



CITY OF GERMANTOWN TENNESSEE

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

Other Post Employees Benefits Commission Minutes

April 26, 2016 – 7:00 pm.
Administrative Conference Room
City Hall, 1930 S. Germantown Rd, TN 38138

MEMBERS PRESENT: Daniel Dent (Chairman), Alderman Rocky Janda, Sammy Jobe, Matt Keathley and City Administrator Patrick Lawton

MEMBERS ABSENT: Mayor Mike Palazzolo

STAFF PRESENT: None

ALSO PRESENT:

- Bart Reid and Steven Francomaccaro with Gerber/Taylor Associates
- Ralph Gabb

CALL TO ORDER

Chairman Dent called the meeting to order at 6:53 p.m.

ESTABLISH QUORUM (Roll Call)

Chairman Dent reminded everyone that the same members were present and that a quorum was thereby formed.

CHAIRMAN COMMENTS

No comments.

APPROVAL OF MINUTES

Chairman Dent asked for approval of the April 26th, 2016 minutes.

****MOTION****

Alderman Janda moved that the minutes from the April 26th, 2016 meeting be approved as presented. Mr. Jobe seconded and the motion passed unanimously.

GERBER/TALYOR – CITY INVESTMENT POSITION

Mr. Bart Reid advised that Other Post Employee Benefits (OPEB) there has been a lot of change since December and the first quarter as well. Similarly to the Retirement Plan, this first quarter for OPEB was somewhat frustrating however, it did actually perform a little better due to the different hedge managers. Rankings within the endowment foundation (Universe) are barely attractive long-term; seven years in the top 24% and 5% since inception. Mr. Reid said in the last seven years it has been a very growth oriented market due to the more value oriented managers underperforming. Harbor last year was one of the best performing managers that doubled the return of the market and in the long-term, they generated a solid return for the portfolio. The main difference in the plan is the hedge strategies with Drake Capital Partners being the primary, multi-strategy fund. Their one year number is a little better than their one year index and from inception they have actually done a pretty good job being up 2.5% versus their index which is down 3%; the MSCI World Index over the global stock market for that same period of time is up 2.2%. The two Gotham funds (performed very poorly last year) have done very well this year by outperforming not only the hedge fund indices but the S&P as well. The S&P was up about 1.5% while we were up 2.2% and 3.3%, respectively. Per Mr. Reid, the reason for the two Gotham funds is the Gotham Absolute Return Fund is about 50% net long with a risk return outlook that is similar to traditional long/short equity where as Gotham Neutral Return is very much like its name says—its market neutral and does not have long exposure to the market. And lastly, PIMCO All Asset Fund, a multi-strategy, mutual fund had a very difficult year last year due to their exposure primarily due to emerging markets and emerging market debt. PIMCO did well this year by being up 5.2%; this fund can invest in any of the PIMCO funds and is run by separate groups. Per Mr. Reid, the thought process behind this strategy is to generate a positive, absolute return and to diversify away from traditional stocks and bonds.

OTHER POST EMPLOYMENT BENEFITS PROJECTION

Mr. Gabb reported that *Cash on Hand* at March 31, 2016 was \$49,561 along with retirees contributions (April-June) \$47,640 less supplemental payout to retirees once they reach age 65 (\$15,900) less medical claims of (\$167,853) give us a negative total for *Projected Cash on Hand* at June 30, 2016 (\$86,552). This figure added to December 31, 2016 retirees contribution of \$95,280 less supplemental payout to retirees (\$31,800) and less retirees medical claims as of December 31, 2016 totaled (\$335,706); this amount along with *Projected Ending Cash* at December 31, 2016 (\$50,000) gives us the total cash needed for six months (\$408,778).

Mr. Gabb advised that this calculation is made once a year and is typically funded in June however, right now this particular fund is out of cash. He recommended that the Other Post Employment Benefits Fund be funded per the prescribed actuary report of \$491,229 (May 2, 2016). The break down will be to invest \$82,451 with the remaining amount of \$408,778 going in the cash disbursement account.

****MOTION****

Alderman Janda moved that the Other Post Employment Benefits Fund be funded per the May 2, 2016 prescribed actuary report of \$491,229; \$82,451 is to be invested and the remaining amount of \$408,778 will go in the cash disbursement account. Mr. Jobe seconded and the motion passed unanimously.

OTHER BUSINESS

Mr. Lawton thanked Mr. Gabb for attending tonight's meeting. Mr. Gabb said that he appreciated the invite and that he actually learns a lot from listening to the Gerber/Taylor representatives and the various questions that are asked by Commission members. He hopes to be invited back.

Mr. Gabb conferred with Mr. Reid and then stated that the recommendation is to leave the allocation as is.

****MOTION****

Chairman Dent made a motion to leave the OPEB allocation as is. Mr. Lawton seconded and the motion passed unanimously.

Mr. Reid reported that the Cash Balance Plan is simply allocated just like the Retirement Plan however, it does not have the hedge strategy because there are no MLPs thus resulting in better performance. He further advised that Gerber/Taylor had been doing some research on another MLP fund as well. The reason for going with Eagle originally is because the Gerber/Taylor team has been working with Eagle on a partnership/LP structure for about nine years now. Eagle was one of the first to come up with this mutual fund structure and by knowing them for so long and knowing how they operate made it easy to go with them.

Mr. Gabb reminded everyone that the Cash Balance Plan was created in 2013. With this plan, the City contributes 5%, the employee contributes 5% and the City guarantees a 5% return. The employee has to be with the City for at least ten years; if the employee leaves, he or she will get their 5% back along with the 5% that they would have made on their money.

Mr. Reid stated there are very similar funds such as Gotham and PIMCO which are quasi hedge strategies with no MLP or closed-end bond exposure. He recommended that the current allocation be maintained.

****MOTION****

Chairman Dent made a motion to keep/maintain the same allocations. Alderman Janda seconded and the motion passed unanimously.

ADJOURNMENT

With all matters having been discussed, Chairman Dent adjourned the meeting.