

1. BET Investment Advisory Comm. Webinar Agenda

Documents:

[BET IAC WEBINAR AGENDA\\_1-14-2021.PDF](#)

2. BET IAC Webinar Package

Documents:

[BET IAC WEBINAR PACKAGE\\_1-14-2021.PDF](#)

3. BET Investment Advisory Comm. Meeting Minutes\_1-14-2021\_SUB\_TO\_APP

Documents:

[SUB\\_TO\\_APP\\_BET IAC MEETING MINUTES\\_01-14-2021.PDF](#)



## TOWN OF GREENWICH

### BOARD OF ESTIMATE & TAXATION INVESTMENT ADVISORY COMMITTEE WEBINAR

Thursday, January 14, 2021 – 10:00 A.M.

#### AGENDA

You are invited to a Zoom webinar  
<https://greenwichct.zoom.us/j/82586683840?pwd=T1NOa0txSjc1SmE0SGNJcF14dXhuUT09>  
Password: 0518016

Or iPhone one-tap: US: +16465189805,,82586683840#,,1#,0518016# or  
8335480276,,82586683840#,,1#,0518016# (Toll Free)

Dial (for higher quality, dial a number based on your current location): +1 646 518 9805 or 833  
548 0276 (Toll Free) or 833 548 0282 (Toll Free) or 877 853 5257 (Toll Free) or 888 475 4499  
(Toll Free)

Webinar ID: 825 8668 3840  
Password: 0518016

1. Approval of the BET Investment Advisory Committee Webinar Minutes of December 8, 2020
2. Review and approval of proposed investment actions of the January 14, 2021 OPEB Trust Board Meeting
3. Discussion of Proposed Changes to the OPEB Trust Investment Policy Statement
4. Review Town's cash position as of December 31, 2020, actual cash flows for December 2020 and projected flows for the remainder of fiscal year 2021
5. Review CD Program holdings as of December 31, 2020
6. New Business
7. Adjournment

Next Meeting: February 11, 2020 at 10:00 AM, via virtual Zoom webinar.

*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

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

**Investment Advisory Committee Meeting Minutes**

Tuesday, December 8, 2020

Virtual Webinar

Present:

Committee: Andreas Duus, Chair; William Drake, Miriam Kreuzer, David Weisbrod

Staff: Joan Lynch, Assistant to the Treasurer; Peter Mynarski, Comptroller;  
Nataliya Yemets, Treasurer

BET: Laura Erickson; Leslie L. Tarkington

Guests: Joseph Pellegrino, OPEB Trust Board Member and Chairman, Retirement Board; Robert Stricker, Chairman, OPEB Trust Board

The meeting was called to order at 10:03 A.M.

**1. Approval of the BET Investment Advisory Committee Webinar Minutes**

Upon a motion by Mr. Drake, seconded by Ms. Kreuzer, the Committee voted 4-0-0 to approve the Minutes of the IAC Meeting of November 10, 2020. Motion carried.

**2. Review and approval of proposed investment actions of the December 8, 2020 OPEB Trust Board Meeting**

During the OPEB Trust's meeting of December 8, 2020, the Trust Board voted 3-0-0 to sell 100% of iShares Convertible Bond ETF (ICVT) and a sufficient amount of Vanguard Federal Money Market Fund (VMFXX) to invest the proceeds as follows: to bring the Vanguard Russell 2000 Index Fund ETF (VTWO) to 10% of the total Portfolio; to bring SPDR S&P 500 ETF (SPY) to 60% of the total Portfolio; and, to bring Vanguard FTSE All-World ex-US ETF (VEU) to 5% of the total Portfolio. The transactions were made to increase the equity portion of the Portfolio from 60.6% to 75.0% to capture a higher return.

Upon motion by Mr. Duus, seconded by Mr. Drake, the Committee voted 4-0-0 to accept the transactions proposed by the OPEB Trust Board. Motion carried.

**3. Discussion of Proposed Changes to the OPEB Trust Funding Policy and Investment Policy Statement**

The Committee continued discussion begun in the immediately preceding OPEB Trust meeting.

Discussion ensued regarding the potential changes in the investment policy statement for the OPEB Trust, and the contrast between how the Town manages its investment of its pension assets versus its OPEB assets.

