A regular meeting of the Pension Committee was held November 9, 2015 at 9:00 a.m. in the Administration Conference Room at Town Hall, 500 Poplar View Parkway.

The following members were present: Danny Barnwell, Jane Bevill, Jay Jeffries and Stan Joyner. Absent was Dick Gardiner.

Staff present was James Lewellen, Mark Krock, Pension Attorney Frank Carney and Lynn Carmack. Also present was Susan Fletcher, Lisa Cook and Alan Ferguson of First Tennessee Bank.

APPROVAL OF MINUTES

Motion by Ms. Bevill, seconded by Mr. Barnwell, to approve the minutes of the August 13, 2015 meeting.

ROLL CALL: Barnwell – yes, Bevill – yes, Jeffries – yes, Joyner – yes.

REVIEW OF THE QUARTERLY INVESTMENT PERFORMANCE OF THE COLLIERVILLE DEFINED BENEFIT PENSION PLAN BY FINANCIAL ADVISORS – FIRST TENNESSEE BANK (Alan Ferguson and Susan Fletcher)

Mr. Ferguson began the presentation by talking about money market funds. The money market world is going to change October 15, 2016. There will be new rules in place. Most of them affect the institutional side of the money market world. However, if you are in a government money market fund, you are not going to be affected.

Mr. Ferguson said they use the First Tennessee sweep account because it pays a higher interest than the government money market funds. In 2009, they left the money market funds and went to the treasury funds because they were safer. They intend to stay in the government area where it is more safe, secure and predictable.

Moving on to the macroeconomic background, the market trend is still positive. Liquidity is still good. Companies are still able to go public and still access the credits market. Banks are still willing to loan money. Market psychology, which is the most volatile thing looked at, has improved. On the valuation side, the market is still fairly valued.

The S&P 500 had a downturn in the fall and came back up in October about 7% for the month. The consensus is that there will probably be a rate increase in December. The economy is still growing at a sluggish rate. Inflation is still low which makes a good case for not raising rates. The Gross Domestic Product (GDP) came in at 1.4 on October 9, 2015.

Mr. Ferguson said under the Capital Market Assumptions, expected returns has been a low return environment and he does not think that will change.

The first quarter performance, especially August and September, were negative, finishing at –4.45. But, October was a good month, so most of the first quarter down turn has been made up.

Mr. Ferguson pointed out that as we start to go through these rate increases, we are going to see more volatility in the stock and bond markets as they learn how to cope with these rate increases. We are fairly close to our stock and bond markets.

REVIEW OF ACTUARIAL REPORT AS OF JULY 1, 2015 (Richard Ellis, Ellis & Ward Consulting Group Inc.)

Mr. Ellis started out by stating that the suggested contribution is $2, 426,740 and a minimum suggested contribution is $2,277,360, which equates to 10.4% of payroll, as of July 1. The suggested contribution last year was $2,478,913.

Mr. Ellis explained that he takes an approximate time weighted average, and how much in assets the Town has invested, to get an approximate positive return of 3.4% for the fiscal year ending June 30, 2015.

Mr. Ellis added that in order to determine the actuarially determined contribution, a gain or loss is spread over 5 years and that tends to give a more smooth weighted average of assets. In 2012, there was a loss of $1,836,764, which has been amortized over 5 years. The next year there was a gain of $1,178,308 that was amortized. The net effect is a smoother asset valuation than it would be just taking market value.

Mr. Ellis said that the historical trend rate of return on assets, from inception to date, show that the first couple of years took some good losses and it has taken the last six years to catch up. Calculations show, from inception to date, an approximate 4.4% return, which is less than the 7.5% needed.

Mr. Ellis added that there are a couple of things that are helping the Plan overcome this. One is that if you take out the two negative years and just look at the years 2010 – 2015, for those six years the average rate of return is 10.5%.

Mr. Ellis advised that at least for another year or so, he would not recommend changing the long term rate of return because historically the Town has been putting more money in than what is required, building a little reserve in case things go the wrong way long term.

Mr. Ellis said that for right now he is comfortable with the 7.5%. But if we get a couple of years of negative returns, and Mr. Ferguson says 7.5% cannot be earned, it may force the Committee to change that long term rate of return.

Mr. Ellis referred to the net pension liability table, stating at 6/30/14, net pension liability is $3,591,365 (good). Assets are almost equal to liabilities. At 6/30/15, it has grown to $4,588,511, which is great to have that little of net pension liability.

Mr. Ellis pointed out that in 2008, the Town's net pension liability was $11,125,516 and it has decreased all the way through to 2015 to $4,588,511. The State Comptroller will look at that and be happy about the progress.

ADJOURNMENT

There being no further business, the meeting was declared adjourned at 9:45 a.m.

Chairman

Lynn Carmack
Town Clerk