

A regular meeting of the Pension Committee was held February 15, 2018 at 9:00 a.m. in the Administration Conference Room at Town Hall, 500 Poplar View Parkway.

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

Staff present was Town Administrator James Lewellen, Pension Attorney Kitty Jungkind and Town Clerk Lynn Carmack. Also present was Susan Fletcher and Ward McBee of First Tennessee Bank.

### **APPROVAL OF MINUTES**

Motion by Mayor Joyner, seconded by Mr. Krock, to approve the minutes of the November 9, 2017 meeting.

ROLL CALL: Gardiner – yes, Krock – yes, 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)**

Looking at the trend, nothing has changed for the last couple of months. The S&P is still above the 12 month average, as of January 2018 and it is updated on a monthly basis.

FIVE FACTOR FRAMEWORK: *General Economic Backdrop* is green; *Market Trend* is green; *Availability of Credit* is yellow; *Investor Sentiment* is red and *Valuation* continues to be red.

ECONOMIC FORECAST as of January 18, 2018: In 2017, the GDP started out slow at 1.2% in Q1; and the following three quarters in a row finished at 3% or higher. In 2018, the GDP growth is forecast at 3.1% and in 2019 is at 3.3%.

The Core PCE ended 2017 at 1.5%. Chris Low does not see inflation getting to 2% for 2018 or 2019. He has it forecast at 1.7 and 1.8.

Federal funds rate ended the year 2017 at 1.50. The forecast is that interest rates are going to increase three times this year, the forecast for 2018 is 2.25; and, interest rates are forecast to increase two more times in 2019 getting to 2.75 at the end of 2019.

The bond market has gone up on the 10-yr. Treasury notes, ending the 2017 year at 2.40; with a forecast of 2.65 at Q4 in 2018.

Mr. Low has backed off on recession risk. His forecast is 5% for 2018 and 15% for 2019.

CAPITAL MARKET ASSUMPTIONS as of 2017: Matched up with the targeted allocation. These numbers will be updated next quarter.

MARKET VALUE AND PERFORMANCE as of 12/31/17: FYTD ending at 6.83 with the benchmark at 6.01; 2Q up 3.69 versus 3.09; 1 yr. at 13.78 versus 12.60; 3 yr. at 6.44 versus at 6.26 and 5 yr. at 8.40 versus 8.21; 10 yr., 6 mo. at 6.21. Nice performance here.

ASSET ALLOCATION as of 12/31/17: (Target versus Current) the target in cash is 2.00; 40.00 overall in fixed income and we are at 36.66; the target in equities is 60.00; we are at 63.34. International has done well last year; Emerging Markets more than developed; we are at 17.53 versus 15.00 on the target. Still within the variance with the range. Will continue to monitor that and rebalance if necessary.

HOLDINGS & PERFORMANCE as of 12/31/17: Two names in the Large Cap Core Portfolio (DTE Energy Co and HP Inc) were replaced in the portfolio recently. They had either reached their target or were rated to be replaced.

The total fund market value is \$68,677,948 as of 12/31/17.

HISTORICAL SUMMARY: Contributions and distributions, all based on quarter ends. The total market value is \$68,836,457 as of 12/31/17 (this is a cumulative amount).

The cash management plan total value as of 12/31/17 is \$165,915.

The historical summary on page 13 is just another way of looking at the returns. FY 06/30/17 is up 9.34; FY 06/30/16 is 1.21; FY 06/30/15 is 3.81; and FY 06/30/14 is 16.02.

EXPENSE SUMMARY: Ms. Fletcher said the expense ratio in the Mutual Funds for the year will be running just above 40 basis points, which is very reasonable. Expenses are very much in control and clearly under the 1%.

Mr. McBee said they have not made any fund changes but they are looking at Vulcan Value Partners, which is a deep value, large value fund. YTD as of 12/31/17, Large Growth was up 14.23 and Large Value was 8.61.

YTD NUMBERS FOR THE PLAN: 1/18 is up 2.57 and 2/14 is down 2.83; a negative for the calendar year. FYTD is 6.48.

So, good numbers!

Mr. Jeffries asked for questions and received none.

### **ADJOURNMENT**

There being no further business, the Pension Committee adjourned at 9:15 a.m.

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**Chairman**

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**Town Clerk**

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