1. OPEB Trust Board Meeting Documents

   Documents:

   APPROVED_OPEB_TRUST_MTG_MINUTES_06-07-17.PDF
   OPEB_TRUST_MEETING_AGENDA_06-07-17.PDF
TOWN OF GREENWICH
OPEB Trust Board Meeting Minutes
Wednesday, June 7, 2017
Mazza Room, First Floor, Town Hall

Present:

Trust Board: Robert Stricker, Chairman; William Ferdinand, Joseph Pellegrino
BET Attendees: John Blankley, 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 8:34 A.M.

Approval of May 4, 2017 Meeting Minutes

Upon a motion by Mr. Stricker, seconded by Mr. Pellegrino, the Board voted 3-0 to approve the Minutes of the May 4, 2017 Meeting.

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

Ms. Murphy distributed the May 31, 2017 OPEB Investment Portfolio Performance reports and related materials. She reviewed the previous month’s portfolio target allocation changes: in a defensive move the Board reduced the equity allocation and increased the portfolio’s cash position by 5% ($1.3 million); in addition, 2.5% of the portfolio was reallocated from domestic equity (S&P Technology sector -XLK) to international equity (Oakmark International - OAYIX). The sale of XLK was to reduce the portfolio technology weighting to the index weighting. Ms. Murphy remarked that the portfolio allocations were within target and in compliance with the Investment Policy.

Ms. Yemets commented that the value of the OPEB portfolio at the close of May was $26,228,109 showing a gain of $268,000 for the month and a $3.2 million increase fiscal year to date. All the portfolio asset class benchmarks were positive for the month, and the international indices outperformed the domestic indices. The portfolio retuned 1.05%, lagging the benchmark by 37 bps. Equity was up 1.30% for the month, lagging its benchmark by 41 bps. The portfolio is over weighted in financials, telecom and energy, all of which had negative returns for the month. The alternative asset class holding, Alerian MLP, was down 3.1% for the month. For the CYTD, 1 year, 3 year and 5 year periods the portfolio is ahead of its benchmark.

Discussion of market conditions and investment strategy, including sector weightings and determine if changes to target sector weightings

The consensus of the Board was that, although market fundamentals are good, the market is overbought and there is more uncertainty/risk. Q1 corporate earnings were good and stocks are still attractive relative
to bonds. The political news out of Washington raises concern. The Board was comfortable with the current asset and sector allocations. They felt that the portfolio cash position (5%) provided flexibility if the economy pulls back.

Mr. Ferdinand noted that there were few alternatives to remaining in equities given a future headwind that could be produced by interest rate increases anticipated this and next year. Mr. Pellegrino agreed with Mr. Stricker and Mr. Ferdinand about not changing the allocation of 66.5% in equities. He suggested selling down regional banks to market weight, over-weighting technology, and selling the hedged European (HEDJ) fund and invest the proceeds into Oakmark International (OAYIX) which consistently outperformed HEDJ.

Mr. Ferdinand responded that he didn’t favor being overweight in the tech sector and saw the financial sector as offering opportunity. He reiterated his concern about the impact of increased interest rates and the prospect of reduced foreign interest in purchasing or possibly even selling their US bond holdings.

The Board discussed moving from the hedged to the dollar WisdomTree Europe ETF (HEDJ) to the unhedged ETF given the weakness in the dollar. They decided that Oakmark International (OAYIX), an actively managed fund with strong historical performance, would be better positioned to make these currency exposure decisions as well as geographic allocations.

Upon a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 3-0 to sell 100% of Wisdom Tree Europe Hedged Equity (HEDJ) (approximately $592,000) and invest the proceeds into Oakmark International (OAYIX).

Ms. Murphy asked the Board to consider an alternative vehicle to the Vanguard Federal Money Market Fund given the anticipated new cash inflow of $1.8 million expected in early July. As of May 31st 5% of the portfolio is in the Vanguard Federal Money Market (VMFXX). The Board reviewed short term interest rates and money market funds. After discussion of options and comparison of yields, the Board concluded that the Treasurer should look for another Vanguard money market fund with a higher yield. The new fund would be subject to daily mark to market valuations vs. VMFXX, which has a constant NAV equal to $1.00. VMFXX would remain open to clear cash from rebalancing activity. A token amount ($10,000) would remain in VMFXX.

Upon a motion by Mr. Ferdinand, seconded by Mr. Pellegrino, the Board voted 3-0 to reduce the current money market fund (VMFXX) to $10,000, and invest the balance of the proceeds in an alternative Vanguard money market with a higher yield; the selection would be based on the respective SEC yield of the funds considered and subject to the approval of Mr. Stricker, OPEB’s Chairman.

Review of international equity markets ETFs, including Europe, Japan and Emerging Markets

No discussion took place.

Discussion of topics for future meetings

No topics were proposed.

Adjournment

The Board voted unanimously to adjourn the meeting at 9:20 A.M.
Next meeting scheduled for July 12, 2017 at 8:30 A.M. in the Mazza Room.

Catherine Sidor, Recording Secretary

Robert Stricker, OPEB Trust Board Chairman

Schedule future OPEB Board Meeting Dates

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

Wednesday, June 7, 2017
8:30 A.M.

Mazza Room
1st Floor, Town Hall

AGENDA

1. Approval of May 4, 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 asset allocation and sector weightings
4. Review of international equity markets ETFs, including Europe, Japan, Emerging Markets
5. Discussion of topics for future meetings
6. Adjournment

Next Meeting – July 12, 2017