

KNOX COUNTY RETIREMENT AND PENSION BOARD

SEPTEMBER 25, 2017

The Knox County Retirement and Pension Board met in regular session on Monday, September 25, 2017, at 1:30 P.M. in the County Commission Conference Room 640, City-County Building, Knoxville, Tennessee. Chairman Brantley presided and called the meeting to order.

The following members were present: Commissioner Ed Brantley, Chairman, Mr. Chris Caldwell, Proxy for Mayor Burchett, Vice Chairman, Commissioner Hugh Nystrom, Secretary, Commissioner John Schoonmaker, Commissioner Bob Thomas, Ms. Tracy Foster, Mrs. Jennifer Hemmelgarn, Mr. Garrett Raiden and Mr. Zack Webb. Also present at the meeting were: Mr. Bob Cross, USI Consulting Group, Ms. Carissa Dunaway, USI Consulting Group, Mr. Bill Mason, Mrs. Ashley Trotto, Mr. John Owings, Ms. Stephanie Coleman, Mr. Charles Burks, Legal Counsel, Mr. David Buuck and Mr. David Wigler, Law Director's Office, Mr. Wayne Sellers, Nationwide, Attorney Keith Burroughs, and Retirement staff, Ms. Kim Bennett, Ms. Jennifer Schroeder, Ms. Terri Chase, Ms. Savannah Russell, Ms. Debbie Slagle, and Ms. Mitzi Stooksbury.

IN RE: SWEARING IN NEW BOARD MEMBER, GARRETT RAIDEN

Mr. John Owings swore in new board member Garrett Raiden. (Oath of office attached)

IN RE: NOMINATION AND ELECTION OF OFFICERS

Mr. Caldwell, Nomination Committee Chair, stated that this year's election process for officers would be held similar to the election of officers for the Knox County Commission. Mr. Caldwell explained each board member could nominate an individual and after nominations a vote would be held. Mr. Caldwell asked for nominations for Chairman. Mr. Webb nominated Mayor Burchett. Commissioner Schoonmaker nominated Commissioner Nystrom. Discussion was held regarding a potential conflict with the Mayor serving as Chairman. After the discussion a vote was held, and Mayor Burchett was elected Chairman with a 6 – 2 vote. Voting for Commissioner Nystrom were Commissioners Schoonmaker and Nystrom.

Mr. Caldwell opened nominations for Vice Chairman. Commissioner Brantley nominated Commissioner Nystrom. Since there was no other nomination, Commissioner Nystrom was elected Vice Chairman by acclamation. Mr. Caldwell opened nominations for Secretary. Commissioner Thomas nominated Commissioner Schoonmaker. Commissioner Schoonmaker nominated Mr. Webb, and Commissioner Brantley nominated Ms. Foster. During discussion, Commissioner Schoonmaker declined the nomination for secretary. A vote for Secretary was held and Ms. Foster was elected for Secretary with an 8 – 1 vote. Ms. Foster voted for Mr. Webb.

Chairman, by proxy, Mr. Caldwell, presided during the remainder of the meeting.

IN RE: APPOINTMENT OF COMMITTEES

Mr. Caldwell appointed the following board members for the Disability Committee: Commissioner Thomas, Chairman, Commissioner Nystrom, Ms. Foster, Ms. Hemmelgarn, and Mr. Raiden. Mr. Caldwell appointed the following board members for the Document Committee: Commissioner Nystrom, Chairman,

Mr. Caldwell, Commissioner Thomas, Ms. Hemmelgarn, and Mr. Webb. Mr. Caldwell appointed the following board members for the Document Committee: Commissioner Nystrom, Chairman, Mr. Caldwell, Commissioner Thomas, Ms. Hemmelgarn, and Mr. Webb. Mr. Caldwell appointed the following board members for the Investment Committee: Commissioner Brantley, Chairman, Mr. Caldwell, Commissioner Nystrom, Commissioner Schoonmaker, and Mr. Webb.

N RE: AMENDMENTS TO AGENDA

Ms. Schroeder handed out revised minutes for the August 28, 2017 Board Meeting.

IN RE: APPROVAL OF MINUTES OF AUGUST 28, 2017

Secretary Nystrom presented the amended minutes of the prior meeting of August 28, 2017. Mr. Webb made a motion to approve the amended minutes as presented. The motion was seconded by Commissioner Brantley and unanimously approved.

IN RE: APPROVAL OF MINUTES OF SEPTEMBER 11, 2017

Secretary Nystrom presented the minutes of the special called meeting of September 11, 2017. Commissioner Brantley made a motion to approve the minutes as presented. The motion was seconded by Mr. Webb and unanimously approved.

