

A regular meeting of the **Pension Committee** was held February 12, 2015 at 9:00 a.m. in the Administration Conference Room at Town Hall, 500 Poplar View Parkway.

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

Staff present was Josh Suddath, Pension Attorney Frank Carney and Lynn Carmack. Also present was Susan Fletcher and Alan Ferguson of First Tennessee Bank

APPROVAL OF MINUTES

Motion by Mayor Joyner, seconded by Mr. Barnwell, to approve the minutes of the November 20, 2014 regular meeting.

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

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

Mr. Ferguson gave an overview of the macroeconomic background, stating that the market trend has remained positive, liquidity is still good, market psychology (is the most volatile thing looked at) is improving, and valuations are positive.

Mr. Ferguson talked about Chris Low's Economic Forecast prediction that growth is positive (a little sluggish), unemployment has perked up, inflation is low and not an issue, and the Fed will raise rates this summer.

Mr. Ferguson moved on to performance, stating the third quarter was a good quarter, at 2.97 and year to date is at 1.76. The one year number is at 7.63, which is in line on a rolling one year average.

Mr. Ferguson pointed out that the financial markets have had lower volatility than normal but that is starting to creep back up and is expected to be more volatile going forward.

The total fixed income is 39.10 (target is 40.00), the total equity is at 60.90 (target is 60.00), so this is where it needs to be.

Mr. Ferguson said there are no changes recommended at this time.

Mr. Jeffries called for questions from the Committee and received none.

Mr. Ferguson advised that there are some changes coming to money market funds. First Tennessee has always used a treasury money market fund, since 2007, for the Defined Benefit Pension Plan, which is the most conservative you can have. The yield on the treasury money market fund is 1 basis point.

Mr. Ferguson said that First Tennessee has a deposit that is like a money market fund that pays 5 basis points and is fully collateralized daily and has full liquidity. This is an option that could give liquidity and pay more than the treasury.

Mayor Joyner asked why the Committee would not want to do this.

Mr. Ferguson stated that some people would say because it is a bank proprietary product.

Mayor Joyner stated that he would say go for it.

Mr. Gardiner asked what the money markets are paying.

Mr. Ferguson answer that the treasury markets pay 1 basis point and First Tennessee pays 5 basis points.

Mr. Gardiner asked if First Tennessee's is backed by FDIC.

Mr. Ferguson answered that it is up to the limit.

Ms. Fletcher added that it is up to the limit and beyond that it is collateralized.

Ms. Fletcher said that they would monitor this and if the other money markets become more attractive, they would come back and make the switch.

Mr. Gardiner stated it sounds like a win-win to him.

Ms. Bevill asked if this is consistent with our investment policy.

Mr. Ferguson stated that it is.

Motion by Mayor Joyner, seconded by Ms. Bevill, to change the sweep option for cash to the First Tennessee Trust Division.

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

Mr. Ferguson advised that he and Mr. Carney have reviewed and discussed the PFM recommendations and have incorporated applicable ones into the Investment Policy Statement.

Mr. Ferguson referred to page 2, which states in red, *“For purposes of this investment policy statement the investment advisory may act as custodian”*.

Mr. Carney stated that one of PFM's comments was that both investment advisory and custodian were bundled, so this change will help express that.

Mr. Ferguson pointed out another change on page 4, under the investment objective, that reads, *“The specific objective for the Town assets shall be to achieve an average annual rate of return over the extended of the actuarial amortization period of 7.5% net of fees of investments, advisors, transactions and commissions”*.

Mr. Ferguson said that before it just said “7.5” and did not say whether it was going to be growth or net.

Mr. Ferguson pointed out another change at the top of page 7, language that is stricken regarding information that is given each quarter on the rate of return.

Mr. Ferguson suggested that the Investment Policy Statement be reviewed in August of every year.

Mr. Carney stated that even if changes are made, which would be in the minutes, the Committee could still look at the Investment Policy Statement and either leave it alone or make changes.

Mr. Carney recommended that the Committee should have a motion to adopt the Investment Policy Statement changes.

Motion by Mayor Joyner, seconded by Ms. Bevill, to adopt the Investment Policy Statement presented on February 12, 2015.

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

ADJOURNMENT

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


Chairman


Town Clerk