



Town of Palm Beach Investment Advisory Committee

To: Mayor and Town Council

From: Mr. Christopher Storkerson, Chairman
Investment Advisory Committee

Date: January 31, 2020

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, 2019 is 3.03% compared to the benchmark of 3.07% on a total balance of core investments of \$126,336,638.

PFM Asset Management

The Town's total investment with PFM represents approximately 15.52% of the total core portfolio. PFM 1-5 Year Actively Managed Portfolio one year return as of December 31, 2019 is 4.71%.

Florida League of Cities Bond Funds

The Florida League of Cities Investment Trust (FMIvT) has 30.5% of the Town investments; a total of \$38.5 million. \$26.5 million is with the Florida League of Cities Investment Trust 1 – 3 year and \$6 million is in 0-2 year bond fund and \$6 million is in the Intermediate Bond fund. In FY19, the IAC decided to move a portion of the investments from the 0-2 year bond fund back into the intermediate bond fund.

The FMIvT 1-3 year fund has returned 3.73%, the 0-2 year fund returned 2.85% and the intermediate fund returned 5.69% for the one year period ended December 31, 2019.

Certificate of Deposits

The Town has \$21.1 million in Certificate of Deposits representing 16.7% of the portfolio with a one year return of 2.48%. The current CD holdings have durations ranging from 12 months to 3 years, and the interest rates range from 2.07% to 2.78%.

Short Term Investments

The Town has approximately \$47.1 million in short term investments in the FL PALM (18.4%), a Bank United Money Market account (11.1%) and a TD Bank NOW account (7.8%) for a total of 37.3% of the portfolio. The one-year return of FEITF as of December 31, 2019 is 2.37%.

Bond proceeds from the 2013 Revenue Bonds in the amount of approximately \$1.4 million have been invested in the FL PALM investments. Underground utility bond proceeds total \$38.6 million and are also invested in the FL PALM money market investments.

Attached is the Monthly Investment report with return information through December 31, 2019.

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, 2019, 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, 2019. For the one-year period ending December 31, 2019 the fund returned 20.66%. The fiscal year ended September 30, 2019 return was 3.17%. In FY19, the Investment Advisory Committee recommended and the Town Council approved a change in the actuarial assumption from 6.5% to 6%. The funding status as of September 30, 2019 is 102.45%.

The market value of the portfolio as of December 31, 2019 was \$35,291,484. 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
 Principal Enhanced Property Fund
 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
 NCREIF Fund Index
 Citigroup Treasury Bill 3 Month Index

Cash Flow

A historical cash flow report was presented to the Committee at their January 31, 2020, meeting. This report provided detailed information for all surplus fund cash balances and also provided cash flow estimates for the OPEB Trust for FY20 and a forecast through FY30. A copy of the report is attached.

General Information

The current members of the Investment Advisory Committee include:

Name:	Term Expires
Chris Storkerson, Chairman	May 2021
Kathleen Anderson	May 2020
David McDonald	May 2020
Alan Scheuer	May 2021
Andrew Frazier	May 2020

During the past 12 months the committee has held 3 meetings.

The next meeting of the Committee is scheduled for Friday, May 15, 2020 at 2:30pm. AndCo Consulting and PFM Asset Management will be in attendance to discuss the performance through March 31, 2020. A 2020 meeting schedule is attached to this report.