

A regular meeting of the OPEB Committee was held on Thursday, August 13, 2020, immediately following the Pension Meeting, in the Administration Conference Room at Town Hall, 500 Poplar View Parkway.

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

Staff present was Town Administrator James Lewellen, Shanda Ford and Town Clerk Lynn Carmack. Also present was Susan Fletcher and Ryan Miller of First Horizon Bank and Pension Attorney Frank Carney.

Because of the impact of the COVID-19 pandemic, First Horizon Bank financial advisors, Pension Attorney and Pension Committee member, Gregory Reichert, connected to the meeting via Skype.

Approval of Minutes

Motion by Mr. Krock, seconded by Mayor Joyner, to approve the minutes of the June 4, 2020 meeting.

ROLL CALL: Jeffries – yes, Krock – abstain, 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 & 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.

Mr. Miller noted that 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 06/30/2020).

The portfolio was up in April, May, and June (7.94%, 3.92%, and 1.94%, respectively).

Overall, for Q4, the portfolio was up 14.34%.

For the past 12 months (which is fiscal year to date), the portfolio was up 4.57%.

The past 3 and 5 year time periods have annualized at 6.39% and 6.09%, respectively.

And since inception (going back 11 years and 1 month now), the portfolio has outperformed the blended benchmark, annualizing returns at 9.35% vs 8.57%.

The portfolio has still managed to outperform its blended benchmark over a 1 year, 3 year, 5-year, and since inception basis.

Mr. Miller gave an update on more recent performance, stating that July was up 3.68%; August is up 2.19%; and, FYTD is up 5.94%.

ASSET ALLOCATION: this page details the dollar and percentage amount of each asset class and sub asset class as of 06/30/2020.

The total cash and fixed income was a little over \$5.16 million at the end of the quarter, which represented a 34.81% share of the portfolio with a variance of 19 basis points *under* target.

The equities portion totaled approximately \$9.67 million, representing 65.19% of the portfolio. Again, that translated to a variance of 19 basis points *over* target.

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

The total portfolio balance at the end of June was a little over \$14.83 million.

HOLDINGS AND PERFORMANCE: helps illustrate the performance of the individual, underlying holdings in the portfolio for the last 3 months as well as the fiscal year to date.

Since similar performance details were just covered with the Defined Benefit Plan, the key takeaways for this investment portfolio were summarized.

Fixed-Income Funds

Each of these funds experienced healthy returns during the quarter with almost all returning mid-single-digit performance.

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

Common Stocks

They experienced a strong quarter as well.

Overall, the 50 stock composite returned approximately 19% vs 20.54% for its relative benchmark (the S&P500).

46 of the 50 stocks enjoyed positive returns (most of which were double digits).

The Top 3 Detractors for the quarter were Biogen, Walgreens Boots, and L3 Harris Technologies.

The Top 3 Contributors were eBay, BestBuy, and Baker Hughes.

There were no changes to the common stock portfolio for the quarter.

Domestic Equity Managers

These funds had an outstanding quarter, with returns ranging from 12.5% to over 30%.

There were no changes made to the domestic equity fund lineup during the quarter.

International and Emerging Markets Equity

These funds had a very positive quarter, just like the domestic equities.

And just like in the DB plan, sold out of the international funds from MFS and Invesco, and replaced them with International funds from Clearbridge and John Hancock.

HISTORICAL SUMMARY:

Ms. Fletcher stated that the last quarter had a nice gain of \$1,860,988.

She said Mr. Miller mentioned the portfolio is up almost 6% through the close of last night. In terms of dollars, that comes out to \$15,718,518, so a big gain since the end of June.

EXPENSE SUMMARY:

Ms. Fletcher said expenses are a little higher here because this is strictly a mutual fund and individual stock holdings, but still, the annual mutual fund weighted expense came in at 38 basis points and other fees at 25 basis points.

There were no questions or comments.

Adjournment

There being no further business, the meeting was declared adjourned at 9:40 a.m.

Chairman

Town Clerk