

# TOWN OF PALM BEACH

Information for Town Council Meeting on: October 13, 2020

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To: Mayor and Town Council

Via: Kirk Blouin, Town Manager

From: Jane Le Clainche, Finance Director

Re: **Resolution No. 107-2020**  
Amendments to the Town's Investment Policy for the OPEB Trust

Date: October 1, 2020

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## **STAFF RECOMMENDATION**

Staff recommends that the Town Council approve Resolution No. 107-2020 adopting the amendments to the Town's Investment Policy for the OPEB Trust.

## **BOARD OR COMMISSION RECOMMENDATION**

The Investment Advisory Committee recommends that the Town Council approve the revisions to the Town's Investment Policy for the OPEB Trust.

## **GENERAL INFORMATION**

Background:

The IAC, in collaboration with the Town and consulting professionals, has reduced the actuarial Rate of Return Assumption "ROR" to 6% (stepped down from 7.5%). The Trust remains close to 100% Funded at the 6% assumption rate.

The primary objective of the reduction to the ROR is threefold:

- a. The OPEB Plan is well funded and does not need to take additional risks associated with a higher rate of return objective.
- b. A desire to lower the expected contribution volatility (generally a function of variation in investment return) for the Town.
- c. Maintain funding surety of the Trust by reducing the overall funding contribution from investments.

This action provides an opportunity to lower the investment risks of the investment allocation which is intended to mitigate the contribution volatility coming from investments. AndCo completed an asset allocation study that was done in a manner consistent with the new funding

objectives adopted by the Town. AndCo's recommendations are to adjust the asset allocation targets in a manner that lowers the overall expected risk profile of the investment program as presented in the study and red-line amendments to the Investment Policy Statement, attached as Exhibit A to Resolution 107-2020 and are described below:

| Asset Class   | Target             | Range                                 | Benchmark Index              |
|---|--------------------|---------------------------------------|------------------------------|
| Domestic Equity   | <del>40</del> 5%   | <del>35</del> 40% - <del>45</del> 50% | Russell 3000                 |
| International Equity  | <del>10</del> 5%   | <del>5</del> 10% - <del>20</del> 15%  | MSCI-ACWI ex US <u>(net)</u> |
| <b>Total Equity</b>   | <del>50</del> 60%  | <del>45</del> 55% - <del>55</del> 65% |                              |
| Broad Market Fixed Income                                   | <del>25</del> 15%  | 10% - 40%                             | BB-Barclays Aggregate.       |
| Non-Core Fixed Income <sup>1</sup>                          | 5%                 | 0% - 10%                              | BB-Barclays TIPs             |
| <b>Total Fixed Income</b>                                   | <del>32</del> 0.0% | <del>21</del> 5% - <del>54</del> 5%   |                              |
| Real Estate Core / Plus <sup>1</sup>                        | 10%                | 0% - 15%                              | NFI-ODCE Fund Index (EW)     |
| Direct Lending – Middle Mkt. Debt. Pvt. Equity <sup>1</sup> | 5%                 | 0% - 10%                              | Strategy Index <sup>2</sup>  |
| Global Macro Allocation <sup>1</sup>                        | 5%                 | 0% - 15%                              | Strategy Index <sup>2</sup>  |
| Alternative Investment <sup>+</sup>                         | 0%                 | 0% -10%                               | Strategy Index <sup>2</sup>  |
| <b>Total Non-Traditional Assets</b>                         | <b>20.0%</b>       | <b>0% - 30%</b>                       |                              |

- Investment in corporate common stock and convertible bonds shall not exceed 55% which is down from 65%.
- Other minor changes to wording as shown in attached investment policy.

The changes were recommended by the Town's consultant AndCo, and approved by the Committee.

### **TOWN ATTORNEY REVIEW**

The Town Attorney has review the resolution and investment policy for legal form and sufficiency. .

Jls

cc: Investment Advisory Committee  
Dave West, AndCo