



CITY OF GERMANTOWN TENNESSEE

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Retirement Plan Administration Commission Minutes

December 17, 2014 – 5:00 pm.
Administrative Conference Room
Municipal Building, 1930 S. Germantown Rd, TN 38138

MEMBERS PRESENT: City Administrator Patrick Lawton, Alderman Rocky Janda, Ralph Gabb, Daniel Dent and Frank SanPietro

MEMBERS ABSENT: Mayor Mike Palazzolo and Todd Proctor

STAFF PRESENT: Steve Wilensky

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

CALL TO ORDER

Mr. Gabb called the meeting to order at 5:05 p.m. Chairman SanPietro then called the roll and announced that there was quorum.

APPROVAL OF THE MINUTES

Chairman SanPietro asked Board members to review and state any proposed changes to the minutes from the September 24th, 2014 meeting.

****MOTION****

Mr. Gabb moved that the minutes from the September 24th, 2014 meeting be approved as presented. Mr. Lawton seconded and the motion passed unanimously.

CHAIRMAN COMMENTS

Chairman SanPietro stated that he was glad to be here and happy to see everyone.

GERBER/TAYLOR CITY INVESTMENT POSITION — AMENDED & RESTATED EMPLOYEE RETIREMENT PLAN

Mr. Bart Reid of Gerber/Taylor began by reporting that the portfolio for 2014 so far has had a good return being up by 4.7%. He said that the City moved from a very equity-centric type portfolio last year to a much more diversified approach of investing by incorporating hedge funds, real assets and MLPs, moving away from a large allocation to

fixed income and concentrating more on alternative strategies. He further advised that so far this year, the S&P has been the dominant investment being up by 14.0%; the Russell 2000 is up by 1.4% and International Stocks measured by the EAFE index is down by -1.1% resulting in a pretty frustrating year for active management and diversified portfolios in general. The Gerber/Taylor group feels this is a short-term situation and that both allocations, strategies, managers, etc. will all soon add value with a traditional mix of stocks and bonds. On the International level, international stocks have rallied less than half of what the U.S. has since the bottom of the market back in 2009 making valuations a little more attractive. Although it has been a drag off the portfolio near term, we continue to see good opportunities, cheaper valuations and better return prospects. Mr. Reid stated that Hedge Funds Forester and Alternative Investment groups both had respectful returns— Forester was up by 4.3% and Alternative up by 3.5%. Per Mr. Reid, the new investment in Fixed Income, 1607 Bond Fund has done really well from inception up by 6.7% versus Barclays at 4.3%.

Mr. Reid offered recommendations in the Real Assets class. He said the drop in oil prices has had a near-term effect on the Eagle MLP Strategy Fund. He recalled that we made a 2.5% investment with the idea that something like this would happen where we could bump this figure up to a 5% position. Long-term, MLPs do not have a lot of correlation with actual oil prices and near-term definitely helps us to see what has happened recently. Per Mr. Reid, although near-term pricing has changed, contracts for the most part are long-term, distribution of the earnings is pretty constant and business fundamentals have not changed much at all. Mr. Reid further advised that the Black Rock Granite Fund has generated a great return (4.7%) in a short period of time. Because core commercial real estate has become somewhat expensive, the Gerber/Taylor group is looking to move out of this particular fund. And lastly, the Nippon Value Fund (Japanese investment) is still somewhat attractive and is trading about .8 times book value; if liquidated today, a 20% differential could possibly be made.

Reallocation recommendations made by the Gerber/Taylor Group include:

- Liquidate BlackRock Granite Property Fund currently valued at \$3,351,344 due to its non-sustainability and liquid profile. Redemption effective date is March 31st, 2015.
- Increase MLP (down 20% from peak) Allocation to the 5% target using the Eagle MLP Strategy Fund. Estimated purchase amount is \$1,500,000.
- Use the PIMCO Short-Term Bond Fund as the funding source for the Eagle MLP Strategy Fund.
- Once funds are received from BlackRock, replenish the \$1,500,000 withdrawn from PIMCO Short-Term.
- Invest the remaining funds from the BlackRock liquidation in the Gotham Neutral Fund.

****MOTION****

Mr. Dent moved to adopt the above recommendations as presented by the City's Financial Advisors. Mr. Lawton seconded and the motion passed unanimously.

GERBER/TAYLOR CITY INVESTMENT POSITION – DEFINED BENEFIT PLAN/"CASH BALANCE PLAN"

Mr. Gabb advised that there is not a lot of money in this new fund whereby 5% is invested by the employees; at the end of the fiscal year the City matches that or a little bit more depending on the actuary requirement. Per Mr. Gabb, approximately \$30,000 is what this fund carries.

FUNDING OF THE AMENDED & RESTATED EMPLOYEE RETIREMENT PLAN

Mr. Gabb reiterated that the funding of this account was changed using the amended and restated Employee's Retirement Plan which is now frozen until it is funded in December. The balance as of December 10th was \$88,592; projected employee contributions over the next six months equal \$427,260 and the payout from the Plan is approximately \$1.4 million (6 months) with the trust expenses of \$12,000. The actuary required contribution is \$1.5 million. In order to keep this fund/disbursement account at \$100,000 by the end of the year, Mr. Gabb recommended that \$1,054,224 be put in the Distribution Account and \$540,148 be invested.

****MOTION****

Mr. Lawton moved to accept the recommendation to fund the Amended and Restated Employee Retirement Plan as described above. Mr. Dent seconded and the motion passed unanimously.

Mr. Gabb made a second recommendation regarding the modification to the recommendation by the City's Financial Advisors whereby we would use the \$500,000 to invest in the Eagle MLP and not withdraw \$1.5 million; only withdraw \$1 million PIMCO Short-Term.

****MOTION****

Mr. Dent moved to accept the above recommendation made by Mr. Gabb. Mr. Lawton seconded and the motion passed unanimously.

OTHER BUSINESS

Mr. Gabb stated that he spoke to Mr. Frank Carney (Pension/Trust Attorney) regarding the Hollingsworth case. Per Mr. Gabb, the case is still out and there is nothing to report on at this time. Mr. Carney is going to attend our next meeting in March to provide an update/status of the case. He also advised that there are no necessary changes to the plan at the present time however, there may well be some changes by March that will need to be discussed. And lastly, documents that were originally being signed by Mayor Goldsworthy have been transferred and now will be signed by Mayor Palazzolo.

Mr. Lawton advised that the City's Budget Calendar is being worked up for FY16. He stated that it is very important to not only explain the role of the Retirement Plan Administration Commission and the fine job that this body does but also give details on the size of our Pension Plan and the changes made in developing the "Cash Balance Plan" to the members of the Financial Advisory Commission.

ADJOURNMENT

Having discussed all items on the agenda, Chairman SanPietro called for the meeting to be adjourned.