Present:

Trust Board: William Ferdinand, Joseph Pellegrino

BET/IAC Attendees: Andreas Duus, David Weisbrod

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

Mr. Ferdinand chaired the meeting in Mr. Stricker's absence. The meeting was called to order at 8:33 A.M.

Approval of April 11, 2018 Meeting Minutes

Upon a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 2-0 to approve the Minutes of the April 11, 2018 Meeting.

Review Performance of Trust as of the end of April including the rebalancing trades approved at the April meeting

Ms. Murphy distributed the April 30, 2018 OPEB Investment Portfolio Performance reports and related materials. She remarked that the portfolio's April gain was $95,771 for the month, up 0.20%, and ahead of benchmark. As of April 30th the Portfolio has had a gain of $2,084,603, up 7.76% for the fiscal year, ahead of the benchmark by 108 bps.

Referring to the Rebalancing Analysis report, Ms. Murphy commented that four trades had taken place in April: 1) the sale of 100% of the portfolio's position in Powershares QQQ and 2) the reinvestment of the proceeds in Fidelity Select Technology (FSPTX). The trade added to the current position in FSPTX, providing more diversification, as QQQ had a 50%+ weighting in the FANG stocks plus Amazon, Intel and Cisco; 3) the sale of 100% of Vanguard Short Term Corporate Bond Index (VSCSX) and 4) reinvesting 100% of the proceeds in the Brandywine Unconstrained Bond Fund (LROIX). She observed that the Portfolio target was 68.5% equities/30% fixed income/1.5% Alternatives, and that at month end the portfolio was $450 thousand or 1.6% over-weighted to the equity target. The portfolio is in compliance with the IPS.

Reviewing April performance, Ms. Yemets reported that the portfolio value at the close of April was $29.36 million, up $96 thousand for the month or 0.20% and 19 bps ahead of the benchmark. While the Portfolio lost (4.83%) for the 3-month period, Fiscal Year to Date, One, Three and Five-years performance beat the actuarial assumption of 7% and the benchmark. Domestic equities gained 15 bps, lagging the S&P 500 benchmark by 23 bps. For the month of April, the S&P 500 index was up 0.38% while the MSCI All Country World ex US index was up 1.60%. International equities were up 0.68%, 92 bps behind the benchmark, due to the negative returns from the position in emerging markets which were hurt by the rising US$. Ms. Yemets noted that Oakmark which had lagged the benchmark for the last year gained 2.27% beating the benchmark by 67
bps. The portfolio’s alternative position, Alerian, which has been a drag on the portfolio’s return, had a gain of 7.79% for the month on higher oil prices.

Fixed income was down (0.49%), 25 bps ahead of its benchmark.

The Board also reviewed the Attribution reports and the S&P 500 sector portfolio weightings and performance.

**Discussion of market conditions and investment strategy, including sector weightings and sector weightings**

The Board acknowledged we were in a period of increased volatility and that the markets are being buffeted by computer/algorithmic trading which favors large cap and momentum investing. However, they are comfortable with an over-weighting in equities, commenting that the underlying economic fundamentals are very strong and with little sign of inflation and strong reports on capital investment, jobs, GDP growth and earnings. The risks to this outlook are political events, including conflict in the Middle East or Israel.

Turning to the S&P 500 sectors, healthcare continues under pressure to reduce costs, and energy is expected to benefit from rising oil prices. The portfolio is over-weighted in financials and technology. Financials will benefit from rising interest rates and one needs to take a longer view. Technology will continue to perform well. No changes in the portfolio were recommended.

**Old Business**

- Review the five best performing mutual funds and ETFs in the Materials sector – deferred to a future meeting

- **Review selected broad market equity funds** - The Board considered the advantage of aggressive growth funds comparing Fidelity Contra Fund (FCNTX) with Vanguard Total Stock Market ETF (VTI) and the SPDR S&P 500 ETF (SPY). Holdings in each of the funds were reviewed and FCNTX had a significant overweight in technology, but when performance was compared to the Portfolio’s current Fidelity Select Technology (FSPTX), there seemed to be no compelling reason to change at this time.

**Discussion of topics for future meeting**

- Discussion of proposed changes in the Investment Policy Statement (IPS)
- Discussion of changing OPEB Rate of Return Assumption for FY20 Budget Contribution
- Discussion of OPEB Board June appointments, re-appointments and Chairmanship

**Adjournment**

On a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 2-0 to adjourn the meeting at 9:38 A.M.

Next meeting scheduled for Wednesday, June 13, 2018 at 8:30 A.M. in the Mazza Room.
Schedule OPEB Board Meetings for July through December 2018

Future OPEB Board Meeting Dates

June 13, 2018 at 8:30 A.M. (Wednesday)
July 24, 2018 at 8:30 A.M. (Tuesday)
August – no meeting
September 11, 2018 at 8:30 A.M. (Tuesday)
October 23, 2018 at 8:30 A.M. (Tuesday)
November 13, 2018 at 8:30 A.M. (Tuesday)
December 11, 2018 at 8:30 A.M. (Tuesday)