

Regional School District 13
Board of Education
Educational Resources Committee
Minutes of the meeting of Wednesday, August 27, 2014

Members present: Robert Fulton, Anthony Onofreo, Jeremy Renninghoff, Norm Hicks, Kerrie Flanagan

Others: Ron Melnik, Kathryn Veronesi, Tim Ryor (Hooker and Holcomb) Kevin Nichols and Tom Forma (Merrill Lynch)

Meeting called to order at 6:03pm.

There was no public comment.

Approval of Agenda: A motion to approve the agenda was made by Mr. Hicks, second Mr. Renninghoff. By a voice vote with all in favor, the motion passed.

Approval of Minutes from the August 13, 2014 meeting: A motion to approve the minutes from the August 13, 2014 meeting was made by Dr. Onofreo, seconded by Mr. Renninghoff. By a voice vote, the motion passed. Mr. Hicks abstained.

Review of Current Pension Plan: Tim Ryor from Hooker and Holcomb reviewed the Retirement Plan for the Employees of Regional School District #13. Hooker and Holcomb began working with the BOE in 2010. Operating with 7.5% as assumed rate of return. They reviewed the handout presented to the committee. They will review results of the experience study when the committee looks at results of valuation. They discussed what process to use to accept the valuation system - it is not part of the policy.

One year from now the district will talk about a rate of return, rate of increase for wage assumptions, and mortality assumptions. The Board does not want unfunded liability to get away from them. There was an overfunding of ARC. ARC was the old term for the contribution. (Actuarially Realized Contribution).

There is no reason to have a contribution policy that indicates anything other than we should submit 100% of the contribution. GASB indicates that we should do a depletion policy - 3-7 years.

Complete experience study cost should be \$8,000 to \$10,000. This might be the time to review OPEB liability. Could this affect our bond rating? All the information is what they already know. Liability is based on actuarial and mortality rate. Hooker and Holcomb pulls TRB assumptions.

OPEB ARC is running about \$600,000. OPEB is totally unfunded.

Merrill Lynch

How do we reduce risk for the school district and thus the risk to the taxpayers? Risk-managing pension assets toward the liability so that we have a fully funded plan.

What is the acceptable level of risk that the committee is willing to take? We have had a great and fortunate market.

Are we getting enough performance for the money? It is about having a repeatable investment process, that mitigates risk and gives a chance to recover faster. The next step is to look at indexes further.

1.05 includes everything-consulting fee, managers etc. Staying with managers that are more cautious in a bad market.

Managing to the liability-how is that different from managing to the rate of return? As we are getting up close to 100 let's ease up. Stay high but ease off. Come back to different set of managers who are better in the down market. We do not have to be on the aggressive side. It's not just a valuation issue it is also a cash flow or budgeting issue. Manage fund to target return. Standard deviation close to 11 while S and P has standard deviation of 17.

How long should we commit? You don't need a commitment, maybe a few years, but might scale back. Depends do you want to race towards 200%.

Discussed downside of indexing.

Bank of America relationship with Merrill is not positive right now.

Finalize Investment Policy Statement - Mr. Melnik provided the committee with a revised Investment policy statement that is more in line with what our needs are at this time and provide the district with protection.

Pension Committee Motion Discussion - It was the consensus of the committee that the District delay making a decision regarding our investment policy and allocations.

Review of Heating Oil & Diesel Fuel Contract - Mr. Melnik distributed information regarding the purchase of heating oil and diesel fuel. East River Energy has been awarded the contract to the consortium. Our rate has been locked in as of August 14, 2014. It was also determined that the district has not violated its contract policy that was in place at the time. There will be a budget savings of \$28,260 with the consortium contract versus the budget. If the district prepays, there will be an additional savings of \$1,223 to the district. It was the consensus of the committee to move forward with this proposal as this has already been included in the budget and this is simply the method by which we pay for a commodity that has already been budgeted.

Mrs. Flanagan moved to go forward with the consortium proposal regarding the purchase of heating oil and diesel fuel as suggested by Mr. Melnik. Mr. Renninghoff seconded the motion.

In favor of the motion: Mrs. Flanagan, Mr. Hicks, Dr. Onofreo, Mr. Renninghoff

Opposed to the motion: None. Motion passed.

2015-16 Budget Calendar - Mr. Melnik distributed a draft calendar for the 2015-2016 school budget. After discussion, Mrs. Flanagan suggested some changes after consultation with Dr. Veronesi.

Adjournment

Mr. Hicks moved to adjourn the meeting at 8:52 p.m. Mr. Renninghoff seconded the motion.

In favor of the motion: Mrs. Flanagan, Mr. Hicks, Dr. Onofreo, Mr. Renninghoff

Opposed to the motion: None. Motion passed.