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TO: Board of County Commissioners

FROM: Elissa Nagy, Chief Deputy Comptroller

THRU: Ryan L. Butler, Clerk of the Circuit Court and Comptroller

DATE: December 8, 2023

**SUBJECT: Updates to the Other Post-Employment Benefits Investment Policy**

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## **BACKGROUND**

During the Investment Advisory Committee meeting on December 7, 2023, the committee recommended a few updates and additions to the County's Other Post-Employment Benefits Trust Investment Policy. These changes included updating title references, adding an "Investment Decisions" section to include the recommended language under House Bill 3, and some minor grammatical changes.

## **RECOMMENDATION**

Staff recommends that the Board of County Commissioners accept the Other Post-Employment Benefits Trust Policy changes. Attached is a complete policy with the recommended changes as well as a track changes version.

INDIAN RIVER COUNTY, FLORIDA

***INVESTMENT POLICY***  
***For Other Post Employment***  
***Benefits Trust (OPEB)***



Prepared by the  
Clerk of the Circuit Court  
And Comptroller

**Updated January 9, 2024**

INDIAN RIVER COUNTY, FLORIDA  
***OPEB INVESTMENT POLICY***

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## I. ***OVERVIEW AND PURPOSE***

This investment policy applies to all accumulated assets for the Indian River County Other Post-Employment Benefits Trust (OPEB Trust) created by the Indian River County Board of County Commissioners by resolution.

The purpose of this document is to provide the OPEB Trust Board, who is responsible for the investment of County OPEB funds, a set of procedures and guidelines for investment selection and monitoring of invested funds. Investment objectives, performance measurement, prudence and ethical standards, authorized investments, maturity and liquidity requirements, portfolio composition, risk and diversification, authorized investment institutions and dealers, third party custodial agreements, bid requirements, internal controls, reporting and continuing education will be established by this investment policy and serve as the framework for all investment activities.

This policy is applicable to all OPEB Trust assets and to all consultants, agents, money managers, advisory boards, OPEB Trust Board and staff responsible for the OPEB Trust.

## II. ***OBJECTIVES***

The primary obligations of the plan's governing body in investing assets are to do so for the exclusive benefit of the plan's beneficiaries. The objectives of investment activities carried out by the OPEB Trust Board shall be the following in order of importance:

1. Short-term objective:
  - a. The short-term portfolio shall maintain sufficient liquidity to meet near term disbursement needs.
  - b. The portfolio should be managed to achieve returns consistent with appropriate benchmarks and income consistent with an appropriate level of risk.
2. Long-term objective:
  - a. To seek long-term growth of capital and income to meet future obligations consistent with an appropriate level of risk.
  - b. The portfolio should be managed to achieve returns consistent with appropriate benchmarks.

## III. ***DELEGATION OF AUTHORITY AND OVERSIGHT PROCEDURES***

1. The Board of County Commissioners serves as the trustees of the OPEB Trust and has delegated the responsibility for conducting investment transactions with the OPEB Trust Board. The OPEB Trust Board consists of the Clerk of Circuit Court, County Administrator or Deputy/Assistant County Administrator, Chief Deputy Comptroller, Budget Director, and Human Resource Director. The Chief Deputy Comptroller will provide investment information to the OPEB Trust Board concerning investment decisions, including rebalancing asset allocation and portfolio performance decisions made during the prior quarter.

### III. *DELEGATION OF AUTHORITY AND OVERSIGHT PROCEDURES Continued*

2. An Investment Advisory Committee consisting of the County Administrator or his designee and at least two citizens (who must be financial professionals) selected by the Clerk of the Circuit Court shall meet regularly (at least quarterly) to evaluate investment performance of the OPEB trust fund's investment portfolio, to evaluate current and future liquidity needs and investment strategy, and to review reports prepared for the Board of County Commissioners. The Committee will recommend appropriate investment policies and procedures for all investment activities carried out by the OPEB Trust Board. The Committee will perform an annual review of those investment policies and procedures.
  
