



# 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**

October 17, 2017 – 5:30 pm.  
Human Resources Conference Room  
City Hall, 1930 S. Germantown Road

**MEMBERS PRESENT:** Ralph Gabb, Alderman Rocky Janda, Matt Keathley, Mayor Mike Palazzolo, Paul Turner

**MEMBERS ABSENT:** Patrick Lawton

**ALSO PRESENT:** Gerber/Taylor Representatives - Bill Pickens

### **CALL TO ORDER**

Mr. Turner called the meeting to order.

### **ESTABLISHMENT OF A QUORUM**

Mr. Turner called the roll and announced that there was a quorum.

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

#### **A) Amended & Restated Pension Plan (Old Plan):**

Mr. Reid reported that it was a great quarter with the portfolio being up by 3.4% and approximately \$2.3 million in total earnings thus resulting in a new, high market value of \$69,832,210 through October, 2017. After a brief discussion of historical deciles and valuations, Mr. Reid advised that stocks are getting more and more expensive and now is not the time to take on additional risk.

Mr. Reid advised that his recommendation centers around two of our current allocations—Harbor Capital Appreciation and Harbor International. He said that we have had a terrific, long-term experience with Harbor (annualized return of 9.3% since 1993 inception). With a lead manager passing away, a second manager leaving and because of asset size, Mr. Reid proposed that we liquidate Harbor International completely and hire Grandeur Peak International Stalwarts (\$431.15 million AUM) which is a little more growth oriented and more expensive because it is more so a small cap portfolio. Also, Baillie Gifford, per Mr. Reid, is a great firm that is internationally oriented and focused on International Stocks. Grandeur Peak and Baillie Gifford were both chosen because they compliment First Eagle very well as it tends to be very a defensive manager. Rather than sizing them evenly with First Eagle, Mr. Reid recommended allocating 10.5% to First Eagle and 7% to Baillie Gifford.

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

Alderman Janda made a motion to close Harbor International and allocate 7% of the total portfolio to Baillie Gifford and 10.5% of the total portfolio to First Eagle Overseas. Mr. Keathley seconded and the motion passed unanimously.

Mr. Reid further reported that it has been a frustrating ride as MLPs tanked; they rebounded significantly last year and have been down again this year. The City is currently invested with the Eagle MLP Strategy Fund and has been working a long time with their Limited Partnership Structure in which the Mutual Fund Option was the logical choice to go with at that time. Mr. Reid advised since then, another manager (Eagle MLP—no relation) with a similar strategy offers a similar portfolio that

is about 45 basis point cheaper. He said it makes sense to diversify the allocation of MLPs with these two managers. In concert with the reallocation to Eagle MLP, Mr. Reid stated that they would also like to reduce MLP allocation to 3% as MLPs are up 27% and are not as opportunistic since our last investment. Furthermore, Mr. Reid advised that Gerber Taylor recommends a cash allocation of 2%; due to low bond yields.

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

Alderman Janda made a motion to split Eagle and Tortoise MLP (lower to 3%) and keep 2% cash (\$1.2 Million). Mr. Keathley seconded and the motion passed unanimously.

**APPROVAL OF MINUTES**

Mr. Turner called for the approval of the minutes from the July 18<sup>th</sup>, 2017 RPAC meeting.

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

Alderman Janda made a motion to approve the minutes as amended from the July 18<sup>th</sup>, 2017 RPAC meeting. Mr. Gabb seconded and the motion passed unanimously.

**CITY PROJECTED CASH NEEDS (6 MONTHS) – Amended & Restated Retirement Plan**

Mr. Turner reported that there are no immediate cash needs. He advised that the City will be making their FY18 Actuary Determined Contribution (ADC) in early November, 2017 in the amount of \$2,926,340; this should take us through March, 2018.

**B) Defined Benefit (Cash Balance) Plan:**

As for the Cash Balance Plan, Gerber Taylor is trying to replicate what is being done in the main retirement trust. Per Mr. Reid, performance has been pretty much in line by being up 2.7% for the quarter and 9.5% year to date. Although there was a great absolute, we are running a little behind the 65%/35% Aggregate Index due to the diversification aspect and essentially the lower allocation to U.S. stocks. Every quarter that the City makes a cash contribution creates a drag thus keeping cash at 9.2%.

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

Mr. Keathley made a motion to: 1) reallocate 9.2% cash based on the current target allocation with an additional 3% MLP to Tortoise 2) close Harbor and add Baillie Gifford to a 7.5% allocation and 3) change the First Eagle allocation to 12.5%. Mr. Gabb seconded and the motion passed unanimously.

**OTHER BUSINESS**

There was no other business to discuss.

**ADJOURNMENT**

Having discussed all items on the agenda, Mr. Turner called for the meeting to be adjourned.