The meeting was called to order at 8:40 A.M.

Approval of September 8, 2016 Meeting Minutes

Upon a motion by Mr. Ferdinand, seconded by Mr. Pellegrino, the Board voted 3-0 to approve September 8, 2016 Meeting Minutes.

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

Ms. Murphy distributed the September 30, 2016 OPEB Investment Performance reports and related materials. She remarked that the total Portfolio value as of September 30th was $23,787,162; the gain for the month was $37,230. The Portfolio’s investment return for the month was 0.14%, in line with its benchmark; Domestic Equity performance was up 0.05%, in line with its benchmark; Fixed Income performance was up 0.19%, ahead of its benchmark by 11 bps; and, International Equity return was 0.83%, lagging its benchmark by 40 bps. She noted that the portfolio’s weighting was 59.8%/40.2% equity/fixed income, close to its benchmark weighting. For a 3-month period, the Portfolio was up 3.19%, outperforming the benchmark by 34 bps. Mr. Ferdinand noted that the five-year annualized total Portfolio return was 9.48% which exceeds the actuarial assumption of 7%.

Ms. Murphy commented that rebalancing trades during the past month had added 1% to the Alerian MLP ETF (AMLP) and 2% to a new position - the iShares MSCI Emerging Markets ETF (EEM). These investments were funded with proceeds from sale of shares of the S&P 500 Index Fund (SPY). In addition, she noted that as a result of State Street SPDR’s spin out of the non-mortgage holdings in XFL to a new sector Real Estate Select (XLRE) the portfolio has a 0.3% weighting in this new position.

The Board discussed the accuracy of the performance reporting produced by Bloomberg and the difference between the time and dollar weighted methods of investment performance calculation. Mr. Pellegrino proposed acquisition of a portfolio management and accounting system to track Portfolio’s internal rates of returns as well as realized/unrealized gains and losses. The Board agreed that other performance measurement systems should be explored in order to decide whether or not to invest in the purchase of a complementary data management system.

Discussion of market conditions and investment strategy, including sector weightings
Mr. Stricker discussed currency impact on returns and compared the performance of hedged and unhedged international fixed income funds. He commented that the trend had been against OPEB's hedged investment but it was decided to stay with the hedged option until after the US election. Mr. Ferdinand suggested that he anticipated currency and interest rate changes based on the political environment of the coming November Presidential election.

In reviewing current markets Mr. Ferdinand commented that it was most important to adhere to disciplined asset allocation approach. He pointed out that, according to his research, the markets would favor equities for several years and recommended to methodically increase exposure to equities while reducing the fixed income position of the Portfolio.

The Board discussed the domestic equity market sectors. With improving conditions in the energy sector and the prospect of rising interest rates, which would benefit the financial sector, the Board decided to increase each of the positions in the current financial sector holdings (XLF and KRE) to a more meaningful 2.5% of the portfolio. In addition, the Board decided to invest 2% of the portfolio in a new ETF position, Energy Select Sector (XLE). Funds for these purchases would be raised by selling 100% of the Vanguard US Aggregate Bond Fund (VBTLX), which had previously been reduced to 0.6% of the portfolio and the balance of the funding requirement would be raised by selling the needed shares of the iShares U.S. Preferred ETF (PPF).

Upon a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 3-0 to increase the current positions in the Financial Select Sector SPDR Fund (XLF) and SPDR S&P Regional Banking ETF (KRE) from 1.4% and 1.6% of the Portfolio, respectively, to 2.5% each.

Upon a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 3-0 to invest 2% of the Portfolio in the Energy Select Sector SPDR ETF (XLE).

Upon a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 3-0 to sell the entire position in the Vanguard Total Bond Market Index Fund (VBTLX) and sell the iShares U.S. Preferred Stock ETF (PFF) in sufficient amount to cover the approved purchases.

The Board agreed to watch the Real Estate Select Sector SPDR ETF (XLRE) for possible action at the next meeting. Mr. Stricker asked to find out until when the XLRE's fees were subsidized. He also recommended waiting for some recovery in the Oakmark International Fund (OAKIX) before taking any action. Holdings in the healthcare sector were reviewed by the Board and it was decided that the Vanguard Health Care Fund (VGHAX) was performing well as compared to its peers and there was no need to trade it.

**Review potential investment including 1) iShares Edge MSCI Minimum Volatility (USMV), 2) Small Cap Value ETFs, 3) Mid Cap Value ETFs**

The Board agreed to postpone discussion on iShares Edge MSCI Min Vol USA ETF (USMV) until the next meeting.

**Report on the “Due to the General Fund” account for reimbursement of claims and expenses.**
The Board agreed to postpone discussion on the "Due to the General Fund" item until the next meeting.

**Discussion of topics for future meetings**

- Mr. Ferdinand proposed that Small and Mid-Cap Equity funds should be evaluated for investment opportunity at the next meeting.

**Schedule Future OPEB Board Meeting Dates**

November 15, 2016 at 8:30 A.M.
December 8, 2016 at 11:00 A.M.
January 5, 2017 at 8:30 A.M.
February – no meeting is scheduled
March 2, 2017 at 8:30 A.M.
April 6, 2017 at 8:30 A.M.
May 4, 2017 at 8:30 A.M.
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 5, 2017 at 8:30 A.M.

**Actionable Items for IAC**

- Increasing Investment holdings in the Financial Sector to 5% from the current level of 3% by bringing XLF and KRE to 2.5% each of the portfolio.
- Investing 2% of the Portfolio in the Energy sector by buying XLE.
- Selling the entire position in VBTLX and sufficient position in PFF to cover the approved purchases.

**Adjournment**

On a motion by Mr. Ferdinand, seconded by Mr. Pellegrino, the Board voted 3-0 to adjourn the meeting at 10:40 A.M.

Next meeting is scheduled for November 15, 2016 at 8:30 A.M. in a meeting room to be determined.

Robert Stricker, OPEB Trust Board Chairman

Catherine Sidor, Recording Secretary