Town of Collierville

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PENSION COMMITTEE MEETING – May 10, 2018

Notice is hereby given that the Collierville Pension Committee will meet on Thursday, May 10, 2018, at 9:00 a.m. for a regular meeting in the Administration Conference Room at Town Hall. At that time, consideration will be given to the following:

The agenda is subject to change until formal approval by the Board

1. **Call to Order**

2. **Roll Call**

3. **Approval of Minutes: February 15, 2018**

4. **Review of the Quarterly Investment Performance of the Collierville Defined Benefit Pension Plan by Financial Advisors - First Tennessee Bank (Ward McBee and Susan Fletcher)**

5. **Renewal of Contract with First Tennessee National Bank Association (Presentation by: Mark Krock, Finance Director)**

6. **Adjournment**

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A regular meeting of the Pension Committee was held May 10, 2018 at 9:00 a.m. in the Administration Conference Room at Town Hall, 500 Poplar View Parkway.

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

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

APPROVAL OF MINUTES

Motion by Mr. Krock, seconded by Mayor Joyner, to approve the minutes of the February 15, 2018 meeting.

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

Mr. Jeffries recommended to move Item 5 – Renewal of Contract with First Tennessee National Association, and deal with both of the First Tennessee contracts at the end of the OPEB Committee meeting, for the purposes of meeting flow.

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

FIVE FACTOR FRAMEWORK: Nothing has changed. *Availability of Credit* (the shape of the yield curve) is still yellow; *Economic Backdrop* (the growth of the weekly leading indicators) is still in a growth pattern, that is green; *Market Trend* (is still above the 12 month rolling average) and that is green; *Investor Sentiment* and *Valuation*, continues to be red.

ECONOMIC FORECAST: The GDP came in at 2.9% in Q4; 2018 is 3.3%; and 2019 is 2.0%. Chris Low sees the tax cut fading out by the end of 2019.

The inflation forecast for the Core PCE for 2018 is 2.2% and then in 2019 it is 1.9%.

Chris Low predicts that interest rates are going to increase two more times this year. Federal funds rate ended the year 2017 at 1.50%. The forecast for the end of 2018 is 2.25% and in 2019 at 2.50%

Recession risk: 2018 is 5%, 2019 is 15%, and 2020 is 45%.

CAPITAL MARKET ASSUMPTIONS: Expected return (updated in April) has gone up about 8 basis points. Most of that is from the fixed income segment of the market and equity has gone down a bit.

MARKET VALUE AND PERFORMANCE: FYTD is up 5.95 versus the blended benchmark of 4.88; 1-year is up 8.77 versus 7.50; 3-year is up 5.21 versus 5.05; 5-year is up 7.11 versus 6.73; and inception 10 years 9 months is up 5.98; 3Q was down -0.82.

Mr. McBee noted performance through May 9, 2018: April was down .23%; May is up .72%; FYTD is up 6.47%; and QTD is up .49%. A nice rebound in May that will hopefully continue.

ASSET ALLOCATION as of 03/31/18: (Target versus Current) the target in fixed income is 40%; we are at 39.58%. The target in equity and real estate is 60%; we are at 5.06% in real estate and the rest is equity. All within range. The total fund ended the quarter at $68,857,882.

HOLDINGS AND PERFORMANCE as of 03/31/18: Thornburg Limited Term Income was added in the portfolio in March.

HISTORICAL SUMMARY: Contributions and distributions, all based on quarter ends. The total market value is $69,076,749 as of 03/31/18; the cash management plan total at the end of the quarter is $219,291.

Another way of looking at historical summary (with fiscal year returns): QE 06/30/17 ended at 9.34%; QE 06/30/16 was up 1.21%; QE 06/30/15 is up 3.81; and, QE 06/30/14 is up 16.02.

EXPENSE SUMMARY: Ms. Fletcher said the expense ratio in the Mutual Funds is around 0.10 basis points and YTD through the Q3 is at 0.31 basis points. Other expenses, such as, trustee fees, legal fees and any actuarial fees and 0.23 basis points YTD, for a total of 0.54 basis points for three quarters. She said that is very good.

Mr. McBee addressed the Wells Fargo issue, stating that First Tennessee's policy (system wide) is they do not pay 12b1 fees and they do not allow for a 12b1 share class to be in a portfolio, even with a rebate.

ADJOURNMENT

There being no further business, the meeting was declared adjourned at 9:23 a.m.

Chairman

Town Clerk