1. OPEB Trust Board Meeting Documents

Documents:

APPROVED_OPEB_TRUST_MEETING_MINUTES_10-24-11.PDF
OPEB_TRUST_MEETING_AGENDA_10-24-11.PDF
TOWN OF GREENWICH
BOARD OF ESTIMATE AND TAXATION

OPEB Trust Board Meeting Minutes

11:00 A.M. Monday, October 24, 2011
Mazza Conference Room
First Floor, Town Hall

Present:

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

BET Attendees: Art Norton, Joseph Pellegrino, William Finger
Mary Lee Kiernan

Attendees: Peter Mynarski, Comptroller and ex-officio member of the
OPEB Trust Board, Kathleen Murphy, OPEB Board Trustee
Sean Goldrick, BET candidate

The meeting was called to order at 11:00 A.M.

1. Approve Minutes of July 18, 2011 Meeting

Mr. Skidmore made a motion to approve the July 18, 2011 minutes, seconded by Mr. Ferdinand. The motion passed 3 to 0 in favor.

2. Review Performance of Trust and Rebalancing

Ms. Murphy distributed the September 2011 monthly OPEB investment performance reports and related materials. Ms. Murphy reported that the returns were negative for the month (6.23%) and the quarter (11.30%). There was a short discussion on fair value pricing by Vanguard which is intended to reflect the impact of news that becomes available after the international markets are closed in Europe and Asia but before the end of the day trading in the U.S. when Vanguard values its equity holdings in its foreign investment funds.

Ms. Murphy distributed two articles on emerging market investments; one from TCW Emerging Markets Research and one from Bloomberg.

The Board members had an extended discussion on the "Rebalancing Analysis", specifically the asset Allocation Ranges. The Board requested that the report detail the individual investments and where they stood with respect to the policy guidelines. Mr.
Stricker specifically requested that the individual investment ranges should be calculated as shown in the Policy Guidelines. In other words, they should be shown as a percent of their sub-asset allocation category (i.e. stocks or bonds), not as a percent of total assets.

3. **Review of Funds/Asset Allocations and Potential New Funds**

Mr. Stricker asked the Board members for their thoughts on reviewing funds and asset allocations and the potential for new funds. Mr. Ferdinand started the discussions by impressing the need to have a position on the economic outlook for the next 12 to 18 months to determine the best opportunities for investment. Mr. Ferdinand stated there is the question of whether or not the economy will go into a recession. He also offered that he felt the economic conditions are not as bleak as being portrayed. Mr. Ferdinand commented on the strength of the 3rd quarter corporate earnings releases and the fact that there is growth in revenues as well. Mr. Ferdinand told the Board he is biased on the equity side of investing, with bonds being overvalued.

Mr. Pellegrino asked Mr. Ferdinand in which sectors he would invest and for his thoughts about investing in China. Mr. Ferdinand answered that he liked the technology and energy sectors. With respect to China and Latin America, he reflected on the fact that China has two sets of books and maybe the growth hasn’t been as strong as reported. Also, there is a significant concern about inflation.

Mr. Pellegrino asked Mr. Ferdinand about investing in the financial sector. Mr. Ferdinand responded that he is positive toward financials. Banks stocks are undervalued in general. He added banks are well-reserved and opportunities look good for financials over the next 2 to 3 years.

Mr. Skidmore offered his comments by saying he likes the technology sector but does not like financials, which he considered a mess. The Dodd Frank legislation is imposing significant regulation on the banks which will impact costs and returns. Mr. Norton also felt that the new capital requirements of Basil III will negatively impact bank equities.

Mr. Pellegrino added that he likes high yield bonds, which are pretty attractive now as spreads significantly widen in the rush to safety. He also recommended buying preferred stocks of banks. Mr. Pellegrino stated that he is more optimistic than Mr. Skidmore on financials. The preferred stocks provide a high yield and potential for capital appreciation. A discussion ensued about the ETF iShares S&P U.S. Preferred Stock Index Fund (ticker: PFF). The preferred shares included banks and industrials. Current yield was 7.32%. The consensus was that this would be an attractive equity investment.

Mr. Skidmore asked how much was invested in banks in the Vanguard Domestic Equity Fund and was told about 15%. Mr. Skidmore conceded we are already there and there is no need to increase bank stock holdings.
Mr. Stricker finalized the comments by saying he preferred high yield bonds and asked for motions for asset allocation changes.

Mr. Skidmore made a motion, seconded by Mr. Ferdinand, to increase the asset allocation in Met West High Yield (MWHYX) to 6% with the funding coming equally from the Vanguard Total Bond Index (VBTIX) and iShares 1 – 3 Year Credit (CSJ). The vote passed 3 to 0.

Mr. Skidmore made a motion, seconded by Mr. Ferdinand, to invest in the iShares S&P U.S. Preferred Stock Index Fund (PFF) with an allocation of 5%. The motion included the funding to come equally from the Vanguard Total Bond Index and iShares 1 – 3 Year Credit. The vote passed 3 to 0.

Mr. Ferdinand made a motion, seconded by Mr. Skidmore, to do the quarterly fund rebalancing based on the portfolio values as of Friday, October 24, 2011, or the most recent values available during the week ending October 28th. The rebalancing would be done a little earlier than the October month end to coincide with the above decision to add a new position in PFF and source the funds accordingly, to avoid potentially redoing the target adjusting trades discussed above in November 2011.

4. Approve 2012 OPEB Trust Meeting Schedule

The OPEB Trust Board scheduled and approved the following meeting dates for 2012:

- January 18, 2012 – 8:30 A.M.
- April 11, 2012 – 8:30 A.M.
- July 11, 2012 – 8:30 A.M.
- October 11, 2012 – 8:30 A.M.

5. New Business: Discussion of topics for future meetings.

There were no new business topics to discuss for future meetings.

6. Adjournment

On a motion by Mr. Ferdinand, seconded by Mr. Skidmore, the Board voted 3 to 0 to adjourn the meeting at 12:11 A.M.

Robert Stricker, OPEB Trust Board Chairman

Peter Mynarski, Recording Secretary
TOWN OF GREENWICH

OPEB TRUST MEETING

Monday, October 24, 2011
11:00 A.M.

Mazza Conference Room
First Floor, Town Hall

AGENDA

1. Approve Minutes of July 18, 2011 Meeting
2. Review Performance of Trust and Rebalancing
3. Review of Funds/Asset Allocations and potential new funds
4. Approve 2012 OPEB Trust Meeting Schedule
5. New Business: Discussion of topics for future meetings
6. Adjournment