



CITY OF GERMANTOWN TENNESSEE

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Other Post Employees Benefits Commission Minutes

June 17, 2015 – 5:30 pm.

Administrative Conference Room

Municipal Building, 1930 S. Germantown Rd, TN 38138

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

MEMBERS ABSENT: Mayor Mike Palazzolo and Frank SanPietro

STAFF PRESENT: None

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

ESTABLISH QUORUM

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

GERBER/TALYOR – CITY INVESTMENT POSITION

Mr. Bart Reid stated that the OPEB portfolio is pretty much on target. He advised that his group tried to mirror what was done for the Retirement Plan however, due to the asset size they are not able to access the hedge funds, 1607 or Eagle MLT Strategy Fund. Mr. Gabb interjected and advised that for the Cash Balance Plan, the Retirement Plan known as the “Amended and Restated Retirement Plan” was frozen. Effective July 1st, 2013, new employees with the City are to have 5% of their salary put into the plan and the City matches the 5% and also guarantees a 5% return. The employee must have been with the City at least ten years before he or she can draw from the plan; if employment is terminated before ten years, he or she can take their money plus the 5% and the City money will stay right where it is at. He also advised that as of May 31st, the rate of return for the plan is now 4.6%, just .04% shy of making the stipulated 5%.

APPROVAL OF MINUTES

Co-chair Dent asked for the approval of the March 25th, 2015 minutes.

****MOTION****

Alderman Janda moved that the minutes from the March 25th, 2015 meeting be approved as presented. Mr. Jobe seconded and the motion passed unanimously.

CHAIRMAN'S COMMENTS

No comments were made by Co-chairman Dent.

YEAR-END FUND DISBURSEMENT

Mr. Reid stated that it has been a very good quarter with the portfolio being up 2.9% which equates to approximately \$168,000 and outperforming the 65/35 index. He reminded everyone that back before this portfolio was re-allocated last year, it was just a plain equity bond portfolio with about 25% in bonds making the volatility a little higher than the traditional index. Due to the re-allocation, the volatility measure is expected to come down. Mr. Reid also stated that Performance versus the Universe average has been about in the fifty percentile ranking from inception. In a period when the S&P 500 outperformed about 85% of the managers out there, like everything in the investment world mean reversion is very powerful. Mr. Reid feels that the S&P will mean revert back to the historical ranking in the Universe.

Mr. Reid then advised that the total earnings from inception total \$1,820,745 with approximately \$4,027,937 in contributions bringing the total portfolio to \$5,848,682. Per Mr. Reid, it has been a pretty good run given the market environment. He said the portfolio is allocated just like the Retirement Plan except for 1) First Eagle Overseas which provides more Japanese exposure and downside protection and 2) Hedge Strategies – Drake Capital Partners which is a 3(C)(1) Fund that has done a great job and is up 6.9% for the one year period, 3.7% for the quarter and 7.2% since inception (February, 2014). Barclays is up by 5.7% and Gotham Absolute Return which is up by 5.4%; although underperformed, Mr. Reid still feels that it is attractive. PIMCO All Asset and Gotham Neutral Return are both liquid, daily traded mutual funds. Mr. Reid said that overall, they are very pleased with the performance of this portfolio which is up by 4.5% through May, 2015 and is essentially right in line with the Retirement Plan and the new Cash Balance Plan. Mr. Gabb added from March through May 31, this fund has gone up \$100,000; the return since inception has increased .01% and the return based on actuary is now 7.5%. To Mr. Gabb's understanding, the City should maintain the current allocation with no adjustments.

****MOTION****

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

Mr. Gabb recommended that the City contribute \$684,360 (\$39,740 estimated balance at 6/30/15 plus \$79,623 of retiree contributions) to bring the total available for participants to \$803,723 in the Disbursement Account. After subsidy payouts of \$26,200 (65 or older) and medical claims based on history totaling \$291,247 leaves us with a balance of (\$10,000). Mr. Gabb recommends that \$476,276 be invested and \$208,084 be put into the Disbursement Account for claims over the next six months.

****MOTION****

Alderman Janda moved to approve that \$208,084 be put in the Disbursement Account and \$476,276 be invested. Mr. Jobe seconded and the motion passed unanimously.

OTHER BUSINESS

No other business.

ADJOURNMENT

With all matters having been discussed and decided, Co-chairman Dent adjourned the meeting.