

**MAYFLOWER MUNICIPAL HEALTH GROUP FINANCE COMMITTEE
MINUTES OF MEETING
January 18, 2018
Halifax Town Hall
Halifax, Massachusetts**

Attendees: Thomas O'Brien, MMHG Treasurer
Christine Suckow, Whitman Hanson Regional High School
Jeanne Sullivan, Town of Hanson
Sheila Avery, MMHG
Kevin Powell, MMHG Steering Committee member

Guests: Brian Callow, Rockland Trust Co.
Barbara Howard, Rockland Trust Co.
Alex Bartholomew, Bartholomew & Co.
Charles Patterson, Bartholomew & Co.
Michelle Newcomb, Bartholomew & Co.
Dennis Mullins, U.S. Bank

The meeting was called to order at 9:01 a.m.

1. **Accept Meeting Minutes**

MOTION: Suckow motioned to accept the September 21, 2017 meeting minutes

SECOND: Sullivan

VOTE: Unanimous

2. **Review recent GBS Funding Analysis**

Treasurer O'Brien passed out the Group Benefits Strategies Funding Analysis as presented at the last Steering Committee meeting. He explained it is through November 30, 2017. He said we are running very well with our active plans at 91.3% and 100% for retiree plans. He said the trend continues to be positive and ahead of where we expected.

Treasurer O'Brien explained the Steering Committee received notice from two member units of their intent to withdraw- Bristol County and Town of Norwell.

Kevin Powell joined the meeting at 9:15 a.m.

There was a brief discussion regarding notice of intent to withdraw with no action taken.

3. **Investment Portfolio Presentations**

Treasurer O'Brien stated our current conservative investment portfolio is 30% equity and 70% fixed or bonds. He said our expected return on a portfolio like this is between 4%-5%. He stated for the last 10 years Rockland Trust has been the relationship partner with the investment portfolio and they have returned between 4%-5% yearly on average. He said when the market was down we earned 3%-4% when the rest of the market was seeing

significant losses. He said the Finance Committee philosophy has always been that we are not in the investment business and the fund is to be there if we need it and perhaps offer some subsidy. He said it has been 10 years and the Finance Committee thought it would be a good time to interview potential investment managers. He stated we have about \$15.5 million investment portfolio. He said the bank accounts for the general deposit account will remain with Rockland Trust. He recommended maybe changing our portfolio to 40% equity and 60% fixed.

Treasurer O'Brien stated Rockland Trust will present first, Bartholomew and Company second and US Bank will be last.

Treasurer O'Brien acknowledged he works with Dennis Mullins on PCOT investments.

Suckow and Chairman Sullivan acknowledged they know Michelle Newcomb (Bartholomew) personally.

Treasurer O'Brien stated he would like to have another meeting to vote on the selection of the company and will move the portfolio if needed in April or as directed by the Finance Committee.

Powell asked if we are under contract with Rockland Trust and the Treasurer stated no we may terminate at any time.

Powell asked if the 4% return we have is net and the Treasurer confirmed yes.

Powell asked what Rockland Trust charges for fees and the Treasurer stated he thought it was around 55 basis points (bps).

Rockland Trust Presentation:

Treasurer O'Brien asked how much our fees are currently and Howard stated it is 34bps as shown on page two of the handout.

Howard reviewed page 2 stating the net funding has been a little over \$11 million and the current value is \$16,034,534. She stated they provide monthly reporting and specialized reports as requested by the Treasurer.

Callow reviewed page 3 which shows the asset allocation and stated it is a conservative portfolio. He said the performance has been well and as expected with a 30% equity and 70% fixed income assets portfolio.

Callow reviewed page 4 showing performance summary over time and total fund return of 4.70%.

Callow reviewed page 5 which explains what the rate of return would be if the asset allocation is at different levels. He said it really depends on how much money the group may need at any given time should they need it and balancing the portfolio to match that need.

Callow reviewed pages 6 and 7 stating different asset allocations will yield different returns and gave different scenarios.

Callow reviewed page 8 showing cash flow dependent recommendations by splitting the fund into 3 categories including operational capital, strategic capital and excess capital. He stated this means you can carve out a portion and be more aggressive with that portion while protecting the cash you may need.

Callow reviewed page 9 showing returns for Rockland Trust performance have been higher versus peer group and on page 10 showing them with a lower loss percentage versus peer group.

Chairman Sullivan asked how long Callow has been managing the portfolio and he stated since 2015.

