

A regular meeting of the OPEB Committee was held Thursday, June 4, 2020 at 9:20 a.m. in the Administration Conference Room at Town Hall, 500 Poplar View Parkway.

The following members were present: Preston Carpenter, Jay Jeffries, Gregory Reichert (remotely) and Stan Joyner. Absent was Mark Krock.

Staff present was Town Administrator James Lewellen and Town Clerk Lynn Carmack. Also present (remotely) was Susan Fletcher and Ryan Miller of First Horizon Bank.

Approval of Minutes

Motion by Mr. Carpenter, seconded by Mayor Joyner, to approve the minutes of the February 13, 2020 meeting.

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

Review of the Quarterly Investment Performance of the OPEB Trust Fund by Financial Advisors - First Horizon Bank (Ryan Miller and Susan Fletcher)

IPS GUIDELINES & CAPITAL MARKET ASSUMPTIONS: displays the allocation targets, the acceptable ranges of variance from those targets, and the expected rates of return.

This portfolio is targeting a 35% allocation to Fixed-Income and a 65% allocation to Equities.

The expected return assumptions have not changed since the last time the Committee met.

The return assumptions for Fixed-Income and Equities are still 1.09% and 4.60%, respectively, overall, resulting in a total long-term return assumption of 5.7% for the entire portfolio.

These are long-term expectations with a 10 plus year time horizon.

MARKET VALUE AND PERFORMANCE: this page shows the market value and performance over various time periods for the portfolio (through 03/31/2020).

The portfolio was down in January, February and March (-0.14%, -4.61% and -10.27%, respectively).

Overall, for Q3, the portfolio was down -14.53%.

For the past 9 months (FYTD), the portfolio was down -8.55%. Over the past 12 months, the portfolio returned -5.25%.

The past 3 and 5 year time periods have annualized at 2.7% and 3.14%, respectively.

Since inception (going back 10 years and 10 months), the portfolio has outperformed the blended benchmark, annualizing returns at 8.23% vs. 7.44%.

The portfolio has still managed to outperform its blended benchmark over a 3-year, 5-year, and since inception basis.

Ms. Fletcher gave an update on more recent performance, stating that April came in at 7.94%; May came in at 3.92%; June was up 2.21%, QTD was up 14.65% and FYTD up 4.85%.

ASSET ALLOCATION: this page details the dollar and percentage amount of each asset class and sub asset class as of 03/31/2020.

The total cash and fixed income was a little over \$5.25 million at the end of the quarter, which represented a 40.5% share of the portfolio with a variance of 5.05% over target.

The equities portion totaled approximately \$7.72 million, representing 59.5% of the portfolio. Again, that translated to a variance of 5.05% under target.

This variance from target was a direct result of the strong pullback in the equity markets in late February and March.

Given the ranges of variance that the portfolio is allowed to fluctuate within, the overall allocation stayed well within its limits and still relatively close to target.

The total portfolio balance at the end of March was just over \$12.97 million.

HOLDINGS AND PERFORMANCE: helps illustrate the performance of the individual, underlying holdings in the portfolio for the past 3 months as well as the FYTD.

Fixed-Income Funds

All except one suffered from the unprecedented selloff during the second half of the quarter.

Aggregately, these funds were down -1.31% for the quarter, leading to a fiscal YTD return of 0.98%.

There were no changes to the fixed-income manager lineup during the quarter.

Common Stocks

They experienced a disappointing quarter, with the 50 stock composite collectively returning -23.40%.

Again, the Top 3 Detractors for the quarter were Kohls, National Oilwell and Baker Hughes.

The Top 3 Contributors were Gilead, Biogen, and Amerisource Bergen.

Again, the only change to the common stock portfolio for the quarter was the sale of Darden Restaurants, which was replaced with Oracle Corporation.

Domestic Equity Managers

Much like the individual common stocks in the portfolio, they did not have a favorable start to the year either.

The only change in the domestic equity manager lineup during the quarter was the sale of Voya Midcap Growth and replacement with MFS Mid Cap Growth.

International and Emerging Markets Equity

These funds had a difficult quarter as well. Overall, no changes were made to the International and Emerging Markets fund during the quarter.

HISTORICAL SUMMARY:

Ms. Fletcher stated that looking at the cash flows for the quarter, the loss (of \$2.2 million) is what really stands out. She pointed out a gain of \$1.9 million back, but that a bit more is needed this month to get back what was lost.

EXPENSE SUMMARY:

Ms. Fletcher said the expenses are slightly higher here since there are no individually held securities. The mutual fund weighted expense is 29 basis points and expenses total 21 basis points.

There were no questions or comments.

Renewal of a three year professional services contract (July 1, 2020 – June 30, 2023) for actuary services for the Town of Collierville’s OPEB plan with Ellis & Ward Consulting Group, Inc. (Presentation by: Jay Jeffries, Human Resources Director)

The purpose of this agenda item is to consider recommendation to the Board of Mayor and Aldermen the renewal of the professional services contact for actuarial services with Ellis & Ward Consulting Group, Inc., for the Town of Collierville’s Other Post-Employment Benefits (OPEB) plan.

Ellis & Ward Consulting Group, Inc. has provided actuarial services for the Town of Collierville since 2012. They have consistently performed these services timely and provided additional support when requested.

The professional services provided by Ellis & Ward Consulting Group, Inc. include: bi-annual actuarial valuations of the plan with annual updates, providing GASB calculations, and required disclosures for financial reporting. The proposed annual fee is \$15,125 for FY21 and \$16,125 for FY23. This represents an annual increase of approximately 10% from the prior contract reflecting the significant increase in financial statement disclosure requirements related to OPEB plans. The

fee for the update in FY22 will be \$1,925. The proposed term is for three years beginning July 1, 2020.

Motion by Mayor Joyner, seconded by Mr. Carpenter, to recommend the renewal of a three year professional services contract (July 1, 2020 – June 30, 2023) for actuary services for the Town of Collierville's OPEB plan with Ellis & Ward Consulting Group, Inc. to the Board of Mayor and Aldermen.

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

Renewal of Contract with First Horizon National Corporation (Presentation by: Jay Jeffries, Human Resources Director)

The purpose of this agenda item is to recommend to the Board of Mayor and Aldermen the renewal of the contract for asset investment management and asset custodial services for the Town of Collierville Other Post-Employment Benefits (OPEB) Plan with First Horizon National Corporation.

In May of 2007, the Board of Mayor and Aldermen approved a contract with First Horizon 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 Horizon for Other Post-Employment Benefits (OPEB).

As trustee, First Horizon 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 Horizon 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 and will not change. The OPEB portfolio value as of March 31, 2020 was \$12,975,673 and the year-to-date fees through Q3 (July 1, 2019 – March 31, 2020) were \$26,645. The fees for the OPEB fund are paid by check from the OPEB fund.

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

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

Adjournment

There being no further business, the meeting was declared adjourned at 10:03 a.m.


Chairman


Town Clerk