



Legislation Text

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A Resolution approving the Cemetery Endowment Fund Investment Policy

From:

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Summary:

The proposed Cemetery Investment Policy changes are to better align the investment policy with the investment strategy and policy structure recommended by the City’s new investment advisor for the Cemetery Endowment Fund, PFM Asset Management (PFMAM).

Because of the reorganization and rewrite of the policy, a redline version has not been provided. However, generally the sections of the previous policy are addressed in the new policy as follows:

Current Policy Sections:
Policy Overview
Roles & Responsibilities
Investment Objective

Proposed Policy Sections:
Introductory paragraph
Purpose
Investment Authority
Statement of Investment Objective

Investment Guidelines
Selection of Investment Managers
Guidelines for Portfolio Holdings

Asset Allocation Guidelines

Investment Performance & Evaluation
Investment Policy Review

Control Procedures

The proposed investment policy incorporates the definition of “income” that is in line with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), adopted in 2006. UPMIFA provides a definition of income that is more holistic and focused on total return including income and appreciation of investments. This approach will allow the Fund to achieve the objective of long-term growth of the assets and to preserve the ability of the Fund to meet its current and long-term spending policies while minimizing risk of unrealized losses on principal assets.

In addition, the proposed policy defines an asset allocation range and provides the Chief Financial Officer, with input from the Investment Advisor and the Investment Advisory Committee, the authority to determine the target asset allocation. The target allocation will be formalized in an approved Addendum to the Policy. This will allow the Investment Advisor to manage to an appropriate target based upon market conditions, as approved by the Chief Financial Officer, within the ranges approved by City Council.

The proposed policy also more explicitly states the City's Risk Tolerance and Performance Expectations.

Previous Council Action:

City Council adopted the City's original Investment Policy by resolution on September 28, 1993. The policy has since been revised and approved by City Council on November 8, 1994; February 27, 1996; October 8, 1996; October 26, 1999; February 12, 2002; March 9, 2004; May 24, 2005; July 11, 2006; April 24, 2007; June 25, 2008; May 26, 2009, and November 22, 2011.

On August 9, 1977, City Council approved Ordinance 77-110. The ordinance relates to the investment of the Cemetery Endowment funds and states, "All monies at any time in said funds shall be invested and kept invested in such securities as the Council may by Resolution direct or approve." On September 28, 2010, Council approved a revised Cemetery Endowment Investment Policy.

Background:

Per City Code §1.6.102(B), the City maintains a separate investment policy for the Cemetery Endowment Fund and hires an investment advisor to manage the portfolio. During 2015, the City issued an RFP for investment advisory services and PFMAM was awarded the contract. With a new advisor on contract, the City and City Council's Investment Advisory Committee reviewed the current policy and discussed changes to align with the new advisor's investment plan and approach.

Financial Implications:

There are no explicit financial implications related to these policy changes, however, the policy changes are intended to generate a return based upon the City's risk tolerance and income needs.

Board/Commission Recommendation:

The proposed policy was reviewed by the City Council's Investment Advisory Committee. Their input was incorporated into the policy.

Stakeholder Process:

N/A

Alternatives:

City Council could decline to approve the proposed Cemetery Endowment Fund Investment Policy and the currently approved policy would continue to guide investments.

Proposed Motion:

Move to adopt the resolution approving the attached Cemetery Endowment Fund Investment Policy.

N/A