

A regular meeting of the OPEB Committee was held November 9, 2017 at 9:25 a.m. in the Administration Conference Room at Town Hall, 500 Poplar View Parkway.

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

Staff present was James Lewellen, Adam Hamric and Pension Attorney Kitty Jungkind. Also present was Susan Fletcher and Ward McBee of First Tennessee Bank.

### **APPROVAL OF MINUTES**

Motion by Mayor Joyner, seconded by Mr. Gardiner, to approve the minutes of the August 10, 2017 meeting.

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

### **REVIEW OF THE QUARTERLY INVESTMENT PERFORMANCE OF THE OPEB TRUST FUND BY FINANCIAL ADVISORS – FIRST TENNESSEE BANK (Ward McBee and Susan Fletcher)**

#### **CAPITAL MARKET ASSUMPTIONS:**

A little higher than the Defined Benefit Pension. We are putting 65% in equities and 35% in fixed income. Total fund is coming in at 5.18.

#### **MARKET VALUE AND PERFORMANCE:**

This is the performance through 9/17: 1Q is 3.13 versus 2.99 for the benchmark; 1 year is up 10.44 versus 11.12; 3 year is 6.63 versus 6.58; 5 year is 8.57 versus 8.51; inception to date 8 year, 4 month is 10.55 versus 9.86.

Mr. McBee said this is good, solid performance.

Quarter to date (through 11/8/17) the Plan is up 1.63% and FYTD is up 4.81%. That is another good start for the year.

#### **ASSET ALLOCATION:**

Again, we are a little underweight, Fixed Income 35.00 is target and we are underweight -1.14; as a consequence, overweight on the Equity 1.14.

All are within range. Nothing to do there, no changes.

#### **HOLDINGS AND PERFORMANCE:**

Mr. McBee stated, again, we did add emerging markets so that did show up in this account as well, which got good performance.

#### HISTORICAL SUMMARY:

QE 09/30/17 is \$12,478,687 is looking at contributions. There have not been any distributions but there has been contributions.

#### EXPENSE SUMMARY:

Ms. Fletcher stated that this looks good and that the expense ratio continues to go down. Mutual Fund Weighted Expense is at 0.13 basis points and Investment Management & Custody Market Value Fee is at 0.06 basis points.

Mayor Joyner asked if the Town has paid anything out of this fund.

Ms. Fletcher said that these are net numbers, so any distributions are made direct by the Town and then whatever is left, First Tennessee will get (net contribution).

There were no other questions.

#### **REVIEW OF ACTUARIAL REPORT AS OF JULY 1, 2017 – RICHARD ELLIS, ELLIS & WARD BENEFITS GROUP INC.**

Mr. Ellis said there are two reports (one under the old rules (GASB 45) and one under the new rules (GASB 74) for OPEB.

The first report Mr. Ellis presented was Disclosure Information under Statement Number 45.

#### TREND INFORMATION & PROGRESS:

From 2009 to 2017, the net OPEB obligation has gone down from \$263,948 to \$143,582. That is the difference in what you are supposed to contribute and what you actually do contribute. The Town started out a bit behind but every year since has been catching up.

The actuarial value of assets (using market values) as of 07-01-17 is \$12,147,527; unfunded liability is \$1,020,526; the Plan is 92% funded; it has gone from almost 0 up to 92%.

#### CHANGE IN ASSETS DURING PLAN YEAR ENDING 6/30/17:

This shows a summary of assets again. In the fiscal year the approximate rate of return on average invested assets is 10.2%. Benefit payments paid out of the fund is \$329,646.

Mr. Ellis said the Plan is in pretty good shape; not 100% but it is getting there.

Mr. Ellis presented the GASB 74 report next, stating that this is a completely revised method of

presenting the information and also a completely different cost method for valuing OPEB benefits. This is prescribed by GASB.

#### CHANGES IN NET OPEB LIABILITY – OPEB EXPENSE:

The Plan balance at 6/30/2016 from a net OPEB liability (unfunded liability), that is your total liability minus your fiduciary net position (which is assets) is over funded on GASB 74. That is because a different cost method was used for calculating the liability. You have to use the entry age normal cost method and it tries to level the contributions as a percentage of pay.

Balances as of 6/30/16 show liability is \$9,627,014 and assets are \$12,147,527 (overfunded by \$2,520,513)

Mr. Ellis said that cost method is what generates lower liability.

OPEB expense was \$94,013.

#### STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2017:

Net Position (market value of assets) is \$12,147,527.31.

#### STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR YEAR ENDED JUNE 30, 2017:

Mr. Ellis said this table shows contributions, distributions and increase in market value expenses, which is the same information shown under GASB 45, just presented in a different format (numbers did not change).

#### CONTRIBUTION RELATED INFORMATION:

This schedule compares the actuarially determined contribution to what the Town actually put in. The actuarially determined contribution was \$552,454 and the Town contributed \$574,737, an excess of \$22,283. The contributions as a percentage of covered pay roll is 2.495%.

#### TARGET ALLOCATION AND BEST ESTIMATES OF ARITHMETIC REAL RATES OF RETURN:

This schedule tells the long-term expected rate of return on pension plan investments. The expected returns comes from JP Morgan and State Street.

#### NET OPEB LIABILITY OF THE TOWN:

Mr. Ellis pointed out that under GASB 74, this is comparing the total liability (\$9,627,014) to assets (\$12,147,527) which shows the Town overfunded by \$2,520,513 and the assets compared to total liabilities is 126.18%.

Mr. Ellis said that under GASB 74, the plan is in excellent shape.

ACTUARIAL ASSUMPTIONS ADOPTED EFFECTIVE JULY 1, 2016:

This shows interest at 7.50% with the RP2000 mortality table.

CLAIM COSTS – RETIRED PARTICIPANTS:

Participant Claim Cost: \$10,436.00

Dependent Claim Cost: \$5,673.00

This concluded Mr. Ellis' presentation.

Mr. Jeffries asked for questions and received none.

**ADJOURNMENT**

There being no further business, the meeting was adjourned at 9:50 a.m.

---

**Chairman**

---

**Town Clerk**