



Agenda Item Details

Meeting	Jan 28, 2015 - City Commission Meeting & Summary
Category	7. APPEARANCES BY CITY COMMISSION APPOINTED BOARDS AND COMMITTEES, AND OTHER GOVERNMENTS
Subject	7.01 (Adjourn as City Commission and convene as Sinking Fund Commission) Approval of Revisions to the Pension Investment Policy (CP 236) -- James O. Cooke, IV, City Treasurer-Clerk
Access	Public
Type	Action
Fiscal Impact	No
Recommended Action	Option 1. Approve the proposed revisions to the Pension Investment Policy (CP 236)

Public Content

For more information, please contact: Jim Cooke, City Treasurer-Clerk, 850-891-8146.

Statement of Issue

The City's Pension Investment Policy (CP 236) provides guidance to the Treasurer-Clerk on the investments made by the Pension Plan. The Plan's investment consultant, Segal Rogerscasey, is recommending the addition of bank loans as part of the asset allocation to Fixed Income. Given the likelihood of rising interest rates over the next few years, this revision will benefit the Plan by increasing the expected rate of return and reducing the volatility of those returns in the Fixed Income portion of our portfolio. The proposed revisions to the Pension Investment Policy (CP 236) that will implement the revised asset allocation were presented to the Investment Advisory Committee on November 12, 2014, which they approved.

The addition of bank loans will not change the overall allocation to Fixed Income, which will remain at 20% of the Portfolio. However, it will diversify our bond holdings by adding an asset class that is different from the investments made by our existing fixed-income managers. Bank loans are a floating rate alternative to the fixed-rate bonds that comprise the vast majority of our existing bond investments. This revision to the investment policy will provide greater diversification of the Pension Plan's bond investment portfolio, improving expected returns and reducing the expected volatility of those returns (risk).

Recommended Action

Option 1. Approve the proposed revisions to the Pension Investment Policy (CP 236).

Fiscal Impact

There is no budgetary impact related to this agenda item.

Supplemental Material/Issue Analysis

History/Facts & Issues

The Sinking Fund Commission contracts with an investment consultant to provide professional services as needed for the City's Pension Plan. In addition to reviewing the investment performance of the Plan, the Investment Consultant, Segal Rogerscasey, also assists with the development of a prudent and diversified investment strategy.

Segal Rogerscasey has recommended that the City add bank loans to the asset mix of the pension fund. Bank loans are floating rate loans made to non-investment grade or unrated corporations and secured by the assets of the borrower. The addition of the bank loans will provide a high-yielding, floating rate alternative under the Fixed Income category that will help increase the overall return and reduce the risk associated with fixed coupon bonds in a rising rate environment that is likely to ensue over the next few years. The current asset allocation target for Fixed Income is 20%, which would remain the same under the recommended changes. Bank loans would be targeted at 5% of the overall portfolio; other fixed-income bond managers would comprise the remaining 15% of the total allocation to Fixed Income. The current and proposed asset allocation targets are shown below:

	<u>Current</u>	<u>Proposed</u>
Equity		
Domestic	40%	40%
International	10%	10%
Emerging Markets	5%	5%
Fixed Income		
Domestic Bonds	20%	15%
Bank Loans	0%	5%
Alternatives		
Private Equity	5%	5%
Timber	5%	5%
Real Estate	<u>15%</u>	<u>15%</u>
<u>TOTAL</u>	<u>100%</u>	<u>100%</u>

The recommended revisions to Pension Investment Policy (CP 236).

Options

Option 1: Approve the proposed revisions to the Pension Investment Policy (CP 236).

Option 2: Do not approve the proposed revisions.

Attachments/References

Pension Investment Policy (CP 236), as proposed.

[BLACK LINED Proposed Pension Investment Policy 236 1-28-15.pdf \(75 KB\)](#)

[Proposed Pension Investment Policy 236 1-28-15 clean.pdf \(59 KB\)](#)