Treasurer O'Brien asked Callow if he thought we should switch our asset allocation at this time. Callow said do not let the market drive your investment decisions. Callow stated it should be based on your needs and you need to be vigilant and diversified. Callow suggested splitting the portfolio as suggested on page 8 in the presentation.

Chairman Sullivan asked the Treasure about Rockland Trust responsiveness and the Treasurer said they have been excellent.

Bartholomew & Company presentation:

Newcomb passed out the presentation and reviewed the company summary including history and awards received. She also reviewed the municipal team and investment team.

Bartholomew reviewed tab 3 and explained the current investment portfolio strategy as it is and reviewed the standard deviation of return in the Efficient Frontier graph. He said the first thing he would look at is to determine a long term target rate of return for MMHG. He reviewed the last page in tab 3. He said the accounts are separately managed and Bartholomew is independent so they can do anything that makes sense for MMHG.

Bartholomew reviewed their sample investment policy that they would create with MMHG based on objectives.

Bartholomew reviewed tab 5 showing sample reports available and explained they can be as in depth as requested.

Patterson reviewed tab 6 explaining reporting is available online and they are available to attend meetings monthly, quarterly or as requested. He explained he understands the self insured health insurance arrangement as they have other accounts that are similar.

Newcomb reviewed tab 7 showing their client reference listing.

Newcomb reviewed tab 8 showing their fee schedule and offered MMHG 20 BPS. Bartholomew explained that 14 out of 33 MMHG member units use Bartholomew and this was taken into consideration when offering this reduced fee.

Treasurer O'Brien asked if they thought we should switch our asset allocation at this time. Bartholomew said it would depend on what the needs are of MMHG and what portion of the money you want to be safe and accessible. Bartholomew said you can split the fund in order to protect the money you may need and invest some more aggressively to attain a higher rate of return.

Sullivan asked if we would be locked in at that fee and Bartholomew confirmed.

Powell asked what the commitment would be and Patterson said there is none and it can be terminated at any time.

US Bank Presentation:

Mullins passed out his presentation and gave an overview of his experience and US Bank company. He said he has over 30 years experience and US Bank was founded in 1863 and is the 5th largest commercial bank with 18.6 million customers.

Mullins said MMHG will be successfully if they chose US Bank.

Mullins reviewed page 10 and explained the strategic asset allocation is what they spend a lot of time and effort on. He stated they focus on understanding the client's needs and then create a portfolio based on those needs. He said the next step is the solution platform execution incorporating the strategies that are defined.

Mullins said US Bank is independent and they show all fees on their reports.

Mullins reviewed page 15 explaining US Bank has separate managers when appropriate. He said they split investments into equity/stock, real estate, commodities and fixes/bonds.

Mullins reviewed page 22 showing active versus passive management.

Mullins reviewed page 23 showing an example asset allocation portfolio he created based on our current 70%/30% investment portfolio. He said he has no relationship with any of the funds listed on his suggestions.

Mullins said the purest form of investment return is the cost. He said they are proposing 23.3 BPS for MMHG and he is available for questions, reports and presentations.

Mullins reviewed the conversion process.

Powell asked if the fee is negotiable and Mullins said he could bring it back to his manager.

Mullins said on page 39 it shows MMHG would have realized around a 9% return last year based on his model portfolio.

Treasurer O'Brien asked if this was based on what he would recommend to clients with a 70%/30% portfolio or is this what is trending well now. Mullins said this is what is recommended to 70%/30% clients.

Treasurer O'Brien asked if he thought we should switch our asset allocation at this time. Mullins said it should be based upon when we need the funds and if MMHG doesn't need the funds for 5-7 years then you can be more high risk with asset allocation.

There was a brief discussion with no action taken.

Powell asked if Treasurer O'Brien would ask the companies if their fees were best and final.

4. **Any other matters that may appropriately come before the committee**

Treasurer O'Brien said we just received the audited financial statements and it shows we have \$10.7. He said it will be finalized shortly and everyone will receive a copy.

5. **Next Meeting**

February 8, 2018, 8:30 a.m., at the Halifax Town Hall

Suckow made a motion to adjourn the meeting at 11:25 a.m., seconded by Chairman Sullivan and voted unanimously.

Respectfully submitted,
Sheila Avery

Reference Documents for this Meeting:

GBS funding analysis, page 1, dated December 13, 2017
Rockland Trust Portfolio investment presentation
Bartholomew & Company investment presentation
US Bank investment presentation