

1. BET Investment Advisory Comm. Webinar Agenda

Documents:

[BET IAC WEBINAR AGENDA\\_5-13-2021.PDF](#)

1.I. OPEB Funding Policy\_Draft With Proposed Mark-Ups\_5-10-2021

Documents:

[OPEB FUNDING POLICY - 5-10-2021 DRAFT PROPOSED MARK-UP .PDF](#)

1.II. SUB\_TO\_APP\_BET IAC Meeting Minutes\_4-8-2021

Documents:

[SUB\\_TO\\_APP\\_BET IAC MEETING MINUTES\\_4-8-2021.PDF](#)

2. SUB\_TO\_APP\_BET IAC Meeting Minutes\_5-13-2021

Documents:

[SUB\\_TO\\_APP\\_BET IAC MEETING MINUTES\\_5-13-2021.PDF](#)



## TOWN OF GREENWICH

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

Thursday, May 13, 2021 – 8:30 A.M.

#### AGENDA

Join Zoom Webinar:

<https://greenwichct.zoom.us/j/83014028645?pwd=OXhTMG9LVUFdSTVMTWU0Sy9aUXFoUT09>

Password: 1951060

Or iPhone one-tap: US: +16465189805,,83014028645#,,1#,1951060# or  
8884754499,,83014028645#,,1#,1951060# (Toll Free)

Dial (for higher quality, dial a number based on your current location):

US: +1 646 518 9805 or 888 475 4499 (Toll Free)

Webinar ID: 830 1402 8645

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1. Approval of the BET Investment Advisory Committee Webinar Minutes of April 8, 2021
2. Review Town's cash position as of 4/30/2021, actual cash flows for April 2021 and projected flows for the remainder of fiscal year 2021
3. OPEB Trust
  - a. Review of April Investment performance
  - b. Review of proposed revisions to the OPEB Funding Policy in preparation for presentation to the full BET in June
  - c. Recent communication regarding OCIO
  - d. Trust Board reappointments for FY2022
4. Old Business
5. New Business
6. Adjournment

Next Meeting: June 10, 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.*

OTHER POST-EMPLOYMENT BENEFITS TRUST  
FUNDING POLICY

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OTHER POST-EMPLOYMENT BENEFITS (OPEB)  
FUNDING POLICY

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**A. Introduction**

The purpose of this Statement of OPEB Funding Policy is to record the funding objectives and strategy set by the Board of Estimate and Taxation (BET) for the Town of Greenwich OPEB Trust Fund for the Town of Greenwich ("the System").

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The BET has established this Funding Policy to ensure the payment of future healthcare and prescription drug insurance benefits to retirees and their dependents as well as worker's compensation claims for certain retirees and terminated employees. A portion of the healthcare and prescription drug cost is paid by the Town for some retirees if they qualify based on years of service at retirement, and the terms of their respective collective bargaining agreements. ~~F. Most full-time~~ active employees who retire and meet the service requirement criteria may participate.

**B. Funding Objectives**

The BET's primary funding objectives, in order of importance, are to:

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1. Provide sufficient assets to permit the payment of all benefits under the System.

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1.

2. Establish improvement, on a projected basis, in the System's Funded Ratio, as defined in Section E, such that it approaches 100% over a given period of time.

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2.

3. Amortize the Unfunded Actuarial Accrued Liability, as defined in Section E, over a period of not more than 30 years.

3.

4. Minimize the volatility of the Town's annual contribution by smoothing investment gains and losses over a period of five years.

**C. Funding Guidelines**

This statement reflects the policy of the BET and establishes guidelines for setting the employer contribution rate.

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1. Regular Contribution Rate

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OTHER POST-EMPLOYMENT BENEFITS TRUST  
FUNDING POLICY

The method for determining the Town’s OPEB cost includes both the value of benefits deemed to be earned during the year (Normal Cost) and an amortization of the Unfunded Actuarial Accrued Liability (UAAL) as of the date of valuation:

