

KNOX COUNTY RETIREMENT AND PENSION BOARD

December 17, 2018

The Knox County Retirement and Pension Board met in regular session on Monday, December 17, 2018, at 1:30 P.M. in the Large Assembly Room, City-County Building, Knoxville, Tennessee.

The following members were present: Chairman Chris Caldwell, Proxy for Mayor Jacobs, Ms. Tracy Foster, Secretary, Commissioner Randy Smith, Commissioner Brad Anders, Commissioner Larsen Jay, Ms. Jennifer Hemmelgarn, Mr. Garrett Raiden and Mr. Zack Webb. Commissioner Hugh Nystrom was absent.

Also present at the meeting were:

USI Consulting Group: Mr. Bob Cross, Mr. Adam Davies, and Ms. Brenda Fiddler

Legal Counsel: Mr. Bill Mason, Ms. Stephanie Coleman, and Mr. John Owings

Retirement Staff: Ms. Kim Bennett, Ms. Jennifer Schroeder, Ms. Terri Chase, Mr. Zack Cole, and Ms. Savannah Russell

Others in attendance: Mr. Gary Mitchell, Pugh & Co., Mr. Ted Hotz, Pugh & Co., Mr. Mike Steely, Knox Focus, Mr. Tom Spangler, Sheriff, and members of the public

IN RE: CALL TO ORDER

Chairman Caldwell presided and called the meeting to order.

IN RE: AMENDMENTS TO AGENDA

Ms. Bennett stated there were no amendments to the agenda.

IN RE: APPROVAL OF MINUTES OF NOVEMBER 19, 2018

Chairman Caldwell presented the minutes for November 19, 2018. Commissioner Anders made a motion to approve the minutes for November 19, 2018. The motion was seconded by Commissioner Jay and approved.

IN RE: APPLICATION OF DISABILITY BENEFIT – EMPLOYEE DISABILITY PLAN

BRENDA S. CHAPMAN – Chairman Caldwell presented the application of disability for Brenda Chapman. Commissioner Jay made a motion to approve disability for Brenda Chapman. The motion was seconded by Ms. Hemmelgarn and approved.

ANGELA R. NICKERSON – Chairman Caldwell presented the application of disability for Angela Nickerson. Mr. Webb made a motion to approve disability for Angela Nickerson. The motion was seconded by Ms. Hemmelgarn and approved.

IN RE: APPLICATIONS FOR RETIREMENT – UNIFORMED OFFICERS PENSION PLAN

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>
Randall E. Hornsby	Sheriff	25 years 1 month	January 1, 2019
David G. Marshall	Sheriff	28 years 0 months	January 1, 2019
Henry C. Martin	Sheriff	25 years 1 month	January 1, 2019

Richard A. May	Sheriff	26 years 6 months	January 1, 2019
Sandra K. Nighbert	Sheriff	25 years 1 month	January 1, 2019
Roman D. Sharp	Sheriff	27 years 7 months	January 1, 2019

A motion was made by Commissioner Anders to approve the application for retirement under the Uniformed Officers Pension Plan as presented and to authorize Trustee, State Street Bank, to make payment of the monthly benefits. The motion was seconded by Mr. Webb and approved.

IN RE: APPLICATIONS FOR RETIREMENT – DEFINED CONTRIBUTION 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 Defined Contribution Plan, were presented for consideration:

<u>NAME</u>	<u>DEPARTMENT</u>	<u>CREDITED SERVICE</u>	<u>EFFECTIVE DATE</u>
John Clark	Schools	6 years 10 months	January 1, 2019
Linda Cutwright	Elect Comm	29 years 6 months	January 1, 2019
Mary Evans	Schools	8 years 5 months	January 1, 2019
Penny Farmer	Schools	17 years 11 months	January 1, 2019
Christopher Foote	Sheriff	11 years 7 months	January 1, 2019
Daniel Housley	Parks&Rec	9 years 9 months	January 1, 2019
Deborah Mashburn	Health	19 years 0 months	January 1, 2019
George Majors	EPW	24 years 4 months	January 1, 2019
Joyce Parnell	CrnCrt	6 years 6 months	January 1, 2019
Lincoln Steele	Sheriff	13 years 7 months	January 1, 2019

A motion was made by Mr. Raiden 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 the Trustee, State Street Bank, to make payment of the credited service benefit. The motion was seconded by Ms. Hemmelgarn and approved.

