

Small Public Plan of the Year

Shelby County (Tenn.) Retirement System



David Pontius

The \$671 million fund faced market turmoil head-on last year and remained opportunistic even when its peers ran for shelter. Capitalizing on market dislocations and historically wide spreads, the plan introduced bank loans with commitments to **Scoggin Capital Management** and **Apollo Management** and carved out an allocation to high-yield bonds. It also ramped up exposure to infrastructure, private equity and real assets to increase diversification and tap into the long-term projected returns for those classes.

“For the ten years that I have known the fund, they have been progressive and moved into new asset classes that the majority of funds their size haven’t,” said **Levon Horton**, managing director and partner at **The Inroads Group**. “[Shelby is] quite sophisticated,” echoed **Mark Weiler**, head of product and client management-Americas for **Ashmore Investment Management**, an emerging markets manager through which Shelby accesses

exposure to several currency debt instruments.

The plan’s willingness to hear about new ideas and venture into asset classes where very few of their peers invest can be attributed to the relationship between **David Pontius**, its manager of investments, consultant **Robert Longfield** of the **Consulting Services Group**, and the board, **Horton** said. **Pontius** and **Longfield** have worked together for decades, and people familiar with the fund credit their trust in each other and the board’s trust in them as the key factor that enables the plan to move swiftly. “David is open and honest with the board about what’s going on in the industry,” said **Linda Jordan**, managing director, institutional sales for **Mesirow Financial**. “The three pieces working together is what makes Shelby extraordinary.”

Unavoidable tumult in the market pushed year-end returns down to -33.6%, and the funding ratio dropped to the 90s from 105%, but **Pontius** said the fund is well-positioned to make a recovery. In January, the plan’s hedge fund of funds investments, which comprise 22% of the entire portfolio, were up 1.4%, compared to the **Standard & Poor’s 500** -8.57% return for the same time period.