

TOWN OF PALM BEACH

Minutes of the Investment Advisory Committee Meeting Held on May 15, 2026

CALL TO ORDER AND ROLL CALL

The meeting was called to order at 1:00 PM in the Town Council Chambers.

Members Present: Chris Storkerson, Kathleen Anderson, Laurence Austin, Kenneth Weiss

Member Absent: Jacqueline de Sanctis

Staff Present: Robert Miracle, Deputy Town Manager - Finance and Administration and Pat Gayle-Gordon, Deputy Town Clerk

Clerk's Note: Mr. Austin arrived at 1:03 PM

PLEDGE OF ALLEGIANCE

Chair Storkerson led the Pledge of Allegiance.

MINUTES

1. Minutes of the March 6, 2026 Investment Advisory Committee Meeting

A motion was made by Ms. Anderson and seconded by Mr. Austin to approve the minutes of the March 6, 2026 meeting as presented. The motion was carried unanimously, 4-0.

APPROVAL OF AGENDA

A motion was made by Ms. Anderson and seconded by Mr. Weiss to approve the agenda as presented. The motion was carried unanimously, 4-0.

COMMENTS

2. OFFICIALS

No one indicated a desire to speak.

3. STAFF

No one indicated a desire to speak.

4. PUBLIC - 3 MINUTE LIMIT

No one indicated a desire to speak.

GENERAL BUSINESS

5. Mariner Infrastructure Manager Presentations - Kerry Richardville

Kerry Richardville, Infrastructure Manager, Mariner, introduced herself and explained that three 20-minute interviews had been scheduled with prospective infrastructure investment managers, as requested by the Committee at its prior meeting.

Ms. Richardville stated that the managers would present in alphabetical order: Brookfield, IFM, JP Morgan. She confirmed that JP Morgan agreed to waive its stated minimum investment requirement to accommodate a potential commitment of approximately \$2 to \$2.5 million, consistent with prior Committee discussions. Ms. Richardville advised that she had communicated the Committee's preference for presentations to focus primarily on investment-specific information, including targeted assets, sectors, and geographic exposure, rather than extensive background information on the firms or investment teams. She also noted that managers were informed that the Committee could proceed directly to questions if preferred. She stated that the presentations would proceed in the direction and at the pace preferred by the Committee to ensure members obtained the most value from each interview session.

Brookfield Super-Core Infrastructure Partners (BSIP)

Representatives from Brookfield provided an overview of Brookfield Super Core Infrastructure Partners ("BSIP"), the firm's open-ended core infrastructure investment strategy. Julianne Morgan introduced the presentation and explained that the discussion would focus primarily on the strategy's portfolio positioning, investment approach, and current market opportunities.

Matt Press, Managing Director within Brookfield's infrastructure group, described BSIP as a lower-risk core infrastructure strategy focused on mature, operating infrastructure assets that generate highly stable and predictable cash flows. He stated that the strategy seeks to minimize exposure to risks commonly associated with infrastructure investing, including construction risk, merchant exposure, technology risk, GDP sensitivity, and financing risk.

Mr. Press explained that the strategy invests primarily in essential infrastructure assets located in developed OECD markets, including the United States, Western Europe, and Australia. He noted that the portfolio focuses on assets with either regulated or long-term contracted revenue streams and avoids Greenfield development projects, airports, toll roads, and other assets with more variable return characteristics.

Brookfield representatives stated that the strategy currently includes approximately \$16 billion in net asset value invested across 29 operating businesses and targets approximately 10% gross returns with stable cash yield generation. The presenters emphasized that the strategy is designed to provide low-volatility, long-term performance through varying market environments.

Discussion occurred regarding the portfolio's exposure to regulated utilities and data center investments. Brookfield representatives explained that while the strategy does include stabilized contracted data center assets, it does not invest in higher-risk AI-focused or development-stage infrastructure projects within this particular strategy. Examples of recent investments discussed included Duke Energy Florida, FirstEnergy Transmission, and Trans Bay Cable in California.

Committee members asked questions regarding:

The percentage of regulated and contracted revenues within the portfolio;
Geographic investment limitations and avoidance of higher-risk emerging markets;
Credit quality and underwriting standards of counterparties;
Portfolio diversification and leverage practices;
Liquidity provisions and valuation methodology for the open-ended fund structure;
Capital raising activity and deployment timelines;
Differences between the private BSIP strategy and Brookfield's publicly traded infrastructure vehicle.

