

BOARD MEETING DATE: June 2, 2017

AGENDA NO. 21

REPORT: Investment Oversight Committee

SYNOPSIS: The Investment Oversight Committee met Friday, May 19, 2017 and discussed various issues detailed in the Committee report. The next Investment Oversight Committee meeting is scheduled for Friday, November 17, 2017 at 12:00 noon in Conference Room CC2.

RECOMMENDED ACTION:
Receive and file this report.

Dr. Joseph K. Lyou, Acting Chair
Investment Oversight Committee

MBO:lg

Attendance: Present at SCAQMD were Acting Chair Dr. Joseph K. Lyou and Committee Members Gary Burton and Brent Mason. Committee Members Michael Cacciotti and Shawn Nelson attended by teleconference. Absent were Committee Vice Chair Dr. William Burke and Committee Member Richard Dixon.

Investment Committee Discussion Items:

Quarterly Report of Investments: The Committee reviewed the quarterly investment report that was provided to the Board. For the month of March 2017, the SCAQMD's weighted average yield on total investments of \$614,160,435.93 from all sources was 1.20%. The allocation by investment type was 89.51% in the Los Angeles County Pooled Surplus Investment Fund (PSI) and 10.49% in the State of California Local Agency Investment Fund (LAIF) and Special Purpose Investments (SPI). The one-year Treasury Bill rate as of March 31, 2017 was 1.03%.

Cash Flow Forecast: Michael O’Kelly reported on the cash flows for the current year and projected for the next three years. SCAQMD Investment Policy limits its Special Purpose Investments to 75% of the minimum amount of funds available for investment during the Cash Flow Horizon. That limit, which includes all funds (General, MSRC, Clean Fuels), is \$182.4 million. Current Special Purpose Investments are well below the maximum limit while investment opportunities are continuously analyzed, taking into account safety, liquidity, and yield within the current market environment. Mr. O’Kelly noted that the approximately \$4 million SBCERA contribution rate increase was included in the cash flow forecast.

Financial Market Update: Henry Sun from PFM Asset Management provided the Committee with information on current investment markets, economic conditions, and the overall outlook. He presented market information on increased short-term Treasury yields following the Federal Reserve’s decision to hike rates in March, long-term yield curves remaining flat with future inflation expectations, and a 99% chance of the Federal Reserve raising rates at their June meeting. Economic indicators were also presented showing below-expected first quarter growth of 0.7%, increased consumer confidence, continued growth in the labor market, national unemployment rate of 4.4%, slowly increasing inflation of 1.8%, and expectations for gradual increases in the Federal Funds Target Rate.

Other Business:

There was no other business.

Public Comment:

There were no public comments.