1. OPEB Trust Board Meeting Documents

Documents:

APPROVED_OPEB_TRUST_MTG_MINUTES_01-05-17.PDF
OPEB_TRUST_MEETING_AGENDA_01-05-17.PDF
TOWN OF GREENWICH  
OPEB Trust Board Meeting Minutes  
Thursday, January 5, 2017  
Mazza Room, First Floor, Town Hall

Present:

Trust Board:  Robert Stricker, Chairman; William Ferdinand, Joseph Pellegrino  
BET Attendees:  William Drake, Leslie Moriarty, Arthur Norton  
Staff:  Peter Mynarski, Comptroller and ex-officio member of the OPEB Trust Board, Kathleen Murphy, OPEB Board Trustee; Natasha Yemets, Assistant to the Treasurer

The meeting was called to order at 8:35 A.M.

Approval of December 8, 2016 Meeting Minutes

Upon a motion by Mr. Ferdinand, seconded by Mr. Pellegrino, the Board voted 3-0 to approve December 8, 2016 Meeting Minutes.

Review Performance of Trust including any rebalancing trades during the month and the resulting asset allocation percentages

Ms. Murphy distributed the December 31, 2016 OPEB Investment Performance reports and related materials. She remarked that December was a very good month, and that the year 2016 was a very good year, particularly the last 6 months. All of the major indices were up for the month. S&P 500 was up 1.97% for the month, the MSCI Global World Index ex US was up 2.56%, the US Aggregate Bond Index was up 0.14%, resulting in the benchmark return for the portfolio of 1.25%. The total OPEB portfolio value as of December 31 was $24,537,276; and, the gain for the month was $353 thousand and $2 million for the calendar year. The Portfolio was up 1.73% for the month, ahead of its benchmark by 48 bps; domestic equity performance was up 2.10% over its benchmark by 13 bps; International Equity performance up 3.51% beating its benchmark by 95 bps. Fixed Income performance was up 0.48% ahead of its benchmark by 47 bps primarily due to its short duration. She noted that the sale in healthcare holdings (VGHAX) in the previous month was timely because the value of VGHAX’s shares dropped 5% the day following the sale. Portfolio’s weightings at December 31st were 69.8%/26.8%/3.4%; equity/fixed income/alternative investments. Ms. Murphy pointed out that the asset allocations were close to target and in compliance with Policy.

Mr. Stricker remarked that portfolio outperformed its benchmark and was above its target rate of return of 7% (actuarial rate assumption) for the year.

Discussion of market conditions and investment strategy, including sector weightings

The Board agreed that the portfolio has benefited from the increased allocation to equities now targeted at 70% of the portfolio. The fundamentals continue to look good and the market is pricing in a strengthening economy with the new Administration in Washington. However, a pull back from the recent run up in valuations would not be a surprise. Mr. Ferdinand noted that the portfolio is performing well with a bias toward equities and good sector exposure.
Mr. Pellegrino felt the board should go to 75% equity and would increase exposure to Technology, Financials and Materials. Mr. Ferdinand felt that the Energy sector should be kept over weighted due to the expectation of earnings growth in the sector.

Mr. Stricker stated that AMLP correlates with equites which if added to the equity allocation would bring the allocation to 73% of the portfolio and that he would not recommend adding to the portfolio’s equity position.

The Board reviewed the relative performance of the indices for value/growth and small and mid-cap equities. Small cap equities had the best returns for 2016. Rising interest rates would cause the U.S. dollar to strengthen which would create headwinds for large cap companies more dependent on exports. Mr. Ferdinand pointed out that value performs better than growth. Ms. Murphy suggested that the Board look at a new analytical schedule developed by Ms. Yemets which looks through the holdings in the ETFs in the portfolio and breaks down the holdings by growth/value and large/small/blend capitalization. The report showed that the equity portfolio had little exposure to small cap equities (1.6%). The Board reviewed certain comparative schedules prepared by Ms. Yemets which summarized statistics and descriptions of various alternative small cap and mid cap and value/growth/blend ETFs. The Board agreed to invest in the blend small cap iShares Core S&P Small-Cap ETF (IJR). Although the Board would like to have a 5% weighting in small caps, they decided to put 2.5% in now and wait for a market pull back to invest more. This investment would be covered from proceeds from sales of fixed income, raising the equity allocation target to 72.5%.