3. The OPEB Trust Board may use professional money management to assist in the investment of these funds consistent with this policy. If such management is employed, the managers shall act as a fiduciary to the OPEB Trust Board. Money managers are required to provide investment strategy reviews and performance summaries to the Investment Advisory Committee quarterly or more frequently if requested. Money managers shall provide portfolio valuations monthly or more frequently if requested. All assets will be held by a third party custodial as selected by the OPEB Trust Board. An outside consultant may be utilized to evaluate the investment performance of outside money managers. The consultant will provide performance analysis that will include, but not be limited to, a strategic analysis including a report on asset allocation, risk analysis, and appropriate, if any, changes to the percentages therein. This study will be used to assist the OPEB Trust Board in the determination of the appropriate investment allocation to maximize the return and minimize the risk to the assets of the OPEB trust funds. This study may include a recommendation to add or delete asset classes as is warranted by the risk/reward analysis and is subject to OPEB Trust Board approval. The OPEB Trust Board is not bound by acceptance or denial of recommendations presented by the consultant. If no consultant is hired, then the individual managers are responsible to provide the same information.

### IV. *PRUDENCE/fiduciary standards*

The standard of prudence to be applied by all parties with investment responsibilities for the OPEB trust shall be the "Prudent Person Rule", as detailed by FS 218.415(4), which may be updated or amended from time to time. The Prudent Person Rule states, "Investments should be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment." The Prudent Person Rule shall be applied in the context of managing the overall portfolio.

## V. *INVESTMENT DECISIONS*

In accordance with Section 218.415 of the Florida Statutes, investment decisions will be made based solely on pecuniary factors and may not subordinate the interests of the people of this state to other objectives, including sacrificing investment return or undertaking additional investment risk, to promote any nonpecuniary factor. The weight given to any pecuniary factor must appropriately reflect a prudent assessment of its impact on risk or returns. “Pecuniary factor,” is defined in Section 218.415 as follows:

a factor that the governing body of the unit of local government, or in the absence of the existence of a governing body, the respective principal officer of the unit of local government, prudently determines is expected to have a material effect on the risk or returns of an investment based on appropriate investment horizons consistent with applicable investment objectives and funding policy. The term does not include the consideration of the furtherance of any social, political, or ideological interests.

## VI. *AUTHORIZED INVESTMENTS*

Authorized investments will be limited to the following securities:

1. Direct obligations of the United States Treasury;
2. Intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in FS 163.01;
3. Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Section 280.02, Florida Statutes;
4. Federal agencies and instrumentalities, including but not limited to, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Banks, Federal Farm Credit Banks;
5. Shares in, any open-end or closed-end mutual fund or Exchange Traded Funds (ETF);
6. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
7. Repurchase agreements with a term of 180 days, collateralized by direct obligations of the United States Government;
8. Corporate fixed income securities issued by any corporation in the United States with any A rating or better;
9. Asset back securities issued by the United States;
10. Guaranteed investment contract (GIC) with insurance companies rated “A” or better by two of the nationally recognized rating agencies or a comparable nationally recognized statistical rating organization.

11. Equity assets, including common stock, preferred stock, and interest-bearing obligations having an option to convert into common stock.

## **VII. MATURITY AND LIQUIDITY**

The OPEB trust assets shall provide sufficient liquidity to meet the annual funding payment.

## **VIII. PERFORMANCE MEASURES**

The expected long-term annual rate of return for the portfolio is targeted to be 6%, which is an actuarial assumption, until amended by the OPEB Trust Board. The portfolio will be split into two categories for investment and performance measurement purposes. The first category will include an amount equal to the expected pay-as-you-go payment for the upcoming 12-24 months (short-term portion) and the remainder will be included in the long-term category.

The benchmark for investment of these OPEB funds will be based upon a blended, pro-rata portion of the appropriate indices of the funds.

## **IX. PORTFOLIO COMPOSITION, RISK AND DIVERSIFICATION**

The following are the guidelines for investments and limits on security issues, issuers and maturities as established by the OPEB Trust Board. The Investment Advisory Committee, as confirmed by the OPEB Trust Board, shall have the option to further restrict or increase investment percentages from time to time based on market conditions.

Assets of the OPEB trust fund shall be invested in a broadly diversified portfolio consisting of equity, debt, and cash equivalents securities. The portfolio shall also be structured in a manner to provide broad diversification within each asset class. Additional contributions may be needed to pay near-term obligations of the OPEB Trust Fund.