Brookfield representatives explained that approximately 90% of counterparties are investment grade or internally assessed to equivalent standards. They also stated that the portfolio utilizes conservative financing practices, including predominantly fixed-rate debt with long average maturities.

Additional discussion addressed investment minimums and fee structures, including the potential use of an access fund vehicle for smaller investment allocations. Mariner representatives clarified that the access fund carries a slightly higher management fee than the primary BSIP fund due to lower investment minimums.

Brookfield concluded the presentation by emphasizing the firm's long history as an owner and operator of infrastructure assets and describing operational expertise and focus on stable, contracted cash flows as key differentiators of the strategy.

IFM Investors, Gary Harrison, Tim Dobney

Gary Harrison of IFM Investors presented an overview of the firm's core infrastructure equity strategy. Mr. Harrison explained that IFM has more than 30 years of experience in infrastructure investing and currently manages approximately \$90 billion in infrastructure equity assets. He noted that the firm takes an active ownership approach, including board representation and direct involvement by investment personnel in portfolio company operations.

Mr. Harrison described the strategy as a global core infrastructure equity fund targeting long-term net returns of 8% to 12%. The fund has operated since 2004 and invests primarily in OECD countries, with a focus on North America and Western Europe. Key investment sectors include utilities, energy, transportation, and digital infrastructure.

The presentation emphasized the strategy's focus on:

Large-scale infrastructure assets with strong market positions and high barriers to entry;
Long-term concession or asset lives;
Inflation-linked revenue characteristics;
Diversification across sectors, geographies, and revenue drivers.

Examples of portfolio investments discussed included: Buckeye Partners, a large U.S. midstream pipeline network; The Indiana Toll Road; Sydney Airport; and existing data center platforms.

Mr. Harrison explained that the strategy seeks a balance between regulated and contracted revenues and selective exposure to volume-linked cash flows in order to provide diversification and capture upside opportunities. Approximately half of portfolio revenues are derived from regulated or contracted sources, with the remainder linked to volume or market-based activity.

Committee members asked questions regarding:

- Competition for infrastructure assets among large infrastructure managers;
- Portfolio revenue characteristics and exposure to regulated cash flows;
- Data center and AI-related infrastructure opportunities;
- Benchmarking and performance measurement;
- Portfolio leverage practices;
- Ownership structure and alignment of interests.

IFM representatives stated that the strategy focuses on mature operating data centers rather than speculative development projects and seeks to avoid Greenfield development risk. Discussion also occurred regarding opportunities created by increasing power and infrastructure demands associated with AI and digitalization trends.

Mr. Harrison explained that the strategy utilizes relatively conservative leverage levels and does not employ leverage at the fund level. He noted that the weighted average leverage reflected only debt at the underlying portfolio company level.

Additional discussion addressed the ownership structure of IFM Investors. Representatives explained that the firm is owned by pension capital, primarily Australian superannuation funds, which they stated provides long-term alignment with institutional investors.

The Committee also discussed fund terms, including:

- A management fee of approximately 77 basis points;
- A performance fee above an 8% hurdle rate;
- Quarterly subscriptions and liquidity;
- Estimated capital deployment within approximately six to nine months following commitment.

The representatives confirmed that the strategy provides quarterly liquidity with no lock-up period after capital is deployed to the fund.

Infrastructure Investments Fund (IIF)

Katie Hammond of J.P. Morgan Asset Management and Nicholas Moller presented the firm's Infrastructure Investments Fund ("IIF") for the Committee's consideration as a potential infrastructure investment manager.

Ms. Hammond introduced the strategy and noted that the Committee's objectives of increasing portfolio income and reducing correlation to public markets aligned with the goals of the IIF strategy.

Mr. Moller provided an overview of the infrastructure market environment and explained that the fund focuses primarily on regulated utilities and long-term contracted infrastructure assets designed to provide diversification, inflation protection, yield, and lower volatility. He noted the strategy intentionally avoids higher-risk growth-oriented infrastructure sectors such as development-stage digital infrastructure and AI-focused projects.

