

A regular meeting of the Pension Committee was held April 23, 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, Jane Bevill and Jay Jeffries. Absent was Stan Joyner

Staff present was Mark Krock, Pension Attorney Frank Carney and Lynn Carmack. Also present was Susan Fletcher, Lisa Cook and Alan Ferguson of First Tennessee Bank

### **APPROVAL OF MINUTES**

Motion by Ms. Bevill, seconded by Mr. Barnwell, to approve the minutes of the February 12, 2015 meeting.

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

### **REVIEW THE FUNDING POLICY FOR THE TOWN OF COLLIERVILLE DEFINED BENEFIT PLAN FOR RECOMMENDATION TO THE BOARD OF MAYOR AND ALDERMEN (Presentation by: Jane Bevill, Finance Director) (Amended Agenda)**

On May 22, 2014, Chapter 990 of the 2014 Public Acts was enacted into law creating the Public Employee defined Benefit Financial Security Act of 2014. The new law establishes funding requirements for a political subdivision's defined benefit pension plan that does not participate in the Tennessee Consolidate Retirement System (TCRS). The TCRS currently includes over 500 political subdivisions. There are approximately 40 political subdivisions which do not participate in the TCRS and independently administer defined benefit pension plans. A majority of these non-TCRS political subdivisions contribute at least 100% of their actuarially determined contributions (ADC). Under current law, which has been in effect for many years, all defined benefit plans for political subdivisions that participate in the TCRS are required to pay 100% of the ADC; this new law extends that same requirement to defined benefit pension plans for subdivisions that do not participate in the TCRS.

The funding policy has been developed in accordance with the guidelines set forth by Chapter 990 of the 2014 Public Acts by Frank Carney, Attorney for the Pension Committee in consultation with Richard Ellis, Actuary for the Pension Committee.

The policy must be adopted prior to the beginning of the plan year beginning July 1, 2015 and filed with the Comptroller within 30 days of its adoption.

Mr. Carney stated that once the funding policy is adopted, then it has to be approved by the BMA. Within 30 days of that approval date, it must be filed with the Comptroller. The Town is obligated to follow the funding policy until such time it is amended.

Mr. Carney pointed out that the most important part of the Funding Policy is an affirmative acceptance of an obligation to fund at least 100% of the actuarially determined contributions (ADC) each year.

Mr. Carney added that the policy includes an affirmative statement by the BMA that they will budget adequate funds each year to assure that the 100% of the ADC is contributed.

Mr. Jeffries asked if the funding evaluation method is specified.

Mr. Carney advised that a 5-year smoothing method is specified to determine the ADC.

Ms. Bevill asked Mr. Carney to explain the actuarial experience determination of the ADC.

Mr. Carney explained that when Mr. Ellis is doing an actuarial determination of the ADC, he is using census data and historical data based on the experience of the Plan (how many retirements, age of retirements, etc.). Over time that census changes (people retire later or earlier, you have more deaths, less deaths), so an experience study would go in and look at the data over the last 3 to 5 years and then they can change their actuarial assumptions based on that experience.

Mr. Carney said that it is an expensive study to engage in and from the State's perspective it would want the actuarial determination to be based upon real experience.

Mr. Gardiner asked if Mr. Carney was involved in writing the proposed Funding Policy.

Mr. Carney stated that he worked very closely with the Treasurer in writing this policy.

Mr. Jeffries asked for a motion at this time.

Motion by Ms. Bevill, seconded by Mr. Barnwell, to recommend the Funding Policy to the Board of Mayor and Aldermen for adoption.

ROLL CALL: Barnwell – yes, Bevill – yes, Gardiner – yes, Jeffries – 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 referred to the 5-factor framework, stating that the macroeconomic background has slowed down a bit since the Spring. There has been some positive but it has been a mixed bag of data. Market trend is positive but there has been a lot more volatility. Liquidity is good; Market psychology is negative.

Mr. Ferguson said that in looking at the Economic Forecast, they look at growth, inflation and interest rates. In the third quarter last year, Gross Domestic Product was 5.5% and in the fourth quarter was 2.2%. Unemployment is below 6% (low). Inflation is low and is going to continue to be low. Chris Low predicts a rate increase in the third quarter of this year (and seems to be the prevailing wisdom of all the forecasters).

Mr. Ferguson stated that the bottom line in the forecast is that growth is going to continue to be positive but sluggish. Inflation is low and should not be a problem and there will probably be a rate increase in September.

Mr. Ferguson added that the two things that are not in the forecast is to expect to see more volatility in the stock market and expect more volatility in the bond market. We have been in a fairly low volatility type of environment and now are moving more back to normal which means we may see some days where it is a little more volatile.

The DB Plan was up 4.5% year-to-date and up 8% over the last year.

Ms. Fletcher stated the April numbers reflect the fiscal year to date is 5.77% (up 1.19%).

Mr. Ferguson stated that as far as expectations, we are in the ballpark. Looking out longer term, we are going to see more volatility. There is no indication of a recession at this point.

From an overall allocation, we tend to have an overweight to U.S. Large Cap and an underweight to International. This posture will be maintained.

The target on fixed income is 40% and we are at 39.89%. The target on the stocks is 60% and we are at 60.11%.

Mr. Ferguson advised that there is currently one fund on watch and that is Brown Capital Management. They are currently undergoing a search to find a replacement.

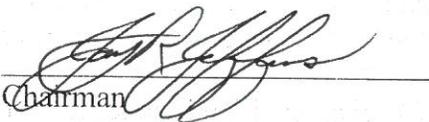
Mr. Jeffries asked what made Brown Capital come on the radar.

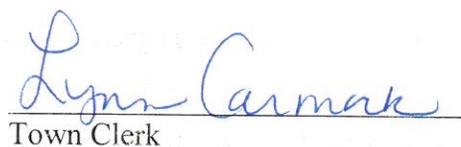
Mr. Ferguson answered its underperformance compared to peers.

Brief discussion ensued.

### **ADJOURNMENT**

There being no further business, the meeting adjourned at 9:55 a.m.

  
Chairman

  
Town Clerk