

**TOWN OF GREENWICH, CONNECTICUT
RETIREMENT BOARD
SPECIAL MEETING**

May 8, 2018 Minutes – Cone Room

The Special Meeting of the Retirement Board was called to order at 8:04 a.m.

In attendance were:

Members: Joseph Pellegrino, Chairman
Kevin Coyner
Mark Kordick
Peter Mynarski
Mike Wacek

Staff: Linda Culver, Clerical Assistant
Roland Gieger, Budget Director
Alison Graham, Employee Benefits Manager
Eugene McLaughlin, Assistant Town Attorney
Kathleen Murphy, Treasurer
Mary Pepe, Director Human Resources
Edward Smoot, Consulting Attorney
Nataliya Yemets, Assistant to the Treasurer

BET: Jill Oberlander
Bill Drake
Andy Duus
Leslie Moriarity
Leslie L. Tarkington
David Weisbrod

RTM: Miriam Kreuzer

Neuberger Berman: Eric Knutzen
Megan Doyle
Stephen Polito
Michael Savinelli

Funding Request for Transitioning the Record Keeper

Ms. Graham presented a de-conversion proposal from Transamerica Retirement Solutions to transition the Town of Greenwich's record keeping of defined benefit services and 401k program from Transamerica to Empower Retirement, a firm identified through an RFP process. She

requested authorization for a Project Fee of \$36,000 with an initial payment of \$10,000 due prior to May 15, 2018 to meet retirement and actuarial deadlines of the Town of Greenwich's annual budgeting process and addressed de-conversion issue, explains that since the total cost was uncertain due to possible supplemental work. He recommended specifying "up to" a specific dollar amount. He suggested limiting the amount to \$50,000. The Board and the Town of Greenwich staff discussed various alternatives for possibly accomplishing the task internally but agreed that the quality and integrity of the data might be comprised. Mr. Pellegrino advised sending a check in the amount of \$10,000 accompanied by a strongly worded transmittal letter referring to the balance being subject to additional discussion, to enable the transition project to begin. Mr. McLaughlin remarked that without knowing more details, it sounded like a prudent course of action.

The Board concurred that any future contract should contain explicit terms of exiting a business relationship.

Mr. Wacek made a motion; seconded by Mr. Pellegrino, to authorize an amount of up to \$50,000 to facilitate the transition of data of the defined benefit plan and assets satisfactorily from Transamerica. The Board voted 5-0-0 in favor of the motion. Motion carried.

Neuberger Berman Amendment #1 to Change Custodian

Mr. Pellegrino introduced the proposed amendment and turned to Mr. Smoot and Mr. McLaughlin for their point of view on key legal issues and concerns; he asked Mr. Berman and Mr. Savinelli to comment on the business issues. Mr. Smoot remarked that the original Neuberger Berman contract presented an integrated package of the responsibilities of the outsourced CIO (Chief Investment Officer) investment manager and custodial function. He provided an overview of Neuberger Berman's relationship with the Town of Greenwich's established independent custodian, State Street Corporation, and the business-related issues that had been experienced. Various topics were discussed including fraud, termination, and cost issues as well as describing best practices.

Mr. Pellegrino asked Neuberger Berman to identify the differences between the independent and integrated custodial models. Mr. Berman described performance, timeliness, reconciliation and control issues that would be overcome with the amendment which would increase efficiency, savings and quality of customer services given the Town of Greenwich's portfolio size. He pointed to industry regulation and Audit practices that would be testing Neuberger Berman for quality assurance. He suggested that NB's custodial infrastructure would offer an institutional operations process of separate accounts, total automation for transparency, reporting and reducing costs.

Board members individually expressed their opinions and asked how the new custodial relationship would react under various crisis and problematic scenarios. A member of the Town of Greenwich Staff, the Treasurer, Kathleen Murphy, spoke in opposition to the Retirement Board's plan to appoint Neuberger Berman as Custodian for the Plan assets. She distributed the Government Financial Officers Association Best Practices – "Using Safekeeping and Third-Party

Custodian Services” report to members of the Retirement Board, quoting: *“The safety of public funds should be the primary objective of all governments. One of the most important protections and a control against fraud is the separation of the safekeeping and custody function from the investment function. Investment policies should include a section regarding independent third-party safekeeping or custody of securities.”* Ms. Murphy’s fundamental issues are with business practices, risk management policies, and financial controls. Ms. Murphy added that the service from State Street had significantly improved since the initial transition to the OCIO.

BET members and an RTM member in attendance, also asked questions about industry best practices; the workability of the current independent custodial relationship; the possibility of the increased complexity of sub-contractor relationships; and, how the Town Charter reference to a corporate trustee was being interpreted.

Mr. Pellegrino made a motion; seconded by Mr. Mynarski, to adopt the Neuberger Bergman amendment subject to a satisfactory agreement by the Town of Greenwich’s Law Department and Neuberger Berman attorneys that would improve the Town’s legal position prior to the BET addressing the issue. The Board voted 3-2-0 in favor of the motion. (Opposed: Coyner, Kordick)

Neuberger Berman Quarterly Portfolio Review: 1st Quarter 2018 (January 1, 2018 – March 31, 2018)

Stephen Polito – Quarterly Portfolio Review
Eric Knutzen – Market Outlook
Megan Doyle – Client Services Advisor

Mr. Pellegrino asked that the following areas be covered in describing the performance of the Town of Greenwich’s portfolio: impact of the yield curve; position of the portfolio in the current environment; strength or weakness of the US dollar; and near-term investment concerns.

Mr. Polito noted the volatility of the market over the past quarter and commented on the performance of market sectors in which the Town of Greenwich’s Retirement Fund is invested; the behavior of fixed income versus equities; that growth was outpacing value investments; and, highlighted the outstanding performance of emerging markets, especially EM Latin America.

Focusing on the first quarter, Mr. Polito pointed out the successful performance of all equity managers in the first quarter’s down market was based on their active stock selection strategies. The portfolio increased by 60 bps up 8.48% for the fiscal year, outperforming the Town of Greenwich’s policy benchmarks.

Mr. Pellegrino questioned whether the report’s benchmarks reflected a 3-month lag and requested re-formatting so that performance could be judged more accurately. Additionally, he asked for the addition of a “since inception” column to reflect Portfolio performance since its management by Neuberger Berman. Mr. Wacek also requested the addition in future reports of

the portfolio risk statistic agreed when the current Strategic Asset Allocation was adopted in December 2017.

Mr. Pellegrino acknowledged that the Town of Greenwich's investment policy had not stated a specified proportion of asset concentration and asked for a review of the Town of Greenwich fund and manager concentration to ensure that less than 30% was invested in a single fund or with an individual fund manager. He also cautioned that the Town of Greenwich/Neuberger Berman relationship should not be used to attract additional investing in a fund.

ADJOURNMENT

A motion to adjourn was made by Mr. Kordick, seconded by Mr. Mynarski. The Committee voted 4-0-0 in favor of the motion to adjourn at 11:09 A.M. (Coyner – departed at 10:49 A.M.; Mr. Coyner was absent at the time the vote was taken.)

Respectfully Submitted,

Catherine Sidor, Recording Secretary

Joseph Pellegrino, Chairman