

1. IAC Meeting Agenda 11-14-2023 REVISED

Documents:

[IAC MEETING AGENDA 11-14-2023 REVISED.PDF](#)

1.I. BET IAC-OPEB Concurrent Mtg. Minutes 10 17-2023

Documents:

[BET IAC - OPEB CONCURRENT MEETING MINUTES 10-17-2023  
DRAFT.DOCX](#)



**TOWN OF GREENWICH**

**BOARD OF ESTIMATE & TAXATION  
INVESTMENT ADVISORY COMMITTEE MEETING**

**Tuesday, November 14, 2023 – 11:00 A.M.**

**Mazza Room  
1<sup>st</sup> Floor, Town Hall**

**AGENDA**

1. Approval of the BET Investment Advisory Committee and OPEB Trust Board Concurrent Meeting Minutes of October 17, 2023
2. Update on the OPEB Trust Portfolio market value and asset allocations as of October 31, 2023
3. Review of Treasury Reports:
  - Town's cash position and invested cash allocations on October 31, 2023
  - Bank interest rates and earnings credit rates
  - Investments in U.S. Treasury Bills
  - General Fund monthly cash flows: actual for October 2023 and projected for the remainder of fiscal year 2024
4. Old Business
5. New Business
6. Adjournment

Next Meeting: Monday, December 11, 2023 at 10:00 A.M. in the Department of Human Services Conference Room

*The Town complies with all applicable federal and state laws regarding non-discrimination, equal opportunity, affirmative action, and providing reasonable accommodations for persons with disabilities. If you require an accommodation to participate, please contact the Commissioner of Human Services at 203-622-3800 or [demetria.nelson@greenwichct.org](mailto:demetria.nelson@greenwichct.org) as soon as possible in advance of the event.*

**TOWN OF GREENWICH  
BOARD OF ESTIMATE AND TAXATION**

**Concurrent meeting of  
Investment Advisory Committee (IAC) and  
Other Post-Employment Benefits (OPEB) Trust Board  
Meeting Minutes**

**October 17, 2023**

Present:

IAC Members: William Drake, Chairman, Harry Fisher, Miriam Kreuzer, David Weisbrod

OPEB Trust Board: Joseph Pellegrino, Chairman, William Drake, Miriam Kreuzer

Staff: Peter Mynarski, Comptroller; Nataliya Yemets, Treasurer

Guests: Brian Binkley, Vanguard

BET Member: Dan Ozizmir, BET Chairman; Leslie Tarkington

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

**1. Approval of the BET IAC Meeting Minutes of September 7, 2023**

Mr. Fisher made a motion to approve the September 7, 2023 meeting minutes, seconded by Mr. Drake. The vote was 3-0-1 to approve the June 7, 2023 meeting minutes (Ms. Kreuzer abstained as she missed a part of the June meeting). Motion carried.

**2. Review of market conditions, OPEB Trust Portfolio performance results and asset allocation as of September 30, 2023 – Vanguard**

Mr. Binkley started with a review of the capital markets and showed broad index returns for equity and fixed income. He noted that after finishing the previous fiscal year with a strong performance of 12.54%, the first quarter of the current fiscal year returns are down, with the U.S. and Non-U.S. equity losing 3.3%, the U.S. bonds down 3.1% and the Non-U.S. bonds (hedged) down 1.3%. Mr. Binkley listed some of the market drivers on one-year basis, including the U.S. Large Cap stocks (particularly the information technology sector stocks centered around the AI, like NVIDIA and Microsoft). He also reviewed different segments within the fixed income markets. The OPEB Plan holds the broad Barclays Aggregate fund with the duration of around 6.5 years which didn't do as well as shorter-term funds that benefited from the rising rates environment.

Mr. Binkley then moved to the OPEB Trust performance and stated that on fiscal year-to-date (FYTD) the Plan lost 3.33% versus the Policy benchmark that lost 3.14%. The difference is mostly explained by the differences in fair-value pricing. As a reminder, Mr.

Binkley mentioned \$1.4 million net inflow in July 2023, which represents the Town's annual contribution to the Plan (net of the Plan's expenses) and also went over the FYTD net capital appreciation (-\$1.7 million) and the investment income of the Plan (\$226 thousand). All Portfolio allocations are close to the Policy, warranting no rebalancing. The difference in the performance of the international index fund (-4.01%) versus the benchmark (-3.33%) on the FYTD basis is due to the fair-value pricing and will smooth out over time. Mr. Binkley also presented the Portfolio's attribution analysis and risk analysis.

Mr. Binkley continued with the explanation of the fair-value pricing (FVP), an adjustment process to improve the accuracy of pricing international securities in the funds on a daily basis. It is mandated by the SEC. Vanguard will use FVP net asset value if there is a single basis point difference between a fund's NAV calculated using the foreign market closing price and the NAV that would incorporate market events that occurred after the close of the foreign market. FVP differences tend to be exacerbated during periods of market volatility or during market holidays and closures. Short-term fair-value pricing differences can be small or large, positive or negative; however, over the long term, pricing tends to smooth out and the impact of fair-value on fund relative performance is negligible.

