

**TOWN OF GREENWICH**  
**OPEB Trust Board Meeting Minutes**  
Wednesday, June 13, 2018  
Mazza Room, First Floor, Town Hall

Present:

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

BET/IAC  
Attendee: Anthony Turner

Staff: Kathleen Murphy, OPEB Board Trustee; Nataliya Yemets, Assistant to the Treasurer

The meeting was called to order at 8:38 A.M.

**Approval of May 9, 2018 Meeting Minutes**

Upon a motion by Mr. Ferdinand, seconded by Mr. Pellegrino, the Board voted 2-0 to approve the Minutes of the May 9, 2018 Meeting. (Mr. Stricker was absent from the May meeting.)

**Review Performance of Trust as of the end of May including any rebalancing trades approved at the April meeting and the asset allocation**

Ms. Murphy distributed the May 31 Investment Portfolio Performance reports and related materials. She remarked that the portfolio's May gain was \$109,336 for the month, up 36 bps, but behind the benchmark by 77 bps. The portfolio had a gain of \$2,193,939 for the fiscal year-to-date, up 8.15%, and ahead of the benchmark by 0.26 bps. The balance of the portfolio is \$29,372,390.

Ms. Murphy commented that no trades had taken place in May. The Portfolio's cash position was 4.5%. The equity allocation was now overweight to target by \$506 thousand, or 1.78%. She added that the Portfolio was in compliance with the IPS.

Before beginning review of performance, Ms. Yemets introduced the Callan Report for the quarter ending March 31, 2018, which has benchmark returns for other benefit plans by size and by sponsor type. She noted that the OPEB portfolio was below the median for the quarter, and was above the median year-to-date. Additionally, she noted that OPEB's ranking among Public funds was in the third quartile for performance for the quarter and in the second quartile in the 5-year performance ranking with a return of 8.21%.

Reviewing the May benchmark's returns, Ms. Yemets noted that domestic equities performed better than international equities; the S&P 500 Index was up 2.4% for the month; International equities were down (2.31%) and emerging markets were down (3.54%). The Bloomberg/Barclays Aggregate fixed income benchmark was up 0.71%.

Turning to the portfolio performance, Ms. Yemets reviewed the performance report and commented that the portfolio was up for the month by 36 bps, lagging the benchmark by (77 bps). Domestic equity was up 3.24%, ahead of the benchmark by 83 bps; international equity was down (3.89%), below its benchmark by (158 bps). Fixed income was down (0.64%), behind its benchmark by 103 bps. Alerian was up 4.58%.

The Board reviewed the Attribution reports and the S&P 500 sector portfolio weightings and performance. The holdings which detracted from the portfolio's benchmark return were considered. The allocation of the portfolio was similar to April, it was noted that the largest overweighting was to technology by 6.2%.

**Review options for incorporating the return contribution of the position in the CT Treasurer's Short-Term Investment Fund in the portfolio return figures calculated in Bloomberg, including alternative funds.**

The Board reviewed the money market returns of Fidelity and Vanguard for rate of return and duration of holdings. Due to the difficulty of tracking CT STIF, which could not be tracked in Bloomberg reports, the Board concurred that the money market should be moved.

Mr. Pellegrino made a motion, seconded by Mr. Ferdinand, to move the money market funds from CT STIF to Fidelity (SPRRX). The Board voted 3-0-0 to approve the motion. Motion carried.

Characterizing the exchange of money market funds as being prompted by an administrative tracking issue, the Board agreed that Fidelity money market was a better repository for the cash funds.

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

The consensus of the Board was that the US economy remains strong and the valuation of stocks are still attractive compared to bonds.

The Board also reviewed the S&P 500 sector allocation schedule and discussed the over and underweighted sector positions of the portfolio to the index. After the discussion, the consensus was to make changes to the sector allocations. Exposure to the Financial sector should be reduced to a neutral position from its current 3% overweighting, and the exposure to the healthcare (including biotech) sector should be increased to a 1% overweight to the index from the current 1% underweighting. The allocation to small cap stocks should be increased from 5% to 10% of the domestic equity portfolio.

The increase in healthcare reflected the Board's consideration that the three health-related funds were among the portfolio's best performers. The Board felt that small cap companies are benefiting from changes in the tax code and business regulations and would continue to perform well.

Mr. Pellegrino made a motion, seconded by Mr. Ferdinand, to increase small cap to 10% of equities by reducing financials to market weight, and to increase healthcare to a 1% overweighting by buying shares in the three current healthcare positions (S&P Biotech SPDR – XBI; T. Rowe Price Health Sciences – PRHSX; Delaware Healthcare – DLHIX) on a pro rata

basis. If funds are needed to complete these transactions, shares of SPY should be sold to raise the cash. The Board voted 3-0-0 in favor of the motion. Motion carried.

### **Old Business**

- **Review the five best performing mutual funds and ETFs in the Materials sector** - It was decided not to discuss because it wasn't timely due to that sector's performance.

### **Discussion of topics for future meeting**

- Monitor Oakmark (OAKIX), Brandywine ((LROIX) and Emerging Markets (EMM)
- Consider a Quarterly meeting schedule
- Discussion of changing OPEB Rate of Return Assumption for FY2019-20 Budget Contribution

### **Adjournment**

On a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 3-0 to adjourn the meeting at 9:56 A.M.

Next meeting scheduled for July 24, 2018 at 8:30 A.M if needed in the Mazza Room.



Catherine Sidor, Recording Secretary



Robert Stricker, OPEB Trust Board Chairman

### **Schedule OPEB Board Meetings for July through December 2018**

#### **Future OPEB Board Meeting Dates**

July 24, 2018 at 8:30 A.M. (Tuesday)

August – no meeting

September 11, 2018 at 8:30 A.M. (Tuesday)

October 23, 2018 at 8:30 A.M. (Tuesday)

November 13, 2018 at 8:30 A.M. (Tuesday)

December 11, 2018 at 8:30 A.M. (Tuesday)