

A regular meeting of the Pension Committee was held on Thursday, August 10, 2023, 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, Bill Burke Valesa Wells and Stan Joyner.

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 May 11, 2023, meeting.

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

### **Citizen's Comments**

There were no citizen comments.

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

Mr. Miller started off with the *Five Factor Framework* as of 06/30/23 (this covers April, May and June).

*Economic Growth* has been red for 12 months, as the weekly leading indicators that continue to indicate a slowing economy. It continues to flash red.

*Market Trend* takes a look at the S&P 500 and how it compares to its 12-month moving average. Last year there was quite a bit of red indicating pull back. This year has been a better year. It transitioned to yellow in early Q1 and has been green since March and continued through June. It flashes green.

*Monetary Conditions* has been red for 12 months as well. This reflects how the Fed has continued their restrictive monetary policy by raising Fed funds rates. Continues to flash red.

*Investor Sentiment* has been all over the board. It has been red earlier in the year because of a mania of risk on appetite for stocks. It switched from red to yellow.

*Valuations* takes a look at the PE ratio of the S&P 500 relative to its historical average. With the pull back last year, PEs had gone down a bit. It went from red to yellow and stayed there until June, where PE ratios got up much higher than historical averages; that is red now.

*Economic Forecast* (as of August 4, 2023)

*GDP growth* – Chris Lowe, First Horizon Chief Economist, is predicting overall growth rate of 2.6% for 2023 and 1.9% for 2024.

*Unemployment rate* – Chris' projection for 2023 is 3.4% and 3.5% for 2024.

*CPI (Consumer Price Index)* – a measurement of inflation, Chris is projecting 3.3% for 2023 and 3.5% for 2024.

*Federal funds rate* – The Fed has continued to be very restrictive with monetary policy. There have been quite a few rate increases this year. The expectation is that there will likely be one more rate increase this quarter. That will put it at 5.75%.

Chris predicts sometime between now and December, there will be one more rate increase, putting Q4 at 6.00%, and holding all the way through Q3 of 2024. He is projecting one rate cut in Q4 at 5.50%.

*Recession risk* – Chris is projecting a 40% probability of recession over the next 12 months and a 55% probability over the next 24 months.

*Callan Periodic Table of Investment Returns* – gives you an idea over different months how different sub asset classes have performed. This is used to emphasize the importance of diversification. For fiscal YTD, Large Cap Equity has led the way, up 19.59%. Real Estate has been the worst performer at -4.56%.

#### *IPS Guideline & Capital Market Assumptions (as of 06/30/23)*

Mr. Miller said that this has remained very close to the same, with only one small change (the tweaking on the Short-Term Bond and the Intermediate-Term Bond targets). There was discussion by the Committee several quarters back, of wanting to have a shorter duration. These numbers were changed to reflect that temporary change. The overall difference is 1 basis point. It takes the fixed income projection over 10 years to 1.56%. The equities stayed the same at 4.25%. The total fund went to 5.81%.

#### *Market Value & Performance (as of 06/30/23)*

Total Fund – April was up 0.81%; May was down -1.45%; June was up 3.51%; Q4 was up 2.83%; FYTD was 8.88%; 1 year is 8.88%; 3 years is 5.95%; 5 years is 6.00%; 10 years is 6.66%; and Inception (16 years) is 5.95%.

Mr. Miller pointed out that while this performance does under perform the blended benchmark, these are not bad numbers. He said the key reason for these numbers trailing the blended benchmark is an over-weight to value, namely from the individual stock portfolio.

#### *Asset Allocation (as of 06/30/23)*

This shows, at the end of the quarter, where the sub asset classes were relative to targets. Everything was within range. There was a 30 basis point shift from Cash, Cash Equivalents & Fixed Income to Equities.

#### *Holdings & Performance (as of 06/30/23)*

Fixed Income Funds – has 5 funds with the majority of them negative for the quarter. That is a reflection of yields going up during the quarter, which decreased value.

Corporate Bonds – There are 22 bonds here, including 3 that matured. Roughly 77% were still positive for the quarter. The last individual bond is the one Taxable Muni Bond that is down about 15 basis points.

Certificates of Deposit – those were all positive and that is a reflection of the fact they are all maturing in a short period of time. They are not as impacted by rising interest rates.

Common Stock – overall for the quarter, it did 3.41% relative to the S&P up 8.74%. This portfolio's benchmark is the S&P, and it did less than half of it. Overall, the YTD performance is 8.2%.

Worst performers were Target at -19.68%, Campbells Soup at -16.25% and AbbeVie Inc. at -14.55%.

Best performers were Oracle Corporation at 28.71%, Adobe Inc. at 26.89% and Unum Group at 21.49%.

There were no changes in the individual stock portfolio for the quarter.

Domestic Equity Funds – All were positive for Q4. The Vanguard Growth Fund was up 13.61%.

International Equity Funds – ClearBridge International and JHancock International were both positive overall for the quarter. International equities, represented by the MSCIE Index, were up about 3.22%.

Mr. Miller noted a change that has not happened yet (but will be happening). He said the Investment Committee voted last week to get out of the John Hancock International Growth Fund and replace it with Hartford International Value. First Horizon's new director of investment research has evaluated all of the models, and has determined that in the international space, he would like to see a split between growth and value.

#### *Historical Summary (as of 06/30/23)*

Ms. Fletcher stated this is a consolidated account, cash management accounts plus investment account. The total account is \$100,929,120 this last quarter.

The cash management account contributions for QE 06/30/23 was \$1,583,796; distributions were \$951,582; net positive contribution of \$632,214 (\$500,000 was moved over to be invested); finishing the quarter out at \$699,800 (before the pensions for the month were paid out).

The investment account (shows the \$500,000 coming in), with a nice investment gain of \$2,764,032, taking that account to \$100,229,320 (a return of 2.83%), and FYTD is 8.88%.

Recent numbers through 08/08/23 – July was 2.03%; August MTD was -1.51%; QTD was 0.49% and FYTD was 0.49%.

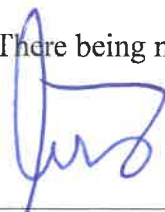
*Expense Summary (as of 06/30/23)*

They were right in line with all of the other quarters; 0.33 basis points for the Mutual Fund Weighted Expense; fees take the total to 0.28 basis points; and annual fees are at 61 basis points, which is very reasonable.

There were no questions or comments.

**Adjournment**

There being no further business, the meeting was declared adjourned at 9:21 a.m.

  
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Chairman

  
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Town Clerk