

**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,

Catherine Sidor, Recording Secretary

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