

KNOX COUNTY RETIREMENT AND PENSION BOARD
INVESTMENT COMMITTEE MEETING

February 19, 2016

A meeting of the Knox County Retirement and Pension Board Investment Advisory Committee was conducted on Friday, February 19, at 1:00 p.m. in Room 640 of the City-County Building. The following were in attendance:

Knox County Investment Advisory Committee members:

Chairman; Mr. Nick McBride, Mr. Chris Caldwell, representing Mayor Tim Burchett; Commissioner Ed Brantley, Commissioner Jeff Ownby, Ms. Ashley Huffaker

USI Consulting Group: Mr. Bob Cross, Mr. Michael Welz

Legal Counsel: Mr. Bill Mason, Ms. Stephanie Coleman

Retirement Staff: Mrs. Kim Bennett, Mrs. Jennifer Schroeder, Mrs. Janet Rowan

Wilshire Associates: Mr. David Lindberg, Mr. Stephen DiGirolamo

Others in attendance: Mr. Rick Trott, Mr. David Buuck .

Chairman Mr. McBride called the meeting to order and the following proceedings were held:

IN RE: CONSIDERATION OF APPROVAL OF MINUTES OF PREVIOUS MEETINGS

Chairman McBride said the members had received copies of the minutes of November 10, 2015.

After review, a motion was made by Mr. Caldwell to approve the minutes for November 10, 2015 as presented. The motion was seconded by Mr. Ed Brantley and approved.

IN RE: DEFINED CONTRIBUTION PERFORMANCE REVIEW

Chairman McBride recognized Mr. Bob Cross and his team to present the investment report on the funds in the Defined Contribution Plans. Mr. Michael Welz gave a Financial Market and Economic review.

Mr. Welz reported that the 457 Voluntary Plan total plan assets for the quarter ending December 31, 2015 were \$14,618,058 and that total plan assets in the Asset Accumulation Plan were \$264,660,284. Mr. Welz reviewed the performance of the stand-alone funds as well the funds in the blended options. Mr. Welz reported the funds on the "Watch List": Columbia Multi-Advisor Sm Cp Val A, Columbia Seligman Comms & Info A and Oppenheimer Main Street Mid Cap A.

Mr. Welz reported Pioneer Government Income A closed and was automatically redirected to Pioneer Short Term A. Mr. Welz recommended replacements for Oppenheimer Main Street Mid Cap A to either Dreyfus Structured Midcap A or First Eagle Fund of America A. After a short discussion, Commissioner Brantley made a motion to replace Oppenheimer Main Street Mid Cap A with First Eagle Fund of America A. The motion was seconded by Mr. Caldwell and approved. Mrs. Bennett stated that communications would be coordinated with USI and sent to participants.

IN RE: DEFINED BENEFIT PLAN PERFORMANCE REVIEW

Chairman McBride recognized Mr. David Lindberg from Wilshire. Mr. Lindberg presented the executive summary of the investment performance for the quarter ending December 31, 2015 on the Defined Benefit Plan, Teachers Plan and Uniformed Officers Pension Plan (UOPP).

Mr. Lindberg went through the Investment Performance review for each plan. The total market value of the DB/Teacher's Plans as of December 31, 2015 was \$105,081,945 and the Uniformed Officers Pension Plan total market value as of December 31, 2015 was \$148,987,090. Mr. Lindberg stated that overall the investment allocations are within their respective policy targets. Mr. Lindberg stated that the REITs and US Equity were the only positive returns. Mr. Lindberg stated that we are overweight in International Equity, which has not performed well recently, and with the Asset Allocation Analysis Wilshire is recommending that going forward the Board approve a Global allocation to 50% to US Equity and 50% to Non-US Equity. Mr. Lindberg said this will be discussed today in the Analysis presentation.

Mr. Lindberg presented the Asset Allocation Analysis and Recommendation. Mr. Lindberg stated that Wilshire recommends updating the asset liability study every three to five years, and that the last one was done in 2011. Mr. Lindberg stated that after completing that analysis a determination was made to keep the same asset allocation policies for both the Defined Benefit Plan and The Teacher's Plan. For the analysis, Mr. Lindberg said that Wilshire concentrated on the 30 year numbers and MLP's were removed from the analysis because of their risk level.

Mr. Lindberg stated that Wilshire is now recommending a policy for the DB/Teachers Plans that will modestly reduce risk while moving to a more efficient return profile. Mr. Lindberg proposed that the target allocation will reduce Non-US Equity and REITS while increasing the target allocations to US-Equity, Private Real Estate, High Yield, and Core Fixed Income. Mr. Lindberg stated that the 30 Year expected beta return is 7.39% with expected risk of 11.33%. Mr. Lindberg reported that this policy will reduce expected return by .10%, while significantly reducing expected risk by .87%. For UOPP, Mr. Lindberg recommended a policy that maintains its existing risk profile but modestly improves the expected rate of return. Mr. Lindberg proposed an allocation policy that will reduce Non-US Equity, REITs, and Core Fixed Income while increasing target allocation to US Equity and High Yield. With this new policy, Mr. Lindberg stated that the 30 year expected beta return is 7.46% with an expected risk of 11.96%. This new policy maintains approximately the same risk and return as both will increase by about .02%, Mr. Lindberg reported. Chairman McBride asked if there is more risk in UOPP, Mr. Lindberg responded, no. After little discussion Commissioner Brantley made a motion to accept Wilshire's recommendation for the DB/Teachers allocation policies as presented. The motion was seconded by Commissioner Ownby and approved. Ms. Ashley Huffaker made a motion to accept the UOPP allocation policy as presented. The motion was seconded by Commissioner Ownby and approved. (A copy of the new DB/Teachers and UOPP Allocation policies are attached)

Chairman McBride asked how long the new allocation process would take. Mr. Lindberg responded that over the next six months he would work with Kim and Jennifer to have the funds moved into investments in accordance with the new policies.

ADJOURNMENT

There being no further business to come before the Investment Committee the meeting was adjourned.



Chairman