1. BET Investment Advisory Comm. Meeting Documents

Documents:

BET_IAC_MTG_AGENDA_04-11-18.PDF
SUB_TO_APP_BET_IAC_MINUTES_04-11-18.PDF
APPROVED_BET_IAC_MINUTES_04-11-18.PDF
TOWN OF GREENWICH

BOARD OF ESTIMATE & TAXATION
INVESTMENT ADVISORY COMMITTEE MEETING

Wednesday, April 11, 2018
10:00 A.M.

Mazza Room
2nd Floor, Town Hall

AGENDA

1. Acceptance of the BET Investment Advisory Committee Meeting Minutes of March 14, 2018

2. Review and Approve Actions of the OPEB Trust Board Meeting

3. Cash Management

4. Old Business
   • Custodial Selection and Policy

5. Schedule IAC meetings from July through December 2018

6. New Business

7. Adjournment

Next Meeting: Wednesday, May 9, 2018 at 10:00 A.M. in the Mazza Room
Present:
Committee: David Weisbrod, Chairman; William Drake, Andreas Duus, Anthony Turner
Staff: Peter Mynarski, Comptroller; Kathleen Murphy, Treasurer; Nataliya Yemets, Assistant to the Treasurer
Other: Joseph Pellegrino, Chair, Retirement Board

The meeting was called to order at 10:40 A.M.

1. Acceptance of the BET Investment Advisory Committee Meeting Minutes

   Upon a motion by Mr. Duus, seconded by Mr. Drake, the Committee voted 4 - 0 to accept the Investment Advisory Committee Meeting Minutes of March 14, 2018.

2. Review and Approval of Actions of the OPEB Trust Board Meeting

   During the OPEB Board’s preceding meeting, the Board took the following actions:

   The Board voted (3-0) to sell 100% of Powershares QQQ and invest 100% of the proceeds in the Fidelity Select Technology Fund (FSPTX), adding to its current position. After a discussion of the significant impact the FANG stocks have on the technology index and current risks in the valuations of these stocks, as well as the risks of more regulation impacting Facebook and Google, and the political criticism that Amazon is experiencing, the Board concluded the actively managed fund, FSPTX, would continue to perform better. FSPTX also is more diversified and has a larger number of small cap stocks.

   The Board also voted (3-0) to sell 100% of Vanguard Short Term Corporate Bond Index Fund (VSCSX) and invest 100% of the proceeds in Brandywine Unconstrained Bond Fund (LROIX), a new position for the Trust. The Board noted that yields in the Vanguard fund were diminished due to corporate spreads, while Brandywine’s unconstrained bonds would behave differently in the current rate environment; additionally, Brandywine investment style would adjust risk, add value and provide diversification by adding foreign bond exposure to the portfolio.

   Upon a motion by Mr. Turner, seconded by Mr. Drake, the Committee voted 4 - 0 to approve the foregoing transactions of the OPEB Trust.

Mr. Weisbrod proposed changing the Order of Business to address Old Business – Custodial Selection and Policy - while Mr. Pellegrino could be present.
4. **Old Business**

**Custodial Selection and Policy** - Mr. Weisbrod reviewed the previous meeting’s discussion regarding the Retirement Board’s proposal to change the custodian of the Retirement System’s assets from State Street Corporation to Fidelity’s National Service Corporation. On consultation with the Law Department, it was determined that while IAC has no jurisdiction over choice of a custodian (this is a matter for the Retirement Board), amendments to the existing Neuberger Bergman contract are subject to approval by the BET. Attorney McLaughlin of the Town’s Law Department, clarified the issue, that although Town practice was to have a direct contract with an investment custodian, the Retirement Board could vote to amend their OIC agreement with Neuberger Berman to reflect that Fidelity would be a sub-contractor custodian for Neuberger Berman. Such action is currently being contemplated by the Retirement Board to reduce costs and improve performance efficiency. Mr. Pellegrino, Chair of the Retirement Board, also advised that in the event the Investment Management Agreement were to be terminated, the proposed amendment would require Neuberger Berman to continue providing custodian services (via National Service Corp) for six months after the termination in order to ensure an orderly transition to a new custodian.

Since IAC and BET approvals were required for the original contract with Neuberger Berman a contract amendment per above should also be approved by the IAC and BET, subject to guidance from the Law Department. The Retirement Board would submit an amendment referring to Fidelity’s National Service Corp as a sub-contracting custodian to Neuberger Berman for approval by the BET. The Retirement Board would address the amendment at its 4/19/18 meeting, after which the IAC would review the amendment and present it to the BET at its May meeting.

3. **Cash Management**

Mr. Weisbrod summarized the previous IAC meeting’s discussion on the Cash Management Resolution and asked Ms. Murphy to comment on her review of the Resolution regarding dollar limits per counterparty and other conditions for investment diversification. Concern was expressed that although there was no limit on the amount deposited in any one of the BET approved banks, all Qualified Public Depositories, additional outlets should be considered to reduce risk in the event of a financial crisis. The Committee and Ms. Murphy then deliberated on types of safe instruments that could be utilized to further the goal of diversification. Discussion ensued about the Town’s month by month cash flow requirements to cover payroll and vendor payments (estimated at $30-$40 million per month), and the segregated fund balances set aside for the OPEB Portfolio and Capital Improvement Projects. Discussion also covered the policy of maintaining daily liquidity for all cash investments except OPEB and the Alvarez & Marsal CD program.

