



TOWN OF GREENWICH

**BOARD OF ESTIMATE & TAXATION
INVESTMENT ADVISORY COMMITTEE MEETING**

Thursday, May 12, 2022 – 8:30 A.M.

**Mazza Room
1st Floor, Town Hall**

AGENDA

1. Approval of the BET Investment Advisory Committee Meeting Minutes of March 14, 2022 and April 18, 2022
2. Review of the OPEB Trust:
 - OPEB Trust Portfolio April 2022 performance
 - Vanguard's proposed changes to Investment Policy Statement
 - Composition and the role of the OPEB Board
3. Review of Treasury Reports:
 - Town's cash position and invested cash allocations on April 30, 2022
 - Investments in U.S. Treasury Bills
 - General Fund monthly cash flows: actual for April 2022 and projected for the remainder of fiscal year 2022
4. Old Business
5. New Business
6. Adjournment

Next Meeting: Thursday, June 9, 2022 at 10:00 A.M. in the Mazza Room.

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 as soon as possible in advance of the event.

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

Investment Advisory Committee Meeting Minutes

Monday, March 14, 2022

Present:

Committee: William Drake, Chairman; Michael Basham, Miriam Kreuzer
David Weisbrod

Staff: Joan Lynch, Assistant to the Treasurer; Peter Mynarski, Comptroller;
Nataliya Yemets, Treasurer

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

1. Approval of the BET Investment Advisory Committee (IAC) Meeting Minutes

Upon a motion by Mr. Drake, seconded by Mr. Basham, to accept the Minutes of the Regular Meeting of the Investment Advisory Committee held on February 14, 2022 as amended, the Committee voted 3-0-1 (Abstain: Weisbrod). Motion carried.

2. Review of the OPEB Trust Portfolio February 2022 performance

Ms. Yemets distributed to the Committee the March 2022 market and economic outlook provided by Vanguard as well as the OPEB Trust monthly performance report as of February 28, 2022. The Portfolio ended the month with a market value of \$44,436,895.48, posting a loss of approximately \$1.0 million in February. The month-end Portfolio allocations were as follows: 55.5% US Equity, 19.6% Non-US Equity, 20.0% US Fixed Income, and 4.9% Non-US Fixed Income. The Portfolio's return in February was -2.30% versus a composite benchmark's return of -2.06%.

Ms. Yemets commented that five-year history of the OPEB Trust Portfolio returns had been uploaded into Vanguard's performance measurement system and she was working with the Vanguard Team to upload another five years of historical returns. A member of the Committee requested a policy benchmark, consisting of 75% S&P 500 and 25% Bloomberg Barclays US Aggregate Bond index, be included in performance reports for comparison.

3. Discussion of the composition and the role of the OPEB Board

The Committee began a discussion on the role of the OPEB Trust Board going forward. Since the portfolio is now managed by Vanguard as OCIO, the purpose and role of the OPEB Board have changed. With only one current member of the OPEB Trust Board, the IAC recognizes that the OPEB Board is currently not functioning as was intended. Need to determine if it's necessary to recruit two new members. It was suggested that the Board has served as a pipeline to other Town volunteer positions, so there are reasons to consider keeping the Board intact.

The Committee also discussed how and when to make a recommendation to the BET, and whether any changes would need to be addressed in the Town's Policies & Procedures.

The Committee is working with the Town's legal counsel on determining legal requirements for the OPEB Declaration of Trust, if any, if it is decided to make any changes or eliminate the OPEB Board. It was decided that the IAC would make a report to the BET after receiving further legal guidance from the Town's legal counsel, and after the April IAC meeting.

4. **Review of Treasury Reports:**

- **Town's cash position and invested cash allocations as of February 28, 2022**

On February 28, 2022 the General Fund cash balance was \$200.9 million; the appreciation generated during the month was \$26,050. The overall Town cash position, excluding the Retirement Fund but including the OPEB Trust, was \$361.4 million. Allocations of cash deposits among three banks had rates of return between 0.05% to 0.12%; the CT STIF allocation earned 0.12% interest; and, \$21.2 million invested in CDs earned 0.80% (annualized).

As of 2/28/2022, 34.4% of the General Fund's deposits were with TD Bank, 19.6% with JP Morgan Chase, 9.7% with Webster Bank, 23.3% was invested in CT STIF, 10.6% was invested in CD and 2.5% was invested in U.S. Treasuries.

- **Investments in U.S. Treasury Bills**

Ms. Yemets reviewed seven investments made in six-month U.S. Treasury Bills since the beginning of the current calendar year. Each investment was for \$1.0 million, yields to maturity ranged from 0.203% to 0.702%. A member of the Committee asked for a comparison of three-, six-, nine-, and 12-month rates for CDs vs. Treasury Bills since T-bills were most sensitive to the Fed rate changes. A schedule comparing the investment rates to be presented to the Committee at the April meeting. Ms. Yemets suggested that the CD Program should allow for reinvesting maturing CDs into T-bills, when Treasury rates exceed those of CDs.

- **General Fund monthly cash flows: actual for February 2022 and projected for the remainder of fiscal year 2022**

Ms. Yemets reported that the General Fund total inflows in February were \$25.7 million, including \$19.9 million of real estate tax collections and \$2.3 million of grant payments from the State. The General Fund total cash outflows were \$34.9 million, and the ending cash position was \$200.9 million.

4. **Old Business** - none

5. **New Business** – none

6. **Adjournment**

Upon a motion by Ms. Kreuzer, seconded by Mr. Bashan, to adjourn the Regular Meeting of the Investment Advisory Committee at 11:09 A.M, the Committee voted 4-0-0. Motion carried.