- a. The annual contribution will be 100% of the Annual Actuarially Determined Employer Required Contribution (ADERC) ~~and the Annual OPEB Cost (AOC)~~ as determined by the actuary annually.
- b. The Normal Cost and Actuarially Determined Accrued Liability used for this purpose will be calculated using the Entry Age actuarial cost method.
- ~~c.~~ The Actuarial Value of Assets used for this purpose will be a smoothed value that recognizes realized and unrealized investment gains and losses over a five-year period, but shall not be more than 120% or less than 80% of Market Value of Assets.
- c.
- d. The Unfunded Actuarial Accrued Liability will be amortized as a level dollar amount over a 25-year period beginning with the July 1, 7/1/2014 Valuation. This amortization period will decrease by one year each Valuation Year until it reaches 15 years (July 1, 7/1/2024), at which point no further decreases will occur (i.e., open or rolling 15-year amortization), unless there is no Normal Cost, in which case the amortization period will be closed. The following schedule shows the historical and the planned amortization periods (at July 1 of each year):

<u>Valuation Date</u>	<u>Amortization Years</u>	<u>Valuation Date</u>	<u>Amortization Years</u>
<u>7/1/2014</u>	<u>25</u>	<u>7/12020</u>	<u>19</u>
<u>7/1/2015</u>	<u>24</u>	<u>7/1/2021</u>	<u>18</u>
<u>7/1/2016</u>	<u>23</u>	<u>7/1/2022</u>	<u>17</u>
<u>7/1/2017</u>	<u>22</u>	<u>7/1/2023</u>	<u>16</u>
<u>7/1/2018</u>	<u>21</u>	<u>7/1/2024 and</u>	
<u>7/1/2019</u>	<u>20</u>	<u>beyond</u>	<u>15</u>

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OTHER POST-EMPLOYMENT BENEFITS TRUST  
FUNDING POLICY

Valuation Date	Amortization Years	Valuation Date	Amortization Years
7/1/2014	25	7/1/2020	19
7/1/2015	24	7/1/2021	18
7/1/2016	23	7/1/2022	17
7/1/2017	22	7/1/2023	16
7/1/2018	21	7/1/2024 and beyond	15
7/1/2019	20		

2. Minimum Contribution Rate

In order to maintain adequate funding and to control contribution volatility: If the Funded Ratio has increased to over 100% (any Unfunded Actuarial Accrued Liability has been fully amortized), the surplus will be amortized over 30 years.

3. Contribution Timing

After the BET has adopted a contribution based on a given actuarial valuation, the funds will be requested to be contributed by the Town no later than thirteen (13) months after the date of the valuation (i.e. funding for the July 1, 2021 valuation date will be done in July 2022).

**D. Assumption Guidelines**

The actuarial assumptions are adopted by the BET in an effort to align the funding of the plan with actual demographic and economic experience, thus providing stability to the contribution rate over time.

To the extent that actual experience deviates from the assumptions, experience gains and losses will occur. These gains (or losses) then serve to reduce (or increase) future contributions.

Assumptions are generally grouped into two major categories:

1. Demographic assumptions -- which include withdrawal (termination), retirement, disability, and mortality rates, as well as assumptions regarding beneficiaries and plan participation and coverage elections.

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OTHER POST-EMPLOYMENT BENEFITS TRUST  
FUNDING POLICY

2. Economic assumptions -- which include inflation, investment return, and healthcare inflation.

The assumptions adopted by the BET are informed by the actuary's recommendations based on their best estimate of anticipated experience under the Plan, and are intended to be long-term in nature. Therefore, in developing these assumptions, the actuary considers not only past experience, but also trends, external forces and future expectations. Despite the care with which actuarial assumptions are developed, actual experience over the short term is not expected to exactly match these assumptions.

In general, the demographic assumptions used for OPEB valuations are consistent with those adopted by the Retirement System Board. Such assumptions are formally reviewed every five years via a study for the Retirement System.

The Economic assumptions mentioned above will be formally reviewed annually by the BET during the preparation of the annual OPEB Actuarial Valuation Report.

This Funding Policy shall also be reviewed formally at least once every five years to ensure it is meeting the BET's goals and objectives. Any changes that result are also subject to legal review.

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FUNDING POLICY

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**E. Glossary of Terms**

*Actuarial Cost Method:* The technique used to allocate costs to various time periods.

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*Actuarial Accrued Liability (AAL):* The portion of the Present Value of Projected Benefits that is attributed to past years of service by the Actuarial Funding Method. The AAL serves as a funding target at any given point in time.

