



**INVESTMENT COMMITTEE of the  
ORANGE COUNTY COMPTROLLER'S OFFICE**

**MINUTES OF ITS MEETING**

**August 30, 2016, 1:00 PM**

**Orange County Comptroller's Office  
Comptroller Conference Room A  
Orange County Administration Center, 4th Floor**

Members attending: Bob Tessier, Margaret McGarrity, Barry Skinner, Robin Ragaglia, Paul Wunderlich and Jordan Cupps

Staff: Sean Polland, Carl Anderson and Amanda DeBoer

Guest: Grant Kalson

1. Ms. McGarrity opened the meeting to public comment

There were no comments.

2. Minutes of the last meeting

Mr. Skinner made a motion to approve the minutes from the June 21<sup>st</sup> meeting. Mr. Tessier seconded the motion. The motion was passed in a unanimous vote.

3. Review of the Retiree Health Care Benefit Trust

Mr. Kalson presented the *Retiree Health Care Benefit Trust Performance Review – June 30, 2016*. The OPEB Trust had a total return of 1.56% for the quarter and -0.26% over the last twelve months. Relative to Dahab-advised plans with a prorated 80% equity and 20% debt allocation (the Trust's allocation is 83%–17%), the Orange County Retiree Health Care Benefit Trust's return was in the 61<sup>st</sup> percentile during the quarter and 36<sup>th</sup> percentile over the past 5 years.

Mr. Kalson informed the Committee that he conducted an annual due diligence review of the audit-related requirements in the Retiree Health Care Benefit Trust Investment Policy. Based on this review, he believes the five Vanguard mutual funds utilized by the Trust are in compliance with the guidelines of the Investment Policy.

Discussion followed. No action was taken.

4. Annual Review of the OPEB Investment Policy

Mr. Wunderlich and Mr. Polland provided the Committee with a summary of their meeting with Randy Singh, Assistant County Administrator, regarding the actuarially assumed rate of return for the OPEB Trust. After some discussion and a review of Aon Hewitt's return estimates, Mr. Singh concurred with the Investment Committee's previous decision to reduce this rate to 7.0% from 7.5%.

Discussion followed. No action was taken.

5. Review and discussion of rates of return and investment positions

Mr. Anderson distributed and presented the following reports:

Effective Rates of Return by Asset Class for May, June and July  
Current Rates as of August 29, 2016  
Investment by Classification report as of August 29, 2016

Discussion followed. No action was taken.

6. Review and discussion of cash balances and cash flow

Ms. DeBoer distributed and presented the following reports:

Pool Balance & Noncurrent Portfolio  
Cash Flow Analysis  
Equity in Pool Chart August 2007 – August 2016

Mr. Skinner suggested there was sufficient liquidity to justify an increase of \$100 million in the noncurrent operating portfolio. He stated that longer-term investments should generate higher returns over the long run. Mr. Polland voiced concern that increasing long-term investments would expose the portfolio to greater interest rate risk and increase the volatility of the portfolio's total returns; however, this volatility would not show up in the portfolio's reported returns, which are based on book values. Ms. McGarrity asked Mr. Polland for his recommendation. Mr. Polland recommended the Committee leave the level of investment in the noncurrent operating portfolio unchanged.

No action was taken.

7. Review of Florida PRIME

Mr. Anderson made a presentation on Florida PRIME. His review included the statutory authorization for the fund, trustees and advisory councils, reforms following the 2007 crisis, investment policy rules, portfolio composition, earnings and a comparison with other local government pools. Mr. Anderson showed the section of the Comptroller's Investment Policy authorizing up to 40% of the portfolio to be invested in Florida PRIME.

Mr. Polland provided some additional information on the fund's advisor, Federated, including its assets under management and enterprise risk management. Mr. Polland also informed the Committee that an outside consultant performs an annual Best Practices Review of Florida PRIME, a law firm conducts an annual Statutory Compliance Review and all trades run through Federated's compliance department.

Mr. Polland recommended the Committee authorize up to 20% of the overall portfolio for investment in Florida PRIME. He added that investments in Florida PRIME should be restricted to pooled funds and exclude bond sinking funds, debt service reserves or project/construction funds.

Mr. Skinner made a motion to invest up to 10% of the total portfolio in Florida PRIME. The motion was seconded by Ms. McGarrity. The motion passed unanimously.

8. Next meeting date: To be determined

  
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Minutes prepared by: Sean Polland

12/6/16  
Date

  
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Attest: Margaret A. McGarrity

12/6/2016  
Date