IN RE: REPORT OF EXECUTIVE DIRECTOR

Ms. Bennett had no report.

IN RE: FY18 AUDIT REPORT FROM PUGH & CO.

Mr. Ted Hotz of Pugh and Company stated that the audit for the Retirement and Pension Board is complete and an electronic copy is available in the Retirement and Pension Board Office. Mr. Hotz presented an overview of the audit for period ending June 30, 2018. The audit report details the financial statements and notes that plan assets in total are up to over \$640 million dollars with an overall return on investments of 9% for FY18. Notes to the financial statements included in the audit reference the lawsuit filed by Knox County against the Board. Mr. Hotz recapped the audit stating overall the procedures and numbers are good and the audit ran smoothly. Commissioner Jay asked if there were any recommended

findings that have not been addressed. Mr. Hotz replied in the cases that have been found, the Retirement office has resolved or have been following procedures to get issues resolved. Commissioner Anders inquired the meaning and reason of the UOPP liability ratio. Ms. Bennett stated the reason the UOPP liability ratio is so high is because there are no new officers going into the plan. Commissioner Jay made the motion to accept the FY18 audit report. The motion was seconded by Mr. Webb and approved. In response to Commissioner Smith's question, Mr. Cross reviewed the development of the long-term assumed actuarial rate of return and emphasized that actual annual rates may vary substantially year to year.

IN RE: RESOLUTION FOR AMENDMENTS TO UOPP, STAR, AND DISABILITY PLAN

Chairman Caldwell presented the following resolution for amendments to UOPP, STAR and Disability plans:

A RESOLUTION OF THE KNOX COUNTY RETIREMENT AND PENSION BOARD TO AMEND THE KNOX COUNTY UNIFORMED OFFICERS PENSION PLAN, SHERIFF'S TOTAL ACCUMULATION RETIREMENT PLAN, EMPLOYEE BENEFIT SYSTEM AND EMPLOYEE DISABILITY PLAN

Authorization for Proposed Amendments to Exclude Overtime from Compensation for Officers Covered by Uniformed Officers Pension Plan and Sheriff's Total Accumulation Retirement Plan

WHEREAS, Knox County Government has adopted the Sheriff's Total Accumulation Plan ("STAR"), the Uniformed Officer's Pension Plan ("UOPP"), the Employee Benefit System ("System") including the Deferred Compensation Plan ("457 Plan"), and the Employee Disability Plan ("Disability Plan") (collectively the "Plans"), as each has been subsequently amended; and

WHEREAS, the Knox County Retirement and Pension Board (the "Board") has the right at any time to modify, alter or amend the Plans, in whole or in part, by instrument in writing duly executed, in accordance with the provisions of the Knox County Charter and the Plans, so long as the Actuary has determined that such Amendments will have no measurable net cost to the County; and

WHEREAS, having considered (i) the findings of the auditors and the administrative error, (ii) information since 2014 with regard to applicable dictates and management decisions on authorization of overtime in certain cases for Officers, (iii) the original 2007 terms of UOPP, and (iv) the Actuary's advice that the proposed Amendments will have no adverse actuarial impact on the County or the Plans, the Board concludes that such proposed Amendments will not increase the funding or financial obligations of the County within the meaning of Charter Section 7.04E or adversely affect vested and accrued rights of Plan Participants pursuant to state or federal law; and

WHEREAS, to correct the inadvertent administrative error, the Board wishes to amend each of the Plans to exclude overtime from the definition of Compensation for Officers covered by UOPP and STAR, as was the case under UOPP in 2007, specifically preserving vested and accrued UOPP or Disability Plan benefits, and accrued contributions to UOPP, STAR and 457 Plan, based on overtime actually paid Officers from January 1, 2014 to the Amendments effective date;

NOW THEREFORE BE IT RESOLVED that the Board hereby authorizes and directs the Executive Director to prepare proposed Amendments to the Plans to accomplish the foregoing purposes, the proposed Amendments to be considered by the Board, after public notice, for adoption on two readings at regularly scheduled Board meetings.

