1. OPEB Trust Board Meeting Documents

Documents:

- APPROVED_OPEB_TRUST_MTG_MINUTES_12-07-17.PDF
- OPEB_TRUST_MEETING_AGENDA_12-07-17.PDF
TOWN OF GREENWICH
OPEB Trust Board Meeting Minutes
Thursday, December 7, 2017
Mazza Room, First Floor, Town Hall

Present:

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

BET Attendees: William Drake, John Blankley, Anthony Turner

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 8:30 A.M.

Approval of November 8, 2017 Meeting Minutes

Upon a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 3-0 to approve the Minutes of the November 8, 2017 Meeting.

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

Ms. Murphy distributed the November 30, 2017 OPEB Investment Portfolio Performance reports and related materials. She commented that the Portfolio had a gain of $346 thousand for the month, up 1.22% for the month, and fiscal year-to-date had a gain of $1,850,375. As of November 30, 2017, the portfolio balance was $29,026,816.

Referring to the Rebalancing Analysis report, Ms. Murphy commented on the trades that were approved at the November meeting. She noted that although there were no changes to the fixed income and equity target allocations, within each asset class changes were made. In fixed income the target allocation to the Vanguard Short Term Corp Bond Fund was reduced by 2.8% to 5% and the allocation to the PIMCO fund was increased by 2.8% to 22.8%. Within the equity asset class, 1) 5% of the portfolio was reallocated from domestic (SPY) to international equity (OAKIX), and 2) the Vanguard Health Care fund was liquidated and the proceeds reinvested in T. Rowe Price Health Sciences and in the Delaware Healthcare Fund, each having a target allocation of 0.5%. The trades were completed shortly after the meeting with the exception of the Delaware fund which required that OPEB open a new account with Delaware Investment. The investment was completed on November 29th. The portfolio is in compliance with the IPS and in line with the target allocations.

Ms. Murphy suggested that the Board take up agenda item 4 at this point and the Board agreed.

Review State of CT’s Short Term Investment Fund as an alternative to the current Vanguard Federal Money Market position

Ms. Murphy reminded the Board of its request to identify an alternative to the Vanguard Federal Money Market fund, and after her research, she recommended the CT Treasurer’s Short Term
Investment Fund, which has a higher yield, daily liquidity, no fees and a AAA S&P rating. Further, she remarked that the Board could anticipate an additional 20 bps in yield.

On a motion by Mr. Ferdinand, seconded by Mr. Pellegrino, the Board voted (3-0) in favor of selling $1.3 million of the Vanguard Fed Money Market (VMFXX) and investing the proceeds of $1.3 million in CT's State Treasurer's Short-Term Investment Fund (STIFF).

**Review Performance of the Trust (continued)**

Ms. Yemets remarked that the domestic and international equity markets had a good month in November. The S&P index was up 3.07% and the MSCI ex US posted a 0.81% gain. For the twelve months ending November, the S&P was up 22.87% and the MSCI index was up 27.59%.

The portfolio value, $29,260,126, was up 1.22%, 45 bps below benchmark in November, however, for the twelve months it is up 16.97%, 150 bps ahead of the benchmark and significantly ahead of the actuarial return assumption. Ms. Yemets pointed out a new column added to the Performance report that displayed the performance of the portfolio since its initial funding as a Trust Fund. Previously it was a Reserve fund with more restrictive investment constraints. Over the 9.25-year period the portfolio returned 6.75% on an annualized basis, 14 bps below the benchmark.

Ms. Yemets continued commenting that domestic equities were up 2.8%, 0.27 bps behind the benchmark and International equity was down 58 bps, 139 bps behind its benchmark. Domestic equities were up 22.54% for 12 months, 33 bps behind the S&P index, while international equity was up 32.02%, 443 bps ahead of the benchmark. With the Board decision at its last meeting to include the Vanguard Money Market fund in fixed income (vs cash) the weighting of the Fixed Income allocation increased to 30% of the portfolio. Fixed income was up 0.14% in line with the benchmark for the month, and up 5.38% for the 12 months, 141 bps ahead of the benchmark.