IN RE: APPLICATION FOR DISABILITY BENEFIT – EMPLOYEE DISABILITY PLAN

The application for disability benefits for Hosea Skinner, employee of the Trustee's Office, and a participant in the Asset Accumulation Plan, was presented. Mr. Skinner has 16 years 1 month of credited service. Notification was received from UNUM dated September 1, 2017, recommending denial of a disability benefit for Mr. Skinner.

A motion was made by Mr. Webb to accept the recommendation of UNUM to deny the request of Mr. Skinner for disability benefits. The motion was seconded by Ms. Hemmelgarn and unanimously approved.

IN RE: APPLICATION FOR RETIREMENT – UNIFORMED OFFICERS PLAN

Mr. Owings stated that thirty minutes prior to the meeting, Ms. Bennett received a Motion to Intervene by Knox County's attorney, Mr. Keith Burroughs objecting to the approval of this item 9 of the agenda. Mr. Burroughs's motion is attached. No motion was made by a board member to permit such intervention of the county by and through its counsel.

The following applications for retirement as provided in the Uniformed Officers Pension Plan, were presented for consideration:

<u>NAME</u>	<u>DEPARTMENT</u>	<u>CREDITED SERVICE</u>	<u>EFFECTIVE DATE</u>
Lisa Bigwood	Sheriff	26 years 6 months	October 1, 2017
Robert Caldwell	Sheriff	26 years 4 month	October 1, 2017

After review and discussion, a motion was made by Commissioner Brantley to approve the application for retirement under the Uniformed Officers Pension Plan as presented and authorize the

Trustee, State Street Bank, to make disposition of the benefits. The motion was seconded by Mr. Webb and approved by a 7 to 1 to 1 vote. Commissioner Schoonmaker voted no and Mr. Raiden abstained.

IN RE: APPLICATIONS FOR RETIREMENT AS PROVIDED IN THE ASSET ACCUMULATION PLAN AND AUTHORIZATION OF CREDITED SERVICE BENEFIT BASED ON COMPLETED YEARS OF SERVICE

The following applications for retirement and the credited service benefit based upon completed years of credited service at the date of retirement, as provided in the Asset Accumulation Plan, were presented for consideration:

<u>NAME</u>	<u>DEPARTMENT</u>	<u>CREDITED SERVICE</u>	<u>EFFECTIVE DATE</u>
Janet Rowan	Retirement	14 years 7 months	October 1, 2017
Melvin Winton	Schools	6 years 3 months	October 1, 2017
Jeffrey Wood	EPW	34 years 1 months	October 1, 2017
Andria Fortenberry	Sheriff	7 years 10 months	October 1, 2017

A motion was made by Ms. Foster to approve the applications for retirement under the Asset Accumulation Plan as presented and to authorize the Directed Custodian, Wells Fargo Bank, to make disposition of the benefits upon certification from USI and to authorize Trustee, State Street Bank, to make payment of the credited service benefit. The motion was seconded by Ms. Hemmelgarn and unanimously approved.

IN RE: REPORT OF EXECUTIVE DIRECTOR

Ms. Bennett reported on the recent staff changes to the Retirement Office. Ms. Bennett stated that Ms. Janet Rowan retired as previously approved. Ms. Bennett introduced Ms. Savannah Russell who was hired to fill the new position of Financial Analyst in the Retirement Office.

Ms. Bennett stated that open enrollment for Retiree Medical and Dental will take place between October 23 and November 15, 2017 and changes would take effect on January 1, 2018.

Ms. Bennett said in the Board Packet was information on a conference for Trustees presented by the International Foundation of Employee Benefit Plans. Ms. Bennett stated that Ms. Schroeder, who attended this program in May 2017, passed her test and now has a Certification of Achievement in Public Plan Policy (CAPPP).

IN RE: RFQ REPORT

Ms. Bennett stated the RFQ committee met last Tuesday for discussion and that final scoring for the bids is due Thursday, September 28 at 4:00pm. Ms. Bennett stated that Mr. Matt Myers from Knox County Purchasing would collect the scores and report to the committee the top 2 or 3 bidders.

IN RE: REPORT FROM BOB THOMAS ON CONFERENCE ATTENDED IN JUNE

Commissioner Thomas gave a report on a recent conference in San Diego that he attended at his expense. Commissioner Thomas reported that:

- Pension and Retirement Boards are looking for new investments and strategies

- Fees are getting too high
- Discussion of ESG (Environmental Social, and Governance Criteria)
- No long term thinking: the average CEO's term is 5 years and elected officials terms are 24 to 48 months
- Low investment returns
- Corporate "Alexis"
- Too much time spent on legal issues
- Artificial Intelligence could replace fund managers

In summary, Commissioner Thomas had two main items from the conference to share: "Communities that Live in Harmony Prosper" and Board Members are changing quicker now than 10 years ago.

