

A regular meeting of the OPEB Committee was held May 11, 2017 at 9:50 a.m. in the Administration Conference Room at Town Hall, 500 Poplar View Parkway.

The following members were present: Dick Gardiner, Gregory Reichert, Mark Krock, Jay Jeffries and Stan Joyner.

Staff present was Pension Attorney Frank Carney and Lynn Carmack. Also present was Susan Fletcher, Ward McBee, Gerald Laurain, and Lisa Cook of First Tennessee Bank.

APPROVAL OF MINUTES

Motion by Mayor Joyner to approve the minutes of the February 8, 2017 meeting.

ROLL CALL: Gardiner – yes, Reichert – yes, Krock – yes, Jeffries – yes, Joyner – yes.
Motion approved.

REVIEW OF THE QUARTERLY INVESTMENT PERFORMANCE OF THE OPEB TRUST FUND BY FINANCIAL ADVISORS – FIRST TENNESSEE BANK (Gerald Laurain, Ward McBee and Susan Fletcher)

CAPITAL MARKET ASSUMPTIONS: Mr. McBee said that this is 65% targeted for equities and 35% for fixed income. From 2016 to 2017, expected return has decreased slightly from 5.34 to 5.18.

PERFORMANCE: As of end of 3Q, the total fund is up 4.08 versus 3.72 blended benchmark, FTYD is up 7.50 versus 8.53 benchmark. Some of the issues mentioned on the DBP, regarding the international funds, holds true here. He said they will continue to monitor not only those funds, but all of the funds in the Plan.

Year 1 is up 9.52 and FYTD is up 7.50, but as of May 10, 2017, FYTD is up 9.29%, Inception date is 7 years, 10 months, up 10.42 versus 9.79 blended benchmark.

ASSET ALLOCATION: Targets are 35% in fixed income and 65% to equities, is underweight on the fixed income and overweight by the same amount on the equities at 66.73 and 33.27 in fixed income. This is within range, no issues there.

HISTORICAL SUMMARY: QE 03/31/17 return is up 4.08, QE 12/31/16 is up 0.05 and QE 09/30/16 is 3.23.

EXPENSE SUMMARY: Ms. Fletcher said the YTD expense ratio in the fund is 0.38 and expenses, as far as the trustee fee and the other fees, is 0.19.

Brief discussion ensued regarding brick and mortar stores and retail sales online.

Mr. Gardiner asked why not use more index funds.

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Mr. McBee said they believe that you can have a better outcome using a mix of index and active funds.

Mr. Laurain added that market conditions have to be looked at and it turns out that active managers have a better chance of out-performing in a down market or a sideways market.

RENEWAL OF CONTRACT WITH FIRST TENNESSEE NATIONAL BANK ASSOCIATION (Presentation by: Mark Krock, Finance Director)

In May of 2007, the Board of Mayor and Aldermen approved a contract with First Tennessee to provide financial advice and trustee services for the Defined Benefit Pension Plan (Pension). In addition, in May of 2009 the Board of Mayor and Aldermen approved a similar contract with First Tennessee for Other Post-Employment Benefits (OPEB).

As trustee, First Tennessee keeps a record of all assets in the Pension and OPEB accounts, collects all dividends and interest income, makes cash distributions to retired employees and others, and sends appropriate tax forms to retired employees on an annual basis. As financial advisor, First Tennessee assists the Pension/OPEB Committee in adhering to adopted investment policies and provides quarterly reports of investment returns and updates to the Pension/OPEB Committee.

The contract does not specify a contract duration period but states the agreement may be terminated at any time by either party with 30 days advance written notice. However, the Town has elected to formally renew these contracts on an annual basis.

The fee to provide investment management and custodial services is based on a percentage of the total investment value of the OPEB portfolio. The OPEB portfolio value as of March 31, 2017 was \$11,466,716 and the year-to-date fees through Q3 (July 1, 2016 – March 31, 2017) were \$20,828. The fees for the OPEB fund are paid by check from funds before the deposit is made into the trust.

Motion by Mayor Joyner, seconded by Mr. Krock, to recommend renewal of the Professional Services Agreement for asset investment management and custodial services for the Town's OPEB Plan with First Tennessee to the Board of Mayor and Aldermen.

ROLL CALL: Gardiner – yes, Reichert – yes, Krock – yes, Jeffries – yes, Joyner – yes.
Motion approved.

ADJOURNMENT

There being no further business, the meeting was declared adjourned at 10:02 a.m.

Chairman

Town Clerk

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