The presenters reviewed the structure and characteristics of the Infrastructure Investments Fund, noting:

- The fund is an open-ended perpetual infrastructure strategy with nearly 20 years of operating history.
- Current assets under management total approximately \$50 billion invested across 18 operating companies globally.
- The strategy targets net returns of approximately 9–11% with an operating cash yield of approximately 6%.
- Investments are primarily located in the United States and Europe and are predominantly equity ownership positions with significant control.
- The portfolio is heavily weighted toward regulated utilities and contracted assets, with limited exposure to transportation-related infrastructure.
- The strategy maintains conservative leverage levels designed to support investment-grade characteristics at the underlying asset level.

Mr. Moller emphasized that the strategy focuses on operating assets with stable cash flows rather than development-oriented investments. He stated that the fund owns operating renewable energy assets with long-term contracts and does not pursue speculative renewable development projects.

Committee members asked questions regarding:

- Exposure to renewable energy infrastructure;
- Inflation protection within the portfolio;
- Competitive dynamics for infrastructure acquisitions;
- Ownership and control requirements for investments;
- Operational management of portfolio companies;
- Liquidity provisions and redemption structures; and

- Fee arrangements and deployment timelines.

In response, the presenters explained:

- The fund generally seeks majority or full control ownership positions to maintain operational oversight and strategic flexibility.
- Portfolio companies maintain dedicated management teams while JP Morgan provides governance and strategic oversight.
- Infrastructure assets typically include contractual or regulatory inflation pass-through mechanisms.
- The strategy emphasizes long-term ownership and reinvestment into existing portfolio companies rather than frequent acquisitions.
- The fund offers quarterly liquidity with a four-year soft lock provision, including a redemption fee payable to remaining investors if redeemed during that period.
- The management fee for commitments under the standard minimum investment level would be approximately 82 basis points, with a 15% incentive fee above a 7% hurdle rate.
- Expected capital deployment timing for new commitments was estimated at approximately nine months.

The Committee thanked the JP Morgan representatives for their presentation and participation in the infrastructure manager review process.

The discussion centered on evaluating infrastructure investment options following presentations from several managers, with the committee generally agreeing that infrastructure is an attractive asset class but expressing significant concerns about manager selection, liquidity, governance, and whether private infrastructure funds justify their complexity and illiquidity relative to public alternatives.

Key themes included:

- **Concerns about JP Morgan's infrastructure fund**
 - Members viewed the strategy as overly concentrated, noting the small number of companies held and the fund's tendency to take 100% ownership positions.
 - There was confusion about the structure of the portfolio, including references to "18 companies" but "over 1,000 assets."
 - The committee questioned whether JP Morgan's expertise as a financial institution necessarily translated into operational expertise in managing infrastructure businesses directly.
 - Liquidity terms were viewed as restrictive and expensive, with redemption penalties and lockups raising fiduciary concerns.
 - Members also questioned the quality of some acquisitions, citing El Paso Electric as an example of a weaker utility asset.
 - There was concern about potential conflicts, self-dealing, or reliance on JP Morgan's internal deal flow and banking relationships.
- **Positive outlook on infrastructure as an asset class**
 - Despite reservations about specific managers, the group broadly agreed infrastructure remains attractive for:

- inflation protection,
 - diversification,
 - contractual cash flows,
 - income generation,
 - and long-term secular trends such as AI-driven power demand and global modernization.
- Infrastructure was repeatedly described as functioning similarly to a fixed income allocation because of its stable and contractual revenue streams.
- **Brookfield emerged as the preferred manager**
 - Brookfield was viewed as the strongest and most credible presenter.
 - Members liked:
 - its diversification,
 - global reach,
 - operational expertise,
 - and transparency regarding ownership and governance.
 - The committee appreciated Brookfield's scale, track record, and clearer organizational structure.
 - However, some noted Brookfield avoids emerging markets, which could limit upside opportunities.
- **Skepticism toward IFM**
 - Several members felt IFM lacked clarity in its presentation and organizational structure.
 - Concerns included:
 - uncertainty over who truly controls the organization,
 - complexity of ownership,
 - and concentration of investors, particularly Australian pension funds.
 - Members worried large institutional investors could potentially withdraw capital or internalize management functions, destabilizing the platform.
- **Debate over private infrastructure vs. public/index strategies**
 - A major discussion point was whether the committee should use:
 - a private infrastructure fund with illiquidity premiums,
 - or a publicly traded/index-based infrastructure strategy offering full liquidity.
 - Members questioned whether private managers had materially outperformed public infrastructure indexes enough to justify:
 - lockups,
 - fees,
 - valuation smoothing,
 - and reduced flexibility.
 - Public/index infrastructure strategies were attractive because:
 - they provide liquidity,
 - simplify governance,
 - and may achieve similar long-term results.
 - The FTSE infrastructure index and public infrastructure ETFs/funds were discussed as possible alternatives.