From time to time, the OPEB Trust Board will adopt asset allocation strategies within the ranges specified below:

### Short Term Investment Portion up to 100% of the portfolio:

Cash and Cash Equivalents, with maturities of 180 days or less

### Long Term Investment Portion:

Equities 0%-60%, consisting of a diversified portfolio of domestic small, mid and large cap equity funds and international equity funds

Fixed Income 0%-60%

Cash and Cash Equivalents 0%-100%

The OPEB Trust Board is authorized by this policy to make asset allocation decisions to reallocate or redirect either contributions or investments held by the OPEB Trust Fund in order to take advantage of changing market conditions. Any move that will cause the allocation of the investment classes to vary from the above allocation percentages of any asset class requires approval by the OPEB Trust Board.

The following are prohibited purchases:

1. More than 5% of the total equity allocation invested in individual equity securities of any one company at market value
2. More than 5% of the total debt allocation invested in debt instruments in any single issuer with the exception of US Treasuries and agencies
3. Short sales
4. Margin or leveraged purchases
5. Commodities
6. Real estate
7. Art objects or collectables
8. Options
9. Warrants

## **X. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS**

Purchases and sales of authorized investments will only be made through financial institutions that are qualified as public depositories by the Chief Financial Officer of the State of Florida **or** are “primary dealers” as designated by the Federal Reserve Bank of New York **or** are broker/dealers that qualify under Securities and Exchange Commission, **or** by direct purchases of an approved open-ended mutual fund family.

The Investment Advisory Committee must approve all brokers and dealers who transact trades with the County. All brokers and dealers who transact trades with the OPEB Trust Fund must provide the Finance Director with the following:

1. Audited financial statements,
2. Proof of National Association of Security Dealers certification,
3. Proof of state registration, when required, and
4. Certification of having read and will comply with the OPEB Investment Policy.

The Investment Advisory Committee will annually review the list of approved qualified depositories, primary dealers, brokers/dealers, and should conditions warrant, more frequently.

## **XI. SAFEKEEPING AND CUSTODY**

All securities purchased by the OPEB Trust Board designee shall be properly designated as an asset of the OPEB Trust Fund and held in safekeeping by a third party custodial bank, chartered by the United States Government or the State of Florida, and/or a financial institution approved by the National Association of Security Dealers. No withdrawal of such securities, in whole or in part, shall be made from safekeeping except by the OPEB Trust Board designee, Clerk of the Circuit Court or Finance Director.

The Clerk of the Circuit Court, on behalf of the OPEB Trustees, will execute third party custodial agreements with banks or financial institutions. Such agreements will include details as to the responsibilities of each party, the costs to be borne by each party, notification of security purchases, sales, delivery, repurchase agreements and wire transfers, safekeeping and transaction costs, and procedures in case of unforeseen mishaps.



## **XII. *BID REQUIREMENTS FOR DEBT INSTRUMENTS***

After the investment manager, which may be the Chief Deputy Comptroller or her designee, has determined the approximate maturity date based on the cash flow needs and market conditions and has analyzed and selected one or more optimal types of investments, a minimum of three qualified brokers and/or dealers will be contacted and asked to provide bids on the securities in question.

In most situations the competitive bid process shall be utilized, except when securities are purchased as an initial offering. The investment manager will choose the appropriate brokers or dealers from among those on the approved broker/dealer list based on expertise, competitiveness and the ability to execute the transaction and deliver the securities on a timely basis. A minimum of three (3) bids will be obtained.

A broker's response that they are unable to bid on the investment can be counted as one of the required bids.

1. Bids will be held in confidence until the best bid is determined and awarded,
2. Documentation will be retained for all bids, with the winning bid clearly identified,
3. If for any reason the highest bid (on sales of investments) or the lowest bid (on purchases of investments) is not selected, then the reasons leading to that decision will be clearly documented,
4. If the maturing investment is a certificate of deposit, the present holder of the funds will be one of the contacts made, subject to the portfolio diversification requirements in this policy and the institutions' ability to maintain collateral.

