

**MEETING MINUTES**  
**EMPLOYEE PENSION & TRUST INVESTMENT COMMITTEE**  
**CITY OF FRANKLIN, TENNESSEE**  
**CITY HALL BOARD ROOM**  
**MONDAY, AUGUST 8, 2011 @ 2:00 PM**

**Committee Members**

Alderman Clyde Barnhill, Chair  
 Mayor Ken Moore  
 Ed Cagle, Citizen  
 Marcia Williams, Citizen  
 Mark Paris, Employee  
 David Edge, Employee  
 Shirley Harmon, Human Resources Director

**Other Attendees**

P	Barry Bryant, Dahab Associates	P
P	Elizabeth Browne, SunTrust	P
P	David Kays, Acuff & Associates	P
A	Andrew Elbon, Bradley Arant Boult Cummings	P
P	Russ Truell, Finance Director	P
A	Candace Connell, Assistant Director HR	P
P	Brian Wilcox, Purchasing Manager	P
	Linda Fulwider, Board Recording Secretary	P

**1. Call to Order**

Alderman Barnhill, Chair, called the meeting to order at 2:00 p.m.

**2. Approval of the Minutes**

*Ed Cagle moved to approve the June 13, 2011 minutes as presented. Seconded by Mark Paris. Motion carried unanimously.*

**3. Report on Custodial/Trustee Services RFP**

**Barry Bryant & RFP Evaluation Committee**

Mr. Bryant noted there are three tiers of services. US Bank, Fifth Third Bank, and M&T Bank are more or less in the same part of the market. State Street is in the top tier (larger), and does not typically court small markets, e.g. COF pension plan.

**ORGANIZATIONAL INFORMATION**

Firm	US Bank	Fifth Third Bank	M&T Bank	State Street Bank
Location	Minneapolis, MN	Cincinnati, OH	Buffalo, NY	Boston, MA
Affiliation	Independent	Subsidiary of Fifth Third Bancorp	Subsidiary of M&T Bank Corp.	Independent
Inception of Trust Business	1914	1858	1893	1974
Total Custodial Assets	\$800B	\$266B	\$57.2B	\$3.2T
Number of Clients	3,058	2,941	2,022	1,356
Account Contact & Servicing	Bob Hewston, primary day to day & Kameron George	Gayle Pearl and Relationship Manager David Culpepper (single point of contact)	Relationship Manager Cassandra Cole will lead a dedicated team	Tony Teberio & Eileen Hays main contacts. Directed trustee services not offered.
Trust Dept. 3 yr Turnover	10%	<5%	<1%	<2%
Fee Schedule	*Market Value Fee: 2.5 bps on first \$25mm 2 bps on next \$25mm 1.5 bps on balance *Directed Trustee: 4 bps on first \$25mm 3 bps on next \$25mm 2 bps on balance *Account Charges: Included in asset based fee *Transactions: First 600 transactions waived, \$10 per transaction thereafter *Pension Payments: Retiree Check- \$1.75, 1099-R Included, Lump Sum- \$20, Stop Payments \$15 *Minimum Fee: \$5,000	*Market Value Fee: 4 bps on first \$50mm 3 bps on next \$50mm *Directed Trustee: 6 bps on first \$50mm 5 bps on next \$50mm *Account Charges: Included in asset based fee *Transactions: Included in asset based fee *Pension Payments: Retiree Check \$2.00, 1099-R Included, Lump Sum \$25, Stop Payments Included *Minimum Fee: \$7,500	*Market Value Fee: 3.5 bps on balance *(no extra charge for directed trustee) *Account Fee: \$300 Base Fee per account *Transaction Fee: \$10 (DTC, Federal Reserve, Mutual Fund) -First 100 transactions are free- *Other Charges: Outgoing Wires \$15 *Pension Payments: Retiree Check \$1.50, 1099-R \$5.00, Lump Sum \$20	*Market Value Fee: 2 bps on balance *Account Fees: Separately Managed Domestic: \$3,000 *Mutual/Commingled Funds: \$1,500 *Cash Accounts: \$1,500 *Transactions: Depository/Book Entry: \$10 Mutual Fund/Commingled: \$8 *Pension Payments: Retiree Check \$1.25, 1099-R included *Minimum fee: \$24,000