- **Portfolio construction and funding considerations**
 - Infrastructure was viewed as fitting within the Town's existing alternatives allocation bucket.
 - Discussion focused on funding the allocation from:
 - excess cash,
 - short-duration fixed income,
 - or trimming equities after strong market performance.
 - Members emphasized the Town's strong funding position and reduced return targets (now closer to ~5%), suggesting there is less pressure to "swing for the fences."
 - Liquidity remained an important consideration due to pension obligations and actuarial cash flow needs.
- **Broader fiduciary and governance concerns**
 - Members repeatedly stressed prudence, transparency, and avoiding unnecessary complexity.
 - There was caution about entering private structures that become difficult to exit, referencing prior experiences with illiquid private credit investments still lingering years later.
 - The committee also discussed the importance of maintaining sufficient liquid reserves to avoid selling equities during market downturns.
- **Tentative direction**
 - The committee appeared aligned on:
 - pursuing infrastructure exposure,
 - continuing due diligence,
 - and narrowing choices toward either:
 - Brookfield/private infrastructure, or
 - a public/index infrastructure approach.
 - No final decision was made.
 - Staff/advisors were asked to provide additional research on:
 - public infrastructure funds,
 - index options,
 - and other managers in the space before the next meeting.

6. Mariner Quarterly Performance Report - Kerry Richardville

Kerry Richardville, Mariner Infrastructure Manager, presented the quarterly performance report highlighting significant market volatility between March and April. Following a first-quarter selloff in large- and mega-cap U.S. equities, driven in part by geopolitical concerns and investor caution surrounding AI-related spending, markets rebounded sharply in April. The portfolio returned approximately 5% net of fees for the month, led by a roughly 10% gain in the S&P 500, with strong performance across mid- and small-cap equities as well as international markets. Fiscal year-to-date performance improved to approximately 6%, exceeding the portfolio's 5% target if measured through April.

Discussion noted that domestic equities were the primary driver of performance recovery, though international equities and both value and growth strategies also posted strong returns.

Members and the advisor discussed continued market resilience despite economic and geopolitical uncertainty. While acknowledging concerns surrounding inflation, consumer debt levels, and potential market pullbacks, the advisor emphasized the difficulty of making short-term market predictions and reiterated the importance of remaining invested amid ongoing volatility.

The committee members discussed the transformative potential of artificial intelligence and related technology investments, noting continued optimism in equity markets despite elevated valuations and speculative enthusiasm in some sectors. It was observed that, unlike prior speculative periods, many current market leaders are established companies with substantial earnings, though uncertainty remains regarding long-term winners and losers within the AI buildout.

Additional discussion touched on economic growth in South Florida, particularly rapid development in West Palm Beach and surrounding areas, reflecting broader migration and investment trends in the region.

Ms. Richardville also reviewed fixed income and real estate allocations. Fixed income produced modest positive returns during the month, while real estate valuations continued to stabilize, supported by ongoing income generation from the portfolio's real estate funds. Committee members were informed that the portfolio remained closely aligned with investment policy targets following the recent rebalancing, and no additional rebalancing recommendations were made at this time.

The committee members expressed appreciation for the update and overall portfolio positioning.

7. March Investment Report - Robert Miracle, Deputy Town Manager

Mr. Miracle presented a brief review of the Town's investment report. He noted that the March reporting period reflected challenging market conditions, with the core investment portfolio posting a negative monthly return of approximately 3.5%. However, it was anticipated that April results would show a significant rebound. Despite March volatility, the Town's long-term core investment portfolio remained positive for the fiscal year, with a fiscal year-to-date return of approximately 1.5% as of March.

