TOWN OF GREENWICH
BOARD OF ESTIMATE AND TAXATION

Investment Advisory Committee Meeting Minutes
Tuesday, November 9, 2021
Virtual Webinar

Present:
Committee:  Andy Duus, Chair; William Drake, Miriam Kreuzer, David Weisbrod
Staff:  Joan Lynch, Assistant to the Treasurer; Peter Mynarski, Comptroller; Nataliya Yemets, Treasurer
BET:  Nisha Arora, BET-elect, Michael Basham, BET-elect, Leslie Moriarty, Leslie Tarkington
Guest:  Greg Stump, Chief 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

Ms. Kreuzer made a motion, seconded by Mr. Drake, to approve the Minutes of the Regular Meeting of the Investment Advisory Committee held on October 14, 2021. The Committee voted 4-0-0. Motion carried.

2. Actuarial Valuation report for July 1, 2021, from Mr. Greg Stump of Boomershine Consulting Group, LLC regarding the OPEB Trust

Mr. Stump drew the Committee's attention to changes made between the first draft and draft before the committee, notably that employee retirement records were adjusted to reflect the date of original hire, even if hire was originally part-time. In summary, the OPEB Actuary report showed an increase in the Actuarial Value of Assets by $4 million. Compared to the expected $31 million (expected return of 7%), the portfolio ended June 30, 2021 with a market value of $39 million, due to strong portfolio performance. However, the accrued liability increased more than originally expected. The key contributor was a 14% increase in health care premiums for this insurance pool. As a reminder, OPEB pays a percentage of current health care premiums for retired Police and Firefighters that are not yet eligible for Medicare, as well as the difference between active employee premiums and this retired pool for retired teachers. Other bargaining units are not affected by the premium increase, as they receive set stipends as stipulated by collective bargaining contracts.

Mr. Stump commented that Worker's Compensation claim settlements in recent years were reducing overall OPEB liabilities. He confirmed assuming a certain level of annual...
negotiated settlements in the liability calculation. This input is based on historical experience of successful settlements and statistical probability of future settlements.

3. **Discussion and adoption of assumed rate of return on the OPEB Trust assets and discount rate of the related liability for FY2023**

The 27% investment return of the OPEB Trust realized in FY21 was well above the *a priori* assumed return of 7.0%. If the assumed return would remain unchanged, however, the FY23 ADEC would be $4.316 million versus the FY22 ADEC of $3.835 million. The increase is due primarily to the 14% assumed increase in health care premiums.

Due to practice of smoothing the performance returns over a 5-year period, approximately $5.7 million of investment gains, however, remain to be recognized actuarily in future years. On a market value basis, the OPEB Trust was 56% funded at July 1, 2021. Therefore, Mr. Stump suggested that it could be timely for the IAC to consider using the unrecognized market asset value gain to decrease the rate of return.

According to Mr. Stump, the 7.0% rate used by the Town for FY22 was possibly slightly higher than that used by other CT municipalities for their OPEB liabilities. Mr. Stump did not recommend any change to the other two assumptions affecting the ADEC calculation: the 5-year amortization period for investment gains, and the underfunding amortization period (18 years now, declining by a year annually until reaching 15 years, when it will change to an open 15-year amortization). Given the current level of OPEB Trust funding, the ADEC is not especially sensitive to a reduction in the discount rate. At a discount rate of 6.75%, the ADEC would be $4.460 million, only a $144,000 increase from the contribution at a 7% discount rate.

Mr. Duus made a motion, seconded by Mr. Weisbrod, to reduce the anticipated portfolio rate of return from 7.00% to 6.75%, and to maintain the scheduled 1-year reduction in the underfunding amortization period to 17 years for FY23. In a rolldcall vote, the Committee voted 3-1-0 (Opposed: Drake).

Mr. Stump will reissue the draft Actuarial Valuation report to reflect the recommended 6.75% discount rate. Mr. Weisbrod commented that the Town’s bigger challenge versus growing the OPEB assets might be to seek the means to reduce the OPEB liability. In this context, Ms. Kreuzer volunteered to forward a copy of the final OPEB Actuarial Valuation for July 1, 2021, to Mr. Mason who serves as the Town’s labor negotiator.

4. **Update on RFP #7631 for Investment Advisory Services for the OPEB Trust Fund**

Mr. Duus commented that the investment contract with the recommended OCIO remains in negotiation. He hopes to have the negotiations and the on-boarding completed by year-end.

5. **Review of Treasury Reports:**

- OPEB Trust investment performance through October 31, 2021, and rebalancing analysis as of October 31, 2021
The OPEB Trust gained almost $2.0 million, or 4.34% in October. The ending balance of the Portfolio was $45.9 million of which 61.2% was in domestic equities, 9.0% was in international equities, and 29.8% was in fixed income and cash. At 29.8% of the Total Portfolio, exposure to actively managed funds complied with the Trust’s IPS. The Portfolio returned 29.08% for one-year, 14.97% for 3-years and 10.05% for 10-years, all returns well above the actuarial assumption of 7.0%.

- **Town’s cash position and invested cash allocations as of October 31, 2021**

  In October, the General Fund earned $24,469 in interest, the fiscal year-to-date earnings were $143,870. The cash balance of the Fund at month-end was $170.0 million. The General Fund’s cash deposits were allocated among three banks with interest rates ranging from 0.06% to 0.12%; the CT STIF earned 0.09%; and the CD Program yielded 0.95%.

- **General Fund monthly cash flows: actual for October 2021 and projected for the remainder of FY 2022**

  Ms. Yemets reported that the General Fund total cash inflows were $4.7 million, and the total outflows were $31.0 million in October. No appreciable changes were made to the projections for the remainder of FY2022. The American Rescue Plan Act funds are maintained in an account separate from the General Fund. Although there are no restrictions on the spending of the interest income earned by ARP funds, the Committee concurred that it should be put aside for possible project spending overages.

6. **Old Business**

   None.

7. **New Business**

   A December lunch will be scheduled for Committee members and key staff.

8. **Adjournment**

   Mr. Weisbrot made a motion, seconded by Ms. Kreuzer, to adjourn the Regular Meeting of the Investment Advisor Committee at 11:45 A.M, the Committee voted 4-0-0. Motion carried.

   Next meeting is scheduled on Tuesday, December 7, 2021, in the Human Services Conference Room on the 3rd Floor of the Town Hall.

   Catherine Sidor, Recording Secretary

   Andreas Duus, Chair, Investment Advisory Committee