TOWN OF GREENWICH
OPEB Trust Board Meeting Minutes

Tuesday, December 10, 2019
Mazza Conference Room, 1st Floor, Town Hall

Present:

Trust Board: Robert Stricker, Chairman; William Ferdinand, Joseph Pellegrino
BET Attendees: William Drake, Andreas Duus, Leslie Tarkington
Staff: Joan Lynch, Assistant to the Treasurer; Peter Mynarski, Comptroller
and ex-officio member of the OPEB Trust Board; Natallya Yemets,
Treasurer and OPEB Board Trustee
Public: Miriam Kreuzer, 2019 BET-Elect

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

1. Acceptance of OPEB Meeting Minutes

Upon a motion by Mr. Ferdinand, seconded by Mr. Stricker, the Board
voted 3-0 to accept the Minutes of the November 12, 2019 Meeting. Motion
carried.

2. Review Performance of Trust as of the end of November 2019

Prior to beginning a discussion of the Trust's performance as of 11/30/19, Ms. Yemets advised
the Board that the Callan report, Market Pulse – Third Quarter 2019, had become available.
Ms. Yemets compared the OPEB Trust Portfolio allocations as of 9/30/19 to those of Callan’s
Public and Small Plans databases. She also remarked that the OPEB Trust quarter-to-date,
calendar year-to-date and trailing twelve months returns as of 9/30/19 were below median
compared to Callan’s Public Small and All Small Databases, but above median for the three-
and five-year time periods. Performance of the Town’s Pension Plan’s Financial Composite
was included for comparison.

The Board reviewed OPEB Trust investment performance reports for November 2019 and
related materials. Ms. Yemets remarked that equities continued to rally in November, all
domestic and most international equities were up, with the exception of emerging markets
which experienced losses. In November, the S&P 500 Index gained 3.63%, the MSCI All
Country World ex US Index was up 88 bps, and the Bloomberg Barclays US Aggregate Bond
Index lost 5 bps. Reviewing sectors, Ms. Yemets noted that Technology, Financials and
Healthcare were the best performing sectors. Small Cap stocks led the market with Small Cap
Growth generating a 5.89% return in November. One-year returns were strong with most US
equities enjoying double-digit returns.

Focusing on the OPEB Trust Rebalancing Analysis, Ms. Yemets reported that in November
the Board decided to raise the international equities allocation to 10.0% of the Total OPEB
Trust Portfolio by selling a sufficient amount of the US Treasuries and investing the proceeds
in the Oakmark International Fund. $1,185,000.00 was redeemed from the US Treasuries and invested in OANIX. As a result of the trades, the new target allocation was 42.5% Domestic Equities, 10.0% International Equities and 47.5% Fixed Income. Ms. Yemets pointed out that the asset allocations were in line with the IPS guidelines.

In November, the OPEB Trust gained $519 thousand or 1.67%, finishing the month with the market value of $32,946,244 before operating cash. The FYTD gain was $1,228,300 or 3.75%. Both returns lagged the Portfolio’s blended benchmark. Domestic Equities shorter term performance was in line with the benchmark. Total International Equity performance was flat in November, underperforming the MSCI All Country World ex US Index by 87 bps. Domestic Fixed Income generated a return of 0.25% and outperformed its benchmark by 30 bps. The 11/30/19 Portfolio allocations were as follows: 44.9% to Domestic Equities, 9.8% to International Equities, and 45.3% to Domestic Fixed Income (with more than a half of that allocation being invested in the US Treasury Bills and Notes).

