

**TOWN OF GREENWICH
BOARD OF ESTIMATE AND TAXATION
Investment Advisory Committee Meeting Minutes**

Thursday, March 12, 2020
Mazza Conference Room, 1st Floor, Town Hall

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: Leslie Moriarty, Leslie Tarkington

Guests: William Ferdinand, OPEB Trust Board Member; Robert Stricker, OPEB
Trust Board Chairman

The meeting was called to order at 10:04 A.M.

1. Acceptance of the BET Investment Advisory Committee Meeting Minutes

Upon a motion by Mr. Drake, seconded by Ms. Kreuzer, the Committee voted 4-0-0 to accept the Minutes of the IAC Meeting of February 13, 2020. Motion Carried.

Upon a motion by Mr. Drake, seconded by Ms. Kreuzer, the Committee Voted 4-0-0 to accept the Minutes of the IAC Special Meeting of March 4, 2020. Motion Carried.

2. Review and Approve Actions of the OPEB Trust Board Meeting

During the OPEB Trust Board's meeting of March 12, 2020, the Board took the following action:

- The OPEB Trust Board voted 3-0-0 to sell U.S. Treasuries and invest the proceeds in SPDR S&P 500 ETF Trust (SPY) in a sufficient amount to increase the OPEB Trust Portfolio total equity position to 70%.

Upon a motion by Mr. Duus, seconded by Ms. Kreuzer, the Committee voted 3-1-0 to approve the actions of the OPEB Trust Board stated above (opposed: Weisbrod). Motion carried.

A discussion followed on the need to become more knowledgeable about the funding of the OPEB Trust liability and the impact of the market volatility on the amount of the Town's annual contribution. The two questions were considered: what percentage of the Portfolio should be in equities (deferred for discussion with Actuary); and whether it is a prudent time to buy or sell in today's market. Since the process of executing the OPEB Board's decisions is normally done on the day of the OPEB Trust Board meeting, if approved by IAC at its subsequent meeting, the Committee discussed if it should deviate from its normal process.

Upon a motion by Mr. Drake, seconded by Ms. Kreuzer, the Committee voted to change the Order of Business to discuss Agenda Item #5 and Item #6 before Items #3 and 4. The Committee voted 4-0-0. Motion carried.

5. Review of OPEB Trust Portfolio investment management strategy

Chairman Duus proposed postponing a discussion of the Draft update of the OPEB Investment Policy Statement until next month's meeting when the Investment Advisory Committee could meet jointly with the OPEB Board when all members would be present for its discussion.

6. Discussion of challenges and opportunities of low interest rates and declining equity markets

Mr. Duus presented several options of funding pension obligation, including (1) issuing pension obligation bonds, (2) transferring pension risk by means of buying an annuity or selling the pension obligation to an insurance company, and (3) offering a buyout to retired pensioners. He analyzed advantages and challenges of each option, provided historical examples and explained their outcomes. The Committee discussed pros and cons of fully funding the OPEB Trust and the Retirement Plan obligations versus keeping the Plans at a somewhat underfunded level. The tax impact of using bond proceeds to fund the OPEB Trust and Retirement System outstanding obligation was weighed against the benefit of reducing the Town annual contribution.

Mr. Mynarski commented that the bonding process was already being considered for re-financing other existing Town debt for The Nathaniel Witherell and municipal Sewers. Additional re-financing options were introduced and Mr. Duus will email a full description.

Ms. Kreuzer presented the stress analysis she performed on the OPEB Trust Portfolio. The goal was to assess what risks passively-managed portfolios with various equity/fixed income allocations would face in negative / mediocre-positive market returns scenarios and what the worst case scenario would look like. The Town's Actuary provided his input as far as the impact of negative market performance on the amount of the annual Town contribution to the OPEB Trust. Ms. Kreuzer's conclusion was that one year of negative returns would not have any significant impact on the size of the annual contribution; however, if such a year is followed by several years of low positive returns (below the assumed rate of return used in actuarial calculations), the annual contribution might experience a notable increase. It was decided that the nature and the effect of OPEB obligations should be studied more and incorporated into Ms. Kreuzer's analysis. The consequences of not reaching the target rate of return will be analyzed to be presented to the full BET with the OPEB Annual Report in July or early Fall.

3. Review changes in investment interest rates and bank earnings credit rates

The Committee reviewed changes in interest rates and the consistency of low earnings credit rates as Ms. Yemets pointed out that, following the 50 bps drop in target federal funds rate on March 3, 2020, the banks were lowering interest rates offered on the Town's deposits. The Town's CD Program remained the best interest yielding investment. Ms. Yemets cautioned that approximately \$2.0 million in CDs would be maturing between now and end of July, with

additional \$3.7 million maturing in August, and that it should be expected that these CDs would be reinvested at much lower rates. A full list of the CD Program holdings that includes IDC ratings will be presented for Committee's review at the next IAC meeting. Ms. Yemets also warned that the Federal Reserve was expected to lower their target rate by another 50-75 bps, which would negatively impact the Town's General Fund interest earnings. She suggested that the lower interest rate environment should be considered when the interest income amount is budgeted for the Fiscal Year 2020-2021.

4. Review actual/forecasted General Fund monthly cash position for Fiscal Year 2020

Ms. Yemets reported that the General Fund balance as of 2/29/2020 was \$176,836,818 and the interest earned in February was approximately \$235,000. Fiscal YTD General Fund earnings topped \$2.0 million. General Fund assets represented about 66.8% of the total Town's investable cash. The annualized blended interest rate earned on the Town's deposits and investments in February was approximately 1.64%. The General Fund February actual cash flows were close to the forecast: total inflows were about \$27.7 million (\$23 million of which was attributed to the tax collections), the disbursements totaled approximately \$30.3 million.

The Committee asked Ms. Yemets to share her estimation of the interest earnings that shows correlation of that number to the target federal funds rate. The analysis to be used for FY2021 Town Revenue projection as the BET sets/approves budgets on Decision Day.

7. Discussion of topics and review of schedule of future IAC meetings

- Changes to the IAC Meeting schedule
 - Date of December meeting is December 7, 2020
- Options for possible financing the unfunded portion of the OPEB Trust and Retirement System

8. New Business

No topic on the Agenda for discussion.

9. Old Business

No topic on the Agenda for discussion.

10. Adjournment

The Committee voted unanimously to adjourn the meeting of the IAC at 11:27 A.M. Motion carried.

Next Meeting: Tuesday, April 7, 2020 at 10:00 A.M. in the Human Services Conference Room.



Catherine Sidor, Recording Secretary



Andreas Duus, Chair, Investment Advisory Committee

Schedule Investment Advisory Committee Meetings for calendar year 2020

April 7, 2020 (Tuesday) – Human Services Conference Room 3rd Floor
May 7, 2020 (Thursday) – Mazza Conference Room, 1st Floor 10:45 A.M.
June 11, 2020 (Thursday) – Mazza Conference Room, 1st Floor
July 16, 2020 (Thursday) – Mazza Conference Room, 1st Floor
August (no meeting)
September 17, 2020 (Thursday) – Mazza Conference Room, 1st Floor
October 15, 2020 (Thursday) – Mazza Conference Room, 1st Floor
November 10, 2020 (Tuesday) – Human Services Conference Room 3rd Floor
December 8, 2020 (Tuesday) – Mazza Conference Room, 1st Floor