TOWN OF PALM BEACH
Investment Advisory Committee

MINUTES OF THE INVESTMENT ADVISORY COMMITTEE MEETING HELD ON FRIDAY, NOVEMBER 17, 2023 AT 2:30 P.M.

Please be advised that in keeping with a recent directive from the Town Council, the minutes of all Town Committees and Commissions will be "abbreviated" in style. Persons interested in listening to the meeting after the fact may access the audio of that item via the Town's website at www.townofpalmbeach.com.

I. CALL TO ORDER AND ROLL CALL
Mr. Storkerson called the meeting to order at 2:30 p.m.
Mr. Chris Storkerson, Chairman
Ms. Kathleen Anderson, Vice Chairman
Ms. Jacqueline de Sanctis (Absent)
Mr. Lloyd McAdams
Ms. Annette Geddes

Staff Members present were:
Robert Miracle, Deputy Town Manager

II. PLEDGE OF ALLEGIANCE
Chair Storkerson led the Pledge of Allegiance.

III. APPROVAL OF AGENDA

IV. COMMUNICATIONS FROM CITIZENS

V. APPROVAL OF THE MINUTES

A. Minutes of the Investment Advisory Committee Meeting of May 19, 2023

III. APPROVAL OF AGENDA
Motion made by Ms. DeSanctis and seconded by Mr. McAdams to accept the agenda. Motion carried unanimously, 4-0.

IV. COMMUNICATION FROM CITIZENS
No one indicated a desire to speak.

V. APPROVAL OF THE MINUTES

A. Minutes of the Investment Advisory Committee of May 19, 2023

The Committee provided consensus to approve the minutes as presented.

VI. UPDATE FROM CUSTODIAN

A. Update from Custodian - Salem Trust

Karen Russo, Salem Trust

Ms. Russo stated that there is one account on the books for this trust, which includes mutual funds, one fixed income, four equity funds and four sundry assets, which are held outside of Salem Trust. She spoke regarding the authorized signer form that is on file. She stated that as soon as the firm receives a letter from the Town's audit, they will respond and comply. She stated that their parent company, TMI Holdings merged with Argent Financial Group and will now be called Argent Institutional Trust Company. Salem Trust will continue with the same name, but will be a division of Argent Institutional Trust Company, and stated that there should be no impact to the Town's services. She stated that there needs to be an assignment agreement signed, which has been reviewed by the Town Attorney's office. Mr. McAdams inquired about the history of the new parent company, to which Ms. Russo replied. Chair Storkerson provided background information on working with a trust company. Discussion ensued on the new parent company and working with trust companies.

VII. FLORIDA LEAGUE OF CITIES(FMvT)

A. Quarterly Performance Report

Jeff Bromley, Florida League of Cities and Jim Womack, Atlanta Capital

Mr. Bromley gave a brief overview of the town's investment in the Florida Municipal Investment Trust. He introduced Brad Buie from Atlanta Capital, who provided an update of the market in the third quarter. He stated that yields rose due to the Fed raising rates and the anticipation of rates being raised further. The two-year jumped 15 basis points and the 30-year treasury rose 84 basis points, which put pressure on returns. He spoke regarding the inverted yield curve and highlighted excess returns. He spoke regarding the high performance of BBB securities.

Mr. Buie stated that all three portfolios outperformed the benchmarks by more than 13 basis points. He spoke regarding the impact of the Fed's activities on rates. He provided an overview of charts on page 8 of the report, including leading economic indicators and credit spreads. Mr Buie responded to a question from Ms. Geddes pertaining to treasuries. Chair Storkerson inquired about rates increasing further, to which Mr. Buie responded. Mr. McAdams inquired about the Fed needing to rescue several auctions. He also asked if a report could be generated that depicts net return, to which Mr. Bromley responded. Mr. McAdams inquired where Mr. Buie thinks that money supply fits into what has been discussed, to which Mr. Buie responded.

Mr. Buie spoke regarding the Fed's efforts at slowing consumption and explained various indicators, including bankruptcies, unemployment rate and GDP growth. He spoke regarding the strong labor market despite the Fed's rate hikes. He stated that the firm will continue to focus on mortgage and asset-backed securities and high-quality bonds for the portfolio. Mr. McAdams inquired about car loans, to which Mr.

Buie responded and spoke regarding delinquency rates.

VIII. PFM ASSET MANAGEMENT

A. Quarterly Performance Report

Scott Stitcher, PFM Asset Management

Mr. Stitcher provided an overview of the reports that he will be reviewing. He spoke briefly regarding House Bill 3 and Mr. Miracle spoke regarding a change to the Town's investment policy to comply with House Bill 3. Discussion ensued regarding ESG's and the requirements under House Bill 3.

Mr. Stitcher provided an update on the Town's portfolios. He spoke regarding the compliance summary and stated that the Town is in compliance with the policy. He responded to a question from Mr. McAdams regarding how the firm ensures securities will be in compliance. Mr. Stitcher responded to a question from Chair Storkerson regarding whether the firm goes by a return focus or cash flow analysis. Mr. Stitcher addressed a question from Ms. Geddes regarding what sectors the firm is focusing on. Ms. Wood addressed a question from Mr. McAdams regarding how the banks were chosen for the CDs. Mr. Stitcher provided additional information on the CDs. Discussion ensued on the CDs that the Town invests in.

B. Benchmark Comparison

Scott Stitcher, PFM Asset Management

Mr. Stitcher spoke regarding the 1-5 year portfolio, noting that the assets at the end of the third quarter of the fiscal year is $41,160,578 and the duration is 2.38 years versus the benchmark at 2.49 years and spoke regarding the duration approach. He spoke regarding the yield at cost, which was 2.73% at the end of the quarter and today it is 2.94%. He spoke regarding purchasing agency CMBS, corporates and asset-backed securities.