Catherine Sidor, Recording Secretary

William Drake, Chairman, Investment Advisory Cmte

The next meeting of the IAC will be held on Tuesday, April 19, 2022 in the Mazza Room [subsequently changed to Monday, April 18, 2022 at 10:00am in the Mazza Room].

SUBJECT TO APPROVAL

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

Investment Advisory Committee Meeting Minutes

Monday, April 18, 2022

Present:

Committee: William Drake, Chairman; Michael Basham, Miriam Kreuzer,
David Weisbrod

Staff: Shira Davis, Executive Assistant to the Comptroller; Joan Lynch,
Assistant to the Treasurer; Peter Mynarski, Comptroller; Nataliya
Yemets, Treasurer

Guests: Brian Binkley, CFA, Vanguard Institutional Advisory Services (VIAS)
Joseph Pellegrino, Other Post-Employment Benefits (OPEB) Member

BET Members: Dan Ozizmir, BET Chairman

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

1. Approval of the BET Investment Advisory Committee (IAC) Meeting Minutes

A vote on the minutes for the March 14, 2022 Investment Advisory Committee meeting was deferred.

2. Review of the OPEB Trust Portfolio performance by Vanguard

Mr. Binkley gave a power point presentation on the Vanguard performance for the first quarter of calendar year 2022 OPEB Trust investments. He started by saying that he had entered five years of data into the VIAS data base. He also indicated that he had recently received data from Ms. Yemets going back ten years which he expects to have included by the next quarterly report.

The highlights of Mr. Binkley's presentation are as follows:

- Due to interest rate changes and current geopolitical risk and its impact, such as the Russian invasion of Ukraine, U.S. equities have declined for the first quarter by 5.4% and Non-U.S. equities have declined by 5.3% for the same period.
- Mr. Brinkley stated that energy stocks were the only bright spot in the market with a 39.0% return for the first quarter of 2022.
- He pointed out that U.S. Treasury yield curve returns for maturities of six months and greater have risen dramatically from one year ago. Mr. Brinkley mentioned that the yield curve for 2-year to 10-year yields have inverted which tends to indicate the possibility of a looming recession, which has occurred seven out of the last eight times.

- Mr. Binkley offered that geopolitical sell-offs are short-lived and have traditionally averaged 5% total returns 6 months from the event and 9% average total returns one-year from the event. He stated there have been 9 bear markets over the last 40 years, and bull markets last significantly longer than bear markets.
- Ms. Kreuzer asked Mr. Binkley to add footnotes to the performance report, stating historical benchmarks and dates of transition to VIAS. Mr. Binkley indicated he would include this information in future reports.
- Mr. Binkley turned the discussion to the Vanguard proposals for amendments to the Investment Policy Statement which included the following:
 - Recommending an allocation of up to 40% of the total equity exposure to non-U.S. investments, up from the current limit of 20%,
 - Recommending updating the current benchmarks for U.S. Equities as measured by the S&P 500 Index, and Fixed Income as measured by the Bloomberg Barclays U.S. Aggregate Bond index to reflect the OPEB portfolio's exposure to the various asset classes.
 - Recommending rebalancing the portfolio when the equity or fixed income allocation is plus or minus 5% from policy targets versus the current 2%.
- Mr. Binkley stated that VIAS was recommending an increased investment in international stocks as a valuable diversifier to a balanced portfolio that can serve to lessen volatility over the long-term.
- Mr. Binkley was asked by Mr. Pellegrino what was meant by a "spliced benchmark". Mr. Binkley responded that it was merely a weighted blending of a previously used older benchmark with a more current version.
- Mr. Binkley concluded his presentation by showing a slide of the median returns of various assets, by class, during the worst decile of monthly U.S. equity returns from January 1988 to March 2021.

3. Discussion of the composition and the role of the OPEB Board

There was a discussion among the Committee members and Mr. Pellegrino regarding the decision to retain the existing OPEB Trust Board with three members. Different opinions were expressed, and it was decided to defer action until a future meeting.

4. Review of Treasury Reports:

- **Investments in U.S. Treasury Bills: General Fund and American Rescue Plan monies**

Because the meeting was running out of its allotted time, Chairman Drake requested that the Committee take up only the subject of investing more in U.S. Treasuries.

Ms. Yemets stated that starting in January 2022 we have been investing \$1 million per week in U.S. Treasuries and thought we should increase future investments up to \$2 million per week through June 2022, and further assess at that time. This would be an

additional approximately \$20 million, bringing the totals up to about \$32 million with \$12 million already invested.

Ms. Yemets further suggested introducing U.S. Treasuries into the current Certificate of Deposit (CD) Program when U.S. Treasury rates exceed those of CDs of similar maturities.

It was discussed and agreed these additional investments in U.S Treasuries, both within the CD Program and separately through JP Morgan Securities, can be done at the discretion of Ms. Yemets with approval from Mr. Mynarski, in accordance with the Town's Cash Management Resolution.

It was separately noted by Ms. Yemets that approximately \$15 million of the ARP COVID Recovery Funds have also been invested in U.S. Treasuries.

4. **Old Business** – none

5. **New Business** – none

6. **Adjournment**

Upon a motion by Ms. Kreuzer, seconded by Mr. Basham, to adjourn the Regular Meeting of the Investment Advisor Committee at 11:07 A.M, the Committee voted 4-0-0. Motion carried.

Peter Mynarski, Recording Secretary

William Drake, Chairman, Investment Advisory Cmte

The next meeting of the IAC will be held on Thursday, May 12, 2022 in the Mazza Room.