



# Franklin Regional Council of Governments

## Finance Committee — *MINUTES*

Date /Time:	Thursday, March 30, 2017 / 5:30 p.m.
Location:	JW Olver Transit Center, 12 Olive Street Greenfield, MA – Library
Facilitator:	Lynn Sibley, Chair

### ATTENDEES

- **Lynn Sibley**, Whately Representative
- **John O'Rourke**, Conway Representative
- **John Payne**, Shelburne Representative
- **Kevin Fox**, Colrain Representative
- **Jay DiPucchio**, Regionally Elected

### STAFF:

- **Linda Dunlavy**, Executive Director
- **Pat Auchard**, Finance Director
- **Rebekah Boyd**, Admin. Services Coordinator

### GUESTS

- **Paul Todisco**, Sr. Officer, PRIM
- **Francesco Daniele**, Sr. Client Services Officer

### 1. Adopt 1/12/17 minutes

Lynn S. opened the meeting at 5:32 p.m. **John O. moved adoption of the 1/12/17 minutes. Kevin F. seconded. Motion passed unanimously.**

### 2. State Retiree Benefits Trust Fund – Paul Todisco, Pension Reserves Investment Management (PRIM)

Mr. Todisco of the state's pension system introduced the State Retiree Benefits Trust Fund (SRBTF). The SRBTF allows municipalities to invest OPEB funds within their Pension Reserves Investment Trust (PRIT). Mr. Todisco summarized legislation and changes to Massachusetts law related to the establishment of an OPEB trust fund and explained how the Pension Reserves Investment Management Board (PRIM) manages and acts as custodian for the SRBTF. In the last few years, he said, governmental units such as municipalities, municipal educational collaboratives, and so on, have begun using SRBTF for their OPEB trust funds. *(See presentation handout.)*

The choice before the committee is to continue to use a private agency to invest our OPEB, such as Vanguard, which we currently use, or to use the SRBTF. Mr. Todisco and his colleague Mr. Daniele pitched the use of SRBTF/PRIT noting that Montague and Greenfield successfully use PRIT (Montague since 1986). The management fee is approximately .5 percent with no hidden fees. A monthly account statement is given. He explained the benefits of investing in PRIT, how fees are allocated, and History of the SRBTF and its performance. He said he personally advocates for the government units.

### Committee Questions and PRIM responses:

*What portion of investment work and decisions are made by 3<sup>rd</sup> party advisors?* All investment management is outsourced, but PRIM's board has oversight and staff are responsible for due diligence.

For example, PRIM owns real estate and hires managers to make decisions and report to the PRIM board. The PRIM board has ongoing reviews of investment performance and annually reviews the fund's asset allocation strategy.

*If FRCOG uses PRIM, how will money be distributed?* See the pie chart for target allocation (p. 19). PRIM is prohibited from investing in tobacco, Iran, Sudan, and South Africa, but not restricted from investing in fossil fuels, although some legislation suggests divestment may occur. If PRIM must divest, they'll do it methodically, overtime. PRIM has the power to negotiate as they are among the largest 25 pension funds in the country because of the great number of state employees. Even considering the market crash of October 1987, the early 90s Recession and Gulf War, the Dot Com bust, 9/11, and the 2008 Recession, PRIT currently has a 9% return since inception. Investments are typically long-term with some tactical moves made within funds from time to time (*See slide 28 —asset liability study*).

*How does FRCOG apply?* Accept the amended OPEB statute. (Section 20, Chapter 32B of the General Laws, see agenda item 4 below.) Once the amended legislation is accepted, Pat has the paperwork needed and Counsel would need to sign off before requesting a transfer into SRBTF. The PRIM board will decide whether to work with us. Then it's just putting money in and taking money out. PRIM will send monthly statements. If FRCOG is not happy and want to withdraw, we just withdraw.

After PRIM representatives left, FC members shared reactions to the presentation: John P. expressed general skepticism. John O. feels that PRIT is well-diversified, seems to have excellent management, and offers a decent historical 9% return, which is comparable to Vanguard. He asked why FRCOG is thinking of switching. Pat explained she was not able to ascertain that the Vanguard products meet the amended Chapter 32 B requirements for investments. Pat reported she has is experiencing clear communications with PRIM and received positive feedback upon asking four cities/towns about their experience.

Members discussed the possibility of pooling money with towns and investing the larger pool of money in the PRIT collectively. They felt this idea could be a service to towns worth considering, but want to clarify the relationship between PRIM and the towns, and understand who would assure towns were investing correctly before moving forward. Pat asked members to also weigh the added responsibility of FRCOG finance department to keep spreadsheets, report to towns monthly, and make sure investments are properly tracked but said she would research the idea further.

Pat explained that the Council must vote to adopt new legislation and is requesting a recommendation to the council from FC (suggested motion item #4).

### 3. Review of Management Letter

Pat summarized and offered solutions for the issues relayed in the Melanson-Heath audit management letter (See FRCOG Management Letter handout.) They are:

- **Documenting policies and procedures over federal awards.**
- **Monitoring indirect costs more closely.**
- **Considering reauthorizing OPEB trust fund using new legislative wording.** (Already discussed.)
- **Preparing to implement GASB 74 and 75 for OPEB.**

Pat reported that prior year's issues were satisfactorily resolved.

#### **4. Recommendation from auditors to re-accept the OPEB Trust fund as amended.**

**John O. moved that the Finance Committee recommends that the Council votes to re-accept the provisions of Section 20, Chapter 32B of the General Laws, Other Post-Employment Benefits Liability Trust Fund, as amended 11/7/16. John P. seconded the motion, which passed unanimously.**

**John O. moved that the Finance Committee recommend that the Council reauthorizes Pat as trustee [of the OPEB trust fund].**

Discussion: The consensus of the committee was that if we join SRBTF, the duties of a fund board would be minimal. A board might be able to move the fund from PRIT on recommendation of the FC, but so could Pat as trustee. Legislation outlines how money is appropriated. In FRCOG's case, it could be part of the Council's annual vote on the budget.

**Kevin seconded the motion. Motion passed with all in favor.**

#### **5. Consideration of transferring OPEB trust funds to SRBTF**

The FC needs at least another meeting before making a decision, as Council must vote on whether to adopt amended language next week. The FC agreed to wait for final consideration of a transfer of the OPEB fund to the SRBTF until after the Council vote and after new questions are answered.

**John O. moved to instruct Pat to do the necessary paperwork to start to transfer funds over to SRBTF, pending Council adoption of amended Chapter 32B. Kevin F. seconded the motion, which passed unanimously.**

#### **6. Business Not Reasonably Anticipated 48 Hours in Advance of Meeting**

The next meeting of the FC will take place on June 8, 2017 at 6:00 p.m.

**John O. moved to adjourn the meeting. John P. seconded. Motion passed unanimously. Meeting adjourned at 7:09 p.m.**

#### **DOCUMENTS DISTRIBUTED:**

- Agenda
- Minutes of 1/12/16 Meeting
- *FRCOG Annual Financial Statements* for the year ended June 30, 2016
- *FRCOG Management Letter* for the year ended June 30, 2016, Melanson-Heath, auditors, February 24, 2017.
- *FRCOG Independent Auditors' Reports Pursuant to Governmental Auditing Pension Reserves Investment Trust Fund Standards and Uniform Guidance* for the year ended June 30, 2016
- OPEB Chapter 32B Section 20 language and staff notes regarding the amended language.
- *State Retiree Benefits Trust Fund, Pension Reserves Investment Management Board, and Pension Reserves Investment Trust Fund* Presentation.