1. OPEB Trust Board Meeting Documents

   Documents:

   APPROVED_OPEB_TRUST_MTG_MINUTES_11-08-17.PDF
   OPEB_TRUST_MEETING_AGENDA_11-08-17.PDF
Present:

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

BET Attendees: William Drake, John Blankley

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 8:40 A.M.

Approval of October 5, 2017 Meeting Minutes

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

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

Ms. Murphy distributed the October 31, 2017 OPEB Investment Portfolio Performance reports and related materials. Ms. Murphy commented that the Portfolio had a gain of $507 thousand, up 1.6% for the month, and fiscal year to date had a gain of $1.5 million, up 5.6%. As of October 31st the portfolio balance was $28.7 million.

Referring to the Rebalancing Analysis report, she reviewed the revised target asset weightings and the executed portfolio trades approved at the October meeting. She noted that at October 31st, the portfolio positions were in compliance with investment policy and target allocation.

Ms. Yemets reviewed the September 2017 Callan Report noting that the OPEB results compared favorably to other public and private plans in the Callan client constituents' database. She pointed out that Town's OPEB portfolio returns were above the median for the quarter, and for the one, three and 5 year periods, and that OPEB's quarterly return of 3.94% placed it the top quartile of the Public and Small fund benchmarks.

Ms. Yemets noted that both domestic and international equities had another good month in October, the S&P 500 was up 2.33% and the MSCI ex US was up 1.88%. The Total Portfolio had a gain of $507,000, up 1.6% for the month, ahead of its benchmark by 28 bps. For 1 year the portfolio was up 18.45%, 431 bps ahead of its benchmark.

Ms. Yemets reviewed the performance of the portfolio asset classes, noting that equities were up 2.29% in line with their benchmark and fixed income was up 43 bps ahead of the benchmark by 47 bps for the month of October. In the Alternative category, Alerian MLP(AMLP) was down 4.46% for the month.
Ms. Yemets then reviewed the S&P sector allocation and attribution analysis noting that the Technology, Financials and Materials sectors were the top performers for the month. Healthcare was among the poorest performers for the month.

The Board considered whether Operating Cash, Cash-on-hand and Federal Money Market funds should be included in Fixed Income vs cash. The Board requested that the position in the money market account be reclassified as fixed income in future reports.

**Discuss market conditions and investment strategy, including sector weightings, and determine any changes to target sector weightings**

The Board discussed market conditions and the timing of reducing the portfolio’s equity exposure. There was consensus that the equity markets will experience a correction, the timing of which is hard to predict, and the portfolio’s performance would be hurt by being too early in decreasing the position. They felt that equities were richly priced but, relative to bond yields, not overvalued. Given the positive economic trends and the possibility of tax reform from Washington the Board decided to maintain the portfolio’s equity position. The equity valuations in the international markets appear to be relatively more attractive so the Board decided to move 5% of the domestic equity allocation to international equities. The Board agreed to maintain its 5% target weighting in the Vanguard Federal Money Market Fund.

Mr. Ferdinand commented that the vibrancy of the technology sector (e.g., cloud development, artificial intelligence, semi-conductor environment) and of the healthcare sector (e.g. biological tools - genetic codes, crispier technology (gene editing), genomes), confirmed his opinion that there is opportunity in investing in these sectors.

On a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted (3-0) to increase the portfolio equity exposure to international equities by 5%. The increased allocation is to be split between the international developed markets equity fund, OANIX, and the emerging market ETF, EMM, raising the respective target allocations each by 2.5%. Sufficient number of shares of the S&P500 Index ETF (SPY) are to be sold to cover the purchases. The trades reflect OPEB’s decision to reduce domestic equities based on the relative valuation of international equities.

With the prospect of Fed action to raise short term interest rates and the beginning of reducing the Fed’s balance sheet the Board felt they should move more of the fixed income allocation to PIMCO, an active manager, from the Vanguard short term index fund.

