

A regular meeting of the OPEB Trust Committee was held November 9, 2016 at 9:12 a.m. in the Administration Conference Room at Town Hall, 500 Poplar View Parkway.

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

Staff present was James Lewellen, Daniel Estes, Pension Attorney Frank Carney and Lynn Carmack. Also present was Susan Fletcher and Ward McBee of First Tennessee Bank and Richard Ellis of Ellis & Ward Benefits Group Inc.

### **APPROVAL OF MINUTES**

Motion by Mr. Barnwell, seconded by Mayor Joyner, to approve the minutes of the August 11, 2016 meeting.

ROLL CALL: Barnwell – yes, Gardiner – 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 (Ward McBee and Susan Fletcher)**

Mr. McBee stated that the expected return is a little higher (5.34) based on the current allocation and the assumptions.

Performance of the portfolio since inception, seven years and four months, is 10.56 versus 9.75 blended benchmark, FYTD up 3.23 versus 3.14, one year is 9.86 versus 9.52, three year is 6.52 versus 5.92 and five year is 9.99 versus 9.89, all out-performing their benchmark. Good performance, relative and absolute.

Mr. McBee said the unaudited return is up .09 through November, it was down in October to 2.26.

The portfolio Asset Allocation is a little underweight in fixed income and overweight in equities. Large Cap equity is down a little over 1% (-1.27 underweight), and International and REITs are a little overweight. They will dial that back and bring it back more to target.

Mr. Ellis said the plan's actuarial assumption is 7.5% but for 2016, it is a little bit over 5%.

Mr. McBee stated that anything from 4.5% to 6.5%, or 5% to 6%, is probably more in line with a prudent estimation. He said that all of the capital market assumptions for the last couple of years have been coming down and will probably continue to go down until we see some sort of correction in growth.

Mr. Ellis said that it is an important question for the committee, because if the assumption is 7.5% and we cannot get that on a regular long term basis, then we are not putting enough money into the Plan.

Mr. Carney asked when actuarial professional rules come in and a change would be recommended.

Mr. Ellis said there is not a fixed rule but there is a guideline for the plan and that is TCRS (to be within 50 basis points of the discount rate they use).

Upon a question from Mr. Carney, Mr. Ellis answered that TCRS uses 7.5% now, but it may go down a bit when their report comes out at the end of the year. He added that the Town could leave theirs at 7.5% or take the opportunity to drop it down at that time.

Mr. Ellis added that the Town's plan is in good shape financially, so it could stand 2 or 3 more years at less than 7.5% returns

Mayor Joyner asked what the standard is.

Mr. Ellis said that 7.5% is pretty standard.

**REVIEW OF ACTUARIAL REPORT AS OF JULY 1, 2016 – RICHARD ELLIS, ELLIS & WARD BENEFITS GROUP, INC.**

The first page of the letter shows the annual OPEB cost at \$541,769 or 2.3% of payroll. The approximate rate of returns on average invested assets is 0.7% for the fiscal year ending June 30, 2016.

Ms. Fletcher advised that First Tennessee's approximate rate of return is .95%

Mr. Ellis said that for FY ending June 30, 2016, the annual OPEB Cost is \$499,871 and contributions made are \$559,931. He said that the Town is making contributions in excess of what it had to put in, which decreases the net pension obligation.

The net OPEB obligation has been going down in the last 4 or 5 years and is down to \$176,550. Unfunded actuarial accrued liability is down to \$1,088,293. Mr. Ellis said the Plan is in good shape because claim costs have been controlled and because the participant is paying a percentage of the premiums.

Mr. Ellis said OPEB is a well-designed and well-funded plan and there is not anything he would recommend doing different right now, other than consider a change in the discount rate if we need to.

Mr. Ellis said that GASB75 is coming up and will be changing all of the rules for OPEB. They are going to require a lot more disclosure and a lot more history. He recommended that under GASB75, it is a good idea to have a formal funding policy.

Mr. Jeffries asked for questions and received none.

**ADJOURNMENT**

The OPEB meeting adjourned at 9:31 a.m.

\*\*Mr. Jeffries opened the Pension Committee back up at this time to hear the Actuary Report on the Pension Plan.

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Chairman

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Town Clerk

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