We hereby certify that the foregoing Resolution was duly adopted pursuant to the provisions of the Charter and the Plans on December 17, 2018.

Mr. Webb made a motion to approve the resolution for amendments to UOPP, STAR and Disability plans. The motion was seconded by Commissioner Anders and approved.

IN RE: REPORT OF DISABILITY COMMITTEE

Commissioner Jay discussed the disability meeting from December 10, 2018. Ms. Bennett reviewed the process of recertification for disability. Commissioner Jay reported the next disability committee meeting will be held on Tuesday, January 22, 2019.

IN RE: REPORT OF INVESTMENT COMMITTEE

Mr. Webb reported on the following items:

- **Monthly Rates of Return** – Mr. Webb presented the rates of return for the Defined Contribution Plans and stated the overall rates of return are in line with the respective markets.
- **Blackout period for Investment Changes in the DC Plans, week of February 25, 2019** – Mr. Webb stated the blackout period for investment changes will be February 25, 2019.

IN RE: PENSION BOARD ELECTION FOR COUNTY AND SCHOOL EMPLOYEE REPRESENTATIVES

- **Date of Election February 14, 2019** – Chairman Caldwell reported the date of the election will be held on Tuesday, February 14, 2019.
- **Election Committee**– Chairman Caldwell appointed Ms. Foster to be the chair for the election committee. The two seats up for election are Mr. Webb's and Mr. Raiden's. Ms. Bennett said the election would again be conducted online.

IN RE: REPORT OF LEGAL COUNSEL

Mr. Owings reported on the case conclusion of vacation cash out. Mediation for the Officers' class attorney fees is set for Wednesday, December 19, 2018.

Mr. Mason reported the Executive Director's distribution of a memo to department heads regarding the 43-day cap on vacation cash out.

IN RE: REPORT OF ACTUARY

Mr. Cross had no report.

IN RE: APPROVAL OF PAYMENT – STATEMENT OF ACCOUNT

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

FEE SCHEDULE

Invoices for DEC 2018 (Legal Invoices are approved for the previous Months Expense)	Fiscal 19 YTD Approved Invoices 11/30/2018	DEC Invoice For Approval	Fiscal 19 YTD Approved Invoices 12/31/2018
BENXL Invoice # TOTAL BENXL	 \$0.00	 \$0.00	 \$0.00
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice # ***TOTAL KENNERLY, MONTGOMERY & FINLEY, P.C.	 \$0.00	 \$0.00	 \$0.00
Owings, Wilson & Coleman Invoice # 9917M - 11/30/2018 *** TOTAL OWINGS, WILSON & COLEMAN	 \$221,323.05	 \$21,817.30 \$21,817.30	 \$243,140.35
JUSTICE, NOEL & BURKS Invoice # TOTAL JUSTICE, NOEL & BURKS	 \$46,623.23	 \$990.00 \$990.00	 \$46,613.23
LEWIS THOMASON (Mary Ann Stackhouse) Invoice # 341604 TOTAL LEWIS THOMASON	 \$37,387.50	 \$3,902.50 \$3,902.50	 \$41,290.00
USI CONSULTING GROUP Invoice # 90028007 TOTAL USI CONSULTING GROUP	 \$222,205.67	 \$21,455.50 \$21,455.50	 \$243,661.17
Invoices for DEC 2018	\$563,539.45	\$44,262.80	\$574,704.75

*** Retainer not included in approved billings for the Board		Fiscal 19 YTD
Owings, Wilson & Coleman Retainer	\$4,000 per month	\$24,000.00
Kennerly Montgomery Retainer	\$12,000 per month	\$72,000.00
USI Quarterly Fee	\$37,000 per quarter	\$74,000.00
Court Reporter for Hearings		\$1,503.20
Fees Received from QDRO Participants	\$500 (DC Fee) \$2,000 (DB Fee)	\$1,000.00 \$0.00
*QDRO fee is Paid to Retirement Office which off sets the legal fee		

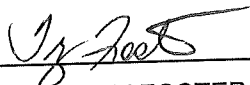
After review of the statement of accounts and invoices, a motion was made by Commissioner Anders that the Board authorize the payment indicated above to be paid from the designated Retirement Plans. The motion was seconded by Commissioner Jay and unanimously approved.

ADJOURNMENT

Ms. