

A regular meeting of the OPEB Committee was held Thursday, November 14, 2019 at 9:55 a.m. in the Administration Conference Room at Town Hall, 500 Poplar View Parkway.

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

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 Horizon Bank.

Approval of Minutes

Motion by Mayor Joyner, seconded by Mr. Reichert, to approve the minutes of the August 8, 2019 meeting.

ROLL CALL: Carpenter – yes, Krock – 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:

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

Based upon the new 2019 Capital Market Assumptions has an annualized return expectation of 5.70% over the next 10 years.

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

July was a good month, up 83 basis points; August was down 91; September finished up at 1.26%; for the FYTD, the portfolio is up to 1.17% relative to 0.55% for the blended benchmark; over 1 year, the portfolio has returned 5.64%; 3 years has annualized at 7.66%; over 5 years it has annualized at 6.50% and since inception (going back 10 years, 4 months) the portfolio has annualized at 9.71% versus 9.00% blended benchmark.

ASSET ALLOCATION: details the dollar amount and percentages of each sub asset class as of September 30, 2019.

The Fixed Income Portion, as of the end of September, was \$4,934,425; that represented 34.37% of the portfolio. The target is 35.00, so it was off by about 63 basis points. That is still a very small variance.

The Total Equity in the portfolio was \$9,420,561; that was 65.63%, which is about 63 basis points over the target of 65.00, but again, very small variance.

The dollar amount at the end of September was \$14,354,986.

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

1Q was a mixed quarter for the respective sub asset classes in the portfolio, but overall, still positive.

The Fixed Income Managers in the portfolio all performed well during the quarter and they were aggregately up 1.62%. Again, investor concerns led to significant demand for high quality fixed income assets.

Mr. Miller said there was a change to the Fixed Income Manager lineup, in share class. The Western Asset Core Plus Bond fund was switched from WACPX ticker to WAPSX because it is 3 basis points cheaper, it will save some money going forward.

There were no other changes to the Fixed Income Manager lineup for the quarter.

The Common Stocks enjoyed a good quarter. The composite of 50 stocks returned approximately 3.21% for the quarter, outperforming the S&P 500 which only did 1.69.

YTD Common Stock composite through calendar year Q3 is up 24.62 versus 20.55 for the S&P.

Detractors were Manpower down 12.8; Unum down 10.42; Cisco Systems down 9.2.

The top three contributors were Target, up over 24.00; Perrigo, up over 17.00 and Northrop Grumman, up over 16.00. All three had strong second quarter earnings reports.

There were no changes in the Common Stock Portfolio.

The Domestic Equity Managers performed well over all. Large Caps led the way followed by Mid Caps and then Small Caps.

The International Emerging Markets Managers, while still positive for the investment year 2019, they did struggle during this past quarter. Overall International Markets were down about 1.7% and Emerging Markets were down about 4.25%.

No changes were made to the Domestic Equity Funds or the International Equity Funds during the quarter.

The more recent performance: October was good, up 1.4%; November was up 1.03%; that brings the FYTD performance to 3.65%.

HISTORICAL SUMMARY:

Ms. Fletcher said the cash flows for the OPEB Trust show disbursements of \$145,000; there is an investment gain of \$166,374; and the ending market value is \$14,354,718.

EXPENSE SUMMARY:

Ms. Fletcher said the expense ratio within the Mutual Fund ran at 9 basis points; other fees were at 6 basis points; overall there are 15 basis points for expenses for the quarter.

There were no questions or comments.

Review of Actuarial Report as of July 1, 2019 (Richard Ellis, Ellis & Ward Benefits Group, Inc.)

The purpose of this report is to provide disclosure information on financial statement.

Balances as of 06/30/2018 show total OPEB liability is \$8,334,463; assets are \$13,376,413; a Net liability of -\$5,041,950 (which means that is a credit). That is how well funded the OPEB Plan is.

Balances as of 06/30/19 show the total liability is slightly increased to \$8,850,223; assets were \$14,331,751; with a credit of \$5,481,528 and a negative \$422,165 expense (which is really a credit).

Mr. Ellis said there are a lot of good things going on in this Plan and he is very impressed with the way the Town is managing health insurance premiums. Claims have trended down and the copay (what the employees pay) has trended up. He explained that is the reason for the credits on the OPEB Fund.

Mayor Joyner added that the employee's premium is a percentage of whatever the Town's premium is.

Mr. Ellis said that the items they are amortizing is broken down by year in terms of experienced gains and losses. There has been no change in assumptions.

The actuarially determined contribution is zero. The net OPEB liability is a negative \$5,481,528 (which is a credit).

Mr. Ellis reiterated that the OPEB Plan is in good shape.

There were no questions.

Adjournment

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


Chairman


Town Clerk