*Actuarial Value of Assets (AVA):* The smoothed value of assets used by the actuary in the actuarial valuation, for the purpose of reducing the impact of market fluctuations on the employer contribution rate.

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*Actuarially Determined Employer Contribution (ADEC):* The annual contribution by the employer, equal to the sum of the annual Normal Cost and the portion of the Unfunded Actuarial Accrued Liability amortized that year.

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*Entry Age Actuarial Funding Method:* An Actuarial Funding Method that determines the plan's Normal Cost as a level percentage of pay over the working lifetimes of plan members.

*Experience Gains and Losses:* The difference between the experience anticipated by the actuarial assumptions and the plan's actual experience during the period between valuations. If actual experience is financially more favorable to the Plan, it is a Gain, (e.g., higher investment return than expected). If actual experience is financially less favorable to the Plan, it is a Loss, (e.g., lower investment return than expected).

*Funded Ratio:* A measure of the ratio of OPEB Fund plan assets to the Actuarial Accrued Liability (funding target) of the System. Plan assets can refer to the Market Value of Assets or the Actuarial Value of Assets.

*Market Value of Assets:* The total fair value of fund assets as reported in the System's financial statements.

*Normal Cost:* The portion of the Present Value of Projected Benefits (PVPB) that is attributed to the current year by the Actuarial Funding Method. Also referred to as the *Annual Benefit Cost*.

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*Unfunded Actuarial Accrued Liability (UAAL):* The portion of the Actuarial Accrued Liability not covered by plan assets. It is calculated by subtracting the Actuarial Value of Assets from the Actuarial Accrued Liability.

This Policy was adopted on June 14~~July 20~~, 2021<sup>15</sup>

Michael S. Mason, BET Chair

Bill Drake, BET Secretary

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

**Investment Advisory Committee Meeting Minutes**

Thursday, April 8, 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 Attendees: Michael Mason, BET Chairman; Laura Erickson

RTM: Dan Ozizmir, (D-5), Vice Chair, BOC, Chair LLC

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**

Mr. Drake made a motion, seconded by Ms. Kreuzer, to approve the Minutes of the Regular Meeting of the Investment Advisory Committee held on March 11, 2021. The Committee voted 4-0-0. Motion carried.

**2. Review and approval of the proposed investment actions of April 8, 2021 OPEB Trust Board Meeting and Investment Policy Statement (IPS)**

The OPEB Trust Board made no changes to the OPEB Trust investment portfolio at its April 8, 2021 Meeting.

Mr. Sticker recommended a change in the not-yet-BET approved proposed Investment Policy Statement ("IPS") in the benchmark from S&P 500 Index to Vanguard Total Stock Market Index Fund (VTSAX) because S&P 500 comprises 500 largest publicly-traded companies in the U.S., whereas VTSAX seeks to track the performance of a broader index and provide exposure to the entire U.S. equity market, including small-, mid-, and large-cap growth and value stocks. . The choice became whether to use the simpler well-known benchmark or a broader less-known benchmark that reflects the whole market. Although no motion was made, the consensus of the Committee was to not change the benchmark.

Several additional minor changes, for clarity and consistency and to reduce further the OPEB Trust's latitude for active management in its security selection, were discussed. Mr. Stricker reaffirmed his interest to have the IPS allow greater investment latitude for active management. This has been continuing debate between the OPEB Trust and the IAC. As Mr. Weisbrod noted, we are at a crossroads on this topic. Committee members agreed that so long as the BET maintains the current structure of internal management (through the OPEB Trust) of the OPEB assets, and the requirement that the IAC approve all proposed investment



actions beforehand, we must have a more passive IPS. On the other hand, if the BET would want more active investment, or at least a manager who could respond daily to changing markets, then it would need to consider engaging an outside investment manager.

Mr. Duus indicated that the draft IPS, as amended today for minor drafting changes, would be presented to the BET for its approval at its June meeting.

Upon a motion by Mr. Duus, seconded by Mr. Weisbrod, to approve the draft OPEB IPS as amended, the Committee voted 4-0-0. Motion carried.

### **3. Follow-on discussion of Pension Obligation Bond (POB) and pension buy-out options**

Mr. Duus reviewed the discussion that took place at the recent Retirement Board meeting on a pension obligation bonds and pension buy-out options.

