

Date: February 19, 2021

To: Joseph Mooney
Board of Finance

From: James P. Finch
Finance Director

Re: Other Post Employment Benefit (OPEB) Rebalance

I write to seek the Board's consideration in adopting a rebalancing strategy for the OPEB Trust.

Background

Over the last two years we have examined the reserves in our Medical Self Insurance Fund and determined that it would be in the Town's financial interest to use a portion of these reserves to reduce liabilities in the OPEB Trust. The last of these transfers occurred in March 2020. I have attached page 21 of the December performance report which shows the OPEB Trust has approximately 43% of its assets in cash due to these transfers and annual contributions.

Recommendations and Board Actions

Reluctant to allocate such a considerable sum into the portfolio during a pandemic, I have been meeting with our pension advisors and actuary to develop a strategy moving forward. Collectively we propose the following strategy which has two elements:

- 1) A phase in of the cash portion over a period of seven years.
- 2) The phase in will occur semi-annually in July and January.

I believe this is a prudent approach and it is consistent with previous board actions regarding the deployment of large sums of money. Therefore, I respectfully request that you consider the following resolution.

Resolution

Resolved: The Board of Finance authorizes the Finance Director to rebalance the excess cash in the OPEB Trust each July and January for a period of seven years. These tranches will be used to reallocate assets in the portfolio in accordance with the investment policy in effect at the time of the rebalance.

Cc J. Cosgrove.
L. Arpin