

A regular meeting of the Pension Committee was held on Thursday, November 10, 2022, at 10:05 a.m. in the Administration Conference Room at Town Hall, 500 Poplar View Parkway.

The following members were present: Stan Joyner, Charles Taylor and Shanda Ford. Absent was Preston Carpenter and Valesa Wells.

Staff present was Adam Hamric, Kristie Diamond and Lynn Carmack.

Also present was Pension Attorney Frank Carney, Susan Fletcher and Ryan Miller of First Horizon Bank, and Richard Ellis of Ellis and Ward Benefits Group.

### **Approval of Minutes**

Motion by Ms. Ford, seconded by Mayor Joyner, to approve the minutes of the August 11, 2022, meeting.

ROLL CALL: Taylor – yes, Ford – 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)**

This portfolio is targeting 60% equities and 40% fixed income.

The expected rate of return for the fixed portion is 73 basis points over 10 years; 3.66% for the equity portion; with a combined total fund of 4.40% annualized rate of return expected.

Mr. Miller suggested, as with the OPEB ranges, to increase short term and decrease intermediate, and revisit this in 3 to 6 months.

The committee agreed.

Market Value & Performance: July started off the fiscal year good (5.10) but turned ugly in August (-3.06) and September (-6.78). That brought the overall 1Q and FYTD to -5.03; 1 year was -16.23; 3 year is 2.41; 5 year is 3.91; 10 year is 5.92; and since inception is 5.13, still beating the blended benchmark.

Asset Allocation: the portfolio was rebalanced around September 28 and the markets went down a bit, which is reason for 1.18% over target for fixed income and -1.18% under target for equities.

Holdings & Performance: Fixed funds were all negative, ranging from -1.42% to -6.44%; all depending upon how long duration those funds were.

The individual corporate bonds were all negative with the exception of three that are all going to be maturing in less than a year. The range of returns was -16% to -3.7% for the down individual bonds. They will all mature at par value and will not be much of an issue.

The one lone Muni bond in the portfolio (Mississippi State) was down -2.40% for the quarter.

Certificates of deposit were all down 26 basis points to -1.09%.

The common stock portfolio of 49 stocks that First Horizon picks was down -7.6% for the quarter and down -20.32% YTD.

Domestic equity funds had a rough quarter. Small cap growth was the best performer; large cap value was the worst.

International equity funds, ClearBridge (-8.30%) and JHancock (-12.07%), are the developed international. Overall, developed international was down -9.3% for the quarter, doing worse than domestic equities at -4.88%.

The emerging markets was down even more at -13.67%. That is going to be removed and the sale proceeds re disbursed into the two developed international funds, before the end of the quarter.

Ms. Fletcher said the overall cash flow of the Pension, as a whole, shows a closing market value of \$87,077,314.

The cash flow and cash management account, contributions came in at \$1,086,418 and distributions are \$793,082. Funds were not transferred over to the investment account due to some of the timing of the cash flows.

Investment Performance number reported through 11/09/22: October came in at 4.52%; November (MTD) was -0.87%; QTD was up 3.61%; FYTD is down -1.60%. The market value is \$89,728,146. The gain, since the end of the quarter, is \$3,190,242.

### **Official Notice of TD Bank's acquisition of First Horizon (Ryan Miller and Susan Fletcher)**

Ms. Fletcher gave a brief explanation of the letter First Horizon sent out to their clients who have employee benefit plans. The letter is requesting consent to TD Bank being the successor to First Horizon and all of the governing documents. This transaction involves a couple of steps that the end effect is TD Bank USA, N.A. acquiring First Horizon Bank. That transaction is pending approval right now.

Ms. Fletcher said there is a 15-day waiting period after the approval comes through, before the transaction closes, and at this point, it could be next year before the closing might occur. Memphis is going to be a hub of TD Bank after the acquisition closes.

Ms. Fletcher added that TD Bank has made a serious commitment to retain existing employees.

