1. BET Investment Advisory Comm. Meeting Documents

Documents:

BET_IAC_MTG_AGENDA_06-20-18.PDF
SUB_TO_APP_IAC_MINUTES_06-20-18.PDF
APPROVED_BET_IAC_MINUTES_06-20-18.PDF
AGENDA

1. Acceptance of the BET Investment Advisory Committee Meeting Minutes of May 9, 2018

2. Appointment of members of the OPEB Trust Board

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

4. Cash Management
   - Review status of plan to invest in Treasury Bills and Government Agencies
   - Review changes needed to the Cash Management Resolution to invest additional funds in the CD Program and to invest in Treasuries and Agencies, the changes will need to go to the BET for approval.

5. Old Business

6. New Business

7. Adjournment

Next Meeting: Tuesday, July 24, 2018 at 10:00 A.M. in the Mazza Room
Present:
Committee: David Weisbrod, Chairman; William Drake, Andreas Duus, Anthony Turner

Staff: Roland Gieger, Acting-Comptroller; Kathleen Murphy, Treasurer; Nataliya Yemets, Assistant to the Treasurer

The meeting was called to order at 10:00 A.M.

1. **Acceptance of the BET Investment Advisory Committee Meeting Minutes**

   Upon a motion by Mr. Duus, seconded by Mr. Turner, the Committee voted 4 - 0 to accept the Investment Advisory Committee Meeting Minutes of May 9, 2018.

2. **Appointment of members of the OPEB Trust Board**

   Mr. Gieger distributed i) the resumes of Robert Stricker and Joseph Pellegrino whose terms on the OPEB Trust Board were ending, and ii) a draft recommendation to the Board of Estimate and Taxation regarding the reappointment of Mr. Pellegrino and Mr. Stricker to the OPEB Trust Board.

   Upon a motion by Mr. Duus, seconded by Mr. Turner, the Committee voted 4 - 0 to reappoint Mr. Pellegrino to a position on the OPEB Trust Board with a term ending June 30, 2021, and to reappoint Mr. Stricker to the position of Chairman for another term ending June 30, 2019.

3. **Review and Approval of Actions of the OPEB Trust Board Meeting**

   The OPEB Trust Board took the following actions during their meeting on June 13, 2018 that require approval by the Investment Advisory Committee. Each of these actions were approved by the Trust Board by 3-0 votes. Mr. Turner was present at the OPEB Trust Board meeting and summarized the proposed transactions. He also commented that all the OPEB members were of like mind on these transactions.

   - Sell 100% of the position in the CT Treasurer’s Short Term Investment Fund (CT STIF) ($1.3 million) and reinvest the proceeds in the Fidelity Investments Money Market – Money Market Portfolio – Class I (FMPXX), or equivalent.
   - Increase the allocation to Small Cap equities from 5% of the equity portfolio to 10%.
   - Reduce the 3% overweighting in the financial sector to a neutral position, by selling shares in Financial Select Sector SPDR (XLF).
   - Increase the 1% underweighting in the healthcare sector to a 1% over weighted position, by buying shares in the three current healthcare positions (S&P Biotech SPDR – XBI; T.
Rowe Price Health Sciences – PRHSX; Delaware Healthcare – DLHIX) on a pro rata basis.

- If additional funds are required to execute the above trades, then sufficient shares of the S&P 500 SPDR (SPY) would be sold.

Upon a motion by Mr. Drake, seconded by Mr. Turner, the Committee voted 4 – 0 to approve the actions of the OPEB Trust Board.

4. **Cash Management**

Following up from last month’s IAC cash management discussion Ms. Yemets distributed a number of updated reports/schedules that she reviewed with the Committee. The schedules included 1) Treasurer’s Report as of May 31, 2018 2) the concentration of funds at Town banks, CT STIF and the CD Program; 3) a summary of current indicative interest rates for Treasury Bills, U.S. Government Agencies, Repurchase Agreements and FDIC covered CDs, and 4) a comparison of the current rates the Town is experiencing vs the rates available from other than banks, CT STIF and the A&M CD program.

