



CITY OF GERMANTOWN TENNESSEE

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Other Post Employees Benefits Commission Minutes

September 23, 2015 – 7:00 pm.

Administrative Conference Room

Municipal Building, 1930 S. Germantown Rd, TN 38138

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

MEMBERS ABSENT: Mayor Mike Palazzolo and Daniel Dent

STAFF PRESENT: None

ALSO PRESENT: Bart Reid and Steven Francomaccaro with Gerber/Taylor Associates

ESTABLISH QUORUM

Mr. Gabb reminded everyone that the same members are present.

APPROVAL OF MINUTES

Chairman SanPietro asked for approval of the June 17th, 2015 minutes.

****MOTION****

Mr. Lawton moved that the minutes from the June 17th, 2015 meeting be approved as presented. Mr. Jobe seconded and the motion passed unanimously.

GERBER/TALYOR – CITY INVESTMENT POSITION

Mr. Reid stated that the portfolio is up by 2.8% resulting in approximately \$150 million in total earnings. Given the unfortunate timing when this portfolio was started and the poor market conditions, a 6.1% return since inception is pretty attractive outpacing the 65/35% benchmark. A Summary of Cash Flows include an initial investment of \$615,483 in April, 2008 plus additional investments totaling \$3,888,454 and earnings of \$1,822,883 gives us a final market value of \$6,326,820. Per Mr. Reid, the fund has protected capital and is right on the 65/35% target with a negative 1.2% versus a negative 1.1%.

The equity manager's performance has been very attractive. Harbor added significant value by being up 5.3%; international managers and aggregate have outperformed with First Eagle being up by 2.2%. Hedge fund managers are mixed; Drake (long LP structured) has done very well this year and is up by 3.5% through August.

These are one of the most attractive and expensive stocks with approximately 300 positions and a 50% net long portfolio.

Chairman SanPietro asked Mr. Gabb if there are any events on the horizon regarding this account such as disbursements. Mr. Gabb advised that as of August 31st, this account had \$6,295 in cash. He said most likely in the near future, the City might have to delve into selling some of the funds. He further advised that typically, these types of things are not foreseen. Per Mr. Gabb, the City is not scheduled to fund this account again until August, 2016.

Chairman SanPietro recommended that a motion be made to maintain the current allocation.

****MOTION****

Mr. Jobe moved to approve that the allocation remain the same with no changes. Alderman Janda seconded and the motion passed unanimously.

OTHER BUSINESS

Chairman SanPietro posed the question of what would it take to go through positions in the portfolio and:

- 1) Determine if there is any overlap, and
- 2) Run some type of scenario analysis to determine the effect of further reduction of and/or recovery of energy prices (mainly on our MLP position, but also potentially to our portfolio).

Mr. Reid said a look through for the allocation could definitely be done. As for predicting what kind of returns would come from MLPs given energy price movements would be a little difficult. With current pricing, no movement and the price of the MLPs, the yield and expected earnings growth is around 6%, long-term 10-12%. Chairman SanPietro said the drive for volatility needs to be established. Once this happens, commission members will be more comfortable. He asked that Mr. Reid and team give it some thought and get back with Mr. Gabb with any findings.

ADJOURNMENT

With all matters having been discussed, Chairman SanPietro adjourned the meeting.