The Board also noted that the weighting in the Technology sector had fallen below market weighting. The Board wanted to bring this sector up to its market weighting, the target set at a prior meeting. Proceeds from sale of SPY would be used to cover the purchase.

Upon a motion by Mr. Pellegrino and seconded by Mr. Ferdinand the Board voted 3-0 to invest in a new position for the portfolio – iShares Core S&P Small-Cap ETF (IJR). The Board voted to invest 2.5% of the portfolio in IJR. Proceeds from sale of the Vanguard Short Term Bond Fund (VSCSX) are to be used to cover this purchase ($612 thousand).

Upon a motion by Mr. Pellegrino and seconded by Mr. Ferdinand the Board voted 3-0 to increase the portfolio’s holdings in the S&P 500 Technology Sector ETF (XLK) to its index weighting of 20.8%. Proceeds from the sale of SPDR S&P 500 ETF (SPY) are to be used to cover this purchase ($495 thousand).

Mr. Stricker suggested exploring an aerospace and defense ETF, PPA. Mr. Pellegrino suggested a transport ETF, IYT. The Board agreed to monitor these sectors.

**Update on the concept and the issues and requirements for investing directly in the individual sectors of the S&P 500 rather than investing in SPY**

Ms. Murphy commented that the model was still a work in progress. Solving for the amounts to rebalance each of the sector holdings to the Board’s established targets involved a number of simultaneous equations that were interrelated and a unique solution could not be discovered. Ms. Yemets did develop an excel model that the Board could use for “what if’s.” Any investment decisions could be inputted at the meeting and the resultant sector allocation as well as style and capitalization allocation would be displayed. Ms. Yemets demonstrated the model using the trades the Board was contemplating at the meeting. The Board found the model very helpful, Mr. Pellegrino remarked that further fine tuning would be unproductive and too complicated.
**Update on the progress in the implementation of electronic feed of portfolio data from Vanguard to Bloomberg**

Ms. Yemets reported that she had arranged that, due to the technical nature of conversations that needed to take place, at her instigation, Vanguard and Bloomberg were currently speaking directly to resolve the details of settlement reporting on the TOG OPEB account. She expected being updated shortly and would report further progress to the Board. Bill Ferdinand reached out to one of his contacts at Bloomberg, Mr. Fisher, who agreed to look at our objective and requirements, and help with a solution.

**Discussion of topics for future meetings**

- Review of aerospace/defense and transportation ETFs.
- Ms. Murphy confirmed that the Portfolio Performance and asset allocation reports for January 2017 would be sent to the Board members since no February meeting was scheduled.
- In order to give the staff more time to compile the performance data the Board agreed to change date of the scheduled March 2 meeting to March 3, 2017 at 8:30 A.M. in a room to be determined.

**Adjournment**

The Board voted unanimously to adjourn the meeting at 10:00 P.M.

Next meeting scheduled for March 3, 2017 at 8:30 A.M. in a meeting room to be determined

_Catherine Sidor, Recording Secretary_

_Robert Stricker, OPEB Trust Board Chairman_

**Schedule future OPEB Board Meeting Dates**

February – no meeting is scheduled

March 3, 2017 at 8:30 A.M.
April 6, 2017 at 8:30 A.M.
May 4, 2017 at 8:30 A.M.
June 7, 2017 at 8:30 A.M.
July 12, 2017 at 8:30 A.M.
August – no meeting is scheduled
September 7, 2017 at 8:30 A.M.
October 5, 2017 at 8:30 A.M.
November 8, 2017 at 8:30 A.M.
December 4, 2017 at 8:30 A.M.
TOWN OF GREENWICH
OPEB TRUST MEETING
Thursday, January 5, 2017
8:30 A.M.
Mazza Conference Room
1st Floor, Town Hall

AGENDA

1. Approval of December 8, 2016 Meeting Minutes
2. Review Performance of Trust including the rebalancing trades during the month and the resulting asset allocation percentages
3. Discuss market conditions and investment strategy, including sector weightings, and determine if changes to target sector weightings would be beneficial
4. Update on the concept and the issues and requirements for investing directly in the individual sectors of the S&P 500 rather than investing in SPY
5. Update on the progress in the implementation of electronic feed of portfolio data from Vanguard to Bloomberg
6. Discussion of topics for future meetings
7. Adjournment

Next Meeting – March 2, 2017