Although there was a general support among Committee members for greater equity weighting of the portfolio, less active management and less frequent meetings of the OPEB Trust Board, Mr. Weisbrod asked if it was not time now for the Town to consider the engagement of a professional outside investment manager for the OPEB assets, possibly with the current members of the Trust Board acting in a review capacity.

Mr. Duus suggested that an intermediate step might be considered, given the expertise of the OPEB Trust Board members, to adjust the OPEB Board schedule to quarterly meetings, and increase the equity/passive orientation of the investment portfolio. Ms. Kreuzer added that it is necessary to distinguish between passive management of instruments versus passive management of allocation.

Mr. Pellegrino expressed belief that investment performance likely would not be adversely affected by moving from monthly to quarterly meetings and the possible resetting of the investment targets. With respect to hiring an outside manager, Mr. Pellegrino would not want to pay for a manager who would be a closet indexer. Rather, he would prefer that manager to make real bets, to use their judgement to either over- or under-weight versus a benchmark, and keep the benchmark narrowly defined (such as Equity-US, Equity-Int'l, Equity-Emerging and FI-Aggregate).

Mr. Stricker did not object to having an outside manager provided they would actively manage asset allocation amongst passive funds, watch the asset portfolio every day and stay within the guidelines set by the IAC. In this case, the manager could execute trades without IAC approval and report to the Committee on a quarterly basis. Possibly, in this context, the OPEB Trust Board might function in an oversight capacity, i.e., the OPEB Advisory Board.

Mr. Duus identified follow-up for the January meeting to include proposed changes to the investment policy statement and collecting data on outside investment managers. In this connection Mr. Mynarski will circulate to the Committee a copy of another Town's RFP for an OPEB investment manager.

**4. Review compliance with the Town of Greenwich Resolution Concerning Cash Management**

Done annually, Ms. Yemets reviewed the Resolution Concerning Cash Management with the Committee. She confirmed that the Town remains in full compliance with the Resolution, and recommended no change.

**5. Review Town's cash position as of November 30, 2020, actual cash flows for November 2020 and projected flows for the remainder of fiscal year 2021**

The Town's General Fund November-end cash balance was \$135.7 million compared to the November 2019 cash balance of \$125.4 million, the difference primarily due to higher cash flows associated with higher collections of conveyance taxes and Federal and State grants.

**6. New Business** – None

7. **Adjournment**

Mr. Drake made a motion, seconded by Ms. Kreuzer, to adjourn the Regular Meeting of the Investment Advisor Committee at 11:25 A.M. The Committee voted 4-0-0. Motion carried.

Next Meeting: January 14, 2021 at 10:00 A.M. as a Virtual webinar.

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Catherine Sidor, Recording Secretary

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Andreas Duus, Chair, Investment Advisory Committee

**Schedule Investment Advisory Committee Meetings for calendar year 2021**

January 14 (Thursday)  
February 11 (Thursday)  
March 11 (Thursday)  
April 8 (Thursday)  
May 13 (Thursday)  
June 10 (Thursday)

## OTHER POST-EMPLOYMENT BENEFITS TRUST INVESTMENT POLICY STATEMENT

### Introduction

Other Post-Employment Benefits (OPEB) consist of healthcare and life insurance benefits for Town of Greenwich (TOG) retirees. In 2004, the Governmental Accounting Standards Board issued Statements requiring municipal governments to account for Other Post-Employment Benefits in a manner similar to that of pension benefits. Accordingly, the Board of Estimate and Taxation (BET) decided to appropriate money to fund OPEB payments, and thereby established the OPEB Trust (Trust). The Trust was established and is governed in accordance with the Declaration of Trust effective January 1, 2008. The Trustee of the Trust is the Town's Treasurer. A three-member board (Board) appointed by the BET is responsible for making investment recommendations. All investment recommendations require the to the BET- review and approval by the BET's The Board reports to the BET through the Investment Advisory Committee (IAC) before the Trustee may execute the Board's recommended investment actions.-

For administrative ease, during the fiscal year the TOG makes OPEB payments directly from its General Fund to the beneficiaries. Shortly after the end of each fiscal year, a payment is made between the General Fund and the Trust reconciling any difference between the General Fund's OPEB payments to beneficiaries and the Actuarially Determined Employer Contribution for OPEB.