When the subject of a pension obligation bond ("POB") was raised last January in the BET, the primary rationale was to reduce the annual actuarially determined employer contribution ("ADEC"), even after consideration of the POB's debt service. Additionally, the POB would improve the funding of the pensions and over-time could be expected to have investment returns greater than its cost.

A change since the discussion first began about POBs has been the continued better-than-assumed performance of the pension portfolio. Through the end of March, portfolio has earned more than 16% this fiscal year. Total pension assets are now \$569 million, up \$77 million since July 1 and represent about 11% of the pension liability.

Discussions by the Retirement Board, however, indicated a willingness to reduce the assumed investment return as the pension liability becomes better funded, possibly to a rate less than the already planned reduction to 6.00% from 6.25% in the next fiscal year. This would reduce the near-term budget opportunity.

The other "issue" of exceptional recent market performance is that future expected returns may be less today than seen earlier this year. The question was raised whether now, when the equity market is at all-time highs, is the right time to make a major market bet with a POB.

Noted was an alternative to a POB of contributing more than that required by the ADEC. This incremental contribution, if done annually, would avoid the market timing issue posed by POB and also could be funded through tax-exempt borrowings. On the other hand, the budget gains would be negligible.

The Committee decided to defer further discussion of a POB for the time being.

In lieu of seeking to increase pension assets, however, the Committee thought it potentially fruitful to consider ways to reduce the growth of the pension liability. This might be done through lump sum buy-outs and through a deferred retirement option plan ("DROP"). Given that consideration of these options is beyond the sole purview of the IAC, the suggestion was made that perhaps the BET might establish a special committee that includes members of the IAC as well as the BET's Human Resources Committee (which already shares two members with the IAC). There was consensus support for this, although no motion was made.

#### **4. Review Treasury Reports**

- **Town's cash position as of March 31, 2021, actual cash flows for March 2021 and projected flows for the remainder of fiscal year 2021**

Ms. Yemets reported that in March 2021, total inflows into the General Fund were \$26.5 million. This included approximately \$16.8 million of property tax revenues, several sizable payments from the State and a \$650 thousand transfer from the BOE Grant Fund. Total General Fund outflows were \$35.4 million, \$29.7 million of which were due to three payrolls being funded in March. The General Fund ending cash balance on 3/31/21 was \$154.1 million, approximately \$1.0 million below previous year; appreciation for March was \$61,389; and the fiscal year-to-date appreciation was about \$487 thousand.

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

Ms. Yemets informed the Committee that effective 4/1/21 TD Bank was lowering the deposit rate it offered to the Town from 0.25% to 0.15%. The deposit rates offered by J.P. Morgan Chase (10 bps) and Webster (7 bps) did not change. Short-term U.S. Treasuries rates and short-term CD yields ranged from 3 to 7 basis points. The CT STIF's simple interest was at 0.13% in March. The annualized blended interest rate on all General Fund deposits was 0.36%.

- **CD Program holdings as of March 31, 2021**

The Committee reviewed a list of the CD Program holdings as of March 31, 2021 that Ms. Yemets shared. She indicated that the CD portfolio consisted of 88 holdings, all with IDC rankings of 165 or higher and with total maturities of \$20,688,000 (this excludes any pending roll-overs). The weighted average yield of the portfolio in March was 1.573% and the weighted average maturity was 1.25 years.

#### **5. New Business**

The Committee scheduled future BET IAC meetings (the meeting dates are listed below).

#### **6. Adjournment**

Mr. Weisbrod made a motion, seconded by Mr. Drake, to adjourn the Regular Meeting of the Investment Advisory Committee at 11:21 A.M. The Committee voted 4-0-0. Motion carried.

Next Meeting: May 13, 2021 at 8:30 A.M. Zoom webinar.

Respectfully submitted,

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Catherine Sidor, Recording Secretary

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Andreas Duus, Chair, Investment Advisory Committee

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

May 13, 2021 (Thursday) at 8:30 A.M.  
June 10, 2021 (Thursday)  
July 15, 2021 (Thursday)  
September 15, 2021 (Wednesday)  
October 14, 2021 (Thursday)  
November 9, 2021 (Tuesday)  
December 7, 2021 (Tuesday)

SUBJECT TO APPROVAL

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

**Investment Advisory Committee Meeting Minutes**

Thursday, May 13, 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

The meeting was called to order at 8:30 A.M.

