarsonAllen audit**

Curtis reported that Chris Rogers now has all the data needed but won't be able to complete the audit until after the April 15<sup>th</sup> tax filing deadline.

**9:15 am conference call; David Lee of DAHAB Associates**

**RE: Investment Policy review, Asset Allocation Study and Manager Search**

Prior to the conference call Curtis asked if a RFP (Request for Proposals) was necessary for the Investment Advisor agreement. Kathy replied no, because the contract is under \$10,000.

**Investment Policy**

David began by saying that our current Investment Policy is a good guideline; it just needs some clarifications and additions. He noted that it has a targeted return of 8%; there was discussion about reducing that to 7.5%; Kathy pointed out that is the discount rate used in our recent actuarial study for units that are working toward fully funding. He restated that DAHAB is recommending using Index Funds on the equity side and that will necessitate adjusting some of the policy wording.

Responsibilities of the Investment Manager; Kathy said that this section needs to specify that we need reporting broken out by unit at least on a quarterly basis, David said the managers will be thinking about the fund in the aggregate and unit reporting would have to be done by DAHAB. Jon said that this section should include a paragraph stating the responsibilities of the Investment Advisor. David agreed and said he will draft wording and wording to address tracking individual units. Appendix A includes Table 2 *List of Permissible Investments*; Jon asked should we have a list of impermissible investments. David agreed that would be a better way to go. He noted that section 6 is prohibited investments and strategies. David said that Table 3 – Limiting Conditions should be deleted; most of these constraints are not needed. David said he will prepare a revised draft for our next meeting.

**Asset Allocation Study**

The study prepared by DAHAB presents various asset allocations in multiple return scenarios showing which scenario has the best chance of earning a 7.75% rate of return over twenty years. The model ran 6,955 mixes in each of eight return scenarios. It began with a table of Projected Cash Flow using a return rate of 7.75% and assumed an annual 3% contribution rate

and assumed a distribution rate of .55% annually. Those last two variables make this a conservative estimate, which ends with the assumption that the fund will have to reach \$64 million in twenty years to reach the goal of a 7.75% rate of return. David stressed that OPEB Trusts need to take a long view, likely being even more aggressive than a pension fund. He said the purpose of having asset allocations is to insure that knee jerk reactions to market shifts are avoided. There was considerable discussion about the ***20 Year Historical Scenario Statistics*** as the group learned about the nine asset classes: Large Cap, Mid Cap, and Small Cap. International, REIT (Real Estate Investment Trusts), Real Estate, Commodities, Core Fixed Income and Cash.

#### **20 Year Scenario Results Summary Table**

Of the eleven mixes tested only one produced the results of meeting the \$64 million goal in twenty years. Compared to our current target asset allocation that mix, number eight, would increase equities from 46% of the portfolio to 70%. It would eliminate REITs in favor of core Real Estate which David explained can be a surrogate for bonds because it is purchased for its returns not appreciation. Mix 8 also eliminated Commodities and reduced Fixed Income from 45% to 20%. After discussion **Kathy moved, seconded by Curtis to select Asset Allocation Mix 8; it passed with six yes and Sander abstaining.**

#### **Manager Search**

David began by pointing out that the three options; Charles Schwab, RhumbLine and Vanguard, all have modest fees so the choice should not be made based on fees. He clarified that this portion of the portfolio that will passively managed; i.e. the stock portion that will be invested in Index Funds verses the actively managed bonds and real estate. Because Schwab had no Mid Cap component, Kathy suggested we eliminate it. After discussion, **Curtis moved, seconded by Kathy to vote to select Vanguard. All ayes.**

There was discussion of the transition from Rockland. David said that we need to start the process of hiring our custodian; People's United. David will ask them to draft a contract.

**The board will meet next on April 27, 2018 at 9:00 am at the Dukes County Meeting Room. On the agenda will be a discussion of selecting Real Estate and Fixed Income Managers with David Lee participating by conference call. David will send a revised draft of the Investment Policy in advance for review.**

The meeting was adjourned at 10:50 pm.

Respectfully submitted, Melanie Becker, Secretary/Clerk

Approved: May 4, 2018