1. OPEB Trust Board Meeting Documents

Documents:

APPROVED_OPEB_TRUST_MTG_MINUTES_01-08-15.PDF
BET_OPEB_MEETING_AGENDA_01-08-15.PDF
Present:

Trust Board: Robert Stricker, Chairman, William Ferdinand
Phil Skidmore

BET Attendees: William Drake, Art Norton

Staff: Peter Mynarski, Comptroller and ex-officio member of the
OPEB Trust Board, Kathleen Murphy, OPEB Board Trustee

The meeting was called to order at 11:06 A.M.

1. **Approval of October 24, 2014 OPEB Trust Minutes**

   Mr. Ferdinand made a motion to approve the October 24, 2014 Minutes which was seconded by Mr. Skidmore. The motion passed 3 to 0.

2. **Review Performance of Trust and Rebalancing**

   Ms. Murphy distributed the December 2014 monthly OPEB Investment Performance report and related materials. She commented that the portfolio had assets totaling $22,588,093 at the close of December 2014. Her report indicated that the portfolio was down (-0.30%) for the month, with a loss of ($67,424). The portfolio beat its benchmark by 20bps.

   For the calendar year through December 31st, the portfolio was up 8.11%; for the month of December, the fixed income allocation was down -0.31% lagging the benchmark by 28bps, while for the calendar year through December 31st, the fixed income allocation was up 4.07%. The portfolio's equity allocation was down -.30% in December beating its benchmark by 51bps; for the calendar year through December 31st, the equity allocation was up 9.67%.

   After discussion about the global economy, the relative value of currencies, and the flows of capital from foreign investors into US assets, and scenarios reflecting the impact of the rising US interest rates, the Board voted to exchange 100% of the Trust's position in the PIMCO Foreign Bond Fund Unhedged (PFUIX) for PIMCO's Foreign Bond Fund Hedged to the US$ (PFORX).

   Given the expectation that the yield curve will flatten as the Fed raises short term rates, increased volatility in shorter term fixed income positions would occur. After discussion of the risk reward tradeoff of holding short term corporate bonds versus cash, the Board voted to redeem the Trust's position in the Vanguard Short Term Corporate Bond Fund (VSCSX) and reinvest the proceeds in the GE Interest Plus. The size of the ultimate investment may be limited by the vehicle's policies as it is more oriented towards retail clients. The treasurer will invest up to the cap, if any, and will review the yields of two other such investments: UFB Direct
and MySavings Direct. Investment in these alternatives is subject to review of the underlying documentation, in particular with respect to any indemnification language.

**Rebalancing** - The Board voted to rebalance the portfolio bringing it into compliance with the Trust IPS. As of December 31, 2014 the portfolio is weighted 24% to fixed income and 76% to equities. The Policy restricts equities to 75% of the total portfolio. The Treasurer was instructed to redeem approximately $260,000 of the Vanguard Domestic Equity Fund (VITSX) and invest the proceeds in the alternatives discussed above, GE Interest Plus, UFB Direct and/or MySavings Direct.

3. **Review selected funds for consideration (Healthcare, Midcap, Cloud computing, fixed income, hedged foreign equities)**

The OPEB Trust Board anticipated future areas of growth to be in the healthcare, IT and Energy sectors. Whereas the Trust already had a concentration of healthcare in a Vanguard index fund, traditionally it had not invested in sector funds. Mr. Stricker asked Mr. Ferdinand to investigate sector funds to consider for the next meeting.

4. **Reschedule April 16th meeting date**

It was agreed that the next meeting of the OPEB Trust would be at 8:30 A.M. on April 29, 2015.

5. **New Business**

None

6. **Discussion of topics for future meetings**

The Board also decided that they would like to review currency managed foreign equity funds at the next OPEB meeting. The members will suggest names for the Treasurer to add to the comparative schedules used to review funds under consideration.

7. **Adjournment**

On a motion by Mr. Ferdinand, seconded by Mr. Skidmore, the Board voted 3 to 0 to adjourn the meeting at 12:10 P.M.

Robert Stricker, OPEB Trust Board Chairman

Catherine Sidor, Recording Secretary

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1 Investment Policy Statement (IPS): The Trustee shall rebalance the portfolio to the Asset Allocation as approved by the IAC on a quarterly basis. (The quarterly rebalancing shall take place in the months of August, November, February and May.)
AGENDA

1. Approval of October 24, 2014 OPEB Trust Board Minutes
2. Review Performance of Trust and Rebalancing
3. Review selected funds for consideration (Healthcare, Midcap, Cloud computing, fixed income, hedged foreign equities)
4. Reschedule April 16th meeting to April 21 - 23
5. New Business
   • Discussion of topics for future meetings
6. Adjournment