



CITY OF GERMANTOWN TENNESSEE

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Retirement Plan Administration Commission Minutes

Wednesday, September 10, 2013 – 5:00pm.
Personnel Conference Room
Municipal Center, 1930 S Germantown Rd, TN 38138

MEMBERS PRESENT: City Administrator Patrick Lawton, Alderman Mike Palazzolo, Daniel Dent, Ralph Gabb, Frank SanPietro and Todd Proctor

MEMBERS ABSENT: Mayor Sharon Goldsworthy

STAFF PRESENT: Susan Hobson, Ernie Morretta

ALSO PRESENT: Bart Reid – Gerber/Taylor Associates

CALL TO ORDER

Chairman Frank SanPietro called the meeting to order at 5:08 pm and announced there was a quorum present.

APPROVAL OF MINUTES

Chairman Frank SanPietro called for approval of the minutes from the June 19, 2013 RPAC meeting.

****MOTION****

Mike Palazzolo moved to approve the minutes from the June 19, 2013 RPAC meeting. Daniel Dent seconded and the motion passed unanimously.

CHAIRMAN COMMENTS

No comments made by Chairman Frank SanPietro.

REPORTS

Mr. Bart Reid of Gerber/Taylor stated that the market has been very good this year. As of yesterday, S&P's are up almost 19%. Bonds however, have not done so well. There was a negative 2.4% return for bonds through June and also as of yesterday, returns are now down by 3.4%. Mr. Reid further stated that international stocks are up about 4.5%. Based on five year normalized earnings, the City's earnings for Equity Valuations is at 20.5 which is well above the median of 16.8. He said that S&P is approximately 9% above its peak (2007); International stock's actual return is about 47% (to reach the peak) and are trading about sixteen, five year normalized P/E. Emerging Market stocks are trading at approximately 9 to 10

P/E. Per Mr. Reid, even though we have had a pretty drastic move in bonds, the City is still well below the historical average for the ten year treasury. He feels that the trend going forward will be continued rising interest rates, shorter duration and a lower bond allocation.

RETIREMENT PLAN ADMINISTRATION COMMISSION

Mr. Reid stated that the retirement plan has had a great year with earnings of approximately \$4m and a return of 7.7%. Year-to-date Equity is up 11% and S&P is also up by 13.8%. Mr. Reid then proceeded to discuss the Performance Update. He stated that the Manager's year-to-date performance (10.2 increase) is good and has no real issues. From an allocation perspective, the City is a little under the target in Fixed Income. Mr. Reid however recommended that there be no change at this time. He said although bonds are very unattractive and expensive and equities aren't near as attractive as they have been, we still are seeing a pretty good opportunity in real assets, MLP's, commercial and core real estates, and hedge funds.

Patrick Lawton asked if this would be the next step in terms of advancing. Chairman SanPietro said the next step would be for Gerber/Taylor to present a formal proposal of alternatives to the current Asset Allocation. After brief discussion, it was decided that a special meeting be held on October 8th, 2013.

****MOTION****

Mr. Gabb made the motion that current allocations remain the same as a special meeting will be held to discuss the range within our target. Daniel Dent seconded and the motion passed unanimously.

OTHER BUSINESS

Mr. Lawton stated that he has had feedback from some of the fire and police personnel regarding the impact of the proposed retirement plan. He said this group of employees is concerned about the set retirement age of fifty-five and the number of years that they would have to put in. Chairman SanPietro feels concerns/questions such as this will end up with the City's actuary however, anything that is feasible and permissible to make the plan work can surely be brought before this commission.

ADJOURNMENT

Hearing no further business, Chairman SanPietro called for the meeting to be adjourned. The meeting adjourned at 5:42 p.m.