

KNOX COUNTY RETIREMENT AND PENSION BOARD

INVESTMENT COMMITTEE MEETING

August 16, 2016

A meeting of the Knox County Retirement and Pension Board Investment Advisory Committee was conducted on Tuesday, August 16, 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, Commissioner Ed Brantley, Ms. Ashley Huffaker

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

Legal Counsel: Mr. Bill Mason, Mr. John Owings (by phone)

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

Wilshire Associates: Mr. David Lindberg, Mr. Steve Digirolamo

Others in attendance: Ms. Robin Moody, 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 May 17, 2016.

After review, a motion was made by Mr. Ownby to approve the minutes for May 17, 2016 as presented. The motion was seconded by Mr. Brantley and approved.

**IN RE: RECOMMENDATION OF INTEREST RATE FOR LOANS FOR ASSET AND STAR PLANS**

Ms. Bennett stated that the investment committee will set and review the interest rate for the new loan program and make the recommendation to the full Board for approval. A motion was made by Mr. Caldwell to recommend a 4% Interest Rate on loans. The motion was seconded by Mr. Ownby 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. McBride expressed that the Target Date Funds are performing below their respective peer groups. Mr. Davies stated that T.Rowe Price's Target date funds are structured to offer more protection in down markets. Mr. McBride handed the committee a handout on Defined Contribution plans Target Date Funds for the committee members to review.

Mr. Davis reported that the 457 Voluntary Plan total plan assets for the quarter ending June 30, 2016 were \$15,894,807 and that total plan assets in the Asset Accumulation Plan were \$270,545,590. Mr. Davies reviewed the performance of the stand-alone funds as well the funds in the blended options. Mr. Davies reported on each of the funds on the "Watch List": Franklin Adjustable US Govt Secs A, Columbia Seligman Comms & Info A, Franklin Small-Mid Cap growth 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 these funds at this time.

Mr. Davies commented on the Ivy Science & Technology Fund and its Benchmark. Mr. McBride stated that the technology fund is down 7% since inception. Mr. McBride asked Mr. Cross to bring information on other Technology funds for the committee's comparison purposes.

Mr. Davies presented a handout and reviewed the Knox County Retirement Asset Plan Net Expense Ratios and a 10 Year Performance Quartile Comparison.

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

Mr. Lindberg presented the executive summary of the investment performance for the quarter ending June 30, 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 June 30, 2016 was \$100,524,552 and the Uniformed Officers Pension Plan total market value as of June 30, 2016 was \$151,178,428. Mr. McBride stated that the allocation of assets are right on track with the new allocation policy adopted 6 months ago.

Mr. Lindberg stated that this is the 3<sup>rd</sup> quarter in a row of REIT underperformance and the long term performance numbers are severely impacted by the last 3 quarters. Mr. Lindberg reported the biggest drivers of the poor performance fall on to 2 managers, Loomis and Adelante.

Mr. Digirolamo reviewed specifics of Loomis and Adelante. Mr. Digirolamo stated that Wilshire's view is that in the long term Loomis will be fine because its portfolio is more diversified and because of its position on energy. Mr. Digirolamo reported that Wilshire is concerned with Adelante. Mr. Digirolamo stated that Wilshire has had and will be having specific meetings with Adelante to review its current policy strategies and reasons for its recent performance. Mr. Lindberg stated that after Wilshire conducts their meetings there is a possibility at the next investment meeting to recommend a change in manager. Mr. McBride said that if necessary a special called meeting could take place.

Mr. Cross asked Mr. Lindberg to discuss the Asset Class Assumptions total return percentages. Mr. Lindberg stated that the assumptions presented in the handout are 10-year expected returns, the 30 year expected return is 7.35% for DB/Teachers plan and 7.43% return for UOPP. Mr. Lindberg supports the current USI 7% discount rate for the defined benefit plans. Mr. McBride asked in the future to add the 30 year return assumption percentages. Mrs. Bennett asked Mr. Lindberg to provide a letter with the 30 year assumption percentages as needed for the Auditors.

**IN RE: REPORT FROM 457 PLAN**

Mrs. Bennett stated that the committee had the Knoxville Teachers Federal Credit Union and Nationwide's Report. Mr. Mason suggested for its diligence that the committee ask Nationwide's representative to attend the next regular meeting to specifically review the Nationwide Fixed Account, which holds nearly half of all Nationwide 457 Plan assets and in which almost 40% of all participants have accounts. Nationwide's regular quarterly review material contains information about the various mutual fund accounts offered but less about this widely held Fixed Account. Mr. McBride agreed that it would be added to the agenda.

**ADJOURNMENT**

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



Chairman