

A regular meeting of the OPEB Trust Committee was held May 12, 2016 at 9:26 a.m. in the Administration Conference Room at Town Hall, 500 Poplar View Parkway.

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

Staff present was James Lewellen, Adam Hamric, Pension Attorneys Frank Carney and Kitty Jungkind and Lynn Carmack. Also present was Susan Fletcher and Gerald Laurain of First Tennessee Bank.

APPROVAL OF MINUTES

Motion by Mayor Joyner, seconded by Mr. Gardiner, to approve the minutes of the February 11, 2016 meeting.

ROLL CALL: Barnwell – abstain, Gardiner – yes, Krock – yes, Jeffries – yes, Joyner – yes.

REVIEW OF THE QUARTERLY INVESTMENT PERFORMANCE OF THE COLLIERVILLE DEFINED BENEFIT PENSION PLAN BY FINANCIAL ADVISORS – FIRST TENNESSEE BANK (Gerald Laurain and Susan Fletcher)

Mr. Laurain stated that the total fund return for the third fiscal quarter is 1.65%. He noted that the total fund return is out performing a blended benchmark of approximately 93 basis points.

Mr. Laurain reported that January, similar to the Defined Benefit Pension Plan (DBP), was a down month but not down as much as the benchmark. He stated that February was also down for the benchmark, but up marginally for the Plan. Mr. Laurain reported that in March, because the Plan has more equities than the DBP, it was up more than the blended benchmark. He noted that this is not something he expects to occur on an ongoing basis, but stated that it was good fortune for March.

Mr. Laurain stated that while the fiscal quarter, as a whole, is up 1.65%, the fiscal year to date is below the benchmark with 91 basis points verses being down 75 basis points.

Mr. Laurain reported that on a year to date basis, through May 11, 2016, the total fund was down 54 basis points. He explained that approximately six weeks remain to get the total fund back in the black. Mr. Laurain stated that this would be a function of the markets and volatility.

Ms. Fletcher stated that she believes the DBP is minus 10 basis points.

Mr. Laurain detailed asset allocations, noting that the target for this fund is 65% equities, 35% bonds or fixed income. He stated that as of the end of March, the actual allocations were closer to 60/40. Mr. Laurain noted that this is a result of the transition from portfolio managers and stated that asset allocations are back on target.

Mr. Laurain stated that with respect to portfolio holdings and performance, there is nothing different here from the DBP. He concluded by stating that the same models and the same holdings are being used in different proportions.

No questions were asked.

RENEWAL OF CONTRACT WITH FIRST TENNESSEE NATIONAL BANK ASSOCIATION (Presentation by: Mark Krock, Finance Director)

The purpose of this agenda item is to recommend to the Board of Mayor and Aldermen the renewal of the contract for asset investment management and asset custodial services for the Town of Collierville Other Post-Employment Benefits (OPEB) Plan with First Tennessee.

In May of 2007, the Board of Mayor and Aldermen approved a contract with First Tennessee to provide financial advice and trustee services for the Defined Benefit Pension Plan (Pension). In addition, in May of 2009 the Board of Mayor and Aldermen approved a similar contract with First Tennessee for Other Post-Employment Benefits (OPEB).

As trustee, First Tennessee keeps a record of all assets in the Pension and OPEB accounts, collects all dividends and interest income, makes cash distributions to retired employees and others, and sends appropriate tax forms to retired employees on an annual basis. As financial advisor, First Tennessee assists the Pension/OPEB Committee in adhering to adopted investment policies and provides quarterly reports of investment returns and updates to the Pension/OPEB Committee.

The contract does not specify a contract duration period but states the agreement may be terminated at any time by either party with 30 days advance written notice. However, the Town has elected to formally renew these contracts on an annual basis.

The fee to provide investment management and custodial services is based on a percentage of the total investment value of the OPEB portfolio. The OPEB portfolio value as of March 31, 2016 was \$10,261,778 and the year-to-date fees through Q3 (July 1, 2015 – March 31, 2016) were \$18,864. The fees for the OPEB fund are paid by check from funds before the deposit is made into the trust.

Motion by Mr. Barnwell, seconded by Mayor Joyner, to recommend renewal of the Professional Services Agreement for asset investment management and custodial services for the Town's OPEB Plan with First Tennessee to the Board of Mayor and Aldermen.

ROLL CALL: Barnwell – yes, Gardiner – yes, Krock – yes, Jeffries – yes, Joyner – yes.

OTHER BUSINESS:

Mr. Krock stated his interest in finding out where the Town's Pension Plan stood in comparison to other municipalities around the world. He provided the committee with a summary of assumed rate of returns for 127 municipal pension plans. Mr. Krock stated that these pension

plans had been reviewed by the National Association of State Retirement Administrators. He stated that 50 pension plans, or 39% of the sample reviewed, showed an assumed return within the range of 7% up to 7.5%, which would be where the Town's plan would be. In total, over 50% of the sample reviewed in this study consisted of pension plans with an assumed rate of return greater than 7.5%.

Mr. Krock stated that in the sample of 127 pension plans, the average return assumption was 7.62% and the Town's assumption is currently 7.5%, which illustrates that the Town is mildly conservative. Mr. Krock stated that historically the assumed rate of return has been attainable over time and noted that Mr. Ellis will be talking more about that subject at the next meeting.

ADJOURNMENT

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


Chairman


Town Clerk