

TOWN OF GREENWICH  
BOARD OF ESTIMATE AND TAXATION

OPEB Trust Board Meeting Minutes

8:00 A.M. Tuesday, February 9, 2010  
Mazza Room, 1st Floor, Town Hall

Present:

Trust Board: Joseph Pellegrino, Chairman, Philip Skidmore,  
Robert Stricker

BET Attendees: Arthur Norton

Attendees: Peter Mynarski, Comptroller and ex-officio member of the  
OPEB Trust Board, Kathleen Murphy, Treasurer/OPEB Board  
Trustee

The meeting was called to order at 8:00 A.M.

**1. Review minutes of Trust Board's meeting of December 7, 2009**

On a motion by Mr. Skidmore, seconded by Mr. Stricker, the OPEB Trust Board voted 2 to 0 to 1 to approve the minutes of the December 7, 2009 meeting. Mr. Pellegrino abstained.

**2. Review Performance of Trust**

Ms. Murphy distributed the December 31, 2009 monthly OPEB investment reports and related materials and discussed their contents with OPEB Board members and others in attendance. Ms. Murphy also stated the fund is currently in balance and won't need to be rebalanced until at least April, based on March 31, 2010 balances.

Mr. Skidmore reminded those in attendance that Mr. Laurence Simon, at an Ad-Hoc OPEB Committee meeting suggested improving the monthly Treasurer's OPEB report. Mr. Pellegrino thanked Mr. Skidmore for reminding the Board and volunteered to assist Ms. Murphy with that task. Mr. Stricker made a motion to create a working group of Mr. Pellegrino and Ms. Murphy to improve the monthly Treasurer's OPEB report. Mr. Skidmore seconded the motion and the motion carried 3 to 0.

### **3. Review Columbia Management Information**

The Board reviewed the Columbia Management materials distributed by Ms. Murphy. Mr. Pellegrino asked Ms. Murphy where the OPEB Board stood regarding the status of Columbia Management. Ms. Murphy responded that Columbia Management is in the process of being sold to Ameriprise, effective by March 31, 2010. Ms. Murphy added that the fee arrangement would be changing, contrary to previous comments made by Columbia Management officials. Mr. Pellegrino referred back to the Columbia Management materials and questioned the validity of some of the numbers displayed in the bar graphs and year-to-date statistics. Mr. Pellegrino proposed to the Board members that he would like to discontinue the engagement of Columbia Management and had concerns about taking on more risk in an attempt to out perform the benchmark for fixed income investments.

After a brief discussion, Mr. Stricker made a motion to discontinue the Columbia Management engagement. Mr. Skidmore seconded the motion. Mr. Skidmore stated that he agreed with ending the engagement and noted that he understood that Columbia Management's predecessor, US Trust was engaged because of its research capabilities, which no longer exist with Columbia Management. The motion carried by a vote of 3 to 0.

### **4. Discussion of Fixed Income Options**

Mr. Pellegrino opened up the discussion about utilizing Exchange Traded Funds (ETFs) versus mutual funds. Mr. Pellegrino thanked Ms. Murphy on the work she did investigating these investment alternatives. Mr. Pellegrino stated that based on the research done in the areas of expense ratios, premium discounts to net asset values, trading valuations (end of day versus all day valuations) and trading costs, he feels that ETFs are not suitable for the Town's OPEB Fund, regarding fixed income investments. Mr. Pellegrino suggested that the focus be on mutual funds and both Mr. Stricker and Mr. Skidmore concurred.

Mr. Pellegrino opened up discussions about an active versus passive management strategy regarding fixed income investing. Mr. Pellegrino felt it was too hard to add value by actively managing fixed income funds and suggested going into index funds, preferably the Vanguard Total Bond Market Index (Vanguard).

Mr. Stricker agreed, but offered Harbor Investments Inc. as an alternative to Vanguard. At this point, the Board members reviewed a matrix prepared by Ms. Murphy regarding a number of fixed income alternatives. Mr. Pellegrino noted Vanguard's fees (8 basis points) were the lowest. Collectively, the Board members and Mr. Norton reviewed the various expense ratios, average returns and asset classification make ups for each of the alternatives.

Mr. Stricker stated that the fixed income area is not an area where we should be reaching for performance relative to benchmarks. Mr. Pellegrino expressed his concerns about

over performance relative to taking on incremental risk. Mr. Pellegrino also stated that the Board should be reviewing potential other categories not listed, such as emerging markets, TIPs, world bonds, etc. Mr. Stricker agreed with Mr. Pellegrino's comments and suggested that the Board should be reviewing 10 year performance when making fixed income decisions. Mr. Stricker referred to PIMCO as an alternative, stating they add value.

Ms. Murphy advised the Board members that we need to do further research before deciding on fixed income alternatives.

Mr. Pellegrino noted that although Vanguard is on our approved list of financial institutions, their asset composite holds corporate bonds with ratings below that approved by the Investment Guidelines Policy and the Board would have to change the guidelines before approving Vanguard. Mr. Pellegrino decided to temporarily table the item to approve Vanguard, due to a lack of investment guideline compliance issues.

The Board moved on to item number 5, to discuss Investment Policy Guidelines.

After discussing item number 5, Investment Policy Guidelines, Mr. Stricker made a motion to pass a resolution to move fixed income assets from Columbia Management to Vanguard, subject to a change in the Investment Policy Guidelines and approval by the Board of Estimate and Taxation Investment Advisory Committee and full BET. Mr. Skidmore seconded the motion. Mr. Pellegrino stated that the move to Columbia Management to Vanguard would be an initial move and the engagement of PIMCO would be further reviewed subsequent to this action. The vote carried 3 to 0.

##### **5. Discussion of Investment Policy Guidelines**

Mr. Pellegrino stated that the Investment Policy Guidelines need to be consolidated and offered to work with Ms. Murphy. In addition, Mr. Pellegrino recommended that the improved guidelines focus on a wider range of different asset classes, target allocations and whether the guidelines should deal with the issue of active versus passive management investment styles. Mr. Stricker stated that he felt the guidelines were too tight and should be more reasonable. Mr. Stricker offered that the guidelines should reflect the following; offer other asset classes and how detailed they should be, discuss tactical versus strategic philosophies, refrain from changing the asset reallocation every month and basically stay away from micromanaging the funds.

Mr. Pellegrino agreed with Mr. Stricker's comments and wanted to develop guidelines that the average reader could understand and not necessarily the people in this room, or the architects of the guidelines. Mr. Pellegrino felt their role should be one of "allocators" and to simply determine where in the asset range we should be moving.

Mr. Stricker made a motion to have the Board direct Mr. Pellegrino and Ms. Murphy to improve the existing investment guidelines, seconded by Mr. Skidmore. The vote carried by a vote of 3 to 0.

**6. Future meeting schedule and items for discussion at future meetings**

Mr. Pellegrino stated that the next OPEB Trust Board meeting would be contingent on the completion of changing the Investment Guideline Policy.

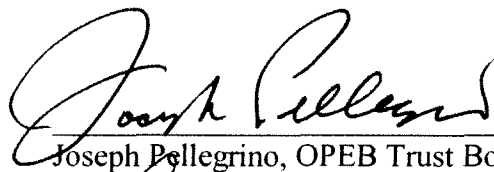
Mr. Stricker asked about liquidity issues with the fund and if they would interfere with liquidating the Columbia Management assets. Mr. Mynarski and Ms. Murphy stated that the OPEB Fund encounters liquidity issues in July of each year when settling up the due to/due from accounts between the General Fund and the OPEB Fund.

Mr. Pellegrino summarized the accomplishments of the meeting as follows:

- The Board voted to discontinue the Columbia Management engagement.
- The Board voted to change the Investment Policy Guidelines and forward to the BET Investment Advisory Committee for their approvals.
- Subject to Investment Policy Guidelines changes and approvals, the Board would engage Vanguard to invest the fixed income portion of the OPEB Fund.
- The Board created a working group consisting of Mr. Pellegrino and Ms. Murphy to improve the monthly Treasurer's OPEB report.

**7. Adjournment**

On a motion by Mr. Stricker and seconded by Mr. Skidmore, the Board voted 3 to 0 to adjourn the meeting at 9:22 A. M.

  
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Joseph Pellegrino, OPEB Trust Board Chairman

  
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Peter Mynarski, Recording Secretary