Regarding the plan to invest in Treasury bills, government Agencies and repurchase agreements (Repos), Ms. Murphy pointed out that the CT General Statutes does not permit direct investments by municipal treasurers in Repos, only indirect investments through qualified mutual funds that invest in government securities including Repos collateralized by government securities.

The Treasurer discussed the benefits of investing in TBs and Agencies, including diversification from the reliance on the bank market as well as being complementary to the bank market especially in the short end of the yield curve where we can expect a pickup in yield. The Treasurer advised that she expected to invest $10 million initially with the expectation of bringing that figure up to $20 million subject to the cash flow needs of the Town. The Cash Management Resolution permits the Comptroller and Treasurer to invest in TBs and Agencies. The Board took a sense of the Board vote.

Following up from the prior month’s IAC’s meeting the Treasurer presented a red lined version of the Cash Management Resolution increasing the maximum amount of the investment in FDIC CDs from $10 million to $20 million. This change to the Resolution would require full BET approval. The Board agreed that the advantages included:

- Although currently TBs are competitive with CDs in the short end of the yield curve, generally CDs are the highest yielding CGS permitted investment option for municipal deposits and they help diversify the portfolio.
- We provided an investment policy to Alvarez and Marsal of a maximum of 3 years and an average life of 1.5 years. Depending on market interest rate expectations and the shape of the yield curve this can and would be revisited.
- The CD investments are laddered out such that we have quarterly maturities, providing liquidity if needed.
4. **Old Business**

**Custodial Selection and Policy** – David Weisbrod advised the committee that the draft amendment to the Neuberger Burman Investment Management Agreement appointing Neuberger Burman as Custodian was still being worked on by the attorneys. The amendment would come back to the Investment Advisory Committee which previously gave their support for the appointment subject to the satisfactory evaluation by the BET Law Committee of: 1) compliance with the Town Charter; 2) review of whether any other legal issues need to be addressed; 3) details relating to a dissolution of the Town’s relationship with Neuberger Berman as OCIO and transition to a new custodian; and 4) level of Neuberger Berman’s insurance covering the custodial services responsibilities.

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

- July 24, 2018 at 10:00 (Tuesday)
- August – no meeting
- September 11, 2018 at 10:00 (Tuesday)
- October 23, 2018 at 10:00 (Tuesday)
- November 13, 2018 at 10:00 (Tuesday)
- December 11, 2018 at 10:00 (Tuesday)

6. **New Business**

Ms. Murphy advised the Committee that due to a deterioration in the risk capital ratios of Webster Bank the Town’s deposits were moved to the bank’s 100% secured money deposit account. The Webster Bank account officer met with Treasury to explain the decision of the management of Webster Bank to increase leverage to accommodate their business plans. There were no changes to Webster’s credit ratings.

7. **Adjournment**

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

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Kathleen Murphy, Recording Secretary

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David Weisbrod, Chairman, Investment Advisory Committee
Present:

Committee: David Weisbrod, Chairman; William Drake, Andreas Duus, Anthony Turner

Staff: Roland Gieger, Acting-Comptroller; Kathleen Murphy, Treasurer; Nataliya Yemets, Assistant to the Treasurer

The meeting was called to order at 10:00 A.M.

1. **Acceptance of the BET Investment Advisory Committee Meeting Minutes**

Upon a motion by Mr. Duus, seconded by Mr. Turner, the Committee voted 4 - 0 to accept the Investment Advisory Committee Meeting Minutes of May 9, 2018.

2. **Appointment of members of the OPEB Trust Board**

Mr. Gieger distributed i) the resumes of Robert Stricker and Joseph Pellegrino whose terms on the OPEB Trust Board were ending, and ii) a draft recommendation to the Board of Estimate and Taxation regarding the reappointment of Mr. Pellegrino and Mr. Stricker to the OPEB Trust Board.

Upon a motion by Mr. Duus, seconded by Mr. Turner, the Committee voted 4 - 0 to reappoint Mr. Pellegrino to a position on the OPEB Trust Board with a term ending June 30, 2021, and to reappoint Mr. Stricker to the position of Chairman for another term ending June 30, 2019.

