A regular meeting of the Pension Committee was held November 9, 2016 at 9:00 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 – absent during vote, Jeffries – yes, Joyner – yes. Motion approved.

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

Mr. McBee started the presentation talking about the *Five Factor Framework*. The *General Economic Backdrop* is the growth rate of weekly leading indicators, which is green. *Market Trend*, the current price of the S&P is above the 12-month rolling average so that is green. *Availability of Credit* was green in September and it now it is yellow. *Investor Sentiment* is yellow and *Valuation* is still red. It is kind of a cautious environment.

Economic Forecast was updated as of September, the GDP in 2017 is 1.6% and for 2016 is 1.6% as well.

Under Inflation, the Core PCE is 1.6% for 2017 and 1.8% for 2016. The Fed would like to get that to 2% but has not been able to.

Mr. McBee said they are expecting a quarter percent rate hike in December.

The updated capital market assumptions are based on the current asset allocation with an expected return of 5.10.

Performance of the portfolio since inception, 9 years and 3 months, is up 5.62 versus the blended benchmark of 4.25. FYTD, quarter ending in September, is up 2.88 versus 2.84 for the benchmark. One year ending in September, up 8.97 versus 8.91 blended benchmark. Three year is up 6.22 versus 5.59, and five year is 9.77 versus 9.17. Good overall and relative performance for the portfolio.

The Asset Allocation, as of September, is a little underweight on the fixed income and overweight in equities. Mr. McBee said they will readjust the allocation and bring it closer to target.

Portfolio Holdings and Performance. Some portfolio changes were made this past quarter (removing some names and replacing with others). In the third quarter, the S&P added REIT as a sector. An ETF REIT was purchased for that allocation. Emerging markets (small position) was also added back in later September (the T Rowe Price Emerging Markets Stock I).

Mr. McBee concluded the presentation by stating that the unaudited account was back in the positive for November, up 7 basis points.

Mr. Jeffries asked for questions and received none.

Mr. Jeffries called on Mr. Ellis for his report. Mr. Ellis asked the Committee to consider deferring this item until copies of the report could be presented to the committee.

Motion by Mayor Joyner, seconded by Mr. Barnwell, to table the Actuarial Report at this time.

Mr. Jeffries closed the Pension Committee meeting at 9:12 a.m.

Mr. Jeffries reopened the Pension Committee meeting at 9:31 a.m. to take up the tabled item (Mr. Ellis' report).

<u>REVIEW OF ACTUARIAL REPORT AS OF JULY 1, 2016 – RICHARD ELLIS, ELLIS & WARD BENEFITS GROUP INC.</u>

Mr. Ellis stated that the actuarially determined contribution for the Pension Plan is $2,201,004 or 10% of current payroll. This is down from $2,277,360 or 10.4% of payroll.

The approximate rate of return on average invested assets is at 1.0%.

Ms. Fletcher added that First Tennessee's aver invested assets is 1.21%.

Mr. Ellis said that 1.0% is pretty good and that First Tennessee is doing a pretty good job.

Mr. Ellis cautioned the Committee to the return, long term, and consider TCRS when they set the discount rate.

He pointed out that the market value of assets is $56,430,730, but some of the gains and losses are being deferred ($2,539,821) to smooth out the fluctuations; $58,970,551 was used to calculate the actuarial determined contribution.

In 2016, the plan had a loss of $3,567,807 and they are deferring 80% of that. That will go down each year; next year it will be 60%. Gains and losses are worked in over a 5 year period so they do not cause quite as much volatility in the contribution requirement.

The approximate return on assets, since inception and over 9 years, is approximately 4% average return. Mr. Ellis said that if you take out the first two years (2008 and 2009) it has done very well.

Mr. Ellis stated that the discount rate does concern him a bit.

Mr. Ellis said that last year, the total pension liability is $58,357,470, assets is $53,768,959, so the net pension liability difference is $4,588,511. This year, the pension liability has gone up to $62,707,661, assets have gone up to $56,430,730 and net pension liability is increased to $6,276,931, almost all of it due to investment return.

Mr. Ellis stated that the Town's net pension liability started with $11 million in 2008, and has been drifting downward. In 2015, it was down to $4.5 million and is up to $6.2 now, but over time, the Town has done a good job of reducing that net pension liability. The goal is to get it to zero. The Plan is in better shape than most plans because the Town has done a good job of putting in more than is required.

Mr. Ellis concluded, by stating that it is a good looking report in terms of the results and he would not be in a hurry to change anything right now, other than reviewing the discount rate.

ADJOURNMENT

There being no further business, the meeting was adjourned at 9:48 a.m.

Chairman

Town Clerk