## **XIII. *INTERNAL CONTROLS***

The OPEB Trust Board shall adopt a written set of internal controls to be implemented by the Clerk of the Circuit Court or his designee, which said controls are designed to protect the OPEB funds and ensure proper accounting and reporting of securities transactions. Such internal controls shall consist, at a minimum, of the following:

1. All securities purchased or sold will be transferred only under the "delivery versus payment" (DVP) method to ensure that funds or securities are not released until all criteria relating to the specific transaction are met,
2. The Clerk of the Circuit Court or his designee is authorized to accept, on behalf of and in the name of Indian River County OPEB Trust Fund, bank trust receipts or confirmations as evidence of actual delivery of the obligations or securities in return for investment of funds,

3. Trust receipts or confirmations shall fully describe the various obligations or securities held. The receipt or confirmation shall state that the investment is held in the name of Indian River County OPEB Trust, and
4. The written system of internal controls shall be approved by the Investment Advisory Committee and shall be subject to review by the external auditors as part of the annual financial audit.

#### **XIV. *REPORTING***

Quarterly reports concerning the investment activities, investment portfolio and performance will be submitted to the Investment Advisory Committee and placed on the agenda of the Board of County Commissioners. Other information may include recent market conditions, economic developments, and anticipated investment conditions.

#### **XV. *CONTINUING EDUCATION***

Given the often complex and diverse nature of investments, and the importance of balancing the safety and liquidity of investments against the desire to maximize interest earnings, OPEB Trust Fund staff responsible for making investment decisions must annually complete sufficient continuing education as specified in Florida Statue Section 218.415(14).

INDIAN RIVER COUNTY, FLORIDA

***INVESTMENT POLICY***  
***For Other Post Employment***  
***Benefits Trust (OPEB)***



Prepared by the  
Clerk of the Circuit Court  
And Comptroller

Updated ~~December 4, 2018~~ January 9, 2024

INDIAN RIVER COUNTY, FLORIDA  
***OPEB INVESTMENT POLICY***

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## I. **OVERVIEW AND PURPOSE**

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5. Shares in, any open-end or closed-end mutual fund or Exchange Traded Funds (ETF);
6. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
7. Repurchase agreements with a term of 180 days, collateralized by direct obligations of the United States Government;
8. Corporate fixed income securities issued by any corporation in the United States with any A rating or better;
9. Asset back securities issued by the United States;

10. Guaranteed investment contract (GIC) with insurance companies rated “A” or better by two of the nationally recognized rating agencies or a comparable nationally recognized statistical rating organization.
11. Equity assets, including common stock, preferred stock, and interest-bearing obligations having an option to convert into common stock.

## **VII. MATURITY AND LIQUIDITY**

The OPEB trust assets shall provide sufficient liquidity to meet the annual funding payment.

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## ~~**VII. PERFORMANCE MEASURES Continued**~~

The benchmark for investment of these OPEB funds will be based upon a blended, pro-rata portion of the appropriate indices of the funds.

## ~~**VIII.**~~ **IX. PORTFOLIO COMPOSITION, RISK AND DIVERSIFICATION**

The following are the guidelines for investments and limits on security issues, issuers and maturities as established by the OPEB Trust Board. The Investment Advisory Committee, as confirmed by the OPEB Trust Board, shall have the option to further restrict or increase investment percentages from time to time based on market conditions.

Assets of the OPEB trust fund shall be invested in a broadly diversified portfolio consisting of equity, debt, and cash equivalents securities. The portfolio shall also be structured in a manner to provide broad diversification within each asset class. Additional contributions may be needed to pay near-term obligations of the OPEB Trust Fund.

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### Short Term Investment Portion up to 100% of the portfolio:

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Cash and Cash Equivalents 0%-100%



The OPEB Trust Board is authorized by this policy to make asset allocation decisions to reallocate or redirect either contributions or investments held by the OPEB Trust Fund in order to take advantage of changing market conditions. Any move that will cause the allocation of the investment classes to vary from the above allocation percentages of any asset class requires approval by the OPEB Trust Board.

The following are prohibited purchases:

1. More than 5% of the total equity allocation invested in individual equity securities of any one company at market value
2. More than 5% of the total debt allocation invested in debt instruments in any single issuer with the exception of US Treasuries and agencies
3. Short sales
4. Margin or leveraged purchases
5. Commodities
6. Real estate
7. Art objects or collectables
8. Options
9. Warrants

~~IX.~~ X. ***AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS***

Purchases and sales of authorized investments will only be made through financial institutions that are qualified as public depositories by the Chief Financial Officer of the State of Florida **or** are “primary dealers” as designated by the Federal Reserve Bank of New York **or** are broker/dealers that qualify under Securities and Exchange Commission, **or** by direct purchases of an approved open-ended mutual fund family.

