Reserve Fund Advisory Committee

AGENDA

April 27, 2022

11:00 a.m. – 12:00 p.m.

Click below to join the meeting by Zoom:

https://us02web.zoom.us/j/84791003830?pwd=bzRpSDltSVdPNGtuUzZ1NS92R1E2Zz09

Note: As of March 31st, 2020 PACTS and GPCOG is holding all committee meetings via Zoom conferencing technology. We remain committed to full public access and participation in our meetings through remote access during the COVID-19 crisis. Remote meetings will be held in accordance with the requirements of LD 2167, Public Law Chapter 618.

Committee Members:

Name	Affiliation
Jerre Bryant	City of Westbrook
Kelly Dorsey	Androscoggin Bank
Mike Neff	R. M. Davis
Nathan Poore	Town of Falmouth
Matt Sturgis	Town of Cape Elizabeth

1. Welcome and Introductions

2. Acceptance of 4/27/2021 Minutes

The Reserve Fund Advisory Committee met on 4/27/2021. Committee members Matt Sturgis and Karen Milliken attended.

The committee accepted the 6/18/2019 minutes unanimously.

Ken Blaschke of HeadInvest provided an overview of the fund's performance. As of 3/31/2021, the fund's value is $1,436,627. The asset allocation targets 70% equities, which is within the investment policy's range of 60% to 80% held in equities. A sustainable annual withdrawal rate is between 3% and 4%. GPCOG was able to add $450K to the fund in late 2021 and there were no withdrawals in since October 2018.

A discussion ensued about whether GPCOG should take an annual withdrawal, but ultimately it was decided to only take from the fund out of necessity in order to grow the fund over the next several years. Ken noted that the market is currently good, but with the federal reserve's desire to keep the interest rates low until 2023 there will eventually be a correction.

The asset allocation strategy should be grounded in whether GPCOG will have sufficient fixed income to meet its needs during a downturn. Given that GPCOG does not anticipate any large income needs from the fund, the committee agreed that maintaining the existing asset allocation was the best way to proceed.

A discussion took place about the percentage of GPCOG's portfolio that was invested in petroleum products and Ken said it was about 2.5%. GPCOG and the committee would like to divest from petroleum products in our portfolio. Ken noted that moving away from petroleum products would not have a big impact on the portfolio. A proposed amendment to the Investment Policy was provided by the Executive Director for review and approval. The proposed amendment was that GPCOG will divest all individual stock holdings that derive a significant portion (greater than 10%) of their revenues from the manufacture, sale or distribution of petroleum products by 6/30/2021. The proposed amendments and acceptance of the revised investment policy were unanimously approved. Ken stated that he will divest from those companies before the end of the fiscal year.

Proposed Action: Accept the 4/27/2021 meeting minutes.

3. Performance of Reserve Fund

Staff Report

HeadInvest, the firm that manages GPCOG's Reserve Fund, will review the fund's performance. Staff will discuss the current asset allocation of stocks to fixed income.

Proposed Action: For discussion only

4. Investment Policy Acceptance – See Attachment A

Staff Report

Each year, the Reserve Fund Advisory Committee reviews and accepts the Investment Policy for the fund. Attachment A is the Investment Policy for review and acceptance.

Proposed Action: Accept the Investment Policy

Attachment A: Investment Policy Statement

GREATER PORTLAND COUNCIL OF GOVERNMENTS'

RESERVE FUND

Investment Policy Statement

I. Introduction

As a result of the termination of a trust account maintained for the benefit of GPCOG by the Maine State Retirement System for many years, GPCOG has received the remainder of the account which has been placed in a Reserve Fund created for this purpose. The income from this Reserve Fund shall be used for the long-term benefit of GPCOG and the municipalities served by GPCOG. These funds are perpetual, and they enjoy tax-free status.

II. Responsibilities

Recognizing its fiduciary responsibility for these assets, GPCOG has established an Advisory Committee to supervise the investment of the Reserve Fund. The Reserve Fund Advisory Committee hereby establishes the investment policy by adopting this statement, which must be reviewed and accepted at least annually. Pursuant to MSRS 5706 Deposit of Investment of Funds, Paragraph 4 (attached), the Committee retains a professional registered investment advisor to manage Reserve Assets in accordance with this policy statement. The advisor reports to the Executive Director and Finance Director of GPCOG quarterly and meets with the Reserve Committee annually to discuss investment returns, outlook and strategy.

III. Investment Policy

The Reserve Fund will be invested in accordance with the provisions of the Maine Uniform Prudent Investor Act (attached). Assets will be invested for optimum "total return", which does not distinguish between investment income and capital appreciation. The investment time horizon is long term.

IV. Objectives

The primary investment objectives of the Reserve are: (a) to preserve the real (inflation-adjusted) value of the assets, and (b) to pay a reasonable and stable current income, which increases over time at least with the rate of inflation.

V. Asset Allocation

The long-term balance of the Reserve will be 70% stocks and 30% fixed income, with investment advisor discretion to range between 80% and 60% stocks, depending on market conditions and outlook.

VI. Investment Guidelines

a) Stock investments will be in leading companies with revenues of at least $500 million, consistent and above-average profit growth, and superior financial strength. Individual stocks will be limited to 4% of total stocks at cost and 6% at market. Industry exposure will be limited to 10% at cost and 15% at market.

b) Up to 10% of total stocks may be invested in broadly diversified international stock mutual funds.

c) When purchased, bonds will be rated "A" or better by the major credit rating firms. Bond maturities will be limited to within fifteen years. Individual bonds which are not backed by the full faith and credit of the U.S. government will be limited to 5% of total bonds at market value. Maximum exposure to a single industry will be 25%. Maximum maturities in any one year will be 20% of total bonds at market value.

d) Prohibited assets and transactions include commodities, option contracts, derivative securities, selling short and use of margin credit.

e) GPCOG will divest all individual stock holdings of companies that derive a significant portion (greater than 10%) of their revenues from the manufacture, sale or distribution of petroleum products by 6/30/21.

VII. Adopted October 24, 2001 by the GPCOG Executive Committee.

VIII. Amended February 6, 2018

IX. Amended June 13, 2019

X. Amended April 27, 2021