

# Investment Advisory Committee Meeting (IAC)

## Minutes

### Wednesday, April 10, 2013

#### Members present

David Damm, *Chair*; Scott Below, *Vice-Chair*; Tilwanda Steinberg, *Secretary*,

#### City Staff present

Barbara Lipscomb, *City Manager*; Christopher Padgett, *Assistant City Manager*; Bernita Demery, *Financial Services Director*; Kimberly Branch, *Senior Financial Services Manager*

#### Visitors present

David Silvas (conference call), C2 Group

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The meeting of the Investment Advisory Committee took place at 12:00 noon on Wednesday, April 10, 2013 in City Hall Conference Room 337.

1. **Review of Minutes from the Previous Investment Advisory Meeting (December 5, 2012)**

The minutes from the December meeting were reviewed and approved by the Committee without exception

2. **Presentation by C2 Group (Conference Call)**

David Silvas was available via conference call to present to the Committee, the annual results of the city's funds in their 1-3 and 3-5 years non-callable portfolios and treasury. Pamphlets were distributed to each Committee member for review. As in the past, Merrill Lynch's (ML) 1-3 and 3-5 year benchmarks were the recommended benchmark by the Government Finance Officers Association (GFOA) to compare market rate of return. The staff continues to work with the C2 Group to rebalance the portfolios monthly. Monthly return results are generally within 10 basis points, gross fees versus net of fees.

When reviewing the 1-3 year index portfolio, Mr. Silvas confirmed there was approximately, \$10 million dollars invested in 1-3 year agencies. The annualized return of the portfolio was .89% as of December 31, 2013. As a reminder, the objective of the monthly meetings with staff is to rebalance within 10 basis points of the benchmark. The City has approximately \$9.4 million dollars invested in 3-5 year agencies. The annualized return of the portfolio was 2.80% as of December 31, 2013. The City has approximately \$6.4 million dollars invested in 3-5 year treasury. The annualized return of the portfolio was 1.53% as of December 31, 2013. When reviewing the Country's top mutual funds, Merrill Lynch (ML) ranks #9 in 1-3 Agency index, out of 59 ranked funds, and #8 in the 3-5 year agency index, out of 64 ranked funds.

Mr. Silvas also discussed the historical comparison of rates between NCCMT and Merrill Lynch. Over this 14 year period, there were times when the NCCMT rate outpaced the ML rate; however the ML rates took the lead over the majority of the years. Mr. Silvas reminded the Committee that although returns have looked promising in recent months/year(s), these results will change as rates begin to rise. When interest rates go up, for the longer termed investments, the market values will begin to decline. The committee discussed the option of changing the mix within the portfolio in preparation of increasing rates. It was suggested that funds could be moved from the 3-5 year agency (most volatile) to the 1-3 year over the next year. Staff agreed that this process would begin in May/June. The goal would be to end up with 60% of C2 monitored funds, in the 1-3 year category and 40% in the 3-5 year.

Mr. Below inquired as to the difference between NCCMT and what the C2 Group had to offer. The main difference is that NCCMT consists largely of commercial paper. The C2 Group has agencies and treasuries.

3. **Items for Next Meeting (August 7, 2013)**

- Review of 3-month report ending June 30, 2013.



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Bernita Demery, Director of Financial Services

Date: 4/10/2013



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Kimberly Branch, Financial Services Manager

Date: 4/10/2013