



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

MINUTES OF ITS MEETING

December 6, 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 and Carl Anderson

Guests: Grant Kalson and Nelson Betancourt

1. Ms. McGarrity opened the meeting to public comment

Nelson Betancourt commented that Orange County should consider setting up a government owned banking institution similar to the Bank of North Dakota. He voiced concerns about ethical and social issues related to Wells Fargo, including a recent sales scandal and its financial support of the North Dakota Access Pipeline. Mr. Betancourt also referred to a loss in the County's portfolio that lowered the balance to \$1.20 billion in 2015 from \$1.50 billion in 2012. Ms. McGarrity asked Mr. Polland to respond to this comment.

Mr. Polland informed Mr. Betancourt that the portfolio balance peaks when property taxes are received in the winter months and declines to annual lows in the fall. Mr. Polland said there was no loss and the balances have been steady over the past few years.

Mr. Betancourt left the meeting at this time.

2. Minutes of the last meeting

Mr. Cupps made a motion to approve the minutes from the August 30th meeting. Ms. Ragaglia 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 – Fiscal Year Ended September 30, 2016*. The OPEB Trust had a total return of 11.47% for fiscal year 2016. 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 30th percentile in 2016 and 26th percentile over the past 5 years.

Discussion followed. No action was taken.

4. 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 September, October and November
Current Rates as of December 5, 2016
Investment by Classification report as of December 5, 2016
Florida PRIME (SBA) Activity 2016: Spread from 1-Year Treasury

Mr. Anderson suggested increasing the balance invested in the SBA to 20% of the total portfolio from 10%. This pool was contributing to higher returns and improved liquidity. Mr. Polland commented that the higher returns in the SBA relative to other permitted investments are accompanied by higher risks; however, Mr. Polland also expressed confidence in the SBA's risk management and oversight. Mr. Cupps voiced some concern regarding the risk associated with the assets in the SBA.

Mr. Skinner made a motion to increase the investment balance in the SBA up to a maximum of 15% of the portfolio. Ms. McGarrity seconded the motion. The motion passed unanimously.

5. Review and discussion of cash balances and cash flow

Mr. Anderson distributed and presented the following reports:

Pool Balance & Noncurrent Portfolio
Cash Flow Analysis
Equity in Pool Chart December 1, 2007 – December 5, 2016

Discussion followed. No action was taken.

6. Review of US Aid Bonds, REFCORP Bonds and Treasury Strips

Mr. Anderson informed the Committee that US Aid Bonds and Treasury Strips are backed by the full faith and credit of the United States Government and currently authorized in the Investment Policy. REFCORP interest rate strips are guaranteed by the U.S. Treasury and principal is secured by zero-coupon Treasury bonds. REFCORP bonds are not permitted investments. Yields on these bonds tend to be higher than Treasury bills and notes due to some illiquidity. Mr. Anderson added that it can be difficult to get three quotes on these securities when soliciting offers to buy.

Discussion followed. No action was taken.

7. Next meeting date: To be determined

Minutes prepared by: Sean Polland

3/14/17
Date

Attest: Margaret A. McGarrity

3/14/2017
Date