### Investment Objective

The investment objective of the Trust is to earn a blended rate of return consistent with the long-term Rate of Return assumption used for the annual Actuarial Valuation. In the most recent Actuarial Valuation, dated July 1, 2020 Currently, the is return assumption was set at 7.00%.

The assets of the Trust shall be invested to ensure that principal is preserved and enhanced over the long-term ~~both in real and nominal terms~~. The assets shall be managed and invested in accordance with the Connecticut Uniform Prudent Investor Act (Public Act No. 97-140). i

### Liquidity

The Trust shall maintain a cash or near-cash position in accordance with the Trustee's need to meet obligations of the Trust. It is anticipated that the need to raise cash in the normal course of events will be once a year ~~soon after~~ the end of the Fiscal Year to reconcile with the General Fund. Otherwise, cash will be held only if market conditions warrant.

**OTHER POST-EMPLOYMENT BENEFITS TRUST  
INVESTMENT POLICY STATEMENT**

**Investment Guidelines**

~~Given that the form of organization of the BET, its IAC committee and the OPEB Trust imposes structural constraints on approval of investment decisions and trade execution, the BET prefers a more passive, versus a more active, management of the OPEB Trust assets.~~

~~Given the long-term nature of the obligation to be funded and the liquidity needs of the Trust, the BET is willing to accept a higher portfolio volatility (standard deviation of monthly returns) to achieve the Trust's investment objectives. Higher portfolio volatility can be a function of a larger equity allocation and/or greater concentration of investable strategies. Furthermore, the BET has a strong preference for passive investment vehicles and any actively managed vehicles will be subject to limits. prefers a relatively greater, and not less, proportion of the OPEB Trust assets be invested in equities.~~

The Trust's assets may be invested in the following asset classes ~~and sub-classes (Asset Classes and Sub Classes)~~ and within the ranges specified. The Board is charged with recommending the asset allocation (Asset Allocation) and investments (Investments), consistent with the Investment Objective and after taking into consideration the economic and market outlook for each asset class.

~~On a quarterly basis, On as frequent basis, as the Board determines is prudent to meet, but no less frequently than quarterly, t~~the Board shall review and may recommend to the ~~BET Investment Advisory Committee (IAC)~~ a change in Asset Allocation for one or more of the Asset Classes or Sub-Classes. Should the Board wish to change the minimum ~~maximum~~ range, or add additional Sub-Classes, however, it must recommend such change(s) to the IAC for BET approval.

<u>ASSET CLASS</u>	<u>Minimum</u>	<u>Maximum</u>
Equities	<del>60</del> 20%	<del>90</del> 80%
Alternatives	0%	20%
Fixed Income *	<del>10</del> 20%	<del>40</del> 80%
<del>Cash or Near term</del> Investments*	0%	60%

\* ~~Inclusive of~~ Cash or ~~n~~Near-Term ~~i~~Investments, ~~includes~~ U. S. Treasury Bills and U.S. Government Agencies, and FDIC insured Certificates of Deposit ~~and Money Market Funds~~.

~~[Fixed Income at 10% or Equities at 85% max, otherwise the max min doesn't work]~~

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**OTHER POST-EMPLOYMENT BENEFITS TRUST  
INVESTMENT POLICY STATEMENT**

Further, in considering allocations to the above specified broad Asset Classes, the Board should consider the following guidelines for the respective Sub-Classes (note Minimum and Maximum limits are expressed as percentages of the Portfolio):

<u>EQUITIES</u>	<u>Minimum</u>	<u>Maximum</u>	
Domestic	<del>62</del> 20%	<del>90</del> 80%	
<u>Other International:</u>		0%	20%
Developed Countries	0%	50%	
Emerging Markets	0%	0%	20%

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~~[Equities — Domestic need to be at 60% to match asset class]~~ ALTERNATIVES

<u>Minimum</u>	<u>Maximum</u>
Other than equities or fixed income	0% — 20%

<u>FIXED INCOME</u>	<u>Minimum</u>	<u>Maximum</u>	
Domestic <u>* Investment</u>			
<del>Grade Bonds</del>	<del>20</del> 20%	80%	
International Bonds	10%	<del>40</del> 30%	
Preferred Stock	0%	20%	
Fixed Income <u>Other **</u>	0%		20%
Treasury Inflation Protection Securities	0%	20%	

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\* ~~Includes~~ includes cash and equivalents in money market funds.

\*\* ~~Fixed Income~~ Fixed Income — Other includes high yield bonds, International bonds, Leveraged Loans, and emerging market debt, etc.

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**Preferred Investment Vehicles**

The OPEB Trust ~~can~~ only invest in the following investment vehicles:

- Passively managed Exchange Traded Funds (ETF), defined as those with a beta greater than 0.9 to their corresponding broad market index/benchmark.
- U.S. Treasury Bills, Notes and Bonds and U.S. Government Agencies
- FDIC Insured Certificates of Deposit and Money Market Funds
- Mutual Funds may be used in cases where an appropriate ETF is not available or to gain exposure to actively managed strategies; however, allocation will be limited to 5% of the total portfolio to an individual mutual fund and 10% in aggregate.  
[MLK — added this for a little flexibility]

**OTHER POST-EMPLOYMENT BENEFITS TRUST  
INVESTMENT POLICY STATEMENT**

Furthermore, The Board shall recommend that the OPEB Trust investments in equities be in the form of publicly traded mutual funds or publicly traded Exchange Traded Funds (ETF), that are linked to one or more of the broader domestic equity market indices. The Trust shall not invest in any individual security [Assume an ETF is not considered to be a security] or issue, except that the Trust may invest in U. S. Treasuries and U.S. Government Agencies, and FDIC insured Certificates of Deposit. The Board may recommend passive indices as investment vehicles or actively managed funds, provided the risks associated with actively managed funds are reasonable and in the Board's opinion outweigh the potential for underperformance, or permanent loss, compared to the performance benchmark. An mutual fund or ETF may be chosen that represents a blend of Asset Classes or Sub Classes. In determining which investment fund vehicles to recommend, the Board should also consider, but not be limited to, the following characteristics:

- Low management fees in comparison to other similar vehicles
- Sufficient trading liquidity as defined by complete liquidation of the investment within one trading day.

[The historical performance of the fund/ETF compared to its category benchmark and peer group ranking.]

1. BETA > 09 WITH RESPECT TO SUB-ASSET CLASSES
2. The historic risk, rating, and statistical analysis of the fund.
3. The cost associated with the fund.
4. The manager's philosophy and style of managing the fund.

The length of time the manger(s) has(have) managed the fund. LOW TRACKING ERROR.

LOW FEES.

5. SUFFICIENT TRADING LIQUIDITY

<u>CLASS OR CATEGORY</u>	<u>BENCHMARK</u>
<u>Domestic Equities</u>	<u>S&amp;P 500 Total Return</u>
<u>International Developed Markets</u>	<u>MSCI All Countries World ex USA</u>
<u>Emerging Markets</u>	<u>MSCI Emerging Markets Index</u>
<u>Domestic Fixed Income</u>	<u>Barclays Capital US Aggregate Bond Index</u>
<u>International Bonds</u>	
<u>Developed Markets</u>	<u>JPMorgan Global Bond Index (ex US)</u>

CLASS OR CATEGORY      BENCHMARK

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OTHER POST-EMPLOYMENT BENEFITS TRUST  
INVESTMENT POLICY STATEMENT

<del>Emerging Markets Debt Global</del>	<del>JPMorgan Emerging Markets Bond Index</del>
<del>High Yield Bonds</del>	<del>Barclays US Corp High Yield Bond Index</del>
<del>Treasury Inflation Protection Securities</del>	<del>Barclays US TIPS Index</del>

**Benchmark for the Portfolio**

~~The Benchmark weighting for the OPEB Trust Portfolio shall be 80% Domestic Equity, as represented by the S&P Total Return Index and 20% Domestic Fixed Income, as represented by the Barclays U.S. Aggregate Bond Index.~~

~~[The Benchmark weightings for each asset class shall be determined by the Board from time to time.] [NOTE: THE WEIGHTED BENCHMARK FOR THE WHOLE PORTFOLIO COMPRISES 80% Domestic Equity (S&P Total Return) and 20% BARCLAYS US AGG BOND INDEX. ANY INVESTMENTS NOT LINKED TO THE S&P MAY BE CONSIDERED TO BE A TACTICAL INVESTMENT DECISION. BASED ON HISTORICAL PERFORMANCE, A PORTFOLIO BASED ON THE WEIGHTED BENCHMARK WOULD BE EXPECTED TO EARN THE 7% TARGET RETURN OVER THE LONGER TERM.]~~

**Rebalancing**

~~The Trustee shall rebalance the portfolio to the Asset Allocation as approved by the IAC on a quarterly basis. (The quarterly rebalancing shall take place as soon as practical after the IAC meeting that takes place in the first month of each quarter (July, October, January and April), in the months of August, November, February and May.)~~

**Meetings and Management Reports**

~~The Board shall meet at least with the IAC at the IAC meeting scheduled quarterly immediately on or prior to the regularly scheduled BET meeting for the first month of the quarter. In these meetings the Board shall report to the IAC as to the asset allocation, performance and performance attribution of the Trust.~~

~~When, but may meet between regularly scheduled meetings should market conditions warrant require such action, the Board may seek to meet with the IAC in between its regularly scheduled quarterly appearances at IAC meetings.~~

~~When a physical meeting is neither practical nor possible, meetings may be conducted virtually.~~

**Management Reports**

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OTHER POST-EMPLOYMENT BENEFITS TRUST  
INVESTMENT POLICY STATEMENT

~~The OPEB Trust Board shall issue a report to the IAC during joint quarterly meeting as to the asset allocation, performance and performance attribution of the Trust.~~

~~In addition, in the IAC's July meeting, the Board shall issue a report to the IAC on a quarterly basis as to the performance of the Trust. Included in the report shall be a summary by the Trustee of any actions taken within the Trust, including any additions or disbursements of funds. On an annual basis, ideally in the July meeting of the IAC, the Board shall~~ will report to the IAC as to their outlook and expectations for asset class performance (expected returns) for the near term ~~on an annual basis during the joint July meeting. Any recommended~~ changes in the Investment Guidelines should be made at this time.

~~the reasoning behind their Asset Allocation recommendation, and an explanation of how that allocation on a blended basis is expected to achieve the investment objective of the Trust.~~

*[Approved at the \_\_\_\_\_ ~~January 22, 2021~~ BET Regular Meeting]*



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

**Investment Advisory Committee Meeting Minutes**

Thursday, January 14, 2021

Virtual Webinar

Present:

Committee: Andreas Duus, Chair; William Drake, Miriam Kreuzer, David Weisbrod

Staff: Joan Lynch, Assistant to the Treasurer; Peter Mynarski, Comptroller;  
Nataliya Yemets, Treasurer

BET: Michael Mason, BET Chairman; Laura Erickson; Leslie Moriarty

Guest: Robert Stricker, Chairman, OPEB Trust Board

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

**1. Approval of the BET Investment Advisory Committee Meeting Minutes**

Upon a motion by Ms. Kreuzer, seconded by Mr. Drake, the Committee voted 4-0-0 to accept the Minutes of the IAC Meeting of December 8, 2020. Motion carried.

**2. Review and approval of proposed investment actions of the January 14, 2021 OPEB Trust Board Meeting**

During its meeting of January 14, 2021, the OPEB Trust Board voted 3-0-0 to reduce its position in SPDR S&P 500 ETF (SPY) to 55% of the total Trust portfolio and increase the Vanguard FTSE All World ex US ETF (VEU) position from 5% of the total Portfolio to 10% of the Portfolio.

In a second 3-0-0 vote, the Board approved the sale of almost 100% of its position in Vanguard Federal Money Market Fund (VMFXX), leaving a small remainder of \$10,000 - \$20,000 in the event it is needed for another trade. The proceeds from the sale of VMFXX are to be reinvested in PIMCO Enhanced Short Maturity Active ETF (MINT).

The two approved transactions would slightly diversify the equity composition of the Portfolio without alteration to the Portfolio's equity/fixed income ratio of 75%/25%. After discussion of whether the equity diversification would cause more volatility, it was decided that the changes were reasonable.

Mr. Duus proposed a motion to approve the recommendations of the OPEB Trust Board. The Committee voted 4-0-0. Motion carried.

**3. Discussion of Proposed Changes to the OPEB Trust Investment Policy Statement**

Mr. Duus reminded the Committee that it is BET policy to review the OPEB Trust Investment Policy Statement (“IPS”) every five years and that the review is due this fiscal year.

The Committee reviewed, on a ‘first-read’ basis, changes to the IPS proposed by Mr. Duus and Ms. Kreuzer, that would simplify the investment benchmarks, narrow investment latitude and reduce the frequency of the OPEB Trust Board meetings. Mr. Duus thanked Ms. Kreuzer for her contributions to the draft.

During the meeting, members proposed further changes, in text, tone, and intention. There was also discussion, given the low liquidity needs of the OPEB Trust, about the willingness of members to accept higher investment volatility associated with increasing the proportion of the portfolio invested in equities.

If the equity proportion of the OPEB Portfolio would be increased, the Committee discussed whether it should accept the OPEB Trust Board’s earlier request to have the Trustee execute transactions proposed by the Board, without prior approval by the IAC. The Committee concluded that the only means to allow active management of the portfolio in-between meetings of the IAC would be to engage an outside investment manager.

The Committee further concluded that it was necessary to complete the update of the IPS, whether or not it would seek ultimately an outside investment manager. The Committee plans to review the revised draft in the February meeting. Also, in its February meeting, the Committee plans to consider the issue of a Request for Proposal (“RFP”) for an outside investment manager, in order to gain information on expected costs. Prior to the meeting, Comptroller Mynarski will prepare a draft of an RFP for the Committee to consider.

**4. Review Town’s cash position as of December 31, 2020, actual cash flows for December 2020 and projected flows for the remainder of fiscal year 2021**

Ms. Lynch commented that property tax collections in December 2020 – January 2021 were very close to last year’s, trailing behind by about \$3 million or 5%. The collection experience was despite the State-mandated three-month extension to April 1, 2021. This was likely due to the late timing of the State’s decision, which in turn delayed notice of the extension to taxpayers after the Town circulated tax bills in December.

Mr. Mynarski described the process and excellent results of recent bond financings by the Town. Additionally, he alerted the Committee that Hilltop Securities, the Town’s outside financial advisor, had just closed its Connecticut office without prior notice. The Town’s three-year contract with Hilltop has another year. Mr. Mynarski will cancel the contract after bills for past services are paid and later this year issue an RFP for a replacement advisor.

Ms. Yemets provided an abbreviated report of the General Fund cash position as of 12/31/2020. Overall, she noted that nothing was unusual during December: the ending balance of the General Fund was \$136.2 million; appreciation was \$47 thousand; total inflows

were \$36.6 million, total outflows were \$36.1 million. December expenses were higher than normal due to two additional payrolls: one represented holiday pay for Police and Fire and another one represented retro adjustment payments for the unions. Higher December revenue resulted from higher conveyance tax collections (\$850,000) and building permits income (\$567,000), as well as federal and state grant payments, including Muni COVID Relief Fund reimbursement in the amount of \$423,000.

5. **Review CD Program holdings as of December 31, 2020** – The item was not discussed due to time constraints.
6. **New Business** – None was discussed.
7. **Adjournment**

Mr. Weisbrod made a motion, seconded by Ms. Kreuzer, to adjourn the Regular Meeting of the Investment Advisory Committee at 11:57 A.M. The Committee voted 4-0-0. Motion carried.

Next Meeting: February 11, 2021 at 10:00 A.M. as a Virtual webinar.

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Catherine Sidor, Recording Secretary

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Andreas Duus, Chair, Investment Advisory Committee

**Schedule of Remaining Investment Advisory Committee Meetings for calendar year 2021**

February 11, 2021 (Thursday)  
March 11, 2021 (Thursday)  
April 8, 2021 (Thursday)  
May 13, 2021 (Thursday)  
June 10, 2021 (Thursday)