The committee reviewed the Town's investment structure and asset allocation across various funds, including the General Fund, Capital Fund, Internal Service Fund, Enterprise Funds, Marina operations, Building Fund, and other ancillary funds. Mr. Miracle explained that revenues from Town operations, including property taxes, parking revenues, marina operations, recreational facilities, and other enterprise activities, flow through the Town's investment structure and are allocated among different investment vehicles.

Discussion highlighted the continued financial success of the Town Marina, which has grown into an approximately \$15 million operation and has provided significant support for major Town infrastructure initiatives, including the undergrounding project. Members also discussed increased participation and revenue growth at the Mandel Recreation Center, attributing demand to an increase in families relocating to the Town and the popularity of recreational programming.

Mr. Miracle also reviewed the Town's cash and investment management practices, including allocations among money market funds, fixed income portfolios, and government securities. It was noted that all assets are held in independent trust custody structures and are fully collateralized in accordance with applicable requirements. The committee also discussed upcoming presentations from the Town's investment managers, including representatives from PFM and the Florida League of Cities FMIT Trust, who will provide additional detail regarding portfolio composition, investment strategies, and individual securities holdings.

The discussion concluded with comments on the Town's conservative investment structure, its focus on government-backed securities, and the importance of maintaining diversified, properly customized assets.

8. OPEB Trust Financial Report - Robert Miracle, Deputy Town Manager

Mr. Miracle presented the OPEB Trust Financial Report, noting that March reflected weaker market conditions, while April experienced a strong recovery. He also briefly referenced the Retirement Board portfolio, which similarly rebounded in April following first-quarter volatility.

The committee reviewed the Town's certificate of deposit (CD) investment schedule and discussed the Town's practice of soliciting rates from multiple financial institutions while maintaining strict collateralization requirements for all deposits. Mr. Miracle explained that the Town generally limits CD maturities to no more than 24 months in an effort to balance yield enhancement with liquidity and risk management.

The committee's discussion also focused on governmental accounting requirements related to mark-to-market reporting for investment portfolios. Mr. Miracle noted that during periods of market volatility, unrealized losses on Treasury holdings can create the appearance of losses despite the Town's intention to hold securities to maturity. Concerns were expressed regarding the difficulty of explaining these accounting impacts to governing bodies and the public, despite no realized loss of principal.

The committee then reviewed the OPEB Trust financial statements as of March quarter-end. Total assets were reported at approximately \$47.7 million, with net assets totaling slightly more than \$47 million. Quarterly activity included approximately \$922,000 in contributions, investment income of approximately \$442,000, and a net increase in assets of approximately \$485,000.

Mr. Miracle presented the OPEB cash flow analysis for the fiscal year, including projected employer contributions, retiree contributions, investment transfers, healthcare benefit payments, and operating expenses. The Town's projected fiscal year contribution was reported at approximately \$897,000 based on actuarial analysis prepared by GRS. Total estimated expenditures for retiree healthcare benefits and related operating costs were projected at approximately \$2.7 million. He explained that cash balances are intentionally maintained at minimal levels to maximize investment opportunities while ensuring adequate liquidity for benefit payments.

The committee discussed healthcare funding strategies, including the Town's hybrid self-insurance structure for employee and retiree healthcare benefits. Staff explained that the Town utilizes a combination of self-funded coverage and stop-loss insurance through Cigna, with the Town responsible for claims below the stop-loss threshold and insurance coverage applying

above that level. Additional discussion highlighted the Town's employee health clinic, which provides in-house medical services, wellness support, physicals, and prescription access for employees, helping manage healthcare costs and improve access to care.

There was general discussion regarding healthcare cost trends, employee benefits, Medicare coordination for retirees, and the overall value of maintaining active engagement and oversight of the Town's benefit and investment programs.

ANY OTHER BUSINESS

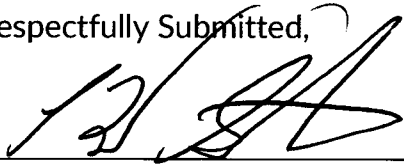
MEETING SCHEDULE

9. The next meeting is scheduled for August 21, 2026 at 1:00 p.m.

ADJOURNMENT

A motion was made by Mr. Weiss and seconded by Ms. Anderson to adjourn the meeting at 3:17 PM. The motion was carried unanimously, 4-0.

Respectfully Submitted,



Chris Storkerson, Chair