



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

MINUTES OF ITS MEETING

May 16, 2017, 1:00 PM

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

Attendees:

Phil Diamond, Orange County Comptroller

**Investment Committee – Bob Tessier, Daniel Johnson, Margaret McGarrity, Barry Skinner,
Robin Ragaglia and Jordan Cupps**

Treasury Staff – Sean Polland, Carl Anderson and Amanda DeBoer

Guests – Grant Kalson

1. Ms. McGarrity opened the meeting to public comment

There were no comments from the public.

2. New member of the Investment Committee

Ms. McGarrity introduced Dan Johnson, an attorney with Carlton Fields Jordan Burt, P.A. Mr. Johnson was appointed to the Investment Committee by Comptroller Diamond on May 8th.

3. Minutes of the last meeting

Mr. Cupps made a motion to approve the minutes from the March 14th meeting. Ms. Ragaglia seconded the motion. The motion was passed in a unanimous vote.

4. Review of the Retiree Health Care Benefit Trust

Mr. Kalson presented the *Retiree Health Care Benefit Trust Performance Review – March 2017*. The OPEB Trust had a total return of 5.8% for the quarter and 13.4% over the past twelve months. For the quarter, the return on the Retiree Health Care Benefit Trust was in the 6th percentile relative to Dahab-advised plans with a prorated 83% equity and 17% debt allocation. The Trust benefited from its allocation to international equities, which returned 8.5% during the quarter versus 5.8% for domestic equities. Over the past five years, the Trust's total return was in the 30th percentile.

The review also included the Trust's return versus the actuarial assumed rate of return, actual versus target allocations, performance rankings of the component Vanguard funds, cash flows

and market commentary. Mr. Kalson also distributed a Vanguard report comparing Vanguard returns with competitor returns. Vanguard funds outperformed peer-group averages over the 3-,5- and 10-year periods ending March 31, 2017.

Mr. Kalson will provide an annual audit review of the Vanguard funds at the next Investment Committee meeting.

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 February, March and April
Current Rates as of May 15, 2017
Investment by Classification report as of May 15, 2017

Mr. Skinner recommended that \$5 million invested in AIM and Federated money market mutual funds for late day liquidity needs would be more effectively invested in a Wells Fargo bank account. The Committee agreed with this recommendation by unanimous consent.

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, May 12, 2008 – May 13, 2017

Discussion followed. No action was taken.

7. Annual Review of the Investment Policy

Ms. McGarrity asked Mr. Johnson if he would like the annual review of the Investment Policy postponed until the next meeting. Ms. McGarrity was concerned that Mr. Johnson might not have had time to review the Investment Policy given his recent appointment to the Committee. Mr. Johnson said he reviewed the document and was comfortable with the changes suggested by Mr. Polland. Prior to the meeting, Mr. Polland distributed a list of proposed changes to the Investment Committee.

The Committee considered a number of suggested revisions. The description of the investment strategy as *passive* in Section VI., Investment Performance and Reporting, generated the most discussion. Mr. Tessier believed the roll down the yield curve program might be an active strategy. He also said that passive strategies typically involve indexing and we do not index. Mr. Polland was amenable to striking this sentence but would disagree if the investment strategy was described as *active*. The vast majority of investments are held to maturity; only a few positions can be sold each month as part of the roll down the yield curve program. These asset sales are made systematically and do not require active decision

making. Mr. Kalson said he would fire an active manager who used a buy-and-hold strategy. Mr. Johnson recommended striking the sentence from the Investment Policy.

The Committee agreed by consensus to recommend to Comptroller Diamond that the sentence describing the investment strategy as passive be struck. Mr. Skinner dissented from this decision. He believed the investment strategy was passive and wanted to keep the sentence in the Policy.

The Committee reviewed the entire Investment Policy. Mr. Skinner suggested revisions in a few areas and Ms. Ragaglia said references to Standard & Poor's should be changed to S&P Global. These recommendations and all of Mr. Polland's suggested changes were evaluated by the Committee.

Ms. Ragaglia made a motion to recommend the Committee's proposed changes to the Investment Policy to Comptroller Diamond. Mr. Tessier seconded the motion. The motion passed unanimously.

8. Review of the Florida Local Government Investment Trust (FLGIT)

Mr. Anderson presented a review of FLGIT's Short-Term Bond Fund and Day to Day Fund. The review of the Short-Term Bond Fund demonstrated that the County's portfolio would not benefit in terms of safety, liquidity or yield. Moreover, the County's long-term investment objectives were being met through the Noncurrent Operating Portfolio (5-year ladder) and the Intermediate Term Portfolio (3-year ladder).

The FLGIT Day-to-Day Fund is generating lower returns than Florida PRIME and has an extremely high concentration of ownership. The fund is not registered with the Securities and Exchange Commission and has not been approved by the Orange County BCC as a permitted investment.

Discussion followed. No action was taken.

9. The meeting was adjourned.

Minutes prepared by: Sean Polland

8/10/17
Date

Attest: Margaret A. McGarrity

8/14/2017
Date