

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

OPEB Trust Board Meeting Minutes

Thursday, June 11, 2020

Virtual Webinar

Present:

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

BET Attendees: Andreas Duus, Laura Erickson, Miriam Kreuzer, David Weisbrod

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

The meeting was called to order at 8:30 A.M.

1. Approval of the OPEB Trust Meeting Minutes

Upon a motion by Mr. Ferdinand, seconded by Mr. Pellegrino, the Board voted 3-0-0 to approve the Minutes of the OPEB Trust Board Meeting held on May 7, 2020. Motion carried.

2. Review performance of Trust as of the end of May 2020, including the rebalancing trades during the month and the resulting asset allocation percentages

Ms. Yemets reported that equities posted positive returns in May. The S&P 500 Index rose 4.76% and MSCI All Country World ex US Index advanced 3.27%. The Bloomberg Barclays U.S. Aggregate Bond Index returned 0.47% in May. US Small and Mid-Cap Growth equities gains were about 10%, while emerging markets returned less than one percent during the month. One-year returns ranged from -14.69% for US Small Cap Value to 26.25% for US Large Cap Growth. US equities one-year returns were much stronger than those of international or emerging markets.

Moving to the Rebalancing Analysis, Ms. Yemets remarked that at their May 7, 2020 meeting, the Board voted to sell 100% of the Portfolio's international and emerging markets positions and invest the proceeds in SPDR S&P 500 ETF (SPY). As a result of this rebalancing and market movements, the ending allocations of the Trust Portfolio on 5/31/2020 were as follows: 76.1% in domestic equities (SPY); 23.9% in fixed income, of which approximately two thirds is in PIMCO Income Fund (PIMIX) and the rest is in U.S. Treasuries and cash.

In May, the Portfolio gained \$1.3 million and ended the month with a total of \$32,469,500 before operating cash. Fiscal year-to-date gain is \$749,661. The Portfolio's total return for the month was 4.08%, 115 bps ahead of its blended benchmark, domestic equities advanced 4.76%, in line with the benchmark; international equities, for the days prior to the trade, lost 1.44%; domestic fixed income gained 1.73%, 126 bps ahead of U.S. Aggregate.

3. Discuss market conditions and investment strategy, including asset allocation

The OPEB Trust Board discussed factors that were influencing the current market and offered their perspective on how to position the Portfolio. It was discussed that, considering the current rate environment, equities would offer more value than fixed income; however, would also increase the amount of risk assumed by the Portfolio. Mr. Stricker advised that capital preservation in such volatile markets is more important than return on capital, therefore increasing equity allocation would not be prudent, on the contrary, a slight reduction in equities was necessary to decrease the risk exposure. He proposed to cut equities by 10% and move proceeds into the federal money market fund. Mr. Pellegrino disagreed, suggesting that neither cash nor fixed income could generate returns sufficient enough for the Portfolio to meet the actuarial assumption of 7%. He suggested that a better strategy would be to find good investments and stay with them, agnostic to market moves. In his view, in order to beat the benchmark, the Portfolio should have an allocation close to 80% equities / 20% fixed income and cash. Mr. Ferdinand reminded how extreme the capital markets environment was: interest rates being lowest in history, huge amounts of debt potentially leading to tax increases, uncertainty about the shape of economic recovery, etc. With this amount of uncertainty in the economy, he could not support increasing equity position and leaned toward the idea that capital preservation should be the main focus. He supported the view that equities exposure should either stay unchanged or be slightly reduced.

Upon a motion by Mr. Stricker, seconded by Mr. Ferdinand, the OPEB Trust Board voted 2-1-0 (Opposed: Pellegrino) to reduce equity holdings by 5% of the Portfolio, by selling the SPDR S&P 500 ETF (SPY) and moving the proceeds to the Vanguard Federal Money Market Fund (VFMXX). Motion carried.

4. Review performance of PIMCO Income Fund

The Board considered PIMCO's past and more recent performance compared to several of the biggest total return bond funds and noted PIMCO's strong 10-year annualized return as more reflective of its active management style. They agreed to continue the investment in PIMCO; however, put it on watch.

5. Recommend reappointing Mr. Robert Stricker to the position of Chairman of the OPEB Trust Board and Mr. William Ferdinand for another three-year term on the OPEB Trust Board

To Mr. Mynarski and Mr. Duus' inquiry, Mr. Stricker and Mr. Ferdinand agreed to serve another term on the OPEB Trust Board.

6. Discussion of topics for future meetings

Continue discussion of investment strategy and asset allocation during market volatility.

7. Adjournment

Upon a motion by Mr. Ferdinand, seconded by Mr. Pellegrino, the Board voted 3-0-0 to adjourn the meeting at 9:44 A.M.

Next OPEB meeting is scheduled for Thursday, July 16, 2020 at 8:30 am as a Virtual meeting. [The meeting date was subsequently changed to July 20, 2020].



Catherine Sidor, Recording Secretary

Robert Stricker

Robert Stricker, OPEB Trust Board Chairman

Schedule of OPEB Trust Board Meetings for calendar year 2020 at 8:30 A.M.

July 16, 2020 (Thursday) - Virtual Webinar Meeting

[The meeting date was subsequently changed to July 20, 2020]

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