A regular meeting of the Pension Committee was held February 8, 2017 at 9:00 a.m. in the Administration Conference Room at Town Hall, 500 Poplar View Parkway.

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

Staff present was James Lewellen, Adam Hamric, Pension Attorney Frank Carney and Lynn Carmack. Also present was Susan Fletcher and Ward McBee of First Tennessee Bank.

Mr. Jeffries welcomed new member, Gregory Reichert, to the meeting.

APPROVAL OF MINUTES

Mr. Jeffries pointed out a typo on page 2 (should be "*averaged*" instead of "*aver*") and page 3 (should be "*are*" instead of "*is*").

Motion by Mayor Joyner to approve the minutes of the November 9, 2016 meeting, with the correction noted.

ROLL CALL: Reichert – 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)

Mr. McBee began the presentation by talking about rising rates being a detractor to European and international companies and how the rising rates are good for banks but could hurt the consumer (where 30 year loan rates are going up).

Mr. McBee moved on to the 5-Factor Framework, stating that the General Economic Backdrop is still green, Market Trend is green, Availability of Credit (goes back to increasing rates) is red, Investor Sentiment is yellow, and Valuation is red.

Mr. McBee highlighted *Chris Low's Economic Forecast*, comparing his September, 2016 forecast stats to 2017 forecast. His recession risk forecast in September, 2016 was 40% for 2017, 2018 at 50% and 2019 at 55%. The updated forecast for recession risk for 2017 is 10%, 2018 is 20% and 2019 is 35%. Mr. McBee said that a lot of this goes back to potential tax cuts, rates going up, continued growth based on some of the fiscal policies and infrastructure spending the new administration will be trying to pass.

In looking at GDP for 2017, the expectation for Q1 is 1.9%, 2.4% for Q2, Q3 is 2.8% and 2.4% for Q4 and ending 2017 is 2.4%.

The GDP forecast for September 2016 was 1.6%, so there has been at least 50% growth in expectations for GDP.

Housing starts for 2017 were 1,155k, which is down from September. That can attributed to rising rates where that could put pressure on housing starts.

Unemployment rate is 4.8% in 2017; it was 4.9 back in September. Nonfarm payrolls are at 180k quarterly average versus 155k back in September. The Core PCE was 1.6% in September 2016 and for 2017, it is down to 1.1%.

Mr. McBee gave brief highlights of the Economic Weekly Report, stating that the synopsis of the headline "*A Confident Fed*" is that monetary policy is hard. Although Yellen appears more confident they are going to get it right this year, it is still hard to figure out how fast and when to raise rates.

CAPITAL MARKET ASSUMPTIONS: Mr. McBee advised that nothing has changed here.

PERFORMANCE as of December 31, 2016: Total Fund at 2Q was down 22 basis points (-0.22) versus a blended benchmark of 0.85. Most of the under-performance was due to the international securities in the portfolio. International performance at 2Q was -5.92 and the benchmark was down -0.71. Small Cap securities were up 7.52 (although a slight underperformance, still 7.52 is great, absolute performance).

FYTD (for total fund) still underperformed at 2.66 versus 3.84 (blended benchmark) which is still primarily driven by international. Small Cap was up 18.68 FYTD and Small Cap securities were up 14.71 for FYTD (underperforming the index, but great, absolute performance).

Mr. McBee noted that short term performance is not great but long term performance has been solid. They will continue to monitor the international funds that we own.

ASSET ALLOCATION: Mr. McBee advised that the Plan is fine in terms of the targets and variance. A slight variance to fixed income (underweight -0.41 basis points) and overweight to equity (0.41) is in line here.

PORTFOLIO HOLDINGS & PERFORMANCE:

Fixed Income Funds shot up in the fourth quarter of 2016. The 2-year treasury went from the beginning of fourth quarter 1.60 all the way up to 2.45 at the end of the year. Even though the Fed Funds rate moved 25 basis points, the market took into consideration that rates were going to move higher and the rates on the 10 year moved from 1.60 to 2.45 and the 2-year moved from 0.77 to 1.20. When rates go up, bond prices go down.

Mr. McBee said they are hoping to see more of a muted rise in rates over time, where it is kind of a stable environment versus a really quick, almost 100 basis points of movement over a 3 month period because that is pretty disruptive.

Under Equities holdings, financials benefitted in the fourth quarter, healthcare not so much. In 2016 (4Q), financials went through the roof. JPMorgan was up 30.46 for 2Q and FYTD was up 40.82. Bank of America was up 67.78 FYTD and 41.72 for 2Q.

Continuing on with International Equity Funds, Mr. McBee said that one of the international funds that we own is the MFS International Value I. In 2Q, they were down -5.57 and FYTD at -0.47. Their long term performance has been excellent. For the entire year of 2016, they were up 4.18 versus 1.51 for the benchmark. For the last 5 years, they are up 10.85 versus 7.02 for the benchmark. What hurt them in fourth quarter was currency. Overall, they are a great manager, and they are going to keep watching them.

Mr. McBee added that getting back into emerging markets back in September was poor timing, considering what happened with the election and how emerging markets were hurt, but he thinks that over a long term period of time, there is good value there and the risk is worth being back in that market.

HISTORICAL SUMMARY: Shows the Market Value ended the year at $58,664,550. Mr. McBee said that the DBP has come a long way since YE 06/30/08 at $18,734,613.

Mr. McBee concluded with The Callan Chart which shows that from one year to the next, there is no pattern or consistency in terms of who is at the top or who is at the bottom and speaks to First Tennessee's philosophy about being diversified.

Mr. Jeffries asked for questions and received none.

ADJOURNMENT

There being no further business, the meeting was adjourned at 9:27 a.m.

Chairman

Town Clerk