On a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted (3-0) to further reduce Vanguard ST Corporate Bond Index (VSCSX) holding to 5% of the portfolio and invest the proceeds in PIMCO (PIMIX), a current holding of the Trust. The decision was made to reallocate funds to the actively managed fund that has more flexibility to move along the yield curve as fixed rate markets adjust to actions by the FED.

**Review the five best performing mutual funds and ETFs in each of the general healthcare and medical devices**

Mr. Stricker positioned the discussion by saying that current returns from the Vanguard Healthcare fund (VGHAX) were not meeting expectations. Its performance ranking by Morningstar
in the healthcare sector was not among the top performers for the 1, 3, 5 and 10 year periods.

Mr. Ferdinand asked the Treasurer and Assistant to the Treasurer how they arrived at the top 5 funds in each of the healthcare segments the Board identified at its October meeting. Ms. Yemets explained the basis for the selection process of the 10 fund summaries provided to the Board for consideration: size of the fund; Morningstar rating of 4 or 5 stars; and, performance over 1, 3 and 5 years. The process involved using Bloomberg statistics as well as Morningstar and other research sources.

The Board reviewed the alternatives presented. The highest performing funds were all more diversified both in the healthcare sector and globally. They were underweighted in the traditional large pharmaceutical companies and over-weighted in biotechnology.

In reviewing the selected funds, Ms. Murphy pointed out that the Delaware Healthcare fund (DLHIX) could not be held through Vanguard and would need to be purchased directly, and confirmed that T. Rowe Price Health Sciences Fund (PRHSX), which previously was closed, was currently open to new investors.

On a motion by Mr. Ferdinand, seconded by Mr. Pellegrino, the OPEB Board voted (3-0) to take the following actions in the healthcare sector:

i) To sell the entire position in the Vanguard Health Care fund (VGHAX);
ii) To invest in two new positions, the T Rowe Price Health Sciences Fund (PRHSX) and the Delaware Healthcare Fund (DLHIX), in equal amounts to bring their respective allocations to 0.5% of the portfolio, and to bring the current investment in the SPDR S&P Biotech ETF (XBI) up to its target allocation of 1%. Funding for these purchases is to be met with the proceeds from the sale of VGHAX and from the sale of shares in SPY for any additional amount required. These trades bring the Portfolio’s healthcare exposure to a market weighting.

**Discussion of topics for future meetings**

Mr. Ferdinand proposed that the Board schedule reviews of the top 5 mutual funds/ETFs in each of the S&P 500 sectors, one sector at each meeting over the year such that each sector is covered once a year. He asked that the Technology sector be reviewed next.

The Board agreed to review the Investment Policy Statement.

**Adjournment**

On a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 3-0 to adjourn the meeting at 10:13 A.M.

Next meeting scheduled for December 7, 2017 at 8:30 A.M. in the Mazza Meeting Room.

Catherine Sidor, Recording Secretary
Schedule future OPEB Board Meeting Dates

December 7, 2017 at 8:30 A.M. (Thursday)
January 9, 2018 at 8:30 A.M. (Tuesday)
February – no meeting is scheduled
March 14, 2018 at 8:30 A.M. (Wednesday)
April 11, 2018 at 8:30 A.M. (Wednesday)
May 9, 2018 at 8:30 A.M. (Wednesday)
June 13, 2018 at 8:30 A.M. (Wednesday)
TOWN OF GREENWICH

OPEB TRUST MEETING

Wednesday, November 8, 2017
8:30 A.M.

Mazza Room
1st Floor, Town Hall

AGENDA

1. Approval of October 5, 2017 Meeting Minutes

2. Review Performance of Trust including the rebalancing trades approved at the July meeting and the resulting asset allocation percentages

3. Discuss market conditions and investment strategy, including asset allocation and sector weightings

4. Review the five best performing mutual funds and ETFs in each of general healthcare and medical devices.

5. Discussion of topics for future meetings

6. Adjournment

Next Meeting – December 7, 2017