IN RE: REPORT OF DISABILITY COMMITTEE

Commissioner Thomas reported on the Disability Committee meeting held on September 14, 2017. Commissioner Thomas stated that Mr. Cross, Ms. Bennett and Ms. Schroeder reported on the recent visit to Reed Group in August, and Reed Group is an excellent option. Commissioner Thomas stated that Reed Group does not sell insurance and strictly works with public and private entities on administering short and long term disability and FMLA. Commissioner Thomas stated that UNUM, our current 3rd party administrator, sells insurance and would like Knox County to be fully insured. Mr. Cross stated that in response to a recent inquiry to visit UNUM's claim processing center in Chatanooga, UNUM replied with a disconcerting letter. Mr. Cross stated that UNUM will only schedule a meeting with pension board representatives if Knox County will agree to be fully insured through UNUM. Commissioner Thomas stated that Reed Group will provide a quote in a few weeks for the committee to review. It is possible that the quote may be higher than UNUM's current cost, but over the last 5 years Knox County has had over a 300% rate increase from UNUM. Commissioner Thomas stated that UNUM's current contract expires June 30, 2018, and if the Board decided to hire Reed Group, a 4 to 6 month lead time would be required to process the transition. He emphasized time is already short for the committee and the Board to act.

IN RE: REPORT OF INVESTMENT COMMITTEE

Mr. Caldwell presented the rates of return for the Defined Contribution Plans as of August 31, 2017, from USI that were distributed to the Board Members. As to ESG, Mr. Cross stated that plans accounts are moving toward socially responsible accounts especially with regard to environmental and governance issues.

IN RE: PUBLIC HEARING AND FIRST READING OF AMENDMENT AND RESTATEMENT OF THE KNOX COUNTY EMPLOYEE BENEFIT SYSTEM

Mr. Mason introduced a summary and redlined plan document pages showing proposed changes related to MERP and Life Insurance administration. Mr. Mason stated that the MERP amendment would allow employees to elect to self-direct funds in the MERP Account with an effective date of January 1, 2018. Mr. Mason stated that the Life Insurance provisions were being amended to transfer administration of that

program from the Pension Office to the Knox County Human Resource office, effective November 1, 2017, in line with the recommendation of the auditors. Mr. Wayne Sellers of Nationwide asked Mr. Cross about Nationwide's funds being available for MERP. Mr. Cross stated that Mr. Adam Davies would call him this week to discuss. A motion to approve first reading of amendment and restatement of the Knox County Employee Benefit System was made by Commissioner Brantley. The motion was seconded by Commissioner Nystrom. Mr. Caldwell asked if there were comments from the public. There being none, the motion was approved 8-0, Mr. Webb was absent from the vote.

IN RE: PUBLIC HEARING AND FIRST READING OF AMENDMENT AND RESTATEMENT OF THE KNOX COUNTY UNIFORMED OFFICERS PENSION PLAN

After Mr. Mason summarized the amendment related to life insurance administration, a motion to approve on first reading the amendment and restatement of the Knox County Uniformed Officers Plan was made by Commissioner Thomas. The motion was seconded by Commissioner Nystrom. Mr. Caldwell asked if there were comments from the public. There being none, the motion was approved 8-0, Mr. Webb was absent from the vote.

IN RE: PUBLIC HEARING AND FIRST READING OF AMENDMENT AND RESTATEMENT OF THE KNOX COUNTY SHERIFF'S TOTAL ACCUMULATION RETIREMENT PLAN

After Mr. Mason summarized the amendment related to life insurance administration, a motion to approve on first reading the amendment and restatement of the Knox County Sheriff's Total Accumulation Retirement Plan was made by Commissioner Brantley. The motion was seconded by Ms. Hemmelgarn. Mr. Caldwell asked if there were comments from the public. There being none, the motion was approved 8-0, Mr. Webb was absent from the vote.

IN RE: INTRODUCTION OF COUNSEL FOR THE PENSION BOARD ON THE GASS MATTER, CHARLES (CHUCK) BURKS

Ms. Bennett stated that after the September 11, 2017, special called Board Meeting, Charles Burks had been retained as legal counsel for the Board during the Sgt. Gass *de novo* administrative appeal and any resulting litigation. Ms. Bennett stated that Mr. Owings and Ms. Coleman are lead counsel on all matters except matters dealing with Sgt. Gass and that Mr. Mason and Ms. Trotto continue to be available to advise the Board and to support other legal counsel on all matters, including those related to Sgt. Gass. A copy of Mr. Burks' engagement letter was distributed to the Board and is attached to these minutes.

