TOWN OF PALM BEACH

Office of the Town Clerk

REPORT OF THE INVESTMENT ADVISORY COMMITTEE MEETING
HELD ON FRIDAY, FEBRUARY 21, 2014

I. CALL TO ORDER AND ROLL CALL

The Investment Advisory Committee meeting was called to order on Friday, February 21, 2014, at 2:00 p.m., in the Town Council Chambers. On roll call, all members were found to be present.

II. PLEDGE OF ALLEGIANCE

Chairman Andrews led the Pledge of Allegiance.

III. INTRODUCTION OF NEW MEMBER – MR. BARRY SNYDER

Chairman Andrews welcomed new Committee Member Snyder, and each of the members provided a brief history of their background.

IV. APPROVAL OF AGENDA

By consensus of the Committee, the Agenda was approved.

V. COMMUNICATION FROM CITIZENS – None

VI. APPROVAL OF MINUTES

a. MINUTES FROM NOVEMBER 22, 2013 MEETING

The November 22, 2013, Investment Advisory Committee Meeting Minutes were approved.

VII. FIDUCIARY LIABILITY INSURANCE RENEWAL

[Karen Temme, Risk Manager and Judy Arenz, Arthur J. Gallagher]

Karen Temme, Risk Manager, and Judy Arenz, Arthur J. Gallagher, provided an overview of the renewal request.

Motion was made by Committee Member McCluskey, and seconded by Committee Member Storkerson, to approve the Fiduciary Liability Insurance Renewal with RLI Insurance Company. On call for a vote, the motion carried unanimously.

VIII. PRESENTATION OF BI-ANNUAL ACTUARIAL REPORT

[Clete Anderson and Dennis Dulaney, Willis]

Clete Anderson, Willis North America, Inc., provided an overview of the OPEB (Other Post-Employment Benefits) Valuation Report.

Discussion ensued regarding other municipalities' less funded plans, the decrease in the annual employee required contribution amount from 2013 to 2014, and the change in the discount rate to 7.5% for this valuation.

(Clerk's Note: The item below was taken out of order and heard after Item No. X.)

IX. ANNUAL REPORT TO THE TOWN COUNCIL – FEBRUARY 11, 2014

Chairman Andrews stated that, at the February 11, 2014, Town Council meeting, his Annual Report to the Town Council was accepted very well. However, it was noted that the portfolio was up only about $11,000 for this fiscal year, in comparison to $1 million in the previous year.

X. PRIME BUCHHOLZ - QUARTERLY PERFORMANCE UPDATE

[Sean Higman, Prime Buchholz]

Sean Higman, Prime Buchholz, provided an overview of the Town's quarterly performance.

a. Recommendation to Modify Inflation Hedging Segment

Sean Higman, Prime Buchholz, provided an overview of their recommendation to modify the inflation hedging segment.

Discussion ensued regarding the Town's 7.5% portfolio, the portfolio's liquidity, and moving surplus funds into equity investments.

Motion was made by Committee Member Panfel, and seconded by Committee Member McCluskey, to approve replacement of PIMCO Commodity Real Return Strategy Institutional Fund with PIMCO Commodity Plus Fund and Vanguard Inflation Protected Securities Admiral Fund with Vanguard Short-Term Inflation Protected Securities Index. On roll call, the motion carried unanimously.

Motion was made by Committee Member Panfel, and seconded by Committee Member McCluskey, to approve the recommendation that Prime Buchholz invest $1

million from Town surplus funds and allocate them throughout the portfolio. On roll call, the motion carried unanimously.

XI. FMIvT INVESTMENTS – QUARTERLY PERFORMANCE UPDATE

[Jeff Blomeley, Florida League of Cities and Jim Womack, Atlanta Capital Management]

Jeff Blomeley, Investment and Retirement Services Manager, Florida League of Cities, and Jim Womack, Atlanta Capital Management, provided an overview of the Town's quarterly performance.

Discussion ensued regarding reduction in the volatility of bond rates by reducing the portfolio's duration, Palm Beach County's purchases of Certificates of Deposit (CDs), and utilizing short-term municipal bond funds.

XII. PFM ASSET MANAGEMENT – QUARTERLY PERFORMANCE UPDATE

[Scott Stitcher, PFM Asset Management]

Scott Stitcher, PFM Asset Management, provided an overview of the Town's quarterly performance.

a. Investment Strategies for Bond Proceeds

Mr. Stitcher provided an overview of their investment strategies for bond proceeds.

Discussion ensued regarding PFM Asset Management taking a more active approach with investment of the bond proceeds.

Motion was made by Committee Member McCluskey, and seconded by Committee Member Panfel, to approve PFM Asset Management LLC as the manager for the bond proceeds. On roll call, the motion carried unanimously.

XIII. DISCUSSION OF INVESTMENT OPTIONS FOR SURPLUS FUNDS

a. Florida Investment Trust

Chairman Andrews stated that the Florida Local Government Investment Trust could provide a presentation on their organization to the Committee next year.

b. Certificate of Deposit Investments

Finance Director Struder provided an overview of investment options for surplus funds by using CDs.

Discussion ensued regarding changing the investment policy term, the benefits of investing in CDs, and conferring with Mr. Stitcher, PFM Asset Management LLC, regarding bank rates for commercial paper.

Motion was made by Committee Member Storkerson, and seconded by Committee Member Panfel, to have Mr. Stitcher check his client base and make a recommendation to increase the maximum allowable investment in commercial paper from 25% to Mr. Stitcher's recommended percentage. On roll call, the motion carried unanimously.

Motion was made by Committee Member Panfel, and seconded by Committee Member McCluskey, to approve the recommendation of changing the Certificate of Deposit term in the investment policy from 1 to 10 years. On roll call, the motion carried unanimously.

XIV. JANUARY INVESTMENT REPORT

Assistant Director of Finance Somers provided an overview of the January 2014 Investment Report.

XV. 2014 MEETING SCHEDULE

Chairman Andrews stated that the next meeting date will be Friday, May 23, 2014, at 1:00 p.m., and that the meeting will include a workshop with Sean Higman, Prime Buchholz.

XVI. ANY OTHER MATTERS

Finance Director Struder spoke regarding the new e-mail policy for boards, commissions, and committees.

XVII. ADJOURNMENT

There being no further business, the February 21, 2014, Investment Advisory Committee meeting was adjourned at 5:09 p.m.

APPROVED:

Dr. Michael F. Andrews
Chairman