Present:

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

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

BET Attendees: Andy Duus, William Drake, Miriam Kreuzer, David Weisbrod, Laura Erickson

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

1. **Approval of OPEB 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 November 10, 2020. Motion carried.

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

   Ms. Yemets provided an overview of the month of November market activity: most equity indices posted double-digit positive returns with S&P 500 Index gaining 10.95% and MSCI All Country World ex-US advancing 13.45%. The Bloomberg Barclays US Aggregate Total Return Bond Index gained 0.98%. U.S. equities one-month returns ranged from 10.42% for Large Cap Growth to 19.31% for Small Cap Value; however, for the one-year period Large Cap Growth outperformed Small Cap Value 36.40% vs. 0.35%.

   The OPEB Trust Portfolio gained $2.6 million or 7.33% in November, ending the month with the market value of $37,376,189 before operating cash. Fiscal year-to-date gain was $4.6 million or 13.80%. The Board changed target allocations at the November 10th meeting: 5% of the Total Portfolio was moved from cash into Vanguard Russell 2000 Index Fund (VTWO) and another 5% was moved from cash into PIMCO Enhanced Short Maturity Active ETF (MINT). As a result of the transactions and
market appreciation, the Portfolio allocations on 11/30/2020 were as follows: 60.6% in domestic equities; 22.7% in domestic investment grade fixed income; and 16.7% in cash and short-term fixed income. All allocations were within the policy guidelines.

3. Discuss market conditions and investment strategy

Mr. Stricker led off the discussion remarking that timing of the Trust Board’s purchase of iShares Convertible Bond ETF (ICVT), had resulted in a 14.45% return. He recommended taking the gain and investing it in a broader, equally weighted S&P 500 index ETF because of the recent addition of Tesla and its impact on the capitalization-weighted S&P 500 index fund. Mr. Pellegrino noted that the change in political leadership, the arrival of the COVID-19 vaccines, growth in population and progress in technology predicted growth potential in U.S. small caps, international and emerging market equities. He suggested that the OPEB Trust Portfolio’s equity allocation should be at least 80% and include exposure to international stocks as well as emerging markets. Mr. Ferdinand commented that the manufacture of the COVID-19 vaccine will support economic recovery but the change in the Fed rate might suppress the markets; however, he did not expect that to happen until 2023. He debated that there is an opportunity for the equities to outperform in the next six to 12 months and recommended increasing the Portfolio’s equity position to 70%. Mr. Stricker argued that the market is fully valued and some sectors are overvalued. He was concerned that even though things will improve, the earnings will not be much higher. He agreed with moving 5-10% of the Portfolio into equities but opposed increasing equity allocation to 80%. After further discussion about increasing allocation to small caps and timing of adding international equity, the Board voted to increase the Portfolio’s total equity position to 75% in the following steps.

Upon a motion by Mr. Stricker, seconded by Mr. Pellegrino, the OPEB Trust Board voted 3-0-0 to sell 100% of iShares Convertible Bond ETF (ICVT). Motion carried.

Upon a motion by Mr. Stricker, seconded by Mr. Pellegrino, the OPEB Trust Board voted 3-0-0 to invest a sufficient amount of the Vanguard Federal Money Market Fund (VMFXX) to increase the Vanguard Russell 2000 Index ETF (VTWO) position to 10% of the total OPEB Portfolio. Motion carried.

Upon a motion by Mr. Stricker, seconded by Mr. Pellegrino, the OPEB Trust Board voted 3-0-0 to invest a sufficient amount of the Vanguard Federal Money Market Fund (VMFXX) to purchase SPDR S&P 500 ETF (SPY) position to 60% of the total OPEB Portfolio. Motion carried.

Upon a motion by Mr. Stricker, seconded by Mr. Pellegrino, the OPEB Trust Board voted 3-0-0 to invest a sufficient amount of the Vanguard Federal Money Market Fund (VMFXX) to purchase Vanguard FTSE All-World ex-US ETF (VEU) to be 5% of the total OPEB Portfolio. Motion carried.
4. **Consider Alternative Investments such as Real Estate Investment Trust ETFs, MLP ETFs, Convertible Bond ETFs, and BDC ETFs**

The topic was not discussed due to the voting that took place in Item #3.

5. **Discussion of topics for future Meetings**

Mr. Stricker requested that if members of the Trust Board wished to suggest a fund to be considered for possible inclusion in the Portfolio, it should be proposed a minimum of two weeks in advance of a meeting so that research could be circulated and reviewed beforehand.

6. **Adjournment**

Upon a motion by Mr. Ferdinand, seconded by Mr. Pellegrino, the Board voted 3-0-0 to adjourn the meeting at 9:49 A.M.

Next OPEB meeting is scheduled for Thursday, January 14, 2021 at 8:30 A.M. virtually via Zoom.

Catherine Sidor, Recording Secretary

Robert Stricker, Chair OPEB Trust

January 14, 2021 (Thursday)
February 11, 2021 (Thursday)
March 11, 2021 (Thursday)
April 8, 2021 (Thursday)
May 13, 2021 (Thursday)
June 10, 2021 (Thursday)