



# CITY OF GERMANTOWN TENNESSEE

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## **Retirement Plan Administration Commission Minutes**

Wednesday, March 26, 2014 – 5:00 pm.

Administrative Conference Room

Municipal Building, 1930 S. Germantown Rd, TN 38138

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

**MEMBERS ABSENT:** Mayor Sharon Goldsworthy, Todd Proctor

**STAFF PRESENT:** Susan Hobson

**ALSO PRESENT:** Bill Pickens and Bart Reid with Gerber/Taylor Associates

### **CALL TO ORDER**

Chairman SanPietro called the meeting to order at 5:07 p.m.

### **APPROVAL OF MINUTES**

Chairman SanPietro called for approval of the minutes from the December 18, 2013 RPAC meeting.

#### **\*\*MOTION\*\***

Alderman Palazzolo moved to approve the minutes as presented from the December 18, 2013 RPAC meeting. Patrick Lawton seconded and the motion passed unanimously.

### **CHAIRMAN COMMENTS**

Chairman SanPietro said that he was very happy to see everyone.

#### **\*\*MOTION\*\***

Daniel Dent moved that a resolution be provided authorizing investment into Drake Capital Off-Shore Partners Limited Partnership. Chairman SanPietro seconded and the motion passed unanimously.

#### **\*\*MOTION\*\***

Daniel Dent moved that a resolution be provided that names Mayor Goldsworthy as the authorized signatory person for the Pension Plan. Alderman Palazzolo seconded and the motion passed unanimously.

## **PRESENTATION OF QUARTERLY UPDATE**

Mr. Bill Pickens advised that a lot of work had been done in the last several quarters on revamping the asset allocation for both the Pension and OPEB funds. He said that last year was very good in that there was a solid return on both funds. Mr. Pickens further advised that as of now, we are 90% plus reallocated to the new asset allocation with the new managers. Although returns were negative for the month of January and positive for the month of February, we are off to a good start and right in line with our expectations.

Referencing hand outs, Mr. Bart Reid advised that total earnings for the year are right at \$11 million which translates to approximately 22% returns for the year. The flip side is that the old portfolio was heavily weighted to equities—what goes up can go down. With a large equity weighting, the potential volatility in our portfolio was pretty high; because we wanted more of a traditional sixty-forty mix of stocks and bonds, hedge funds were added. Per Mr. Reid, actual performance for the month of February is right in line with the market and is up 1.5% for the year. Equities out performed with S&P being .4% versus 1% so far this year. International Equities are doing okay—Harbor International is up by .6% while Nippon value (Japan only fund) is up by 0.1% which is significantly protected on the down side compared to the MSCI Japan which is down by 4.4%. Fixed Income Funds that were traditionally managed by Wedge and PIMCO Short-Term are now being managed solely by PIMCO (1/3 Total Return Fund, 1/3 Short-Term Fund and 1/3 in the new 1607 Bond Fund). The Eagle MLP Strategy Fund which invests essentially in oil and gas MLPs is doing well by being up 1.7% so far this year. The Hedge Funds (Forester Diversified and Alternative Investments) are types of investments that are very different from what the Pension Plan has ever done before is working out well. Both funds are up in the 2% range for the month. As for Asset Allocation, Mr. Reid said that we are pretty much on target for everything except for Real Assets.

## **OTHER BUSINESS**

Mr. Lawton thanked Mr. Pickens and his team for speaking and explaining the change in the new Retirement Plan to City employees at a Managers and Supervisors meeting in January. He also brought the Commission up to speed about the structure of the plan, particularly as it relates to Police and Fire. Per Mr. Lawton, when the two separate plans (General Government and Public Safety) were created back in 1989 or 1990, the goal at that time was to allow police officers and fire fighters to be able to retire at the age of 55 or earlier since they pay into the plan. He further stated that we have hired people that have to work more than 30 years to be able to retire at 55. In other words, they can't retire at the age of 55 because they don't have 30 years of service. Also, the "bridge" to social security is about two years short of where most employees need to be in order to collect at the age of 67.

Mr. Lawton advised that he met with our Actuary, Mr. Richard Ellis and the Chiefs (Richard Hall and John Selberg) to discuss these two issues at hand. Although he received good feedback from Mr. Ellis, Mr. Lawton charged him with questions such as what will it take to do this, how will this impact on the plan, and how will this impact the employees if they need to contribute more to be able to retire at 55, even if they don't have 30 years of service.

## **ADJOURNMENT**

Having discussed all items on the agenda, Chairman SanPierto called for the meeting to be adjourned at 5:45.