Ms. Murphy was asked to provide:

a) the 2017 fiscal year monthly cash flow model so that the IAC can better understand the annual cash flow cycle; appropriate tenors to be considered for investing liquidity; amounts that are restricted for segregated purposes, etc.

b) FY 2018 projected monthly cash flows for general fund cash (i.e., excluding the earmarked categories)
c) a recommendation for using repurchase agreements (with US Treasury debt as collateral) as a means to further diversity the cash portfolio, with consideration to enter into custodial relationships with current banks to facilitate such investing as well as research regarding peer municipality use of such repurchase agreements.

d) a recommendation to expand the current CD program from $10 million to $20 million;

e) a recommendation as to whether to consider additional banking institutions not currently providing services.

f) a recommendation regarding the feasibility of using bank brokerage services for direct purchase of safe investments such as US Treasury instruments.

g) Any recommendations for changes to the existing Cash Management Resolution

5. Schedule IAC meetings through December 2018

May 9, 2018 at 10:00 A.M. (Wednesday)
June 20, 2018 at 10:00. (Wednesday) [ ]
July 24, 2018 at 10:00 (Tuesday)
August – no meeting
September 11, 2018 at 10:00 (Tuesday)
October 16, 2018 at 10:00 (Tuesday)
November 13, 2018 at 10:00 (Tuesday)
December 11, 2018 at 10:00 (Tuesday)

6. New Business

None

7. Adjournment

Mr. Drake made a motion, seconded by Mr. Turner, to adjourn the meeting at 11:55 A.M. The Committee voted 4-0 in favor of the motion.

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Catherine Sidor, Recording Secretary

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David Weisbrod, Chairman, Investment Advisory Committee
TOWN OF GREENWICH
BOARD OF ESTIMATE AND TAXATION
Investment Advisory Committee
Meeting Minutes - Wednesday, April 11, 2018
Mazza Room, First Floor, Town Hall

Present:
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Other: Joseph Pellegrino, Chair, Retirement Board

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Upon a motion by Mr. Turner, seconded by Mr. Drake, the Committee voted 4 - 0 to approve the foregoing transactions of the OPEB Trust.

Mr. Weisbrod proposed changing the Order of Business to address Old Business - Custodial Selection and Policy - while Mr. Pellegrino could be present.

BET Investment Advisory Committee April 11, 2018 – Approved
4. Old Business

Custodial Selection and Policy - Mr. Weisbrod reviewed the previous meeting's discussion regarding the Retirement Board's proposal to change the custodian of the Retirement System's assets from State Street Corporation to the Investment Manager Neuberger Berman Trust Company, N.A. with Fidelity's National Financial Services, LLC as sub-custodian and clearing agent. On consultation with the Law Department, it was determined that approval of State Street as custodian had involved the BET and amendments to the existing Neuberger Bergman contract are subject to approval by the BET. Attorney McLaughlin of the Town's Law Department, clarified the issue, that the Town practice was to have a direct contract with an investment custodian. The Retirement Board wished to amend their Investment Management agreement with Neuberger Berman to make Neuberger Berman custodian and the Fidelity subsidiary National Financial Services would be a sub-contractor custodian for Neuberger Berman. Such action is currently being contemplated by the Retirement Board to reduce costs and improve performance efficiency. Mr. Pellegrino, Chair of the Retirement Board, also advised that in the event the Investment Management Agreement were to be terminated, the proposed amendment would require Neuberger Berman to continue providing custodian services (via National Service Corp) for six months after the termination in order to ensure an orderly transition to a new custodian.

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3. Cash Management

Mr. Weisbrod summarized the previous IAC meeting's discussion on the Cash Management Resolution and asked Ms. Murphy to comment on her review of the Resolution regarding dollar limits per counterparty and other conditions for investment diversification. Concern was expressed that although there was no limit on the amount deposited in any one of the BET approved banks, all Qualified Public Depositories, additional outlets should be considered to reduce risk in the event of a financial crisis. The Committee and Ms. Murphy then deliberated on types of safe instruments that could be utilized to further the goal of diversification. Discussion ensued about the Town's month by month cash flow requirements to cover payroll and vendor payments (estimated at $30-$40 million per month), and the segregated fund balances set aside for the OPEB Portfolio and Capital Improvement Projects. Discussion also covered the policy of maintaining daily liquidity for all cash investments except OPEB and the Alvarez & Marsal CD program.

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d) a recommendation to expand the current CD program from $10 million to $20 million;
e) a recommendation as to whether to consider additional banking institutions not currently providing services.
f) a recommendation regarding the feasibility of using bank brokerage services for direct purchase of safe investments such as US Treasury instruments.
g) Any recommendations for changes to the existing Cash Management Resolution

5. **Schedule IAC meetings through December 2018**

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   - December 11, 2018 at 10:00 (Tuesday)

6. **New Business**

   None

7. **Adjournment**

   Mr. Drake made a motion, seconded by Mr. Turner, to adjourn the meeting at 11:55 A.M. The Committee voted 4-0 in favor of the motion.

   Catherine Sidor, Recording Secretary
   David Weisbrod, Chairman, Investment Advisory Committee