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

Mr. Drake made a motion, seconded by Ms. Kreuzer, to approve the Minutes of the Regular Meeting of the Investment Advisory Committee held on April 8, 2021. The Committee voted 4-0-0. Motion carried.

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

Ms. Yemets reported that the General Fund balance at the end of April was \$139.5 million. It earned \$36,273 in interest and dividends from bank deposits and the CD Program in April, fiscal year-to-date appreciation was \$523,072, slightly more than was budgeted for FY 2021.

Ms. Yemets reviewed the percentage of invested cash allocations and noted interest rates being earned on assets in each depository. The cash report showed \$396 million collected in real estate taxes during the first 10 months of FY 2021, with \$10.4 million arriving in April. It was noted that there seemed to be no consequence resulting from the COVID-19 tax payment deferral dates. Conveyance taxes in April were approximately \$802 thousand and forecasted to be over \$8 million by the end of the fiscal year. Total cash inflows for the month were \$16.6 million and outflows \$31.1 million. The General Fund cash balance of \$139.5 million at the end of April was \$8.2 million higher than the balance a year ago.

The Committee discussed the imminent arrival of the American Recovery Program (ARP) funds during May and the First Selectman's ARP Special Initiative Committee that is being formed to define the strategy, objectives and timetable for distribution decisions. The Committee was assured that ARP would be non-lapsing funds to be used when federal Treasury Guidelines are received and will be tracked with a new unique line item on the cash flow report.

**3. OPEB Trust**

**a. Investment Performance**

The OPEB Trust earned \$1.5 million during April, and ended the month with a balance of \$42,025,281. For the fiscal year through April, the Trust has earned \$9.3 million, representing a 28.0% return versus a return on the weighted benchmark of 20.3%. Contributing to the outperformance versus the benchmark was the over-weighting in an S&P 500 EFT, that has provided \$7.3 million of gains so far this fiscal year.

**b. Review of proposed revisions to the OPEB Funding Policy in preparation for presentation to the full BET in June**

The Committee reviewed proposed changes to the OPEB Funding Policy Statement, which accompanies the OPEB Investment Policy Statement (“IPS”) in the BET Policy Manual. The proposed changes are primarily conforming with the changes in the IPS previously approved by the IAC. Assuming the IAC approves the proposed changes in its June 10 meeting, it will seek BET approval of both policy statements in its June 14 meeting.

**c. Recent communication regarding a potential OCIO**

Ms. Yemets related an informal conversation she recently had with Vanguard Institutional Advisory Services about its potential management of the OPEB Trust Fund. This follows a similar conversation had last year with Vanguard. Notably, Vanguard has materially reduced the indicative rate it would charge for management of the OPEB Trust sufficiently so as to rekindle interest to solicit proposals for outside investment management services of the OPEB Trust. Mr. Mynarski commented that he had been contacted by other interested financial service firms and suggested that the process could begin immediately with a formal Request for Proposal, packaged with a watermarked draft of the IPS. He predicted initial responses could be expected in June and interviewing could be anticipated in July.

Upon a motion by Mr. Weisbrod, seconded by Ms. Kreuzer, to publish an RFP to identify interested financial asset management firms as possible Outside Chief Investment Officer, the Committee voted 4-0-0. Motion carried.

**d. Trust Board reappointments for FY2022**

Mr. Duus offered to contact members of the OPEB Trust Board regarding their interest in reappointment for FY2022 and ask for their ongoing participation as an informal advisory board to retain their talent and insights. He would also solicit feedback on the Committee’s new decision to seek an OCIO and the projected RFP timetable.

**4. Old Business**

No topics were scheduled for discussion.

**5. New Business**

No topics were scheduled for discussion.

## 6. Adjournment

Mr. Weisbrod made a motion, seconded by Mr. Drake, to adjourn the Regular Meeting of the Investment Advisor Committee at 9:43 A.M. The

Next Meetings: June 10, 2021 at 10:00 A.M. via Zoom 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**

June 10, 2021 (Thursday)  
July 15, 2021 (Thursday)  
September 15, 2021 (Wednesday)  
October 14, 2021 (Thursday)  
November 9, 2021 (Tuesday)  
December 7, 2021 (Tuesday)