



Authorize a Professional Services Agreement to Provide Investment Management Services

Finance & Insurance Committee

Item 8-3

May 13, 2019

Current Investment Portfolio Management

- In 2002, the Board bifurcated management of the investment portfolio
 - Short-term, or liquidity, portfolio
 - Long-term, or core, portfolio
- Since 2002, the core portfolio has been managed by 2 external managers
 - Reams Asset Management, Columbus IN
 - Hillswick Asset Management, Stamford CT
- Liquidity portfolio managed by PFM Asset Management, LLC since December 2018

Advantages of External Liquidity Portfolio Management

- Superior investment research and trade execution
- Robust staffing to support trading, credit analysis, and transaction settlement
- Trading systems integration with investment policy compliance
- Investments in information technology systems
- Cost effective by realizing economies of scale
- Lessens business activities Treasury staff must maintain during a business interruption

Competitive Bidding Process

- Competitive process via RFP No. 1208, issued in March 2019
- Three qualified proposals received
- Treasury staff evaluated the responses
- Meketa Investment Group provided technical advice
- PFM Asset Management, LLC selected

About PFM Asset Management, LLC

- Key individuals have 14 years of experience each
- \$118.9B in total domestic fixed income assets for public entities
- Investment relationships +10 years with 74 California public entities representing \$12.2B in assets
- Manages to ICE BoAML benchmark
- Southern California office
- Customized high quality short-term fixed income portfolios; consulting approach regarding cash flow management for their clients

Board Options

- Option #1
 - Authorize agreement with PFM Asset Management, LLC to provide investment management services
- Option #2
 - Do not proceed with agreement for investment management services

Staff Recommendation

- Option #1