The Investment Advisory Committee must approve all brokers and dealers who transact trades with the County. All brokers and dealers who transact trades with the OPEB Trust Fund must provide the Finance Director with the following:

1. Audited financial statements,
2. Proof of National Association of Security Dealers certification,
3. Proof of state registration, when required, and
4. Certification of having read and will comply with the OPEB Investment Policy.

The Investment Advisory Committee will annually review the list of approved qualified depositories, primary dealers, brokers/dealers, and should conditions warrant, more frequently.

XI. ***SAFEKEEPING AND CUSTODY***

All securities purchased by the OPEB Trust Board designee shall be properly designated as an asset of the OPEB Trust Fund and held in safekeeping by a third party custodial bank, chartered by the United States Government or the State of Florida, and/or a financial institution approved by the National Association of Security Dealers. No withdrawal of such securities, in whole or in part, shall be made from safekeeping except by the OPEB Trust Board designee, Clerk of the Circuit Court or Finance Director.

The Clerk of the Circuit Court, on behalf of the OPEB Trustees, will execute third party custodial agreements with banks or financial institutions. Such agreements will include details as to the responsibilities of each party, the costs to be borne by each party, notification of security purchases, sales, delivery, repurchase agreements and wire transfers, safekeeping and transaction costs, and procedures in case of unforeseen mishaps.

## **XII. *BID REQUIREMENTS FOR DEBT INSTRUMENTS***

After the investment manager, which may be the ~~Finance Director~~Chief Deputy Comptroller or her designee, has determined the approximate maturity date based on the cash flow needs and market conditions and has analyzed and selected one or more optimal types of investments, a minimum of three qualified brokers and/or dealers will be contacted and asked to provide bids on the securities in question.

In most situations the competitive bid process shall be utilized, except when securities are purchased as an initial offering. The investment manager will choose the appropriate brokers or dealers from among those on the approved broker/dealer list based on expertise, competitiveness and the ability to execute the transaction and deliver the securities on a timely basis. A minimum of three (3) bids will be obtained.

## ~~XI. *BID REQUIREMENTS FOR DEBT INSTRUMENTS continued*~~

A broker's response that they are unable to bid on the investment can be counted as one of the required bids.

1. Bids will be held in confidence until the best bid is determined and awarded,
2. Documentation will be retained for all bids, with the winning bid clearly identified,
3. If for any reason the highest bid (on sales of investments) or the lowest bid (on purchases of investments) is not selected, then the reasons leading to that decision will be clearly documented,
4. If the maturing investment is a certificate of deposit, the present holder of the funds will be one of the contacts made, subject to the portfolio diversification requirements in this policy and the institutions' ability to maintain collateral.

## **XIII. *INTERNAL CONTROLS***

The OPEB Trust Board shall adopt a written set of internal controls ~~and operational procedures~~ to be implemented by the Clerk of the Circuit Court or his designee, which said controls are designed to protect the OPEB funds and ensure proper accounting and reporting of securities transactions. Such internal controls shall consist, at a minimum, of the following:

1. All securities purchased or sold will be transferred only under the “delivery versus payment” (DVP) method to ensure that funds or securities are not released until all criteria relating to the specific transaction are met,
2. The Clerk of the Circuit Court or his designee is authorized to accept, on behalf of and in the name of Indian River County OPEB Trust Fund, bank trust receipts or confirmations as evidence of actual delivery of the obligations or securities in return for investment of funds,
3. Trust receipts or confirmations shall fully describe the various obligations or securities held. The receipt or confirmation shall state that the investment is held in the name of Indian River County OPEB Trust, and
4. The written system of internal controls ~~and operational procedures~~ shall be approved by the Investment Advisory Committee and shall be subject to review by the external auditors as part of the annual financial audit.

#### **XIV~~III~~.      *REPORTING***

Quarterly reports concerning the investment activities, investment portfolio and performance will be submitted to the Investment Advisory Committee and placed on the agenda of the Board of County Commissioners. Other information may include recent market conditions, economic developments, and anticipated investment conditions.

#### **XIV.      *CONTINUING EDUCATION***

Given the often complex and diverse nature of investments, and the importance of balancing the safety and liquidity of investments against the desire to maximize interest earnings, OPEB Trust Fund staff responsible for making investment decisions must annually complete sufficient continuing education as specified in Florida Statue Section 218.415(14).