

**TOWN OF GREENWICH
OPEB Trust Board Meeting Minutes**

11:12 A.M. Thursday, September 8, 2016
Mazza Room, First Floor, Town Hall

Present:

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

BET Attendees: William Drake, John Blankley, Leslie Moriarty

Staff: Peter Mynarski, Comptroller and ex-officio member of the OPEB Trust Board, Kathleen Murphy, OPEB Board Trustee; Natasha Yemets, Assistant to the Treasurer

The meeting was called to order at 11:12 A.M.

Approval of August 8, 2016 Meeting Minutes

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

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

Ms. Murphy distributed the August 31, 2016 OPEB Investment Performance reports and related materials. She remarked that the total portfolio value as of August 31 was \$23,753,188, including a gain for the month of \$72,000. The Portfolio was up 0.31% for the month, ahead of its benchmark by 25 bps; Domestic Equity performance was up 0.42%, ahead of its benchmark by 19 bps; Fixed Income performance 0.18%, ahead of its benchmark by 38 bps; and, International Equity performance 2.52%, ahead of its benchmark by 189 bps. She noted that the portfolio's weighting was 60.8%/39.2% equity/fixed income, close to its benchmark weighting. The Portfolio for a 3-month period was up 3.13%, below the benchmark by 41 bps.

Ms. Murphy commented that rebalancing trades during the past month had added 1% to Powershares QQQ, 1% to the Technology Select Sector SPDR Fund (XLK), and ½% to the Vanguard Health Care Fund (VSCSX). These investments were funded with proceeds from sale of shares of the S&P 500 Index Fund (SPY). She noted that the portfolio was underweighted International Equities and Fixed Income vs the benchmark, however, the portfolio was in compliance with policy and within 1% of target allocation.

Ms. Yemets updated the Board on her discussion with Bloomberg regarding the calculation of the annualized three and five year returns. The Total Portfolio numbers includes performance of the holdings that are no longer in the portfolio; however, for the investments where the holding period is less than three and five years the annualized returns should be replaced with "NA" since in such cases the performance information is meaningless. Ms. Yemets will continue to work with Bloomberg on this issue and the overall presentation of the report.

Review the Callan Institute Report on benchmark returns for various size and type of investors and sponsors as of June 30, 2016, with comparative data for the OPEB portfolio

Ms. Yemets introduced the topic by pointing out that the Callan Report provided a quarterly review of Public, Corporate, Endowment/Foundations and Taft-Hartley pension funds. Additionally, *BET OPEB Trust Meeting Minutes September 8, 2016 – Subject to Approval*

funds were grouped as small, medium and large based on the amount of their assets, making it easier to compare Town of Greenwich OPEB Trust performance with the gamut of types and sizes of other pension funds. In addition to measuring performance against the portfolio benchmark, the Board agreed that it would use the Callan report to evaluate its performance compared to Total Fund Sponsors and Small Funds (<\$100 million), both groups had similar asset allocations: 55% to equities and 28.5% to fixed income.

Mr. Stricker noted that the OPEB fund compared favorably to Total Fund Sponsors for the quarter, one year and 3 years ending June 30, 2016. Mr. Pellegrino pointed out that over a 5-year period, OPEB performance was 6.21% whereas Small Funds improved only 5.96%. Greenwich's OPEB placed in the second quartile among Callan Report funds.

Discussion of market conditions and investment strategy, including sector weightings

Mr. Pellegrino proposed that the Board consider investing 3% of the portfolio in REITs through the Vanguard REIT Index ETF (VNQ) to support the portfolio pursuit of yield. Mr. Ferdinand suggested waiting until after September 1, 2016 when REITs would become a separate asset class; he added that he was not opposed to investing in REITs but was not in favor of investing 3% of the portfolio. He commented that the OPEB portfolio already has some exposure to REITs through other holdings.

Upon a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 3-0 to increase the investment in AMLP from 2.53% to 3.5% of the OPEB portfolio (approx. \$225,000). Shares of SPY would be sold to fund this investment.

Mr. Pellegrino then proposed that the Board consider investing in Emerging Markets; he suggested 2.5% of the portfolio be invested now with a goal of 5% eventually.

Upon a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 3-0 to invest in iShares MSCI Emerging Markets Index ETF (EEM), a new holding, in the amount of 2% of the OPEB portfolio (approx. \$478,000). Shares of SPY would be sold to fund this investment.

Review potential investment in iShares Edge MSCI Minimum Volatility

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

Discussion of topics for future meetings

Mr. Pellegrino suggested that he would be providing Ms. Murphy with background information for discussion of Small Cap Value and Mid-Cap Value funds for the next meeting. He asked the Board to consider increasing investment in Financials, to which Mr. Stricker responded that the portfolio was currently 20% overweight in financials. Mr. Blankley proposed exploring construction ETFs.

Schedule future OPEB Board Meeting Dates

October 6, 2016 at 8:30 A.M.
November 15, 2016 at 8:30 A.M.
December 8, 2016 at 11:00 P.M.
January 5, 2017 at 8:30 A.M.

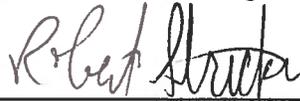
Actionable Items for IAC

- Increasing Investment holdings in the Alerian MLP ETF (AMLPE) from current 2.53% level of OPEB portfolio to 3.5%.
- Investing in iShares MSCI Emerging Markets Index ETF (EEM) with 2% of OPEB portfolio.
- Selling approximately \$703,000 of the SPY ETF holding to fund the investments in ALMP and EMM.

Adjournment

On a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 3-0 to adjourn the meeting at 12:35 A.M.

Next meeting scheduled for October 6, 2016 at 8:30 A.M. in a meeting room to be determined.



Robert Stricker, OPEB Trust Board Chairman



Catherine Sidor, Recording Secretary