1. OPEB Trust Board Meeting Documents

   Documents:
   
   APPROVED_OPEB_TRUST_MTG_MINUTES_03-03-17.PDF
   OPEB_TRUST_MEETING_AGENDA_03-03-17.PDF
TOWN OF GREENWICH
OPEB Trust Board Meeting Minutes

Friday, March 3, 2017
Mazza Room, First Floor, Town Hall

Present:

Trust Board: Robert Stricker, Chairman; William Ferdinand, Joseph Pellegrino

BET Attendees: John Blankley, William Drake, 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 8:33 A.M.

Approval of January 5, 2017 Meeting Minutes

Upon a motion by Mr. Ferdinand, seconded by Mr. Pellegrino, the Board voted 3-0 to approve January 5, 2017 Meeting Minutes.

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

Ms. Murphy distributed the February 28, 2017 OPEB Investment Performance reports and related materials. She remarked that total portfolio value as of February 28 was $25,623,438; and, the gain for the month was $700,570. She also reported that the gain for the fiscal year through February was $2.57 million. February was a good month - all asset class benchmarks were positive with the S&P500 up 3.97%, the MSCI ex US up 1.59%, and the Bloomberg/Barclays Aggregate up 0.67%, resulting in portfolio benchmark return of 2.39%. The Portfolio was up 2.81% for the month, ahead of its benchmark by 42 bps; Domestic Equity performance was 3.74%, lagging its benchmark by (23) bps; International Equity performance was up 2.07%, ahead of its benchmark by 48 bps. Total Equity was up 3.60% in line with its benchmark; Total Fixed Income performance was up 0.75%, ahead of its benchmark by 12 bps. The Portfolio’s February 28, 2017 weightings were 73.1%/23.5%/3.4% : equity/fixed income/alternatives.

The good performance of the portfolio is primarily due to the decision to over-weight equities beginning in September. Last summer through September the target weighting for equities was 60%, i.e. the benchmark weighting. Beginning in October the allocation was steadily increased to 73.1% in February of this year.

Commenting on the longer term performance of the portfolio, Mr. Ferdinand observed that Total Equities performance was up 11.26% but lagged its benchmark return of 12.3% by (104) bps return for 5 Years. Mr. Pellegrino added that in comparison for the same 5 Year period, Total Fixed Income performance showed a 3.53% gain, ahead of its benchmark by 173 bps. The annualized return of the portfolio for the last five years was 8.07%.
Discussion of market conditions and investment strategy, including sector weightings and determine if changes to target sector weightings would be beneficial. Review aerospace/defense and transportation ETFs.

Mr. Stricker noted that overweighting equities helped overall performance, however, OPEB's Domestic Equities had underperformed its benchmark over most time periods, and suggested that the equities selection should be reviewed. He also commented that Fixed Income will have headwinds, as the FED raises rates.

Mr. Ferdinand remarked that fundamentals, the economy and earning expectations were improving. He listed other factors that were supporting continued growth: the prospect of increased demand by retail investors would continue to increase share prices; the gradual increase of inflation; a flat yield curve; and the equity market indices continuing to rise. Seeing a trend that institutional investors were decreasing equity holdings in anticipation of a possible future market pullback, he proposed reducing equity holdings by 5% in favor of cash.

Mr. Pellegrino concurred that reducing equities to 70% of the portfolio and increasing cash holdings might be prudent. He saw unresolved issues in the political environment including lack of a Presidential tax plan presentation, lack of deregulation measures in the financial sector and the length of time that would be needed to execute infrastructure improvements.

Mr. Stricker acknowledged that there had been a long run of great market performance and although he saw near term strength, he agreed that gradually reducing the equity portion of the portfolio would be prudent. He suggested that the Board consider reducing equities to as low as 60% at some point in the future depending on market fundamentals.

Mr. Stricker suggested that he would entertain a motion to reduce the equity portion of the portfolio to 70%. After a review of the current S&P sector weightings in the portfolio the Board discussed reducing holdings in the following sectors: technology (XLK), regional banking (KRE), and real estate (XLRE).

Upon a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 3-0 to reduce the portfolio’s equity exposure to 70%, or by 3.1%, of which 1.7% would come from the sale of XLK, 1.1% from the sale of KRE, and 0.3% from the sale of entire position in XLRE.

Upon a motion from Mr. Stricker, seconded by Mr. Ferdinand, the Board voted 3-0 to invest the proceeds from the sales in the PIMCO Income Fund (PIMIX).

Update on the progress in the implementation of electronic feed of portfolio data from Vanguard to Bloomberg

Ms. Yemets updated the Board on her discussions with Bloomberg to facilitate the portfolio data feed from Vanguard; the conclusion of the direct discussions between Vanguard and Bloomberg is that no third party electronic feed between the two organization can take place. Mr. Pellegrino reiterated his suggestion that the purchase of a data management system would reduce the amount of employee time spent on inputting the data daily and reduce the potential of human error from manual input. It was decided to defer the decision to staff should they wish to change from manual input to a data management system in the future.
Update on meeting with Bloomberg representative re the attribution interpretation, etc.

Ms. Yemets reported that discussions were in progress with Mr. Kai Blatnicky at Bloomberg, to add a fiscal year-to-date column with historical returns and weighting information.

Discussion of topics for future meetings

- Discussion of investing in fixed income funds/ETFs with a focus in leveraged loans, emerging markets' bonds, bank loans, corporate debt, and TIPS
- Identify "opportunistic" fixed income funds, e.g. Opportunistic Credit Fund
- Review funds/ETFs focused in aerospace, infrastructure and transportation.

Due to scheduling conflicts, the date of the next OPEB Board meeting was rescheduled from April 17 to April 20, 2017.

Adjournment

The Board voted unanimously to adjourn the meeting at 9:55 A.M.

Next meeting scheduled for April 20, 2017 at 8:30 A.M. in a meeting room to be determined.

Catherine Sidor, Recording Secretary

Robert Stricker, OPEB Trust Board Chairman
AGENDA

1. Approval of January 5, 2017 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. Review aerospace/defense and transportation ETFs.

4. Update on the progress in the implementation of electronic feed of portfolio data from Vanguard to Bloomberg.

5. Update on meeting with Bloomberg representatives re the attribution interpretation, etc.

6. Discussion of topics for future meetings

7. Adjournment

Next Meeting – Monday, April 17, 2017