

A regular meeting of the OPEB Committee was held Thursday, August 8, 2019 at 9:25 a.m. in the Administration Conference Room at Town Hall, 500 Poplar View Parkway.

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

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

### **Approval of Minutes**

Motion by Mayor Joyner, seconded by Mr. Krock, to approve the minutes of the May 9, 2019 meeting.

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

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

#### *IPS GUIDELINES & CAPITAL MARKET ASSUMPTIONS:*

This Plan targets a 35% allocation to fixed income and a 65% allocation to equities.

Mr. Miller said that much like the DB Plan, 2019 capital market assumptions are included alongside the 2018. The assumptions for both fixed income and equities have increased. The return assumptions for equities in this portfolio has increased by 39 basis points up to 4.60. The return assumption has increased for fixed income by 5 basis points and that is 1.09. Overall, long term assumptions are now 5.70; an overall increase of 45 basis points versus 2018.

*MARKET VALUE AND PERFORMANCE: this page shows the market value and performance over various time periods for the portfolio.*

In April, the portfolio was up 2.63; May was down to -3.63, June is up 4.75; Q4 is up 3.61; FYTD is up 7.22; the past 3 and 5 year time periods have annualized at 8.39 and 5.93 respectively; and, going back 10 years, 1 month, since inception, the portfolio has outperformed the blended benchmark, annualizing at 9.84 versus 9.17.

Mr. Miller said the portfolio has been resilient and continues to beat its blended benchmarks.

Mr. Miller gave more recent performance in this portfolio, stating that July was up .83; August was down -1.86; and FYTD down -1.04.

*ASSET ALLOCATION: this page details the dollar amount and percentages of each sub asset class as of June 30, 2019.*

At the end of the quarter, the total cash and fixed income is \$4,990,608; that represents a 34.82 share of the portfolio and a variance of 18 basis points under target.

The equities had a value of \$9,342,728; that is 65.18 of the portfolio and an 18 basis point variance over target. The portfolio balance, in total at the end of June, was \$14,333,336.

Mr. Miller said that everything in the portfolio is in line with where it needs to be.

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

Mr. Miller said it was a very respectable quarter across the board for the various sub asset classes.

The US Bond Market continued its positive trend in the quarter, and as a result, the fixed income managers in this portfolio performed well too; longer maturity bonds out performed shorter maturity bond funds.

Common Stock is very similar to the DB Plan, with a positive quarter so far, up 19.81 for the Large Cap Core.

The top 3 detractors were Kohl's, National-Oilwell and Walgreens. The top 3 contributors were Walt Disney, L3 Technologies and Manpower.

As stated earlier, the only change in the Common Stock portfolio for the quarter was selling out of Boeing at the beginning of May and replacing it with Northrop Grumman after earning a considerable return of approximately 185%.

The portfolio's domestic equity managers enjoyed a strong quarter. Growth funds continued to out perform value; mid caps did best, followed by large caps and then small caps.

The international and emerging markets continued to enjoy a much better year than they experienced last year with all 3 funds up low to mid single digits.

*HISTORICAL SUMMARY:*

Ms. Fletcher said that as of 06/30/19, the investment gain is \$499,018 as of 06/30/19; total market value is \$14,333,34.

*EXPENSE SUMMARY:*

Ms. Fletcher stated that Mutual Fund Weighted Expense is 40 basis points and other fees are 24, for a total of 64 basis points in expenses for the fiscal year. Again, very low.

There were no questions or comments.

**Adjournment**

There being no further business, the meeting was declared adjourned at 9:35 a.m.

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Chairman

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Town Clerk

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