

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

Investment Advisory Committee Meeting Minutes

Monday, July 20, 2020

Virtual Webinar

Present:

Committee: Andreas Duus, Chair; William Drake, Miriam Kreuzer, David Weisbrod

Staff: Joan Lynch, Assistant to the Treasurer; Peter Mynarski, Comptroller;
Nataliya Yemets, Treasurer

Selectmen: Jill K. Oberlander, Select-person

BET Attendees: Michael Mason, Chairman; Laura Erickson, Leslie Moriarty, Jeffrey S.
Ramer, Leslie Tarkington

Guest: Greg Stump, Actuary, Boomershine Consulting Group

The meeting was called to order at 10:02 A.M.

1. Approval of the BET Investment Advisory Committee Meeting Minutes

Upon a motion by Ms. Kreuzer, seconded by Mr. Drake, the Committee voted 4-0-0 to approve the Minutes of the IAC Meeting of June 11, 2020. Motion carried.

2. OPEB Trust

Mr. Duus asked for a motion to change the Order of Business.

Upon a motion by Mr. Drake, seconded by Ms. Kreuzer, the Committee voted 4-0-0 to change the Order of Business to move Agenda Item #2(d) to the first item on the Agenda. Motion carried.

d) Discussion of assumed rate of return on OPEB Trust assets and discount rate for the OPEB Trust liabilities for fiscal 2021 - Mr. Stump described the preliminary steps of his annual collection of data and reviewing assumptions to arrive at an evaluation of the assumed rate of return and discount rate for the OPEB Trust. The IAC typically had used a discount rate for the OPEB Trust equal to that used by the Retirement Board. In the past couple of years, however, the Retirement Board has reduced its discount rate from 7.0% to 6.5%, whereas the IAC has maintained the discount rate for OPEB at 7.0%. Given recent markets and current economic expectations, Mr. Stump recommended that the IAC consider reducing its OPEB discount rate possibly to 6.5% or 6.0%. Mr. Stump did not believe that the actuarial value of the Trust assets was highly sensitive to a change in the discount rate; he estimated that a reduction of the discount rate by 50 basis points would translate into \$100,000 annual expense increase. Mr. Stump noted that the Plan's sensitivity responded noticeably to healthcare costs, longer lifespans, and the early retirements of many Public Safety personnel. When the Committee asked for

recommendations of strategies used to assess and control liability, he suggested tactics such as shortening or closing the amortization period, closing groups, and negotiating new benefit packages for new hires. Mr. Stump referred the Committee to the Town's Comprehensive Annual Financial Report (CAFR) for trend assumptions and 5- and 10-year projections of liabilities to assist the Town Labor Contract Negotiator for upcoming union contract discussions and indicated a preliminary actuarial report and projections would be available later in July. When asked whether the discount rate might be lower market rate rather than the assumed rate of return, Mr. Stump acknowledged the debate and did not see a need to have the two rates be different, given that purpose of the exercise is to guide the Town on funding the liability. That is also GASB's opinion. For his upcoming report, Greg will calculate the required contribution based on rates of 7.0%, 6.75% and 6.5%; this is for the fiscal 22 budget.

- a) **Review and approval of proposed Investment actions of the July 20, 3030 OPEB Trust Board meeting** – Ms. Yemets advised IAC that no action was taken at the OPEB Trust Board meeting but that the Town contribution to OPEB Trust Board expenses would be transferred to the OPEB Portfolio's Vanguard MM Prime (VMFXX) until the September meeting.
- b) **Review of OPEB Trust investment performance for fiscal 2020 and compare it to that of the Retirement Plan** – Ms. Yemets commented that the Retirement Plan's Neuberger Berman (NB) returns were incomplete without the inclusion of the return on its private equity investments. Considering only the June 30 comparison in the meeting materials, OPEB Trust Portfolio outperformed NB-managed Retirement assets except in the recent Quarter.
- c) **Discussion of OPEB Trust Board Management Report's proposed change to the OPEB Trust Investment Policy Statement (IPS)** – Two major changes were proposed in the IPS: take investment actions without the immediate approval of IAC; and, change the asset allocation benchmarks. Mr. Duus suggested he would prepare a compilation of IAC members' suggestions for the BET's September meeting and indicate where changes might be required in the BET Policy Manual.

3. Treasury Reports

- **Review of General fund monthly cash flows: actuals for June 2020 and projected for fiscal 2021**

Ms. Yemets began with an overview of cash flows and drew attention to the following: additions and withdrawals were in the normal range; interest and dividends earned were \$62 thousand, which is significantly lower than June 2019 earnings of \$165 thousand. The General Fund's ending cash balance as of 6/30/2020 was \$87 million. Reviewing the annualized interest rates offered by banks and investment programs, CDs remained the highest source of interest at 2.16% and JP Morgan Chase offered the lowest rate of 0.15%. The General Fund total cash was diversified between TD Bank, Webster, JP Morgan Chase, CT STIF and CDs. Tax collections were sufficiently high in June and July 2020 to disregard earlier concerns about the Town meeting its obligations or deferring OPEB and Retirement Plan annual contributions. Moreover, \$68 million received in taxes through 7/19/2020 did not include real estate taxes paid from bank escrow accounts. Total inflow from State grants and reimbursements of approximately \$1.7 million combined with the higher than anticipated tax collections created inflow \$3.0 million higher than anticipated

making the monthly net flow higher than forecasted. A revenue line has been added to the FY21 Cash Report for Tipping Fee income.

• **Quarterly review of CD Program holdings as of June 30, 2020**

The Committee reviewed banks' new CD rates and credit quality. Notified by Financial Northeastern Companies (FNC), the Town's CD advisor, that CD rates were going down but there was still time to invest at the higher rate, Ms. Yemets invested \$3.6 million before the rate became unavailable. Rolling over future CDs is not planned until the CD Program balance gets back to the pre- additional \$3.6 million investment level. Total Program maturities were \$22.9 million, weighted average maturity was 1.15 years and weighted average yield as of 6/30/2020 was 2.164% (annualized). Pershing continues as the Program custodian.

Ms. Yemets was complimented on her presentation and the quality of the reports prepared for IAC.

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

- OPEB Investment Policy Statement Review
- Discussion of suggestions to be prepared for the BET September Meeting and BET Policy Manual
- Review Vanguard fees for OPEB Trust Portfolio management

5. New Business – None

6. Adjournment

Ms. Kreuzer made a motion, seconded by Mr. Drake to adjourn the meeting of the IAC at 11:4 A.M. The Committee voted 4-0-0. Motion carried.

Next Meeting: Thursday, September 17, 2020 at 10:00 A.M. either in Town Hall, Mazza Conference Room, or as a Virtual webinar.



Catherine Sidor, Recording Secretary



Andreas Duus, Chair, Investment Advisory Committee

Schedule Investment Advisory Committee Meetings for calendar year 2020

August (no meeting)

September 17, 2020 (Thursday) – Mazza Conference Room, 1st Floor or Virtual

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