

A regular meeting of the Pension Committee was held on Thursday, February 10, 2022, at 9:00 a.m. in the Administration Conference Room at Town Hall, 500 Poplar View Parkway.

The following members were present: Preston Carpenter, Charles Taylor, Jay Jeffries, Mark Krock and Stan Joyner.

Staff present was James Lewellen, Adam Hamric, Cindy Greer, Shanda Ford, Kristie Diamond and Town Clerk Lynn Carmack.

Also present was Pension Attorney Frank Carney, and Susan Fletcher and Ryan Miller of First Horizon Bank.

Approval of Minutes

Motion by Mr. Carpenter, seconded by Mr. Krock, to approve the minutes of the November 9, 2021, meeting.

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

Review of the Quarterly Investment Performance of the Collierville Defined Benefit Pension Plan by Financial Advisors - First Horizon Bank (Ryan Miller and Susan Fletcher)

FIVE FACTOR FRAMEWORK: this was created by CIO, Jerry Laurain and gives a brief snapshot of what has been going on as of 12/31/21.

Economic Growth – the economy has continued to grow and has remained positive and continues flashing green.

Market Trend – this trend takes the 12-month moving average of the S&P 500 and has continued to go positive. It remains green.

Monetary Conditions – it started going from green to yellow in July as the Fed started indicating they were going to be less favorable with monetary policy in the future. In December, the guidance was a lot weaker because of less stimulus, raising interest rates and tapering purchases and shrinking the balance sheet.

Investor Sentiment – these have not changed in a long time, and they continue to be red. It is stating that folks seem a bit greedy.

Valuations – this takes a look at what the S&P 500 PE ratio is. It was at 26.2% at the end of December. Its long-term average over the past 50 years has been 17.2% and that is why this flashes red.

ECONOMIC FORECAST: This is the Economic Forecast put out every 2 to 4 months by Chief Economist, Chris Low. Chris distributed this updated forecast on January 7, 2022.

GDP Growth: the return of growth in Q3 was in the red at 2.3%; Q4 was 6.9%; projection for 2022 is 2.8% and 2023 is 3.1%.

Unemployment Rate: has continued to go down since April 2020, when it was 14.7%. The Q3 number was 5.1% and Q4 was 4.2%. That has been revised now, down to 3.9%.

Mr. Miller said the expectation is unemployment will continue to go down a bit. It is probably going to be in the 3.5% range for the next couple of years (2022 and 2023).

Core PCE (personal consumption expenditures): this is the Fed's preferred measurement of inflation. Inflation has been going up; Chris was projecting a 4.5% for Q4 (came in at 4.6%); Chris thinks the 2022 year end will be at 3.4% and 2023 at 2.3%. That is positive news, and is a result of the Fed raising rates.

Federal Funds Rate: we have been at zero interest rate policy for 2 years now. There will be interest rate hikes this year. At the time of publishing, Chris' thought was that we would probably see about 3 interest rate hikes. One taking place in Q2 (likely March) and one in Q3 and one in Q4.

Chris is projecting a few more rate hikes next year as well; ending out 2023 at 1.50%.

Recession Risk: Chris is pegging recession at 20% probability for the next 12 months and for the next 24 months at 35%.

CALLAN PERIODIC TABLE OF INVESTMENT RETURNS: explains the monthly returns over the past 12 months for the various sub asset classes. Emphasizes the importance of diversification within an investment portfolio.

Nothing is consistently the best or consistently the worse; which is why it is important to have a diversified investment portfolio.

IPS GUIDELINES & CAPITAL MARKET ASSUMPTIONS: this displays allocation targets, the acceptable ranges of variance from those targets and the expected rates of return as of 12/31/21.

These have not changed since the last meeting.

This portfolio is targeting a 40% allocation to Fixed-income and a 60% allocation to Equities.

The projection for 40% of Fixed Income is 0.49%; 60% of Equity is 3.38%; combined is a total return of 3.87%. That is a projected annualized rate of return over 10 years, projected by Invest Net.

MARKET VALUE AND PERFORMANCE (as of 12/31/21): this is the performance of the Plan.