Mr. Carney advised that the Committee needs to approve the consent because it needs to be delivered by November 30, 2022. He explained that the committee would just be acknowledging that they are not terminating the relationship with First Horizon because of the transaction. He

added that it does say that the Committee is continuing under the same governing documents, which has a 30-day notice of termination.

Mr. Carney asked that one motion can be made to include both the OPEB and the Defined Benefit Plan.

Motion by Mr. Taylor, seconded by Mayor Joyner, to continue the relationship with First Horizon and approve the official notice of TD Bank's transaction of acquisition of First Horizon for the Town's OPEB and Defined Benefit Plans.

ROLL CALL: Taylor – yes, Ford – yes, Joyner – yes. Motion approved.

**Review of Actuarial Report as of July 1, 2022 (Richard Ellis, Ellis & Ward Benefits Group, Inc.)**

Mr. Ellis said this valuation has two purposes; to calculate the actuarially determined contribution for the current fiscal year and to provide disclosure information for financial statement for the past fiscal year ending.

The annual cost of the actuarially determined contribution is \$3,141,620, which is 11.5% of the covered payroll (\$27,422,824).

Some of the risks associated with this contribution requirement meeting the needs of a plan, and the single most important factor, is the investment risk or the discount rate. The interest rate risk is significant, but it is more in terms of the discount rate that is used.

As of July 1, 2022, there were 507 active participants, 132 individuals receiving benefits and 102 vested terminated participants, for a total of 741 participants. Total annual compensation is \$27,422,824 or \$54,088 on an average annual compensation rate.

Actuarial accrued liability is \$105,653,554 total, of which \$31,514,500 is for retirees. The actuarial value of assets of \$100,137,188 (a reflection of market value).

Unfunded actuarial accrued liability is \$5,516,366; normal cost is the cost associated with the benefits accrued in one year of \$2,930,192. The normal cost plus an amortization of the unfunded, is \$740,799. The expected employee contributions are \$741,742. The actuarially determined contribution for plan year ending June 30, 2023 is \$3,141,620.

From the previous fiscal year to this past fiscal year, the unfunded actuarial accrued liability went from 0 to \$5,516,366. The reason for this is the change of cost method that was previously used (aggregate costing).

Mr. Ellis said that he changed from the cost method to the entry age normal cost method (which is required for financial statement numbers). And also, the aggregate cost method is not as conservative as the entry age normal, because it tends to spread gains and losses over a longer period of time.

Last year, the determined contribution was \$2,476,335 (9.3% of pay) and this year it is \$3,141,620 (11.5% of pay). That is the combination of changing the cost method and amortizing some losses in market valued assets. The 11.5% is still under budget and is more conservative.

Fiscal year ending June 30, 2022, shows a loss in investment return of \$12,654,368; assets in trust fund as of the end of plan year is \$91,410,216; and, the money-weighted rate of return was -12.25%.

June 30, 2021 started with a net pension liability of -\$3,975,924 (overfunded) and ended the year with a liability of \$14,104,733 as of June 30, 2022. Most of that came in terms of the \$20,000,000 actual versus expected rate of return.

Mr. Ellis said the Town is in good shape, financially, on the pension side.

After a brief discussion regarding the discount rate, Mr. Ellis advised the Committee that changes do not have to be made right now, and that he does not have a problem with the current 7.25% rate.

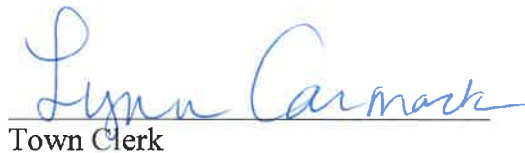
Mr. Carney stated that if the state lowers their rate, then the Town would have no choice but to lower theirs (you cannot be more than 50 basis points above theirs).

Motion by Mr. Taylor, seconded by Mayor Joyner, that no changes be made at this time and any future consideration will be dependent on the state. All in favor.

**Adjournment**

There being no further business, the meeting was adjourned at 10:55 a.m.

  
Chairman

  
Town Clerk