1. OPEB Trust Board Meeting Documents

Documents:

APPROVED_OPEB_TRUST_MTG_MINUTES_11-15-16.PDF
OPEB_TRUST_MEETING_AGENDA_11-15-16.PDF
TOWN OF GREENWICH
OPEB Trust Board Meeting Minutes

Tuesday, November 15, 2016
Gisborne Room, First Floor, Town Hall

Present:

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

BET Attendees: William Drake, Arthur Norton, Leslie Moriarty, 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 16, 2016 Meeting Minutes

Upon a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 3-0 to approve October 16, 2016 Meeting Minutes.

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

Ms. Murphy distributed the October 31, 2016 OPEB Investment Performance reports and related materials. She remarked that all the major indices were down for the month. The S&P 500 was down (-1.82%), the MSCI World Index ex US was down (-1.44%), and the US Aggregate Bond Index was down (-0.76%). The OPEB portfolio performed relatively well in the down market. The total portfolio value as of October 31st was $23,534,591; the loss for the month was $252,750. The Portfolio was down (-1.07%) for the month, ahead of its benchmark by 47 bps; Domestic Equity was down (-1.70%) ahead of its benchmark by 12 bps; Fixed Income was down (-0.05%) ahead of its benchmark by 117 bps; and, International Equity performance was positive 0.82%, beating its benchmark by 226 bps. She noted that the portfolio’s weightings were 63.5%/33.1%/3.4%; equity/fixed income/alternatives at October month end. In reviewing the sector allocations Ms. Murphy pointed out that the portfolio was over weighted in financials and energy.

Update on the review of data management applications to complement or replace the Bloomberg Terminal.

The Board continued its discussion of supplementing the Bloomberg reporting with the addition of the Advent System. Mr. Ferdinand reiterated that the account custodian had the ability to provide the accounting directly and he felt that the Bloomberg system must have the same capability. Ms. Murphy proposed waiting until the Vanguard platform was fully in place because it is expected to reduce the amount of manual input to produce the Bloomberg reports. Mr. Stricker asked why the supplemental system should be considered. Mr. Pellegrino offered three reasons: 1) its data management capability; 2) the accuracy and seamless reporting of time-weighted returns; 3) the quality of its record-keeping.

Mr. Ferdinand complimented Ms. Murphy and Ms. Yemets on the quality and organization of the information provided to the Board.
Discussion of market conditions and investment strategy, including sector weightings

The Board reviewed materials relating to the performance results for the various asset classes, and the Earnings growth data and Valuation analyses of the S&P 500 sectors as of October 31st.

Mr. Stricker noted that active management and the report on leading sectors provided the opportunity for forward-looking analytic discussions. Mr. Ferdinand agreed that examining the sector performance facilitated developing expectations. In light of the recent Presidential elections, he anticipated interest rates increasing, which would benefit the financial sector; that the tech sector had good potential; the investment in healthcare would benefit; and, infrastructure investment would stimulate the economy potentially bringing individual investors back into the stock market. He saw no sign of a recession.

There was consensus that fixed income would not perform well given the expectations of rising interest rates and that the equity allocation should be increased. The discussion revolved around the timeframe in which to bring the equity allocation of the portfolio up to 80%.

Mr. Ferdinand agreed that equities would outperform fixed income over the next 12 – 18 months and suggested increasing equity investments but counseled waiting a month before making changes. A discussion ensued on negatives that would affect the stock market, including Chinese debt unraveling and the potential of US domestic inflation. Mr. Pellegrino remarked that there was no reason to be invested in fixed income and proposed moving into equity investment in construction materials, healthcare and financials. Mr. Stricker asked how confident the Board was that there would be no financial crisis or inflation. He was also concerned about the timing given the recent spike in the equity indexes.

Upon a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 2-1 to increase the equity allocation by 10% over the next month.

Mr. Pellegrino asked for a discussion on where to put the investment. It was decided to increase holdings in the Industrial sector, move to market-weight in the Technology sector and wait on making any change in healthcare holdings.

Upon a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 3-0 to increase holdings in technology (XLK) from 18% of the portfolio’s equity allocation to technology’s S&P 500 Index marketing-weighting of 22%.

Upon a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 3-0 to invest in a new position, S&P Industrial Sector (XLI), in an amount sufficient to bring the industrial sector’s weight in balance with the S&P 500 Index market weight, or 10% of the equity portfolio.

Upon a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 3-0 to invest in a new position, S&P Materials Sector (XLB), in an amount sufficient to bring the materials sector’s weight in balance with the S&P 500 Index market weight, or 3% of the equity portfolio.

The Board unanimously agreed to sell 100% of the positions in iShares U.S. Preferred Stock ETF (PFF) and in PIMCO Foreign Bond Index Fund (PFORX) to fund these purchases.
The Board set a target to increase the weighting of the new sector positions as follows: Industrials (XLI) by 2% and the Materials sector (XLB) by 1% over the next month.

Upon a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 3-0 to increase holdings in Materials (XLB) by another 1% and Industrials (XLI) by another 2% during the month. Sufficient shares of PIMCO Income Fund (PIMIX) would be sold and the proceeds would be used to fund these purchases. The Board delegated the decision as to the timing of the transaction to Mr. Pellegrino.

**Review of the new real estate select sector (XLF-spin off) holding (XLRE)**

In a follow-up to Mr. Sticker's questions from last month, a summary of XLRE's fee structure was handed out. The favorable (subsidized) fee will be in place through January 18, 2017. No action taken.

**Review potential investments including 1) iShares Edge MSCI Minimum Volatility (USMV), 2) Small Cap Value ETFs. 3) Mid Cap Value ETFs**

No action taken.

**Discussion of topics for future meetings**

**Actionable Items for IAC**

- Approve the OPEB Trust Board decisions made at this meeting.

**Adjournment**

On a motion by Mr. Ferdinand, seconded by Mr. Pellegrino, the Board voted 3-0 to adjourn the meeting at 9:37 A.M.

Next meeting scheduled for December 8, 2016 at 11:00 A.M. in a meeting room to be determined.

Catherine Sidor, Recording Secretary

Robert Stricker, OPEB Trust Board Chairman

**Schedule future OPEB Board Meeting Dates**

January 5, 2017 at 8:30 A.M. (Mazza Conference Room)
February – no meeting is scheduled
March 2, 2017 at 8:30 A.M. (Mazza Conference Room)
April 17, 2017 at 8:30 A.M. (Mazza Conference Room)
May 4, 2017 at 8:30 A.M. (Mazza Conference Room)
June 7, 2017 at 8:30 A.M. (Mazza Conference Room)
July 12, 2017 at 8:30 A.M. (Mazza Conference Room)
August – no meeting is scheduled
September 7, 2017 at 8:30 A.M. (Mazza Conference Room)
October 5, 2017 at 8:30 A.M. (Mazza Conference Room)
November 8, 2017 at 8:30 A.M. (Mazza Conference Room)
December 7, 2017 at 8:30 A.M. (Mazza Conference Room)
AGENDA

1. Approval of October 16, 2016 Meeting Minutes

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

3. Update on the review of data management applications to complement or replace the Bloomberg Terminal

4. Discuss market conditions and investment strategy, including sector weightings

5. Review the new real estate select sector (XLF-spin off) holding (XLRE)

6. Review potential investments including 1) iShares Edge MSCI Minimum Volatility (USMV), 2) Small Cap Value ETFs, 3) Mid Cap Value ETFs

7. Discussion of topics for future meetings

8. Adjournment

Next Meeting - December 8, 2016