

A regular meeting of the Pension Committee was held on Thursday, November 9, 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, Bill Burke and Stan Joyner. Absent were Charles Taylor and Valesa Wells.

Staff present was Shanda Ford and 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. Carpenter, to approve the minutes of the August 10, 2023, meeting.

ROLL CALL: Carpenter – yes, Burke – 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*, stating there was not a lot of change from last quarter. Only one of the factors changed.

Economic Growth continues to flash red, because the weekly leading indicators continue to indicate a slowing economy.

Market Trend looks at the S&P 500 and how it compares to its 12-month moving average. It did continue to outperform that average even though the S&P pulled back over 3.00%, which is a reflection of how bad last year was. That was green throughout the quarter.

Monetary Conditions continue to remain restrictive as a result of the Fed continuing to raise rates. That continues to flash red.

Investor Sentiment remains cautiously optimistic and that is why it remains yellow through the quarter.

Valuations looks at the PE ratio of the S&P 500 relative to its historical average. This is the one factor that did change relative to last quarter. The markets moved upward at the end of the second quarter and that continued into the beginning of the third market peak, around the end of July. That is why the color changed from yellow to red, because the PE ratios were getting much higher

relative to historical averages. Then, starting in the third quarter, the market started to pull back, and it switched back to yellow.

Economic Forecast (as of November 3, 2023)

GDP growth – Chris Lowe, First Horizon Chief Economist, is predicting an overall growth rate of 2.9% for 2023 and 2.5% for 2024.

Unemployment rate – Chris’ projection for 2023 is 3.7% and 3.6% for 2024.

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

Federal funds rate – The Fed has continued to be very restrictive with monetary policy. Chris is predicting 5.50% for 2023 and 5.25% for 2024.

Recession risk – Chris is projecting a 30% probability of recession over the next 12 months and a 55% probability over the next 24 months.

IPS Guideline & Capital Market Assumptions (as of 09/30/23)

Mr. Miller said there have been no changes since the last meeting. This is looking out 10 years. The expectation is that the fixed income piece should return about 1.56% annualized and the equity piece should perform about 4.25% annualized, with an overall 5.81% annualized.

Market Value & Performance (as of 09/30/23)

Total Fund – July was a good month, but August and September were not. Overall, for 1Q was down -2.74%; FYTD was down -2.74%; 1 year is up 11.53%; 3 year is 3.23%; 5 year is 4.88%; 10 year is 5.89%; and, since inception is 5.67%.

Mr. Miller noted that in the 5 years, 10 years and since inception, the portfolio does continue to outperform the blended benchmark.

From an asset standpoint, fixed income was down -1.33% at 1Q, equities were down -3.86%, and money market was up 1.3%.

Asset Allocation (as of 09/30/23)

This shows how the portfolio was sitting from a sub asset class perspective at the end of the quarter. It was rebalanced and is off by about 4 basis points.

Mr. Miller pointed out that the fixed income piece has short-term bonds, intermediate-term bond and long-term bond. Typically, there is only short and intermediate, but one of the fixed income funds got reclassified by Morningstar during the quarter. They have been allowing their overall portfolio to be deemed longer duration. So, they ended up going from the intermediate term bond

fund to a long-term bond fund. As a result, that does not meet policy, so they are selling out of that and going to replace it with an ultra-short-term placeholder until the investment committee has a chosen fund. The expectation is they should have that in the next month or two.

Holdings & Performance (as of 09/30/23)

Fixed Income Funds – on a whole, the bonds were down for the quarter. The aggregate index was down -3.23%. In the 1Q, performance ranges from 0.95% to -5.28%. The Western Asset Core Plus Bond fund is going to be replaced (in the interim) with the Fidelity Conservative Income Bond Fund, an ultra-short bond fund.

Corporate Bonds – they had a few detractors during the quarter, but only 3 of the 18 were negative. Relative to the bond funds, they had a better quarter, due mainly to the shorter duration of this grouping of bonds. All but 2 of them are maturing in 3 years or less.

The last individual bond is the one Taxable Muni Bond, which is relatively short duration as well, maturing at the of 2025.

Certificates of Deposit – they had a relatively positive quarter, with the returns ranging from 79 basis points to as much as 1.34%. There were 2 CDs that matured during the quarter.

Common Stock

Mr. Miller said at the last meeting, it was decided to pare back the individual stock portfolio because it was moving more into the value category. It had been used for core growth and that was causing this portfolio to lag a bit, because it did not have enough growth in it. That was remedied by paring back the individual stock portfolio and increasing the large cap growth exposure.

There was only one change besides paring back in the overall portfolio for stocks. Capital One Financial Corp was removed and replaced with the MSCI Inc stock.

The top 3 performers were Amgen Inc (up 22.6%), Akamai (up 17.8%) and Regeneron (up 14.4%)

The bottom 3 performers were Fortinet (down -22.78%), Omnicom (down -21.11%), and American Tower (down -17.05%).

The overall performance for the stock portfolio was down -2.41%. It did beat its bogey of the S&P 500, which was down -3.27%.

Domestic Equity Funds – the negative trend continued down, each ranging between 20 basis points and -6.34%. The best performer was small value sub asset class, down -2.96%. The worst category was small growth which was down -7.30%.

As far as the different sectors, there were 9 of 11 sectors that were negative for the quarter. The best was energy (up 12.2%), communication services (up about 1.00%) and financials (down -1.20%).

The worst performers were utilities (-9.2%), real estate (-8.9%) and consumer staples (-6.6%).

As far as changes go, the Vanguard High Dividend Yield Index was removed and replaced with the Vanguard Value Index.

International Equity Funds – the JHancock International Growth fund was removed and replaced with Hartford International Value fund. The investment committee determined that there needed to be a better balance between growth and value in the portfolio.

In 1Q, ClearBridge International was down -8.21% and Hartford International was down -2.50%.

Money market was up 1.30%.

Historical Summary and Expense Summary (09/30/23)

Ms. Fletcher stated that as of the end of the quarter, the value of the portfolio was \$98,036,939.

At the end of the quarter, there was \$550,096 liquid available for benefits, expenses, etc. Distributions for the quarter were \$933,094.

There were no funds moved over from the cash management account this period. The loss, in terms of dollars, is -2.74% (\$2,742,477). Market value at the end of the quarter is \$97,486,843.

Expense ratio and mutual fund continues to be low at 9 basis points. Other expenses are 7 basis points, so for the quarter, expenses were 16 basis points. Very low!

More recent numbers (as of 11/8/23): October – down -1.93%, November MTD – up 3.03%, QTD – up 1.04%, and FYTD – down -1.72%.

There were no questions or comments.

Adjournment

There being no further business, the meeting was declared adjourned at 9:20 a.m.

Other Business

****At this time, Mr. Burke reopened the Pension Committee for the purpose of a motion.**

Motion by Mr. Carpenter to add a third citizen member to the Pension Committee, seconded by Mr. Burke.

Mayor Joyner pointed out that the reason for doing this is that Richard Ellis has been the actuary for the Pension and OPEB Plan from its inception. He is retiring December 31, 2023, and he has applied to be a member of the Pension Committee.

Mayor Joyner added that Mr. Ellis would be his appointment, with approval by the BMA. He said that Mr. Ellis would bring a wealth of knowledge to the committee.

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



Chairman



Town Clerk