Turning to the Equity Sector Allocations report, Ms. Yemets noted that adding the new positions in T. Rowe Price Health Sciences and Delaware Healthcare Funds brought the exposure to the healthcare sector in line with S&P 500 index. Ms. Yemets pointed out that the Trust's portfolio is overweight to industrials by 3.4%, materials by 1.4%, communication services by 1.2%, technology by 1% and energy by 0.8% relative to the index and underweight consumer cyclical, consumer defensive, utilities and real estate.

**Discussion of market conditions and investment strategy, including sector weightings and possible changes to target sector weightings**

The Board discussed the current portfolio structure and the sector strategies acknowledging that the OPEB Trust Fund performed very well in the CY to date growing 15%, 93 bps ahead of the benchmark, and 8% higher than the actuarial assumption. The consensus was that 2018 may not be as strong, but domestic equities would be helped by improved corporate earnings (due to the tax reform legislation that seemed likely to pass in Washington), a positive economic environment, and low interest rates. However, the market is overdue for a 5 to 10% correction. International equity which had been lagging the domestic market has improved returning 400 bps more than the S&P in the CY to date. Globally interest rates are expected to rise as quantitative easing in the US and in Europe comes to an end with the respective governing boards reducing their balance sheets. The Board continued discussing the Alternative equity position, Alerian, which has been disappointing, and negatively affecting performance. The consensus was to continue to
hold the position with the expectation of improvement due to rising energy prices and the fact that ALMP has a 7% yield.

The Board concluded that they wouldn't change the asset allocation at this time but that they wanted to "keep a finger on the trigger" with respect to equities. A strategy they could resort to would be to be in index funds matching the benchmark, only taking sector bets when there a strong convection of the Board and the willingness to take a meaningful "bet."

Review the five best performing mutual funds and ETFs in technology sector

Ms. Yemets referred the Board to the materials on the best performing funds in the technology sector, including the Bloomberg fund comparative reports detailing the respective fund performance, size, fees, etc., fact sheets for the funds, and a summary comparative schedule of the performance of the funds including the current portfolio holding in technology, XLK. Ms. Murphy pointed out that there were a number of other well performing funds, but they are not included in this analysis since they are closed to new investors.

The Board noted that Robo Global (ROBO) and Fidelity Select Tech (FSPTX) both performed better than Powershares QQQ Trust (QQQ) and Technology Select Sector SPDR (XLK). Mr. Ferdinand suggested that he would want to review some of the technical charts on these funds before making a buy decision. The Board then reviewed the comparative technical charts for ROBO and FSPTX with software suggested by Mr. Ferdinand - stockcharts.com.

Mr. Ferdinand made the Motion, seconded by Mr. Stricker to liquidate the entire holdings in XLK ($826 thousand) to acquire Fidelity Select Technology Portfolio (FSPTX). The Board voted 3-0 in favor of the motion.

Discussion of topics for future meetings

The Board agreed that the review of each of the sectors of the S&P 500 index to identify the top 5 performing mutual funds and/or ETFs in each sector was a good process. The Board requested that the analysis/review in January be on the industrial sector, which is over weighted (3.4%) in the portfolio.

The Board decided to review the Investment Guidelines and Policy Statement at the meeting in January.

Adjournment

On a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 3-0 to adjourn the meeting at 9:40 A.M.

Next meeting scheduled for January 9, 2018 at 8:30 A.M. in a room to be announced.
Schedule future OPEB Board Meeting Dates

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

Thursday, December 7, 2017
8:30 A.M.

Mazza Room
1st Floor, Town Hall

AGENDA

1. Approval of November 8, 2017 Meeting Minutes.

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

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

4. Review the State of CT’s Short Term Investment Fund as an alternative to the current Vanguard Federal Money Market position.

5. Review the five best performing mutual funds and ETFs in the technology sector.

6. Discussion of topics for future meetings including a review and possible updating of the Investment Policy Statement.

7. Adjournment

Next Meeting – January 9, 2018