

A regular meeting of the OPEB Committee was held on Thursday, February 10, 2022, at 9:23 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 Mayor Joyner, 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 OPEB Trust Fund by Financial Advisors - First Horizon Bank (Ryan Miller and Susan Fletcher)

IPS GUIDELINE & CAPITAL MARKET ASSUMPTIONS (12/31/21):

This page displays the allocation targets, the acceptable ranges of variance from those targets and the expected rates of return.

Mr. Miller said there has been no change in these assumptions since the last time the committee met.

For this portfolio the expected 10-year rate of return is 4.09% annualized return.

MARKET VALUE AND PERFORMANCE:

This page shows the market value and performance over various time periods of time for the portfolio through the end of 12/31/21.

Mr. Miller said there were 2 positive months and 1 negative in the quarter. October was at 3.08%; November was down -1.99%; December was up 2.44%; 2Q was up 3.49%; FYTD was 2.93%; 1 year is 11.49%; 3 year is 15.94%; 5 year is 10.95%; 10 year is 9.78%; and since inception (12 years, 7 months) is 10.49%.

Mr. Miller said it is just like the DB plan; it has outperformed the blended benchmark 3, 5, 10 and since inception time periods.

Ms. Fletcher presented more recent performance: January was down -4.18%; February was up 1.25%; and FYTD was down -0.13%.

ASSET ALLOCATION:

This page details the dollar and percentage amount of each asset class and sub class as of 12/31/21.

This shows the allocation shake out at the end of the quarter. On a 65/35 portfolio, we were just off 21 basis points. So, 21 basis points under target for fixed income and 21 basis points over for equities. That comes from the rally at the end of the quarter, right after rebalancing.

HOLDINGS AND PERFORMANCE:

Details the performance of the individual, underlying holdings in the portfolio for the last 3 months and the fiscal year to date.

Fixed-Income Funds

All were negative for the quarter as a result of yields going up. Collectively, these funds were down about 40 basis points in the portfolio.

Common Stocks

Great quarter, up 7.04%; calendar year 2021 was up 25.25%.

The best performers in the quarter were Home Depot, AbbVie and Apple. The worst performers were Perrigo, Biogen and Capital One.

Domestic Equity Funds

They were all positive, ranging from positive 5 basis points to positive 11.37%. Very good quarter.

International Equity Funds

The developed international funds had a great quarter; two were up 3.60% and 2.22%; and emerging markets was down -3.75%.

The portfolio is up 3.49% for the quarter. A very solid quarter.

HISTORICAL SUMMARY:

Ms. Fletcher said the 3.49% in the account translated to \$718,740.

EXPENSE SUMMARY:

Ms. Fletcher said the weighted mutual fund expense ratio is 9 basis points; the other expenses is 6 basis points; and 15 basis points for the quarter. Looking good year to date.

There were no questions or comments.

Other Business

Mr. Jeffries stated that part of the Town's OPEB benefit is divided into 2 pieces. The first piece are folks that retire prior to age 65, who stay on a benefit program and folks who retire after 65 go to a supplement, which is capped at \$165. That \$165 payment is the same today as it was when the Plan was created in 2008.

He said that the cost of those supplements has gone up. The original design of the supplement payment was to provide retirees with reasonable coverage. The value of that has diminished over time because if you look at the \$165 against the CPI, over a period of time, that really should represent a value of \$203 today.

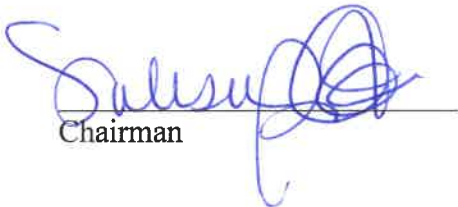
Mr. Jeffries stated that staff is having Richard Ellis look at this to try and determine where we should move with that. He advised that a proposal will be brought to the committee at a future meeting. He further advised that it is not going to create a big financial problem for the Town because OPEB is very well funded, and it is a very capped exposure.

Ms. Fletcher congratulated Mark Krock on his retirement and stated that it has been a pleasure working with him over his career. Mr. Krock stated that it has been a great working relationship.

Further discussion ensued regarding increasing the supplement payment and funding.

Adjournment

There being no further business, the meeting was declared adjourned at 9:37 a.m.


Chairman


Town Clerk