TOWN OF PALM BEACH

Investment Advisory Committee

MINUTES OF THE INVESTMENT ADVISORY COMMITTEE MEETING HELD ON FRIDAY, FEBRUARY 16, 2024, 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, Chairman (Absent)
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

Mr. Miracle led the Pledge of Allegiance.

III. APPROVAL OF AGENDA

Motion made by Mr. McAdams and seconded by Mr. Miracle to accept the agenda. Motion carried unanimously, 3-0.

IV. COMMUNICATIONS FROM CITIZENS

No one indicated a desire to speak.

V. APPROVAL OF THE MINUTES

A. Minutes of the Investment Advisory Committee Meeting of November 17, 2023

Motion made by Member Geddes and seconded by Member McAdams to accept the agenda. Motion carried unanimously, 3-0.

VI. <u>FIDUCIARY LIABILITY RENEWAL</u>

A. Fiduciary Liability Renewal

Judy Arenz, CPCU Arthur J. Gallagher & Co.

Karen Temme, Risk Manager, provided background information on the proposed renewal for the fiduciary liability policy. Mr. Miracle provided further information on the Town's support of the item in response to a question from Mr. McAdams.

Motion was made by Member Geddes and seconded by Member McAdams, to approve the renewal of the fiduciary liability policy as presented. The motion passed unanimously, 3-0.

VII. <u>ACTUARIAL REPORT – OPEB TRUST</u>

A. ACTUARIAL REPORT - OPEB TRUST
Piotr Krekora, Gabriel, Roeder Smith & Co

Mr. Krekora spoke regarding the executive summary and explained that this year's report is an accounting update. He provided an overview of what the accounting update covers. He stated that the account has more assets than liabilities and has a funded ration of over 110%. He stated that the OPEB Trust has been in a good position for several years and spoke regarding items that affect the volatility of the plan. He answered questions from Committee Members on the fluctuations in the Net OPEB Liability percentages over the past several years. Mr. West and Mr. Miracle provided additional background information. Discussion ensued over changes in the assumption rate of return. Mr. Krekora spoke regarding the sensitivity of net OPEB liability to changes in the health care costs trends. He presented the statement of OPEB expenses and explained the inflows and outflows. In response to questions from Ms. Anderson and Mr. McAdams, he spoke regarding life expectancy and the health of Town employees in comparison to the general populace. Discussion ensued on the overall health of the Town's employees. Mr. Miracle spoke regarding the Employee Health Clinic being reinstated.

VIII. <u>PFM ASSET MANAGEMENT</u>

A. Quarterly Performance Report

Scott Stitcher, PFM Asset Management

B. Benchmark Comparison

Scott Stitcher, PFM Asset Management

Mr. Stitcher provided an overview of the portfolio summary and spoke regarding the duration and convexity. He spoke briefly regarding the benchmark comparison. He spoke regarding the state of the U.S. Economy and stated that there was more growth in the economy than what had been predicted. He addressed cooling inflation and spoke regarding the most recent CPI and PCE numbers. He spoke regarding the labor market and employment creation numbers. He spoke regarding the data points making it so that the Fed is not cutting interest rates and spoke regarding the Fed potentially taking action in May. He spoke regarding the downward trend in the performance of treasury yields. Member McAdams recommended adding information in the report on employment rates over the past five years.

Mr. Stitcher spoke regarding the compliance summary, sector allocation, max maturity, individual issuer and credit quality. He stated that there are no compliance issues. Discussion ensued on the CDs being collateralized rather than FDIC insured. Mr. Miracle stated that staff would return with a report on the QPD Program and the Town's involvement.

Mr. Stitcher presented the snapshot of the Town's portfolios and explained the portfolio performance for the term ending December 31, 2023. He addressed the Town's short-term portfolio performance. In response to a question from Ms. Anderson, he spoke regarding concerns over the upcoming election and the potential impact of the Fed's actions.

