



Town of Palm Beach Investment Advisory Committee

To: Mayor and Town Council

From: Dr. Michael Andrews, Chairman
Investment Advisory Committee

Date: February 1, 2019

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. The Committee was also charged with the oversight of the 1% Sales Surtax proceeds. A copy of the most recent quarterly report for the 1% Sales Surtax is attached.

Surplus Fund Investments

The Town's surplus funds are managed by PFM Asset Management, the Florida Education Investment Trust (FEITF), and the Florida League of Cities Investment Trust, and the Town holds investments in Certificates of Deposit. The blended return for the surplus investments including certificates of deposit for the year ending December 31, 2018 is 1.52% compared to the benchmark of 1.19% on a total balance of core investments of \$118,579,140.

PFM Asset Management

The Town's total investment with PFM represents approximately 16.68% of the total core portfolio. PFM 1-5 Year Actively Managed Portfolio one year return as of December 31, 2018 is 1.43%.

Florida League of Cities Bond Funds

The Florida League of Cities Investment Trust (FMIvT) has 22.48% of the Town investments; a total of \$37.2 million. \$25.5 million is with the Florida League of Cities Investment Trust 1 – 3 year and \$11.7 million is in 0-2 year bond fund. In FY18, due to rising interest rates the IAC decided to move the investment from the intermediate bond fund to the 0-2 as a precautionary measure.

The FMIvT 1-3 year fund has returned 1.83% and the 0-2 year fund returned 2.13% for the one year period ended December 31, 2018.

Certificate of Deposits

The Town has \$21.4 million in Certificate of Deposits representing 17.87% of the portfolio with a one year return of 1.83%. 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 \$8.2 million are in an 18 month CD with an interest rate of 1.55%.

Short Term Investments

The Town has approximately \$32.4 million in short term investments in the Florida Education Investment Trust Fund (36.9%), a Bank United Money Market account (2.33%) and a TD Bank NOW account (3.71%) for a total of 42.98% of the portfolio. The one-year return of FEITF as of December 31, 2018 is 2.01%.

Bond proceeds from the 2013 Revenue Bonds in the amount of approximately \$9.3 million have been invested between Certificates of Deposit and the FEITF investments.

Attached is the Monthly Investment report with return information through December 31, 2018.

Health Insurance (OPEB) Trust

The Committee oversees the investment of the assets of the Health Insurance (OPEB) Trust. The asset classes and actual and policy target allocation for the Health Insurance Trust as of December 31, 2018, are shown below:

Asset Class	Actual Allocation	Target Allocation
Domestic Equity	43.93%	45%
International Equity	17.54%	15%
Non-Traditional Assets	8.73%	10%
Fixed Income	20.24%	20%
Real Estate	6.42%	10%
Liquid Capital	3.14%	0%

Attached is a summary of the investments in the Health Insurance (OPEB) Trust and the quarterly returns as of December 31, 2018. For the one-year period ending December 31, 2018 the fund returned -6.12%. The fiscal year ended September 30, 2018 return was 6.3%. In FY18, the Investment Advisory Committee recommended and the Town Council approved a change in the actuarial assumption from 7% to 6.5%.

The market value of the portfolio as of December 31, 2018 was \$29,360,346. AndCo Consulting oversees the investments for this trust. The current money managers and investment benchmarks for the trust are shown on the following page:

Manager

Fidelity Total Market Index
 Vanguard S&P MC 400
 American Funds Europacific Growth Fund
 Dodge & Cox International Stock Fund
 Forester Offshore, Ltd.
 Crescent Direct Lending Levered Fund II
 Vanguard Total Bond Market Index Fund
 Met West Total Return Bond Fund
 PIMCO Diversified Income Bond Fund
 Intercontinental US REIF
 Government STIF 15

Investment Benchmark

Wilshire 5000 Index
 S&P MidCap 400 Index
 MSCI AC World ex USA Net Index
 MSCI EAFE Net Index
 HFRI Fund-of-Funds Strategic Index
 HFRI Fund-of-Funds Strategic Index
 Barclays US Aggregate Index
 Barclays US Aggregate Index
 Bloomberg Barclays Global Credit
 NCREIF Fund Index
 Citigroup Treasury Bill 3 Month Index

General Information

The current members of the Investment Advisory Committee include:

Name:	Term Expires
Dr. Michael Andrews, Chairman	May 2019
Kathleen Anderson	May 2020
David McDonald	May 2019
Chris Storkerson	May 2019
Andrew Frazier	May 2020

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

The next meeting of the Committee is scheduled for Friday, February 15, 2019 at 2:30pm. AndCo Consulting and PFM Asset Management will be in attendance to discuss the performance through December 31, 2018. The Health Fund Actuary will present the annual update to the OPEB Trust Actuarial Report. A 2019 meeting schedule is attached to this report.