

KNOX COUNTY RETIREMENT AND PENSION BOARD  
INVESTMENT COMMITTEE MEETING

May 17, 2016

A meeting of the Knox County Retirement and Pension Board Investment Advisory Committee was conducted on Tuesday, May 17, 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 Jeff Ownby, Ms. Ashley Huffaker

USI Consulting Group: Mr. Bob Cross, Mr. Michael Welz, Mr. Adam Davies, Mrs. Carissa Dunaway

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

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

Wilshire Associates: Mr. David Lindberg, Mr. Steve Marshall, Mr. Calvin Born

Others in attendance: Mr. Rick Trott, Mr. Bud Armstrong, Mr. Ed Shouse

Chairman 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 February 19, 2016.

After review, a motion was made by Mr. Ownby to approve the minutes for February 19, 2016 as presented. The motion was seconded by Ms. Huffaker 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. Davis reported that the 457 Voluntary Plan total plan assets for the quarter ending March 31, 2016 were \$15,243,496 and that total plan assets in the Asset Accumulation Plan were \$267,034,360. Mr. Davies reviewed the performance of the stand-alone funds as well the funds in the blended options. Mr. Davies reported the funds on the "Watch List": Columbia Multi-Advisor Sm Cp Val A and JP Morgan Core Bond A. Mr. Davies stated that USI will monitor the funds on the "Watch List" and that there are no recommendations to replace either fund at this time.

Mrs. Dunaway reported that there were 110 new participants in the 457 plan over the last year. Mr. McBride credited the increased participation to the Retirement Educations seminars.

**IN RE: ADDITIONAL CONTRIBUTIONS TO THE DB PLAN**

Mr. Cross presented the Knox County Employee System Defined Benefit plan report. Mr. Cross discussed the current course of funding the DB plan along with the difference of depositing \$1M or \$2M annually to increase the funding ratio of the plan.

Mr. Caldwell pointed out that in his opinion if we stay on the current course with funding the DB plan, the plan will be OK. Mr. Caldwell stated that he is concerned that the funding ratio is only 60%, but the additional funding will also be needed from the Schools, which is not an option right now. Mr. Caldwell reported that the County did

not want to tie up the additional funding when the State requires 100% funding of the actuarially required contribution, which Knox County always complies with. Mrs. Bennett raised the question of the penalty from the State when a plan falls below 60% funded. Mr. Cross reported that if a plan is not 60% funded, enhancements cannot be made to the plan.

Chairman McBride stated the sense of the Committee that we will remain on the same course with the current funding policy. Mr. Caldwell stated that instead of changing the funding policy, the County may consider from time to time whether additional funding might be added or any surplus from the County and Schools might be deposited into the plan at fiscal year-end.

**IN RE: DEFINED BENEFIT PLAN PERFORMANCE REVIEW**

Chairman McBride recognized Mr. David Lindberg from Wilshire. Mr. Lindberg presented Wilshire's 2016 State Funding Study. Mr. Lindberg reported that 98 state retirement systems returned surveys and that 92 of the 98 plans were underfunded. Mr. Lindberg stated that the median discount rate dropped from 8% to 7.5% and that most of the plans were funded at 80% or less. Mr. Lindberg stated Wilshire forecasted a median return for this year at 6.2% but using the 30 year assumptions the median is expected to return 8.3%

Mr. Lindberg presented the executive summary of the investment performance for the quarter ending March 31, 2016 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 March 31, 2016 was \$100,907,705 and the Uniformed Officers Pension Plan total market value as of March 31, 2016 was \$149,245,888. Mr. Lindberg discussed that the old allocation policy was used for this quarter and the next investment meeting will have the new allocation policy targets. Mrs. Bennett stated that with the last quarter rebalance, the funds are pretty close to the new allocation policy. Mr. Lindberg reiterated that with the next quarter rebalance the funds will be almost at the new policy targets.

Mr. Lindberg reported that the DB Plan is currently .80 basis points behind the benchmark, but over the last 10 years the Plan was at or near its respective benchmarks. Mr. Born presented a review of the Plans money managers compared to their respective benchmarks.

**IN RE: OTHER BUSINESS**

Chairman McBride asked the committee or if others in attendance had any questions. Mr. Shouse asked if Knox County had any exposure with Puerto Rico. Mr. Davies stated that a review was completed and that no standalone fund and less than 1% of the Blends were affected.

Mrs. Bennett stated that the committee had copies of the revised Asset Allocation Policies, for both the DB/Teachers plan and UOPP that were adopted by the Board, upon recommendation by Wilshire Consulting and the Investment Committee, at the February 2016 meeting. After review, a motion was made by Mr. Ownby to approve the DB/Teachers Investment Policy, incorporating the revised Asset Allocation Policy. The motion was seconded by Ms. Huffaker and approved. A motion was made by Mr. Ownby to approve the UOPP Investment Policy, incorporating the revised Asset Allocation Policy. The motion was seconded by Mr. Caldwell and approved.

**IN RE: REPORT FROM 457 PLAN**

Mrs. Bennett stated that the committee had the Knoxville Teachers Federal Credit Union and Nationwide's Report. Mrs. Bennett reported that Nationwide submitted investment fund changes, effective October 25, 2016 and

that those changes would be considered accepted unless the Board took some action not to accept them. Mr. Mason stated that the Committee is the fiduciary for all the 457 plans and as such, the best practice is to have a motion to accept or not accept suggested changes so that the Committee is not making decisions based on inaction. Mr. Ownby made a motion to accept the fund changes for the Nationwide 457 plan. The motion was seconded by Ms. Huffaker and approved.

**ADJOURNMENT**

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

A handwritten signature in cursive script, reading "Neil M. Brink". The signature is written in dark ink and is positioned above a horizontal line.

Chairman