

Minutes

Other Post-Employment Benefits (OPEB) Board of Trustees

October 25, 2024

3:00 P.M.-5:00 P.M. (central)

The OPEB Board of Trustees met on Thursday, October 25, 2024, at 3:00 p.m. (central), in Conference Room D, Third Floor, William R. Snodgrass TN Tower, Nashville, TN, and via Cisco Webex.

Commissioner Bryson called the OPEB Board of Trustees to order a little after 3:00 p.m. (central) on October 25, 2024, and a roll call was taken.

Trustee Members

Present:

- Jim Bryson, Commissioner of Finance and Administration
- David Lillard, Treasurer of the Treasury Department
- Sen. Bo Watson, Chair of Senate Finance, Ways and Means Committee (by teleconference)

Absent:

- Rep. Patsy Hazlewood, Chair of House Finance, Ways and Means Committee

Order of The Agenda:

The order of the agenda is as follows:

- **Agenda item #1** – Public Comment
- **Agenda item #2** – [Information Only] Presentation of the OPEB Trust Asset Liability Study Results
- **Agenda item #3** -- **[Action]** Approval of the OPEB Trust Investment Policy
- **Agenda item #4** [Information Only] Presentation on OPEB Trust Investment Performance
- **Agenda item #5 [Action]** – Approval of Minutes from May 8, 2024

Commissioner Bryson reordered the agenda items after the first agenda item to ensure a quorum for the approval of agenda item three. Once agenda item 3 was approved, the Board of Trustees continued to agenda item two and completed the rest of the agenda items in order.

First Order of Business – [Action] Approval of Determination of Necessity

Commissioner Bryson called for a motion for the Board of Trustees to approve a Determination of Necessity due to the time sensitivity nature of approval of the FY 2024 OPEB Valuation Assumptions. A motion to approve was made by Treasurer Lillard and seconded by Commissioner Bryson. No further discussion occurred, and the motion passed with a roll call vote of:

Lillard	Yes	Watson	Yes
Bryson	Yes		

Agenda Item #1 –Public Comment

No one requested either in advance, in the room, or by virtual means to make a public comment on any of the agenda items.

Agenda Item #2 – [Information Only] Presentation of the OPEB Trust Asset Liability Study Results

Commissioner Bryson recognized Mark Brubaker, Managing Director, Dan Hougard, Associate Director, and Joe Abdou, Senior Consultant, all representing Verus. Mr. Brubaker explained that Verus had conducted an asset-liability study of the Tennessee OPEB Trust (Trust) to determine whether the Trust’s asset allocation needed to be modified given that the Trust is close to being fully funded. Verus recommended adopting alternative three of the presentation, which reduces equity risk exposure, increases fixed income exposure, and introduces a strategic lending allocation to the portfolio. Adoption of alternative three results in:

- A practical risk-reward trade off to the plan,
- A reduction of downside risk with only a modest reduction in expected return, and
- All modeled portfolio scenarios show the plan being present value funding basis in about ten years.

Mr. Hougard gave historical background about performance of the asset allocation in the Trust and discussed that extra funding of the Trust during fiscal years 2023 and 2024 resulted in the Trust being closer to fully funded. Mr. Hougard discussed the difference between accrued and present value funding bases. He further discussed how the contributions to the Trust should decrease as the plan gets closer to being fully funded on the present value funding basis.

Versus staff were available to the Board of Trustees for any questions.

Agenda Item #3 – [Action] Approval of OPEB Trust Investment Policy

Commissioner Bryson recognized Michael Brakebill, Chief Investment Officer with the Treasury Department, for the Investment Policy presentation. Mr. Brakebill informed the trustees that the revised and restated OPEB Trust Investment Policy was before them and the policy had been revised to reflect the recommendations from Verus based on its asset-liability study. Mr. Brakebill highlighted that the Trust is almost fully funded and that the proposed revisions to the investment policy would lower equity risk in the Trust. He discussed that the proposed asset allocation targets under the revised investment policy are:

Portfolio Category:	Target Percentage of Portfolio:
Equities	26%
Fixed Income and Short-Term Securities	52%
Publicly Traded Real Estate Investment Trusts	3%
Strategic Lending	17%
Cash and Cash Equivalents	2%

Commissioner Bryson called for a motion to approve the revised the investment policy. Treasurer Lillard moved the motion for approval. Commissioner Bryson seconded the motion. No further discussion occurred, and the motion passed with a roll call vote of:

Lillard	Yes	Watson	Yes
Bryson	Yes		

Agenda Item #4 – [Information Only] Presentation on OPEB Trust Investment Performance

Commissioner Bryson recognized Michael Brakebill, Chief Investment Officer with the Treasury Department, for this presentation. Mr. Brakebill presented to the trustees the Trust investment status as of June 30, 2024. He showed the Trust’s asset allocation with equity funds making up roughly 52% of the Trust assets. He indicated that the Trust investments had yielded 11.83% increase during FY 2024 with a five-year yield of 6.56%. Mr. Brakebill indicated that he was very pleased with the 11.83% return for FY 2024, and this is the second highest annual return for the Trust. He informed the trustees that the Exchanged Traded Funds were part of the reason for the successful year.

Mr. Brakebill was available to the Board of Trustees for any questions.

Agenda Item #5 – [Action] Approval of Minutes from May 8, 2024

Commissioner Bryson called for a motion for the Board of Trustees to approve the minutes from May 8, 2024. A motion to approve was made by Treasurer Lillard and seconded by Senator Watson. No further discussion occurred, and the motion passed with a roll call vote of:

Lillard	Yes	Watson	Yes
Bryson	Yes		

With no new or other business before the Board, Commissioner Bryson adjourned the meeting at around 3:45 p.m. (central).

Respectfully submitted,



Laurie S. Lee