TOWN OF GREENWICH
OPEB Trust Board Meeting Minutes

Thursday, May 4, 2017
Mazza Room, First Floor, Town Hall

Present:

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

BET Attendees: John Blankley, William Drake

Staff: Peter Mynarski, Comptroller and ex-officio member of the OPEB Trust Board; Kathleen Murphy, OPEB Board Trustee; Natasha Yemets, Assistant to the Treasurer

The meeting was called to order at 8:38 A.M.

Approval of April 20, 2017 Meeting Minutes

Upon a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 3-0 to approve the Minutes of the April 20, 2017 Meeting.

Review Performance of Trust including any rebalancing trades during the month and the resulting asset allocation percentages

Ms. Murphy distributed the April 28, 2017 OPEB Investment Performance reports and related materials. She remarked that the portfolio value as of the end of April was $25,958,093; and that the Portfolio was up 0.98% for the month. The gain for the month was $297 thousand.

In April all the major market indices were positive. The S&P500 was up 1% and the Barclays Aggregate Bond index was up 0.77%. Similar to last month, foreign market indices outperformed the domestic markets. The MSCI x-US was up 2.14% and foreign bonds were up 1.42%. For the month of April, portfolio’s equity position was up 1.22% in line with its benchmark and the fixed income allocation was up 0.57%, 28 basis points behind its benchmark.

Ms. Murphy reviewed the Asset and Sector Allocation reports. She commented that with the trades that were approved at the April meeting the portfolio allocation met the Board’s objectives of 1) a neutral exposure to the energy sector and 2) an international equity exposure equal to the benchmark allocation. She also commented that the portfolio was over weighted in technology by 4.7%, contributing to the favorable performance. Commenting on the sale of the entire positon in the energy sector of the S&500 (XLE), Ms. Murphy noted that through the date of the sale XLE was down -3.02% in April and added that the share price continued to fall in the period after OPEB’s Board sold it.

The portfolio’s April 28, 2017 weightings were 71.7% in equities, 26.5% in fixed income, and 1.8% in alternatives, in line with the IPS Policy and current Board target weightings.
Discussion of market conditions and investment strategy, including asset allocation and sector weightings.

The consensus of the Board was that, although the market fundamentals are good, the market is overbought and there is more uncertainty. Q1 2017 corporate earnings were good and stocks are still attractive relative to bonds. The political news out of Washington raises concern. The Continuing Resolution to avoid a government shutdown was positive, but as to other legislative initiatives (tax cuts and health care) the timing will be significantly delayed beyond what the markets are pricing in. Acknowledging the portfolio has benefitted from the overweighing in domestic equities as the S&P500 was up 7.2% calendar year to date and 15.5% fiscal year to date, the Board decided to reduce the portfolio's exposure to domestic equities.

Given the improving economy in Europe and lower (relative to the US) equity valuations, the Board decided to add 2.5% of the portfolio to the current holding - Oakmark International Fund (OAYIX), overweighting international equities vs the benchmark.

The Board took the following actions:

Upon a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 3-0 to reduce the domestic equity target allocation from 70% to 65% of the Portfolio. The Board voted 3-0 in favor of the motion.

Upon a motion Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 3-0 to sell equal amounts of the SPDR S&P 500 ETF (SPY) and the SPDR Select Technology ETF (XLK) totaling 5% of the portfolio or approximately $1,250,000, and invest these proceeds in the Vanguard Federal Money Market (VMFXX).

Upon a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 3-0 to overweight the allocation to international equities by 2.5%, by investing approximately $625,000 in the Oakmark International Fund (OAYIX). Funding for this transaction should come from the additional sale of 2.5% (approximately $625,000) of the portfolio's holding in the S&P 500 ETF (SPY).

Review of international equity markets ETFs, including Europe, Japan, India, Brazil and Mexico. Discuss merits of hedged vs. unhedged investing.

Mr. Stricker began the discussion with the suggestion that Oakmark was providing exposure to international equity markets with active management. Mr. Stricker asked the members of the Board if they thought active versus passive management strategies should be pursued for the international equity asset selection. The Board also discussed investing in ETFs which invest in single countries/regions vs broader international ETFs.

Each member of the Board commented on possible areas for investing, currently noting unfavorable issues such as debt levels, foreign cash reserves and political instability. The consensus of the Board was that if they were to decide to invest in a particular country, India would be the best choice, however, they were more comfortable with having good active managers to allocate the international portion of the portfolio across countries and sectors within each country.

It was agreed that they should continue to review opportunities in emerging markets.
Discussion of topics for future meetings
No topics were proposed.

Adjournment
The Board voted unanimously to adjourn the meeting at 9:34 A. M.

Next meeting scheduled for June 7, 2017 at 8:30 A.M. in a meeting room to be determined

Catherine Sidor, Recording Secretary

Robert Stricker, OPEB Trust Board Chairman

Schedule future OPEB Board Meeting Dates

June 7, 2017 at 8:30 A.M.
July 12, 2017 at 8:30 A.M.
August – no meeting is scheduled
September 7, 2017 at 8:30 A.M.
October 5, 2017 at 8:30 A.M.
November 8, 2017 at 8:30 A.M.
December 4, 2017 at 8:30 A.M.