

1. BET Investment Advisory Comm. Webinar Agenda

Documents:

[BET IAC WEBINAR AGENDA 02-11-2021.PDF](#)

2. BET IAC Webinar Package

Documents:

[BET IAC WEBINAR PACKAGE\\_2-11-2021.PDF](#)

3. SUB\_TO\_APP\_BET IAC Meeting Minutes\_2-11-2021

Documents:

[SUB\\_TO\\_APP\\_BET IAC MEETING MINUTES\\_02-11-2021.PDF](#)

3.I. BET IAC Meeting Minutes\_Redlined\_2-11-2021\_SUB\_TO\_APP

Documents:

[SUB\\_TO\\_APP\\_BET IAC MEETING MINUTES\\_REDLINE\\_2-11-2021.PDF](#)



## TOWN OF GREENWICH

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

Thursday, February 11, 2021 – 10:00 A.M.

#### AGENDA

You are invited to a Zoom webinar.

<https://greenwichct.zoom.us/j/81305980707?pwd=T285ZXUvcWFZaFppZW1TS1Z5OU9Wdz09>  
Password: 1119497

Or iPhone one-tap: US: +16465189805,,81305980707#,1#,1119497# or  
8335480282,,81305980707#,1#,1119497# (Toll Free)

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

Webinar ID: 813 0598 0707  
Password: 1119497

1. Approval of the BET Investment Advisory Committee Webinar Minutes of January 14, 2020
2. Preliminary Approval of the OPEB Trust Investment Policy Statement
3. Discussion of a Pension Obligation Bond
4. Review Town's cash position as of 1/31/2021, actual cash flows for January 2021 and projected flows for the remainder of fiscal year 2021
5. New Business
6. Adjournment

Next Meeting: March 11, 2021 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.*



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**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)

## **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 review and approval by the BET's Investment Advisory Committee (IAC) before the Trustee may execute the Board's recommended investment actions.

For administrative ease, the TOG makes OPEB payments directly from its General Fund on behalf of Plan participants. 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 on behalf of Plan participants 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. The OPEB Trust has an annualized return assumption of 7.00%.

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

### **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**

**Benchmark for the Portfolio**

The Benchmark weighting for the OPEB Trust Portfolio shall be 75% Domestic Equity, as represented by the S&P 500 Index and 25% Domestic Fixed Income, as represented by the Bloomberg Barclays U.S. Aggregate Bond Index.

**Investment Guidelines**

Given the long-term nature of the obligation to be funded and the low 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 Objective. Higher portfolio volatility can be a function of a larger equity allocation and/or greater concentration of investment strategies. Furthermore, the BET has a strong preference for passive investment vehicles and any actively managed vehicles will be subject to limits.

The Trust’s assets may be invested in the following asset 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, the Board shall review and may recommend to the 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	50%	90%
Fixed Income *	10%	50%

\* Inclusive of cash or near-term investments, U. S. Treasury Bills and U.S. Government Agencies, and FDIC insured Certificates of Deposit and Money Market Funds.

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	50%	90%
Other:	0%	20%



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

<u>FIXED INCOME</u>	<u>Minimum</u>	<u>Maximum</u>
Domestic *	10%	50%
Other **	0%	20%

\* Includes cash and equivalents in money market funds.

\*\* Other includes high yield bonds, International bonds, and emerging market debt.

### **Preferred Investment Vehicles**

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

- Passively managed Exchange Traded Funds (ETF) and mutual funds, defined as those with a correlation 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
- Actively managed mutual funds and ETFs are limited to 5% of the total portfolio to an individual mutual fund or ETF and 10% in aggregate across all actively managed mutual funds and ETFs.

Furthermore, in determining which investment 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.
- No vehicle employs explicit leverage as part of its investment strategy.

### **Rebalancing**

The Trustee shall rebalance the portfolio to the Asset Allocation as approved by the IAC monthly on the third business day of the month. Rebalancing should only occur if the current Portfolio Asset Allocation has deviated 5% or more from the approved targeted Asset Allocation. No explicit approval is needed to execute monthly rebalancing trades by the Trustee. If market conditions warrant, the Board may seek to rebalance intra-month subject to prior IAC approval.

### **Meetings**

The Board shall meet with the IAC at the IAC meeting scheduled immediately 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 of the Portfolio versus its Benchmark and performance attribution by Investment Vehicle of the Trust.

## OTHER POST-EMPLOYMENT BENEFITS TRUST INVESTMENT POLICY STATEMENT

When market conditions warrant, 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.

In addition, in the IAC's July meeting, the Board shall report to the IAC as to their outlook and expectations for asset class performance (expected returns) for the near term. Any recommended changes in the Investment Guidelines should be made at this time.

### **Management Reports**

The IAC expects the following reports from the Board

- Monthly Performance Report
  - Portfolio performance versus the Benchmark which includes monthly, quarterly, calendar year-to-date, fiscal year-to-date, 1 year rolling, annualized 3 year and 5 year, as applicable
  - Portfolio Allocation
  - To be sent by the 5<sup>th</sup> business day
- Quarterly Attribution Report
  - Portfolio performance attribution by Sub-Asset Class for quarter, 1 year rolling, 3 year and 5 year, as applicable
  - Proposed changes in Asset Allocation
  - To be sent by the 5<sup>th</sup> business day in April, July, October and January and discussed at the quarterly IAC meetings
- Annual Review
  - Review of Markets
  - Market Outlook and changes in Asset Class expected returns
  - Recommended changes to the Investment Guidelines and Investment Policy Statement, if applicable
  - To be presented at the July IAC meeting

### **Review**

This document shall be reviewed by the IAC, Trustee and OPEB Trust Board on an annual basis and discussed at the July IAC meeting.

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

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

**Investment Advisory Committee Meeting Minutes**

Thursday, February 11, 2021

Virtual Webinar

Present:

Committee: Andreas Duus, Chairman; 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; Elizabeth K. Krumeich,  
Leslie Moriarty

RTM: Michael Basham, (D-2), Chair, Finance

Guest: Robert Stricker, Chairman, OPEB Trust Board

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

Mr. Duus asked for a motion to add a new item to the Agenda.

Mr. Duus made a motion, seconded by Mr. Weisbrod, to add a new item to the Agenda regarding an RFP for an outside professional manager for the OPEB Trust Fund. The Committee voted 4-0-0. Motion carried.

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

A vote on the Minutes of the BET Investment Advisory Committee Meeting of January 14, 2021 was deferred until the next meeting.

**2. Preliminary Approval of the OPEB Trust Investment Policy Statement (IPS)**

The Committee reviewed proposed changes in the draft of the OPEB IPS, including reducing the upper percentage bound of the Equity range from 80% to 75%. Ms. Yemets asked for a reconciliation of whether monthly reports were necessary if OPEB's meetings would be scheduled quarterly in the future. Ms. Yemets, as the OPEB Trustee, commented that the Trust's rebalancing analysis report was prepared monthly, and she remarked that it was prudent to continue forwarding the report to both IAC and OPEB Board members.

Upon a motion by Mr. Weisbrod, seconded by Ms. Kreuzer, the Committee voted 4-0-0 to accept the draft as amended. Motion carried.

Mr. Duus noted that the draft IPS would be reviewed by the Legal Department, as required by BET policy, before being presented to the BET for its consideration at its March meeting.

Mr. Stricker remarked that the IPS suggested rebalancing if an actively managed fund exceeded its allocation by 5%. He proposed that 10% was more realistic and recommended the actively managed fund rebalance range be changed from 2% - 5% to 10% - 25%.

Upon a motion by Mr. Weisbrod, seconded by Ms. Kreuzer, to re-state the range for rebalancing actively managed funds from 2% - 5% to 10% - 25%, the Committee voted 4-0-0. Motion carried.

**New Agenda Item: Discussion of RFP for professional outside management of OPEB Trust**

A draft of an RFP for professional outside management of the OPEB Trust, edited by Ms. Kreuzer, was circulated to the Committee. An advantage would be greater flexibility to respond to investment opportunities in between meetings of the IAC. A disadvantage would be incremental fees. The Committee deferred further discussion until after BET approval of the IPS.

**3. Discussion of Pension Obligation Bond (POB)**

At the request of BET Chairman Mike Mason, the IAC will consider the merits of the possible issue of a POB by the Town. Mr. Duus noted that a POB could significantly increase the funding of the Town's defined benefit pension fund, which in turn could reduce the required annual contribution to the pension fund by more than the cost of the POB's debt service. Among next steps in preparation for the Committee's next meeting, Mr. Duus will ask that the Town's outside actuary prepare a 25-year *pro forma* analysis for the Committee's review, and Mr. Mynarski will consult with Robinson+Cole's bond counsel on the state's legal process for POBs.

Other topics to be considered include alternatives to reduce the growth of the pension liability, such as buyout of retirees or an early lump sum payment. Ms. Kreuzer offered a hybrid amortization model for further discussion of options.

**4. Town's cash position as of the end of January 2021, actual cash flows for January 2021 and projected flows for the remainder of fiscal year 2021**

Ms. Yemets noted that cash flows in January 2021 were typical for that month, with revenues being slightly bigger and expenses somewhat lower than forecasted. She reported that the month-end cash position of the General Fund was \$169 million and total interest and dividends earned during the month were \$44,942. Building permits and Conveyance tax income was higher again in January, with the fiscal year-to-date collections already exceeding the full year's budget. Ms. Yemets remarked that CT's STIF program was paying a higher interest rate, so additional money was transferred to that account. Commenting on property tax revenue, Ms. Yemets indicated that tax collections were behind previous year by about \$20 million and suggested it was due to the tax deferral program as required by the Governor's Executive Order 9R.

**5. New Business** – None was discussed.

**6. Adjournment**

Mr. Weisbrod made a motion, seconded by Ms. Kreuzer, to adjourn the Regular Meeting of the Investment Advisor Committee at 11:45 A.M. The

Committee voted 4-0-0. Motion carried.

Next Meeting: March 11, 2021 at 10:00 A.M., Zoom webinar.

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Catherine Sidor, Recording Secretary

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Andreas Duus, Chair, Investment Advisory Committee

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SUBJECT TO APPROVAL

**TOWN OF GREENWICH  
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Mr. Stricker remarked that the IPS suggested rebalancing monthly if an actively managed fund exceeded its allocation by 5%. He proposed that 2% was a more prudent rebalance threshold. Mr. Stricker also proposed that the maximum actively managed allocation should be changed from the proposed 10% to 25%, while an allocation to a single actively managed fund should be changed from the proposed 5% to 10%. The suggested

maximums are too restrictive and would lead the current portfolio to be out of policy. Ms. Kreuzer expressed discomfort with the higher maximums given that the current structure of the OPEB Trust Board which limits investment manager and vehicle due diligence. Mr. Weisbrod commented that greater flexibility would be welcome, particularly if an external manager is engaged. As a compromise, Mr. Duus proposed a maximum actively managed total allocation of 20%, and a maximum allocation to a single active manager of 10%.

Upon a motion by Mr. Weisbrod, seconded by Ms. Kreuzer, the Committee voted 4-0-0 to accept the draft as amended. Motion carried.

Mr. Duus noted that the draft IPS would be reviewed by the Legal Department, as required by BET policy, before being presented to the BET for its consideration at its March meeting. The Committee reviewed proposed changes in the draft of the OPEB IPS, including reducing the upper percentage bound of the Equity range from 80% to 75%. Ms. Yemets asked for a reconciliation of whether monthly reports were necessary if OPEB's meetings would be scheduled quarterly in the future. Ms. Yemets, as the OPEB Trustee, commented that the Trust's rebalancing analysis report was prepared monthly, and she remarked that it was prudent to continue forwarding the report to both IAC and OPEB Board members.

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Catherine Sidor, Recording Secretary

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Andreas Duus, Chair, Investment Advisory Committee

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