



# CITY OF GERMANTOWN TENNESSEE

1930 South Germantown Road • Germantown, Tennessee 38138-2815  
Phone (901) 757-7200 Fax (901) 757-7292 www.germantown-tn.gov

## **Retirement Plan Administration Commission Minutes**

June 17, 2015 – 5:00 pm.

Administrative Conference Room

Municipal Building, 1930 S. Germantown Rd, TN 38138

**MEMBERS PRESENT:** City Administrator Patrick Lawton, Daniel Dent, Ralph Gabb, Alderman Rocky Janda and Sammy Jobe

**MEMBERS ABSENT:** Mayor Mike Palazzolo, Frank SanPietro

**STAFF PRESENT:** None

**ALSO PRESENT:** Bart Reid with Gerber/Taylor Associates  
Michael Stoll

### **CALL TO ORDER**

Mr. Gabb called the meeting to order at 5:00 p.m. Co-chairman Dent called the roll and announced that there was a quorum.

### **APPROVAL OF MINUTES**

Co-chairman Dent called for approval of the minutes from the March 25, 2015 RPAC meeting.

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

Alderman Janda moved to approve the minutes as presented from the March 25, 2015 RPAC meeting. Mr. Jobe seconded and the motion passed unanimously.

### **CHAIRMAN COMMENTS**

No comments.

### **GERBER/TAYLOR—CITY INVESTMENT POSITION**

Mr. Bart Reid of Gerber/Taylor opened by stating for the first quarter, the trend has been pretty much the same however, is very different from what we have seen for the past few years. International stock has been a huge drag on the portfolio in that the U.S. outperformed International by 18% last year. Per Mr. Reid, this year we have seen a switch throughout the first quarter with S&P being up 1% and International stocks up by approximately 5%. He said that it makes a lot of sense being fully diversified and having that international exposure.

Mr. Reid further advised that the portfolio performance for the quarter is up by 3.3% versus the 65% MSCI World-35% BC Aggregate Index mix of stocks and bonds that are up by 2.2%. He stated that it has been a great start with \$2.1 million in total earnings so far this year. He also said that the portfolio has been able to generate excess return without taking additional risks as the standard deviation is approximately a percent lower than the 65/35 index capturing approximately 88% of the upside and only about 73% of the downside of the market. Per Mr. Reid, for the last sixteen years, the portfolios outperformed the 65/35 mix of stocks and bonds every year with an exception of years 2006, 2011 and 2014; thirteen out of sixteen years proves to be very good. As for Universe comparison, overall performance is pretty attractive however, numbers for year one are a little frustrating coming in at 47%. Year three looks really good with longer termed performance and for year ten from inception are top 30% type bonds and performances in which we are very pleased with.

Mr. Reid advised that Ending Market Value since our inception date of 2/1/88 totals \$66,283,188 which includes a total of \$18,569,921 in contributions and \$46,669,167 in Investment Earnings. Mr. Gabb mentioned that our return based on actuary, is at 8%; since inception, the portfolio is at a 9% return which is 1% above the actuary required rate of return. Per Mr. Gabb, \$1.3 million will be added in December. Because the rate of return on investments has been good, we are putting in less today than we did two years ago. Mr. Reid further advised that performance continued to be good on through the month end of May (5.1% YTD) mainly because of the portfolio changes that were made last year to include a more diversified model. As for Hedged Strategies, Forester Diversified and Alternative Investments Institutional have done well in adding value; year-to-date, Forester is up by 2.8%, Alternative Investment is up by 4.8% and Bonds are up 1%. Gotham Neutral, a long-short equity fund, has not done so well in that it is a very "liquid" option that is traded daily. Mr. Reid stated that the S&P 500 is up 3.2% and the Russell 2000 is up by 4.0% (YTD) due to poor quality companies that did better than the bigger, higher quality, more conservative balance sheet companies. Per Mr. Reid, by no means will Gotham be liquidated today as it is expected that they will do well going forward.

Mr. Reid pointed out that the real estate fund Black Rock was liquidated at the end of the quarter and is no longer on the portfolio. Because the real estate market continued getting more and more expensive, Gerber/Taylor decided to not take that risk in that the earnings would probably have not been that great. Nippon Value (Japan Fund) has had a great year coming in at 16.5% year-to-date. Compared to the MSCI growth index of 8.9%, the value has almost doubled the broad, international stock market. Mr. Reid also pointed out the benefits that short-term bonds have provided so far this year. The PIMCO Short-Term Bond that was put in place back in March, 2011 is now up .3% and the Barclays Aggregate is down .02%. Hopefully, rates will increase over the next ten years and short-term bonds will protect us in a rising and extreme environment.

From an allocation stand point, Mr. Reid advised that the City is pretty much on target. The funds from the liquidation of Black Rock went into the Gotham Neutral Fund. The target allocation for Hedged Strategies is 35% and 5% for Real Assets. Ideally, real asset funds that are ill-liquid with more of a private equity type structure should be considered as there are opportunities in the real estate market and in the real assets infrastructure as well. Any kind of market drop or stagnation along with ill-liquidity type prices could easily lock you into a portfolio for ten years or so. Mr. Reid recommended that the allocation remains as is with no changes.

**\*\*MOTION\*\***

Mr. Gabb made a motion to approve that the allocation remains the same with no changes. Alderman Janda seconded and the motion passed unanimously.

### **YEAR-END FUND DISTRIBUTION**

Mr. Gabb explained that the total available to pay the retirees right now is \$412,376. He recommended that \$1,024,453 be sold and added to the disbursement account so that a total of \$1,426,829 will be available to pay plan participants on a six month basis thus bringing the Cash Balance as of December 31, 2015 to \$10,000.

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

Co-chairman Dent made a motion to sell bonds in the amount of \$1,024,453 for placement into the Disbursement account in order to pay retirees on a six month basis. Mr. Jobe seconded and the motion passed unanimously.

### **OTHER BUSINESS**

No other business.

### **ADJOURNMENT**

Having discussed all items on the agenda, Co-chairman Dent called for the meeting to be adjourned.