Mr. Stitcher stated that it appears that price changes are being outsized by income in the fixed income sector. He spoke regarding the Total Return by percentage, which shows that the portfolio was up .31% for the quarter versus the benchmark at .24% and fiscal year end shows that it was up 2.66% versus the benchmark of 2.15%. He stated that the interest earned over three months was almost $250,000, which could yield approximately $1 million for the year, compared to $800,000 from last year. Ms. Geddes inquired about when the negative year was no longer going to show, to which Mr. Stitcher responded.

IX. ANDCO CONSULTING

A. Quarterly Performance Report

Dave West, CFA, AndCo Consulting

Mr. West stated that the fund is fully funded, which allows for the lowering of the actuarial required rate of return (ROR). He explained the background history of the

ROR with this fund and the de-risking of the fund. He provided an overview of the report. He stated that this was a good year for equities and stated that the S&P 500 Market Index was up 21.6% but the mid-cap and small-cap stocks did not keep up. He stated that the Developed Country Index had a return of 25% and the aggregate bond market had a return of .6%. He spoke regarding the Magnificent Seven stocks that performed very well. He spoke regarding the depiction of the Treasury Yield Curve in the report and spoke regarding the adjustments that were made to avoid the volatility that occurred. He addressed the target allocation in response to questions from Chair Storkerson. Chair Storkerson spoke in support of the fund's allocation. Mr. West spoke regarding the firm's process for ensuring that the fund avoids volatility in certain sectors of the market. Mr. Miracle spoke regarding the Town's health care costs maintaining a stable level, which is another great benefit for OPEB. He spoke regarding how the Town's health care costs have maintained that level.

Mr. West spoke regarding the Equity Allocation and Broad Market Fixed Income. He stated that he has no action recommendations at this time because the system is well-positioned. He addressed a question from Ms. Anderson regarding the allocation for real estate, especially office properties, and provided an overview of the debt roll that had been requested by the Committee. He stated that hopefully there will be stability in valuation at this point and a positive return should be coming from leasing income.

Mr. West provided an overview of the Total Fund Return, which was a net of 8.93% for a total fund policy at 9.88%. The International Equity allocation shows that the collective managers outperformed, and the non-traditional assets fund has a return of 8.29%. He spoke regarding the Fixed Income Allocation, which showed a 2.75% return overall. He spoke regarding the allocation moving forward.

X. OPEB TRUST FINANCIAL REPORT

A. OPEB Trust Financial Report

Bob Miracle, Deputy Town Manager - Finance & Administration

Mr. Miracle introduced a new employee, Jim McInnis, who will be the Controller when Ms. Wood retires.

Mr. Miracle stated that the report is comprised of unaudited numbers and provided highlights of the report. He stated that net assets held in trust are $36,898,835, which is a slight reduction from the previous quarter, but it is a positive number overall. He stated that the fiscal year statement change of net assets is slightly under $2,500,000. The quarterly cash flow balance was slightly over $54,000. He spoke regarding the cash flow forecast for the next fiscal year, which includes the Town's contribution of $789,128 in the first quarter. He stated that he is seeking approval from the Committee to transfer $400,000 into the checking account. He responded to questions from Mr. Storkerson regarding the required transfers, retiree contributions, and the Town's contribution.

The Committee provided consensus to approve the transfer of $400,000 into the checking account.

Mr. Miracle spoke regarding changes to the language of the OPEB Investment Policy, which was required by State Law. In response to a question from Ms. McAdams, Mr. Miracle spoke regarding investing additional revenue and spoke regarding the Town's overall portfolio and finances. He also spoke regarding large-scale capital projects that are currently underway, including the North Fire Station. He spoke regarding the coastal management program and stated that the beach renourishment has assisted in pushing back the replacement of the Mid-Town Seawall.

XI. INVESTMENT REPORT

A. September Investment Report

Amy Wood, Assistant Finance Director

Ms. Wood stated that the total in Investments as of September 30, 2023, was $215,594,994 and the Fiscal Year returns were $8,277,384.

Mr. Miracle stated that this will be Ms. Wood's last Committee meeting and expressed his appreciation to her for all of her work for the Town over the past 25 years.

XII. QUARTERLYREPORT FOR OVERSITE OF ONE-CENT SURTAX

A. Quarterly Report for Oversite of One-Cent Surtax

Bob Miracle, Deputy Town Manager - Finance & Administration

Mr. Miracle spoke regarding the revenue that has been received from the one-cent surtax, which is slightly more than $4.5 million. He stated that Town Council approved a Resolution that requests that the one-cent surtax be extended until 2036. He stated that the funds are utilized for the Town's Undergrounding project. He stated that the extension must be initiated by Palm Beach County and spoke regarding the discussions surrounding this topic.

XIII. PROPOSED MEETING SCHEDULE

A. Next Meeting: Friday, February, 16, 2024 at 2:30 PM

Bob Miracle, Deputy Town Manager - Finance & Administration

Mr. Miracle spoke regarding the August meeting being moved to September due to members' travel schedules. The Commission provided consensus to approve the schedule as presented.

XIV. ANY OTHER MATTERS

None.

XV. ADJOURNMENT

The meeting was adjourned at 4:33 p.m. without benefit of a motion.

Respectfully Submitted,

~~Christopher Storkerson, Chairman~~

Kathleen Anderson, Vice Chairman