3. **Discussion of market conditions and investment strategy, including asset allocations and sector weightings**

The Board focused their discussion on whether the Portfolio has an adequate exposure to equities considering that the goal is to achieve an expected return on assets of 7.0% set by the actuarial assumptions. Mr. Ferdinand observed that plans with bigger equity weighting experienced better performance results. He expected the economy to improve in 2020 and expressed his view that interest rates would remain at the same level. The earnings yield on stocks relative to bonds implied that the markets still favored equities, therefore the OPEB Trust Portfolio, in his view, was underweight to equities. However, because the market was still overbought short-term, Mr. Ferdinand suggested to be patient and wait for the right opportunity to increase the equity position. Mr. Stricker agreed that markets were overbought, and stated that he was not as optimistic longer term. His view was that Europe was hurting and Brexit could have a negative impact; China was unpredictable; US was strong, but with the current high PE ratios one should expect lower ten-year returns going forward. Mr. Stricker warned of a potential market correction in the future.

Mr. Pellegrino stated that he was agnostic as far as markets are concerned because of their volatility. Based on the Portfolio’s one-year returns, he has come to a conclusion that the Plan would be better off if the domestic equities segment were invested in an index-tracking passive ETF, and fixed income had a smaller allocation of the short-term cash-like investments. He expressed an opinion that long term investors should stay in the market whether it goes up or down.

The Board’s consensus was that with the current fixed income yields, it would be unrealistic to achieve the actuarial target rate of return unless equities are over-weighted longer-term. However, they felt it was not the right time to increase the equity position. The Board contemplated whether the international markets would recover and improve enough to justify investing in them and whether Oakmark International Fund is the right fund for the Portfolio. It was decided that international funds will be researched and presented for review at the next meeting.

4. **Review short-term and cash investment options**

Ms. Yemets compared money market funds yields to US Treasuries and noted that the seven-day SEC yield generated by the money market funds had been consistently higher than the
short-term US Treasuries since the Federal Reserve started to cut interest rates in 2019. The Board considered various money market fund options presented by Ms. Yemets and came to the conclusion that staying with the Vanguard Federal Money Market Fund would be optimal for the following reasons:

(1) Competing money market funds from other fund families are not offered on the Vanguard platform, thus investing in a non-Vanguard money market fund would involve opening a new brokerage account which is a lengthy and complicated process due to certain legal issues;

(2) Vanguard offers a limited selection of money market funds for the institutional investors and its Federal Money Market Fund is the best yielding option from that selection; and

(3) Higher yielding prime money market funds offered by managers other than Vanguard have up to 70% of international exposure, which is beyond the Trust Board's acceptable risk level.

The Board agreed that proceeds from any maturing US Treasuries once swept into the Vanguard Federal Money Market Fund (VMFXX) should stay there rather than being rolled over into new US Treasury Bills.

5. Discussion of topics for future meetings

The Board asked Ms. Yemets to research international equity mutual funds / ETFs and present at the next OPEB Trust Board meeting. The Board also responded to questions from IAC members in attendance about the investment strategy and monthly versus quarterly meetings in 2020. OPEB meeting scheduling will be revisited at the next meeting.

6. Adjournment

The Board voted unanimously to adjourn the meeting at 9:38 A.M.

Next OPEB meeting is scheduled for January 9, 2020 at 8:30 A.M. in the Mazza Conference Room, 1st Floor.

Catherine Sidor, Recording Secretary

Robert Stricker, OPEB Trust Board Chairman

Scheduled OPEB Board Meetings through December 2020 to be held at 8:30 A.M.

January 9, 2020 (Thursday)
February 13, 2020 (Thursday)
March 12, 2020 (Thursday)
April 9, 2020 (Thursday)
May 7, 2020 (Thursday)
June 11, 2020 (Thursday)
July (not yet scheduled)
<table>
<thead>
<tr>
<th>Month</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>August</td>
<td>(no meeting)</td>
</tr>
<tr>
<td>September</td>
<td>(not yet scheduled)</td>
</tr>
<tr>
<td>October</td>
<td>(not yet scheduled)</td>
</tr>
<tr>
<td>November</td>
<td>(not yet scheduled)</td>
</tr>
<tr>
<td>December</td>
<td>(not yet scheduled)</td>
</tr>
</tbody>
</table>