IN RE: GASS APPEAL REQUEST

Mr. Burks stated that he appreciated the opportunity to represent the Board during the *de novo* appeal in regard to Sgt. Gass. Mr. Burks advised the Board to set a date to hear the *de novo* appeal of Sgt. Gass. After discussion, a hearing date was set for December 5, 2017, at 10:00am. Ms. Bennett will inform all parties to the location of the meeting.

IN RE: REPORT OF LEGAL COUNSEL

Mr. Owings reported that a request had been made for Mr. Bob Cross to meet with representatives of the Knox County Law Director's office regarding the definition of compensation, initial determination of

UOPP liabilities, and to explain GASB and the actuarial report. Mr. Owings stated that Mr. Cross is an advisor retained by the Pension Board. Mr. Owings stated that the Law Director's office has threatened legal action against the Board regarding UOPP. Mr. Cross stated that he brought this request to the attention of board legal counsel because he wants to follow protocol and obtain proper authorization before taking any action. Mr. Buuck indicated that his office is only seeking statistical data..

When questioned by the Board, Mr. Owings recommended that the Board deny the Law Department's request to meet with Mr. Cross, who is the Board's advisor and actuary. Mr. Owings advised that if the Board grants the request, Mr. Cross should not be permitted to meet with the Law Department without Board legal counsel present. Mr. Buuck stated that the Plan says Knox County is a named fiduciary for the Plan. Ms. Hemmelgarn asked Mr. Buuck if a meeting had been set. Mr. Buuck stated the meeting was requested for October 5th. After further discussion, Ms. Foster made a motion to deny the request of the Law Department to meet with Mr. Cross. The motion was seconded by Mr. Zack Webb, and Mr. Caldwell asked if there was any further discussion on the matter. Mr. Webb suggested that Mr. Burroughs send a list of questions involving the requested data as a written request to Mr. Owings for Mr. Cross to answer. Mr. Owings stated that would be acceptable. Mr. Burroughs agreed. Commissioner Brantley made a substitute motion to permit Mr. Cross, by and through Board legal counsel, to respond to written questions from Mr. Burroughs related solely to the numbers, without any statements of opinion. The motion was seconded by Mr. Zack Webb and unanimously approved. Mr. Owings clarified that the written questions would be submitted to him, and that he would provide them to Mr. Cross.

Mr. Cross stated for the record that he has nothing to hide and just wanted to follow proper protocol for the meeting.

IN RE: REPORT OF ACTUARY

Mr. Cross had no report.

IN RE: STATEMENT OF ACCOUNTS AS AUDITED AND RECOMMENDED FOR PAYMENT BY KIM BENNETT, EXECUTIVE DIRECTOR


The following statement of accounts for professional services was presented for consideration and approval of payment, in accordance with agreements and audited and recommended for payment by Ms. Bennett:

Invoices for September 2017	Fiscal YTD Approved Invoices 08/31/2017	Sept Invoice For Approval	Fiscal YTD Approved Invoices 09/30/2017
BENXL Invoice # 102902		\$0.00	
TOTAL BENXL	\$25,800.00	\$0.00	\$25,800.00
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice # 203044		\$0.00	
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #		\$0.00	
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #		\$0.00	
***TOTAL KENNERLY, MONTGOMERY & FINLEY, P.C.	\$500.00	\$0.00	\$500.00
ROBERTSON, OVERBEY Invoice # 061417-9897M		\$0.00	
*** TOTAL ROBERTSON, OVERBEY	\$0.00	\$0.00	\$0.00
USI CONSULTING GROUP Invoice # 90017239		\$29,901.25	
USI CONSULTING GROUP Invoice # 90016633		\$0.00	
TOTAL USI CONSULTING GROUP	\$91,309.43	\$29,901.25	\$121,210.68
Invoices for September 2017	\$117,609.43	\$29,901.25	\$147,510.68
*** Retainer not included in approved billings for the Board			Fiscal YTD
Robertson, Overbey Retainer	\$4,000 per month		\$12,000
Kennerly Montgomery Retainer	\$12,000 per month		\$36,000
Fees Received from QDRO Participants	\$500 (DC Fee)		\$500
	\$2,000 (DB Fee)		\$0

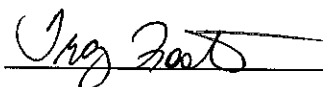
After review of the statement of accounts and invoices, a motion was made by Commissioner Brantley that the Board authorize the payment indicated above to be paid from the designated Retirement Plans. The motion was seconded by Mr. Webb and unanimously approved.

ADJOURNMENT

As there was no further business to come before the Board, the meeting was adjourned in order.



MAYOR TIM BURCHETT, CHAIRMAN
BY PROXY, CHRIS CALDWELL



MS. TRACY FOSTER, SECRETARY