IX. ANDCO CONSULTING

A. Quarterly Performance Report
Dave West, CFA, AndCo Consulting

Mr. West provided an update on the acquisition of AndCo Consulting by Mariner Financial. He stated that AndCo's name will change to Mariner Institutional and spoke regarding the necessary paperwork to make this transfer. He answered questions from Members regarding the acquisition and potential conflicts of interest.

Mr. West provided an overview of the report and spoke regarding the extraordinary volatility of the market during the quarter. He addressed the concentration level of the "Magnificent Seven" and spoke regarding the impacts to the market. He spoke regarding the yield curve and spoke regarding the portfolio's returns. He provided a recommendation to rebalance the asset allocation, which is to liquidate $2,000,000 from the Equity Index Fund and reallocate to the Broad Market Fixed Income fund. He spoke in support of retaining the funds in the Goldman Sachs Money Market Fund. Mr. Miracle spoke regarding the expediency of Mr. West's actions once approved by the Board. Discussion ensued on the role of the Board in investment decisions.

Motion was made by Member McAdams and seconded by Member Geddes, to approve the reallocation of $2,000,000 from the Equity Index Fund to the Broad Market Fixed Income fund. The motion passed unanimously, 3-0.

Mr. West provided an overview of the returns and stated that the total fund returns were 7.7%, which is above the actuarial target of 5%. He stated that they are continuing to watch the real estate market and spoke regarding that market and the impacts of actions by the Fed. Ms. Anderson inquired about liquidity, to which Mr. West responded. Mr. McAdams inquired about the firm's strategy regarding liquidity, to which Mr. West responded. Mr. West spoke regarding the types of real estate that comprise the REITs.

Mr. West stated that the Fiscal Year opened with the market value at $37,144,710 and the market value at the end of the Fiscal Year was $40,037,075.

X. OPEB TRUST FINANCIAL REPORT

A. OPEB TRUST FINANCIAL REPORT
Robert Miracle, Deputy Town Manager

Mr. Miracle reported that the Net Assets held in trust as of December 31, 2023, were $39,459,976 with a net increase of $2,570,315. He spoke regarding the cash flow report and stated that there is an estimated ending cash balance of $122,751. He requested that the Committee approve the transfer of $400,000 from Trust investments to the OPEB account. Discussion ensued on the choice of banks for the CDs.

Motion was made by Member Geddes and seconded by Member McAdams, to approve the transfer of $400,000 from the Trust investments to the OPEB account. The motion passed unanimously, 3-0.

XI. ANNUAL REPORT TO THE TOWN COUNCIL

A. ANNUAL REPORT TO THE TOWN COUNCIL

Robert Miracle, Deputy Town Manager

Mr. Miracle stated that the Town Council was pleased with the accounts, and he reported that they asked Chair Storkerson if he had any concerns going into this year, to which he replied that he did not.

XII. NOVEMBER INVESTMENT REPORT

A. November Investment Report

Robert Miracle, Deputy Town Manager

Mr. Miracle stated that the market value of the OPEB Trust account at the end of November was $38,702,199 and the Fiscal Year rate of return was 4.19%, which outperformed the benchmark. He provided an overview of the values for the different types of investments and the schedule for the CDs. He stated that they will return with more information on the CDs at the next meeting.

XIII. QUARTERLY REPORT FOR OVERSITE OF ONE-CENT SURTAX

A. Quarterly Report for Oversite of One-Cent Surtax

Robert Miracle, Deputy Town Manager

Mr. Miracle spoke regarding the revenue that has been received for the one-cent surtax, which is slightly more than $4.6 million. He stated that the funds are utilized for the Town's Undergrounding project and spoke regarding the proposed extension for the surtax. Discussion ensued on the Town's Undergrounding project.

XIV. PROPOSED MEETING SCHEDULE

A. Next Meeting: Friday, May 17, 2024 at 2:30 PM

Robert Miracle, Deputy Town Manager - Finance & Administration

Mr. Miracle spoke regarding upcoming term expirations of two of the Committee members.

XV. ANY OTHER MATTERS

None.

XVI. ADJOURNMENT

The meeting was adjourned at 4:18 p.m. without benefit of a motion.

Respectfully Submitted,

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Christopher Storkerson, Chairman