

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

OPEB Trust Board Meeting Minutes

Thursday, April 8, 2021

Virtual Webinar

Present:

Trust Board: Robert Stricker, Chairman; William Ferdinand, Joseph Pellegrino

Staff: Joan Lynch, Assistant to the Treasurer; Peter Mynarski, Comptroller, and ex-officio member of the OPEB Trust Board; Nataliya Yemets, Treasurer and OPEB Trustee

BET Attendees: Michael Mason, BET Chairman; Andy Duus, Laura Erickson, Miriam Kreuzer, Elizabeth K. Krumeich, David Weisbrod

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

1. Approval of OPEB Meeting Minutes

Upon a motion by Mr. Pellegrino, seconded by Mr. Stricker, the Board voted 2-0-0 [Mr. Ferdinand joined the meeting late] to approve the Minutes of the OPEB Trust Board Meeting held on January 14, 2021. Motion carried.

2. Review the Trust's performance and asset allocation as of the end of March 2021

Ms. Yemets provided an overview of market activity through the end of March commenting that the equity markets posted positive returns for the first quarter with S&P 500 generating a return of 6.17%. Energy and financials sectors led, gaining 30.85% and 15.99% respectively. Value stocks significantly outperformed growth in the first three months of 2021, with large cap value returning 11.26% and large cap growth returning less than 1.00%. Small caps performed particularly well with Russell 2000 up 12.70%. One-year returns as of 3/31/21 ranged from 56.09% for large cap value to 97.05% for small cap value. US stocks underperformed emerging markets in the trailing 12 months but did better than international stocks. As far as fixed income, the Bloomberg Barclays US Aggregate Total Return Index lost 3.37% during the first quarter and gained only 71 bps in the trailing 12 months period.

Turning to the OPEB Portfolio, Ms. Yemets commented that it gained \$1,033,702 in March, ending the month with the market value of \$40,495,976 before operating cash. Fiscal year to date gains were \$7.8 million. As of March 31, 2021, 66.8% of the total portfolio was in domestic equities, 9.7% was in international equities, 16.1% was in domestic investment grade fixed income represented by PIMCO Income Fund and the remaining 7.4% was in the PIMCO Enhanced Short Maturity Active ETF and cash.

The OPEB Trust Portfolio gained 2.80% in March beating the benchmark by 105 bps. The quarter-to-date, fiscal year-to-date and one-year returns were 5.05%, 23.53% and 42.45%, respectively, outperforming the blended benchmark by three seven and more

than 10%. Longer term performance was well above the actuarial assumption of 7.00%. Domestic equity gained 4.01% in March, slightly lagging S&P 500, but outperformed the index in fiscal year-to-date and one-year periods. International equities experienced weaker performance, with fiscal year-to-date one- and three-year returns significantly lagging MSCI All Country World ex US Index. Domestic fixed income did not contribute as much to the total Portfolio returns when compared to the US Equity, but had impressive results relative to its benchmark, outperforming BC Aggregate by 3.23%, 8.92% and 11.11% in the quarter-to-date, fiscal year-to-date and one-year time periods.

3. Discuss market conditions and investment strategy

Mr. Ferdinand expressed the opinion that the U.S. market conditions remained the same. While looking at trading activity and the recent rally, he commented that the market valuations are projected to grow in the next 12 plus months while continuing to be volatile without huge gains. He recommended no change to the portfolio unless interest rates or inflation interrupted earnings' momentum. Mr. Pellegrino agreed with Mr. Ferdinand's perception of the market, questioning whether the market was fully valued, adding that the real risk was not to be invested in the market. Mr. Pellegrino favored healthcare, technology, maintaining the current exposure to the Russell 2000 and not increasing fixed income or international holdings. Mr. Stricker discussed the long-term outlook, noting that the equities rally cannot go forever and that it would be prudent to start gradually reducing the equity exposure. He proposed to move 5% from SPY to fixed income but did not receive support from the rest of the Board. The Board discussed benefits of adding the Vanguard Extended Market ETF to the Portfolio but came to the conclusion that the current combination of SPY and VTWO is very similar to the composition of VXF. The Board made no changes to the Portfolio allocations but asked that members continue to look for publicly traded alternative ETFs or mutual funds.

4. Discuss Investment Advisory Committee changes to the OPEB Trust Investment Policy Statement

The Board reviewed the final draft of the OPEB Trust Investment Policy Statement (IPS) to be presented by the IAC to the BET on its June Agenda. Mr. Stricker noted several inconsistencies in the draft, mainly that the IPS explicitly stated the Plan's long-term investment horizon, but established short-term procedural items like requesting the Board's annual view on short-term market returns. Mr. Stricker also suggested that a total market index is a better representation of the U.S. equity markets than SPX and therefore should replace SPX in the OPEB Portfolio blended benchmark. Mr. Duus responded that the S&P 500 Index was chosen for its simplicity and familiarity to most people. Mr. Stricker stated that he strongly opposed the IAC's decision to restrict active management in the IPS, arguing that in certain market conditions when active management is required to help the Plan achieve the assumed return of 7%, it would take a long time to change the IPS again. He assured the IAC that the OPEB Board favors low cost passive funds, and therefore restricting the flexibility of active management in the IPS, in his view, was unnecessary. Mr. Duus promised to discuss the raised items at the next IAC meeting.

5. Schedule meetings for the remainder of calendar year 2021

July 15, 2021
October 14, 2021

6. Discussion of topics for future Meetings

Mr. Duus expressed appreciation for the OPEB Trust Board's exceptional performance.

1. Board membership term expirations and renewal
2. Further exploration for attractive yields in illiquid investments

7. Adjournment

Upon a motion by Mr. Ferdinand, seconded by Mr. Stricker, the Board voted 3-0-0 to adjourn the meeting at 9:49 A.M.

Next OPEB meeting is scheduled for Thursday, July 15, 2021 at 8:30 A.M.

Catherine Sidor, Recording Secretary

Robert Stricker, Chair OPEB Trust

July 15, 2021 (Thursday)
October 14, 2021 (Thursday)