



CITY OF GERMANTOWN TENNESSEE

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Retirement Plan Administration Commission Minutes

February 27, 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

MEMBERS ABSENT: Mayor Mike Palazzolo

ALSO PRESENT: Gerber/Taylor Representatives – Bart Reid, Steven Francomaccaro

CALL TO ORDER

Matt Keathley called the meeting to order.

ESTABLISHMENT OF A QUORUM

After introductions were made (roll call), Mr. Keathley announced that there was a quorum.

CHAIRMAN COMMENTS

None.

APPROVAL OF MINUTES

Mr. Keathley called for the approval of the minutes from the October 17th, 2017 RPAC meeting.

****MOTION****

A commission member made a motion to approve the minutes from the October 17th, 2017 RPAC meeting. An alternate member seconded and the motion passed unanimously.

GERBER/TAYLOR—CITY INVESTMENT POSITION

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

Mr. Reid reported that from an absolute return stand point, it has been a great year as the portfolio is up by 12%; this is almost \$8 million in total earnings with a new high market value of about \$373,500 million. Performance wise, 75% of the upside is captured (60/40 index). Historically, 88% upside of the market was captured mainly because of a more equity driven oriented portfolio back then. Mr. Reid further advised that per the market environment, today's valuations (based on historical levels) are in the tenth decile of just about every metric used to measure the market.

Driven by the past one, three and five years of performance, the target for U.S. Equities today is approximately 25%--currently, we are right on target or a little over. Our total equity portfolio for one year is up 19.1% and the S&P is at 21.8%;

for three years, the portfolio is up 11.3% and S&P is at 11.4%; and for five years, both are right at 15.8% (net of all fees). Per Mr. Reid, we have kept up and actually earned the same return as the S&P 500 despite underperformance.

Because FMI is a value based strategy and tends to be a bit more "core," Mr. Reid recommended that 2.5% of capital be pulled from Harbor and moved to FMI. Having a value centric portfolio makes good sense as we have reaped many benefits through the growth of Harbor over the past several years.

****MOTION****

Mr. Keathley made a motion to move 2.5% from Harbor Capital Appreciation to FMI Large Cap. Mr. Gabb seconded and the motion passed unanimously.

Internationally, Mr. Reid advised that reallocations discussed at the last RPAC meeting had finally been implemented as Baillee Gifford did replace Harbor International. Through January, 2018 Baillee Gifford has done well and is up by 1.2%, slightly underperforming the index. This was mostly due to Harbor's low allocation to Japan which was the driving force of international markets last year and also because of a drastic lag in First Eagle. Nippon Value (Japanese dedicated Manager) had a great year outperforming Japanese indexes substantially (up by 13.9% for the past five years).

B) Defined Benefit (Cash Balance Plan)

Mr. Reid advised that the Cash Balance is up 13.1% for the year primarily because the allocation to MLPs was done at a later date. Also for the year, strategies for All Assets did well and are up by 14% despite emerging market exposure.

Mr. Reid advised that we replicate what was done with the Retirement Trust. He then recommended the same for Harbor Capital Appreciation, essentially moving 1.25% to FMI.

****MOTION****

Mr. Keathley made a motion to move 1.3% from Harbor Capital Appreciation to FMI Large Cap. Upon the mutual agreement of all commission members, the motion passed unanimously.

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

Mr. Reid stated that both portfolios are at all-time highs with a Cash Balance of \$36,000. Mr. Keathley said it appears that we are okay for pension cash needs however, employee benefits may need additional funding.

OTHER BUSINESS

No other business.

ADJOURNMENT

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