3. **Review and Approval of Actions of the OPEB Trust Board Meeting**

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- Sell 100% of the position in the CT Treasurer’s Short Term Investment Fund (CT STIF) ($1.3 million) and reinvest the proceeds in the Fidelity Investments Money Market – Money Market Portfolio – Class I (FMPXX), or equivalent.
- Increase the allocation to Small Cap equites from 5% of the equity portfolio to 10%.
- Reduce the 3% over weighting in the financial sector to a neutral position, by selling shares in Financial Select Sector SPDR (XLF).
- Increase the 1% underweighting in the healthcare sector to a 1% over weighted position, by buying shares in the three current healthcare positions (S&P Biotech SPDR – XBI; T.
Rowe Price Health Sciences – PRHSX; Delaware Healthcare – DLHIX) on a pro rata basis.

- If additional funds are required to execute the above trades, then sufficient shares of the S&P 500 SPDR (SPY) would be sold.

Upon a motion by Mr. Drake, seconded by Mr. Turner, the Committee voted 4 – 0 to approve the actions of the OPEB Trust Board.

4. **Cash Management**

Following up from last month’s IAC cash management discussion Ms. Yemets distributed a number of updated reports/schedules that she reviewed with the Committee. The schedules included 1) Treasurer’s Report as of May 31, 2018 2) the concentration of funds at Town banks, CT STIF and the CD Program; 3) a summary of current indicative interest rates for Treasury Bills, U.S. Government Agencies, Repurchase Agreements and FDIC covered CDs, and 4) a comparison of the current rates the Town is experiencing vs the rates available from other than banks, CT STIF and the A&M CD program.

Regarding the plan to invest in Treasury bills, government Agencies and repurchase agreements (Repos), Ms. Murphy pointed out that the CT General Statutes does not permit direct investments by municipal treasurers in Repos, only indirect investments through qualified mutual funds that invest in government securities including Repos collateralized by government securities.

The Treasurer discussed the benefits of investing in TBs and Agencies, including diversification from the reliance on the bank market as well as being complementary to the bank market especially in the short end of the yield curve where we can expect a pickup in yield. The Treasurer advised that she expected to invest $10 million initially with the expectation of bringing that figure up to $20 million subject to the cash flow needs of the Town. The Cash Management Resolution permits the Comptroller and Treasurer to invest in TBs and Agencies. The Board took a sense of the Board vote.

Upon a motion of Mr. Drake and Second by Mr. Turner the Board voted 4-0 in support of the plan to expand the investment program to invest directly in TBs and Agencies.

Following up from the prior month’s IAC’s meeting the Treasurer presented a red lined version of the Cash Management Resolution increasing the maximum amount of the investment in FDIC CDs from $10 million to $20 million. This change to the Resolution would require full BET approval. The Board agreed that the advantages included:

- Although currently TBs are competitive with CDs in the short end of the yield curve, generally CDs are the highest yielding CGS permitted investment option for municipal deposits and they help diversify the portfolio.
- We provided an investment policy to Alvarez and Marsal of a maximum of 3 years and an average life of 1.5 years. Depending on market interest rate expectations and the shape of the yield curve this can and would be revisited.
- The CD investments are laddered out such that we have quarterly maturities, providing liquidity if needed.
The Town has a formal, negotiated Custody Agreement with US Bank for the CD portfolio.

The Treasurer expects to be able to negotiate a fee reduction.

Upon a motion by Mr. Drake, seconded by Mr. Turner, the Committee voted 4 - 0 to support the plan to increase the FDIC CD program to $20 million and to present the revised Cash Management Resolution to the full BET.

4. Old Business

Custodial Selection and Policy – David Weisbrod advised the committee that the draft amendment to the Neuberger Burman Investment Management Agreement appointing Neuberger Burman as Custodian was still being worked on by the attorneys. The amendment would come back to the Investment Advisory Committee which previously gave their support for the appointment subject to the satisfactory evaluation by the BET Law Committee of: 1) compliance with the Town Charter; 2) review of whether any other legal issues need to be addressed; 3) details relating to a dissolution of the Town’s relationship with Neuberger Berman as OCIO and transition to a new custodian; and 4) level of Neuberger Berman’s insurance covering the custodial services responsibilities.

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7. Adjournment

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Kathleen Murphy, Recording Secretary

David Weisbrod, Chairman, Investment Advisory Committee