**4. Interviews with Custodial/Trustee Finalists:**

**a. US Bank – Steve Richter, VP Business Development and Kameron George, VP Relationship Manager**  
 Points:

- Sixth largest US custodian
- Focus on middle market
- Clients similar to City of Franklin
- 81 branches in Tennessee
- Over 3,000 client relationships Trust & Custody Services
- 43,000 accounts \$1 Trillion in Trust & Custody assets under custody
- 30 IT&C Office Locations
- Kameron George, Relationship Manager and Bob Hewston, Funds Account Manager, headquartered in Birmingham, AL, would be responsible for the COF account
- Ms. George has 35 clients
- Mr. Hewston, has 40 accounts
- Calls always answered live
- Seasoned staff with back-up person(s)
- Did well during the economic downturn
- Low employee turnover
- TrustNow Essentials (TNE) online system
- Excellent conversion history
- Very hands-on and customer focused
- 97% client retention rate

Mr. Bryant, Ms. Harmon, and Mr. Truell had particular questions to ask representatives of each bank including stance on Custodian vs. Directed Trustee, ease of communication/reporting systems, and centralization of operations.

**b. Fifth Third Bank - Tamara Johnston, VP & Relationship Manager, Gayle Pearl, VP, Sales & Relationship Manager, and David Culpepper, VP, Client Consultant**

Points:

- Named 7<sup>th</sup> strongest bank in the world in May 2011 - Bloomberg Markets Magazine
- Over 80 years of custody experience
- \$274 billion in assets under care - \$150 billion in public fund assets under custody
- Domestic Sales and Relationship Management – Gayle Pearl, Nashville
- Day to day Client Consultant – David Culpepper, Charlotte, NC
- Operations team based in Cincinnati
- Custody vs. Directed Trustee – Fiduciary Role, \*Shared risk management, \*Unbiased recommendations, \*Shared best practices and industry trends.
- Top 15 Regional Bank
- Committed to Institutional Services
- Existing Custody Service and Local Accountability
- Solid Custody Capabilities as a Top 15 National Provider
- Focus on Public Fund custody
- Proven Conversion Process
- Fifth Third Direct Internet Reporting including Enhanced Reporting by Clearwater Analytics
- Transparent, Competitive Fee Structure

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**c. M&T Bank – Philip Wohlford, Administrative VP, Cassandra Cole, VP, Jeffery Kemp, VP**

Points:

- Jeff Kemp, designated person for day-to-day contact – responsible for 20 relationships
- Monthly evaluation of account loads as some more intensive than others – number of accounts does not always reflect workload

- Ms. Cole headquartered in Baltimore, MD
- Interchangeable people with ample backup
- Trust services 100+ years, over \$57 billion in assets as of June 30, 2011
- Stability – weathered the storms since 2008 and thrived
- Staff averages 18 years of experience in custody and employee benefit services
- Real-time, internet based reporting system that allows for review and export of account data on a daily basis – WebFolio
- Low staff turnover
- Representatives do not use voice mail
- Conversion process handled by Ms. Cole with limited City involvement – dedicated conversion team in Buffalo, NY

Mr. Bryant, Ms. Harmon, and Mr. Truell had particular questions to ask representatives of each bank that included stance on Custodian vs. Directed Trustee, ease of communication/reporting systems, and centralization of operations.

- It was asked and answered that M&T accepted minimum allocation TARP money
- Calculation of benefits done in-house with mailing from vendor in California
- Custodian vs. Directed Trustee - so similar it is the same standard of care. They safe-keep the assets the same as Directed Trustee (fiduciary) and the reason it was bid at the same price.
- Reasons for wanting to do business with the City of Franklin - they have a working relationship with Barry Bryant, Plan size, not constrained by geography

**d. State Street Bank - Eileen Hayes, Client Manager and Rich Protasewich, Business Development**

Points:

- One of the world's largest managers of institutional assets
- Assets under custody and administration management \$22.8 trillion
- Investment servicing provider for over 34% of the public fund market with \$1.3 trillion in public fund assets
- My.statestreet.com – single portal into State Street Services
- Data updates available in real time
- City of Franklin Management Team: Tony Teberio, Eileen Hayes (main point of contact all the way to funded), Joe Rooney – Boston
- Client Service Team in Kansas City
- Ms. Hayes has 12 clients and can handle as many as 15
- Jacksonville dedicated payment center is a division of State Street
- COF has relationship with SSGA, and without that the cost would have been \$10,000 more
- Southern accounts - three in Knoxville, several in Georgia, Florida, Alabama, and Arkansas. Want to grow business in Tennessee.
- State Street did not bid on Directed Trustee – no difference in service than for Custodial

Mr. Bryant, Ms. Harmon, and Mr. Truell had particular questions to ask representatives of each bank that included stance on Custodian vs. Directed Trustee, ease of communication/reporting systems, and centralization of operations.

**5. Consideration of Award of Custodial/Trustee Services                      Brian Wilcox, Purchasing Manager**

Mr. Wilcox explained the RFP process leading up to this point and said the next step would be a recommendation to BOMA via the Budget & Finance Committee.

Mr. Bryant noted custodial bank fees are extremely complicated and the estimates used were to compare the firms. The actual fees may not be exactly as stated.

SunTrust was also in the running but not required to make a presentation since the bank has been the pension trustee for many years; thus, the Committee is familiar with their service levels. SunTrust representative, Elizabeth Browne left the meeting prior to discussion of the proposals.

Discussion on pros and cons of each proposal:

- Ms. Harmon preferred Fifth Third or US Bank. Gayle Pearl of Fifth Third in Nashville is known she was the SunTrust's representative for the City's Plan. Ongoing problems with SunTrust remain unresolved.
- Mr. Truell noted a current relationship with Fifth Third for non-pension business. They offered a good price. His preferences were US Bank or Fifth Third.
- Mr. Stuckey remarked that SunTrust has not been a good service entity and it is time to change.
- Mr. Bryant mentioned the Directed Trust vs. Custodial. State Street stated it correctly that there is no difference except potential legal liability.
- Andrew Elbon pointed out that under the terms of the City's Plan document the Trustee does not face much liability. The City is the Plan Administrator – through this Committee.
- Mr. Bryant asked if the Committee thought it would be beneficial to consolidate all funds (current relationship with Fifth Third) or split them and see how each performs.
- US Bank has a low bid for Custodial.
- US Bank would come to the City to train staff
- Mr. Truell noted the savings with US Bank
- Alderman Barnhill favored US Bank and Fifth Third
- Mayor Moore thought SunTrust the weakest and US Bank and Fifth Third the strongest

*Mayor Moore moved to recommend to BOMA, via the Budget & Finance Committee, to award the bid to US Bank for Custodial Services Only. Further, amend the Pension Plan Master Document, Section 1.52, "Trustees" means ~~the Mayor, City Administrator, and the Human Resources Director~~ the City. Seconded by Ed Cagle. Motion carried unanimously.*

Mr. Bryant will inform SunTrust, the current Trustee, of the recommendation to award the bid to another entity, a major factor being cost of service. (Difference of \$37,000)

**6. Quarterly Investment Update**

**Barry Bryant, Dahab Associates**

Second Quarter earnings: Some investments approached a 2% return, while others only returned an amount close to zero. It was not a good quarter.

Penn Capital continues to underperform and should be asked to appear before the Committee.

*Shirley Harmon moved to request Penn Capital appear before the Pension Committee. Seconded by Ed Cagle. Motion carried unanimously.*

**7. Trustee Report**

**Elizabeth Browne, SunTrust**

**8. Actuarial Report**

**David Kays, Acuff & Associates**

**9. Human Resources Report**

**Shirley Harmon, HR Director**

**10. Update on RFP Plan for Other Professional Services**

**Russ Truell, ACA Finance & Administration**

Not addressed due to time constraints

**11. Other Business**

Next meeting Monday, November 14, 2011 @ 3:00 p.m.

**12. Adjourn**

*Mark Paris moved to adjourn, seconded by Clyde Barnhill, motion carried unanimously.*

Meeting adjourned 5:09 p.m.

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Clyde Barnhill, Chair

Minutes prepared by Linda Fulwider, Board Recording Secretary, City Administrator's Office - 11/22/2011 3:36 PM