Total Fund for October was 2.79%; November was -1.78%; December was 2.23%; 2Q was 3.20%; FYTD was 2.63%; 1 year is 10.33%; 3 year is 14.99%; 5 year is 10.37%; 10 year is 9.31%; and, inception (14 years, 6 months) is 7.11%.

Ms. Fletcher gave more up to date performance: January was down about 3.81%; February was up 1.04%; bringing the FYTD to a slight loss of 0.25%.

ASSET ALLOCATION: this page details the dollar and percentage amount of each asset class and sub asset class as of 12/31/21.

The target is 60% equity and 40% fixed income.

Mr. Miller stated they did a rebalancing at the end of the year, so the portfolio is off by 2 basis points, so that is very close and within range.

HOLDINGS AND PERFORMANCE: helps detail the performance of the individual underlying holdings in the portfolio as of 12/31/2021.

Fixed Income Funds: In 2Q, all of them were modestly negative for the quarter because of inflation concerns and yields rising caused valuations to go down. Overall, these funds were down 50 basis points in the portfolio. No changes were made.

Corporate Bonds:

Mr. Miller said it was not a great quarter for valuations as rates or yields went up. There are quite a few negatives here. Overall, corporate bonds were down 66 basis points. He noted one change, there was one maturity in a JP Morgan Chase bond on December 23.

Taxable Muni Bonds: one was positive and one was negative in 2Q. Overall, the two bonds were down about 52 basis points. No changes in that lineup.

Certificates of Deposit: these were all negative as well. Overall, these were down 23 basis points. No changes in that lineup.

Common Stock Funds:

Mr. Miller said this large cap core portfolio of about 50 stocks was up 7.04% for the quarter; for the calendar year of 2021, this portfolio had a return of 25.25%. There were no changes to the portfolio during the month.

The best performers for the quarter were Home Depot (up 26.95%); AbbVie Inc (up 26.94%); and Apple (up 25.66%).

The worst performers for the quarter were Perrigo (down 17.31%); Biogen Inc (down 15.2%); and Capital One (down 10.04%).

The best calendar year performers were Alphabet (up 65%); Home Depot (up 59%); and Ameriprise (up 58%).

The worst calendar year performers were Disney (down 14.51%); Perrigo (down 11%); and Pfizer (down 8.8%).

Domestic Equity Funds:

Mr. Miller said the funds had a very strong performance during the quarter; every fund was positive, ranking from up 5 basis points up to 11.37%.

International Equity Funds:

Mr. Miller said that Clear Bridge is up 3.60% and JHancock is up 2.22%. T Rowe Price Emerging Markets was down 3.75%.

He pointed out that overall, the portfolio is up 3.2% and he is very pleased with that.

HISTORICAL SUMMARY: this shows the historical summary of the entire Pension Plan

Ms. Fletcher said the cash flow in the cash management account is basically the contributions coming into the Pension.

Ms. Fletcher said there is still an excess that is periodically moved over to the investment account; there was \$350,000 that was moved into investment and put to work.

The gain of 3.2% was from the cash perspective and was over \$3.8 million dollars, definitely a nice boost to the plan. At the end of the quarter, the plan was valued at about \$107 million dollars.

EXPENSE SUMMARY:

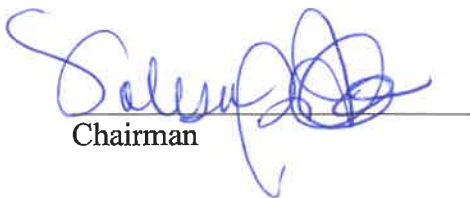
Ms. Fletcher said the expense ratio in the Mutual Fund Expenses are in at 8 basis points, due to the blend of the active and passive management funds. Fees are at 6 basis points and the other fees at 2 basis points. Overall, 16 basis points as far as mutual funds and 15 basis points on the other expenses. It is at .31% with a half year complete.

Brief discussion ensued regarding the volatility of the market and yields.

There were no other questions or comments.

Adjournment

There being no further business, the meeting was declared adjourned at 9:22 a.m.


Chairman


Town Clerk