

A regular meeting of the OPEB Committee convened at 9:30 a.m., immediately following the Pension Committee, on Thursday, May 11, 2023, in the Administration Conference Room at Town Hall, 500 Poplar View Parkway.

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

Staff present was Molly Mehner, Shanda Ford, Kristie Diamond and Lynn Carmack.

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

Approval of Minutes

Motion by Mr. Carpenter, seconded by Mr. Taylor, to approve the minutes of the February 9, 2023, meeting.

ROLL CALL: Carpenter – yes, Taylor – yes, Burke – 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)

Mr. Miller started his presentation with the IPS Guidelines & Capital Market Assumptions, as of 03/31/23.

This portfolio is slightly different in that it has a bit more exposure to equities (65%).

The fixed income portion saw an increase of 73 basis points, from 0.64% to 1.37%.

The equity piece saw an increase of 63 basis points, from 3.97% to 4.60%.

Overall, an increase of 137 basis points, from 4.6% to 5.97%.

Under Market Value & Performance, Mr. Miller said that two out of the three months were positive for the quarter: 3Q was 4.62; FYTD is 6.32%; 1 year is -4.93%; 3 year is 10.29%; 5-year is 5.87%; 10-year is 6.72; and since inception (13 years, 10 months) is 8.67%. Again, beating the blended benchmark for 5-year, 10-year and since inception periods.

Asset Allocation is very close to all of the specified target weightings. About 46 basis points off under weight for fixed income and 46 basis points over weight for equities. Very close to target and well within range.

Holdings and Performance:

The Fixed Income Funds in 3Q were positive, as a result of yields going down and values going up for bonds.

The Vanguard Short-Term Inflation Protected Fund was removed from this portfolio during the quarter.

Common stocks overall returned roughly 5.03% for the quarter.

The worst performers were Advance Auto Parts, MetLife and Allstate.

The best performers were Fortinet, Apple and Alphabet.

Mr. Miller stated the same position changes were made in this portfolio as in the DB portfolio.

The following position changes were removed: Advance Auto Parts, Citigroup Inc., eBay Inc., Northrop Grumman Corp, Sherwin-Williams Co., and Tyson Foods Inc.

The following position changes were added: Akami Technologies Inc., Bank of New York Mellon Corp., McDonalds Corp., Microsoft Corp., Proctor & Gamble Co., Starbucks Corp., Synopsys Inc., and Waste Management Inc.

Seven out of the eight Domestic Equity Funds were positive. Only the Vanguard High Dividend Yield was negative (-1.79%) for the quarter.

Overall, the best performer was Vanguard Growth (17.24%).

The International Equity Funds (developed), ClearBridge International and JHancock International had very nice months (10.41 and 7.22 respectively).

Ms. Fletcher covered the Historical Summary and Expense Summary, stating that there was a nice investment gain of \$715,89. The ending market value was \$16,206,011. The return of 4.62% for Q2 and YTD is 6.32%.

More recent numbers: April was 0.73%, May was 0.64% and FYTD was 6.41%. Market Value is \$16,219,155.

Expenses are very much in line with what they were previously (at 46 basis points) which is very good.

There were no questions or comments.

Renewal of Contract with First Horizon National Corporation (Presentation by: Bill Burke, Director of Human Resources)

The purpose of this agenda item is approval to renew a contract for asset investment management and asset custodial services for the Town of Collierville Other Post-Employment Benefits (OPEB) Plan with First Horizon.

As trustee, First Horizon keeps a record of all assets in the Pension and OPEB accounts, collects all dividends and interest income, makes cash distributions to retired employees and others, and sends appropriate tax forms to retired employees on an annual basis. As financial advisor, First Horizon assists the Pension/OPEB Committee in adhering to adopted investment policies and provides quarterly reports of investment returns and updates to the Pension/OPEB Committee.

The contract does not specify a contract duration period but states the agreement may be terminated at any time by either party with a 30 day advance written notice. However, the Town has elected to formally renew these contracts on an annual basis.

The fee to provide investment management and custodial services is based on a percentage of the total investment value of the OPEB portfolio and will not change. The OPEB portfolio value as of March 31, 2023 was \$16,185,988 and the year-to-date fees through Q3 (July 1, 2022 – March 31, 2023) were \$28,804. The fees for the OPEB fund are paid by check from the OPEB fund.

Motion by Mr. Taylor, seconded by Mr. Carpenter, to recommend renewal of the Professional Services Agreement for asset investment management and custodial services for the Town's OPEB Plan with First Horizon National Corporation to the Board of Mayor and Aldermen.

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

Renewal of the OPEB Actuarial Contract with Nyhart (Presentation by: Bill Burke, Director of Human Resources)

The purpose of this agenda item is approval of a contract for professional services with Nyhart for actuarial services related to the Town of Collierville's Other Post-Employment Benefits (OPEB) plan.

Nyhart was initially contracted in July 2022 to provide OPEB actuarial services for the Town of Collierville for the fiscal year ended June 30, 2022. The contract term was one year. Nyhart performed these services timely and provided additional support when requested.

As a matter of practice and in accordance with the Governmental Accounting Standards Board (GASB), full valuation services for OPEB plans are conducted on a bi-annual basis with an interim valuation being prepared in alternating years. This industry standard makes it more feasible to have a multi-year contract for actuarial services to ensure the OPEB Fund is properly measured and reported. Entering into a multi-year professional services agreement with Nyhart will include bi-annual actuarial valuations of the plan with annual updates, providing GASB calculations, and required disclosures for financial reporting.


The proposed annual fee is \$3,500 for the FY 2023 interim valuation, \$8,400 for the FY 2024 full valuation, and \$3,700 for the FY 2025 interim valuation. The FY 2024 full valuation cost represents an increase of 5% from the FY 2022 one-year, full valuation contract. The proposed term is for three years beginning July 1, 2023.

Motion by Mayor Joyner, seconded by Mr. Carpenter, to recommend approval of a three-year professional services contract (July 1, 2023 – June 30, 2026) for actuary services for the Town of Collierville's OPEB plan with Nyhart to the Board of Mayor and Aldermen.

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

Adjournment

There being no further business, the meeting adjourned at 9:40 a.m.



Chairman



Town Clerk