Ms. Kreuzer asked Mr. Binkley to clarify the calculation of the risk metrics on the Portfolio risk analysis page, particularly, what data was used for the Policy calculations. Mr. Binkley responded by saying that Vanguard used the actual historical policy benchmark returns that were provided by the Treasurer when the Portfolio was transferred to Vanguard in January 2022. Ms. Kreuzer suggested that this information should be footnoted on the performance report for the benefit of new IAC/OPEB Board members. Mr. Binkley promised to include in future reports a page that shows benchmark history over time.

Mr. Weisbrod asked Mr. Binkley to go over Vanguard's securities lending program. Mr. Binkley displayed a document called "Index Funds Quarterly" that provides information on all Vanguard funds, including securities lending impact on the funds returns. Vanguard utilizes securities lending to earn additional revenue to offset some of the fee impacts. There are two types of securities lending: lending based on volume (lend all of your securities) or lend only specials (securities that don't have a lot of trading volume). Vanguard does the second type of securities lending – they lend only certain securities where the trading volume is low but the margin is high. Vanguard returns more than 95% of the income derived from securities lending back to the funds and, per Mr. Binkley, this puts Vanguard in the highest ratio among asset managers, as far as returning the revenue to the funds. Sometimes, because of securities lending, index funds might outperform the indices they are tracking.

To wrap up his presentation, Mr. Binkley reviewed the updated capital market assumptions and expected return for the OPEB Trust Portfolio over the 30-year time horizon. The median expected return for the portfolio over 30 years is 6.85%, which is comfortably above OPEB's policy discounted rate of 6.75%. With regards to the asset allocation, if there are no changes to the discount rate, the asset allocation policy still makes sense.

Ms. Kreuzer thanked Mr. Binkley for the professional management of the OPEB Portfolio in the last two years and informed him that some of the IAC members will not be running for re-election on November 7, 2023. Other IAC members and Mr. Ozizmir joined Ms. Kreuzer in expressing gratitude to Mr. Binkley and his team at Vanguard.

### 3. Review of Treasury Reports

- **Town's cash position and invested cash allocations on September 30, 2023**

Ms. Yemets presented the September 30, 2023 Treasurer's Report, showing a General Fund cash balance of \$210.8 million, and made several comments regarding its contents. General Fund appreciation for the month of September was \$907,023. The Capital Projects spending amounted to \$8.4 million. The total Town Cash position, including OPEB (excluding Retirement) was \$354.6 million. Fiscal YTD appreciation for the General Fund was over \$2.6 million.

Ms. Yemets also provided a schedule of invested cash allocations and noted that approximately 1.6% of all cash (excluding Retirement and OPEB) is held at the banks (JPM, TD, Webster), with the majority of cash funds invested in U.S. Treasuries (47.7%), CT STIF (43.7%), and the CD Program (7.0%).

- **Bank interest rates and earnings credit rates**

Ms. Yemets reviewed interest rates and earnings credit rates for each bank, Certificates of Deposit and U.S. Treasuries, noting that all rates are being monitored regularly and there had not been any changes in the bank deposit interest rates since August. STIF interest rate was 5.38% in September, and STIF effective yield was 5.52%. The CD Program average yield was 2.93%, with current 3-, 6- and 12-month CDs currently offered at 5.40%, 5.45% and 5.50%, respectively.

- **Investments in U.S. Treasury Bills**

Ms. Yemets reviewed a schedule of all U.S. Treasury investments which totaled \$151.5 million (face value) on September 30, 2023, showing trade date, maturity date, quantity, price and yield to maturity for each bill. The schedule showed total investments in U.S. Treasuries for the General Fund of \$112.0 million, Capital Projects Fund of \$22.5 million, ARP COVID Recovery Fund of \$5.0 million, Capital Non-Recurring Fund of \$2.0 million and Sewer Maintenance Fund of \$10.0 million.

- **CD Portfolio holdings**

As of September 30, 2023, the Town's CD portfolio consisted of 89 holdings. Total maturities were \$22.1 million, with current weighted average maturity of 1.46 years, and weighted average yield 2.932%. Yields currently range from 20 bps to 5.55%, all IDC rankings are 165 or higher, and all positions are below FDIC limit of \$250,000.

The Committee discussed if it would be beneficial to implement a policy to define lower/upper limits and the average life of the U.S. Treasury investments and the CD Portfolio.

- **General Fund monthly cash flows: actual for September 2023 and projected for the remainder of fiscal year 2024**

Ms. Yemets presented the Cash Report for the General Fund cash flows and balances through September 30, 2023. Tax collections In September were \$4.3 million, conveyance tax collections were \$656.3 thousand, building permit revenues were \$680.0 thousand, and

State and federal grants were \$1.1 million. Total inflows were \$10.8 million, and total outflows were \$35.0 million, for net cash outflow of \$24.1 million in September. Cash ending balance was \$210.8 million on September 30, 2023.

4. **Old Business** – None

5. **New Business** – None

6. **Adjournment**

Upon a motion by Mr. Weisbrod, seconded by Ms. Kreuzer, to adjourn the Concurrent Meeting of the Investment Advisory Committee and the OPEB Trust Board at 10:56 am, the Committee voted 4-0-0 to adjourn.

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Nataliya Yemets, Recording Secretary

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William Drake, Chairman, Investment Advisory Cmte

The next meeting of the IAC will be held on Tuesday, November 14, 2023 at 11:00 A.M. in the Human Services Conference Room [the room has subsequently been changed to Mazza].