



Town of Palm Beach Investment Advisory Committee

To: Mayor and Town Council

From: Dr. Michael Andrews, Chairman
Investment Advisory Committee

Date: February 2, 2018

Subject: Annual Report to Mayor and Town Council

On behalf of the Investment Advisory Committee, I am pleased to provide the following report on the current status of the investments and actions taken during the past year by the Investment Advisory Committee.

The Investment Advisory Committee is responsible for overseeing the investment of the Town's surplus funds and the OPEB trust investments. In 2017, the Committee was also charged with the oversight of the 1% Sales Surtax proceeds. A copy of the most recent quarterly report for the surtax is attached.

Surplus Fund Investments

The Town's surplus funds are managed by PFM Asset Management and the Florida League of Cities Investment Trust. The blended return for the surplus investments including certificates of deposit for the year ending December 31, 2017 is 1.21%.

PFM Asset Management

The Town's total investment with PFM represents approximately 19.5% of the total core portfolio. PFM 1-5 Year Actively Managed Portfolio one year return as of December 31, 2017 is 1.07%.

Florida League of Cities Bond Funds

The Florida League of Cities Investment Trust (FMIvT) has 33.4% of the Town investments; a total of \$36.9 million. \$25.2 million is with the Florida League of Cities Investment Trust 1 – 3 year and \$11.7 million is in intermediate bond funds.

The FMIvT 1-3 year fund has returned .9% and the Intermediate fund returned 1.87% for the one year period ended December 31, 2017.

Certificate of Deposits

The Town has \$30.1 million in Certificate of Deposits representing 27.3% of the portfolio with a one year return of 1.52%. The current CD holdings have durations ranging from 3 months to 5 years, and the interest rates range from 1.5% to 2.05%.

Bond proceeds from the 2013 Revenue Bonds in the amount of approximately \$8 million are in an 18 month CD with an interest rate of 1.55%.

Short Term Investments

The Town has approximately \$21.7 million in short term investments in the Florida Education Investment Trust Fund (FEITF) for a total of 19.7% of the portfolio. The one year return of FEITF as of December 31, 2017 is 1.1%.

Bond proceeds from the 2013 Revenue Bonds in the amount of approximately \$8.9 million have been invested between the two short term money market investments.

Attached is the Monthly Investment report with return information through December 31, 2017.

Health Insurance (OPEB) Trust

The Committee oversees the investment of the assets of the Health Insurance (OPEB) Trust. The asset classes and policy target allocation for the Health Insurance Trust are shown below:

Asset Class	Target Allocation
Domestic Equity	27.5%
International Equity	17.5%
Flexible Capital	20.0%
Fixed Income	20.0%
Public Real Assets	15.0%
Liquid Capital	0.0%

The market value of the portfolio as of December 31, 2017 was \$31,278,008. AndCo Consulting was hired during the year and replaced the prior investment consultant. The current money managers and investment benchmarks for the trust are as follows:

Manager

Fidelity Total Market Index
Vanguard S&P MC 400
Artisan International Institutional Fund
Dodge & Cox International Stock Fund
Forester Offshore, Ltd.
Vanguard Short Term US Treasury Fund
Vanguard Total Bond Market Index Fund
Met West Total Return Bond Fund
PIMCO Diversified Income Bond Fund
Vanguard ST Inflation Protected Fund
Government STIF 15

Investment Benchmark

Wilshire 5000 Index
S&P MidCap 400 Index
MSCI EAFE Net Index
MSCI EAFE Net Index
HFRI Fund-of-Funds Strategic Index
Barclays US Treasury: 1-5 Year
Barclays US Aggregate Index
Barclays US Aggregate Index
Bloomberg Barclays Global Credit
Bloomberg Barclays US Treasury 0-5 TIPS
Citigroup Treasury Bill 3 Month Index

Attached is a summary of the investments in the Health Insurance (OPEB) Trust and the quarterly returns as of December 31, 2017. For the one-year period ending December 31, 2017 the fund returned 12.15%. The fiscal year ended September 30, 2017 return was 10.31%.

General Information

The current members of the Investment Advisory Committee include:

Name:	Term Expires
Dr. Michael Andrews, Chairman	May 2019
Kathleen Anderson	May 2018 (Filled Bernard Panfel's Remaining Term)
Kevin McClusky	May 2019
Chris Storkerson	May 2019
Andrew Frazier	May 2018

During the past 12 months the committee has held 4 meetings.

The next meeting of the Committee is scheduled for Friday, February 16, 2018 at 2:30pm. AndCo Consulting, the Florida League of Cities, and PFM Asset Management will be in attendance to discuss the performance through December 31, 2017. The Health Fund Actuary will present the annual update to the OPEB Trust Actuarial Report. A 2018 meeting schedule is attached to this report.