



# CITY OF GERMANTOWN TENNESSEE

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## Retirement Plan Administration Commission Minutes

June 5, 2018 – 5:30 pm.  
Human Resources Conference Room  
City Hall, 1930 S. Germantown Road

**MEMBERS PRESENT:** Ralph Gabb, Alderman Rocky Janda, Matt Keathley, Patrick Lawton, Gena Wolbrecht

**MEMBERS ABSENT:** Mayor Mike Palazzolo

**ALSO PRESENT:** Bart Reid--Gerber/Taylor Representative

### CALL TO ORDER

Chairman Keathley called the meeting to order.

### ESTABLISHMENT OF A QUORUM

A quorum was present.

### CHAIRMAN COMMENTS

None.

### GERBER/TAYLOR—CITY INVESTMENT POSITION

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

Mr. Reid said a lot has changed since the first quarter; volatility has started to come back in the market, causing interest rates to “tick” up. This is very good because a low rate environment allows easy monetary policies whereby companies can easily borrow and thus drive up equity prices. If interest rates continue to normalize, we should see a healthy environment where we could actually earn our way out.

Per Mr. Reid, the 60/40 mix of stocks and bonds are down by 1.2%. Overall, for the past year the portfolio has made approximately \$4.8 million dollars and is at an all time high today of \$72 million in total assets. Historically, the portfolio has captured 88% of the upside of the market and 75% of the downside.

Mr. Reid further advised that we have made a lot of money with Japan (Nippon Value) and now the fund is somewhat over allocated. He recommended that we take some money “off the table” and reinvest it back in to our Forester Diversified Hedge Fund.

### CITY PROJECTED CASH NEEDS (6 MONTHS) – Amended and Restated Retirement Plan

Mr. Gabb addressed the City's Pension cash needs as follows:

<b>Cash on Hand</b> as of 5/1/18		<b>\$1,456,698</b>
Plus: Monthly Employee Contributions	53,174 x 2 months	106,348
Less: Payments/Outflows	353,642 x 2 months	<u>(707,284)</u>
<b>Total Cash on Hand</b> as of 6/30/18		<b>\$ 855,762</b>

For the period of July, 2018 through September, 2018:

<b>Cash on Hand as of 6/30/18</b>		<b>\$ 855,762</b>
Plus: Monthly Employee Contribution	53,174 x 3 months	159,522
Less: Payments/Outflows	353,642 x 3 months	<u>(1,060,926)</u>
		(45,642)
Cushion		<u>(50,000)</u>
<b>Cash Available through September, 2018</b>		<b>\$ (95,642)</b>

Mr. Gabb said because of this negative balance, money will need to be put in the Pension Plan to fund for three (3) months beyond September. He thereby recommended that cash be made available for the allocation of \$1 million dollars (*Cash on Hand* at 6/30/18, plus \$50,000 cushion) to the Pension Fund by mid-August. Mr. Reid suggested that the money be pulled so that it balances all funds to their respective target allocation.

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

Chairman Keathley made a motion to rebalance the fund, make available \$1 million in cash and reallocate the existing asset classes to their targets. Alderman Janda seconded and the motion passed unanimously.

**APPROVAL OF MINUTES**

Mr. Gabb called for the approval of the minutes from the February 27<sup>th</sup>, 2018 RPAC meeting.

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

Chairman Keathley made a motion to approve the minutes from the February 27<sup>th</sup>, 2018 RPAC meeting. Alderman Janda seconded and the motion passed unanimously.

Mr. Reid said overall, U.S. Equities (S&P 500) was down by .8%, the total stock market in general was down by .6% and total equity was down by .7%. Internationally, Baillie Gifford was off to a decent start since replacing them for Harbor International. Emerging markets were up by 1.5% for the quarter however, was down during the months of April and May. Mr. Reid said today from a pure valuation perspective, emerging markets are still the most attractive place to be. Since March, MLPs are up approximately 13% and are actually carrying many of the other portfolios as they are now in positive territory (year-to-date); the current yield on MLPs is approximately 8%. Mr. Reid advised that MLP investments are made mainly for their income streams and business stability. He said although the fundamentals behind MLP investments are attractive, now however is not a good time to get away from the MLP market; in the long run when the market is "normalized," will be the time to exit.

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

Mr. Reid advised that the Cash Balance Plan was down by .6% through April. The main difference in both plans is the limited amount of historical exposure to MLPs. Due to the portfolio size, we were not able to make an allocation to Eagle however overall, our MLP allocation is positive. The Hedge Fund allocation is a little different due to non-accessibility of the LP structure; Gotham Absolute Return PIMCO was utilized in its place.

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

Chairman Keathley made a motion to rebalance excess cash in the Cash Balance Plan bringing asset classes closer to their targets. Ms. Wolbrecht seconded and the motion passed unanimously.

**OTHER BUSINESS**

No other business.

**ADJOURNMENT**

Having discussed all items on the agenda, the meeting was adjourned.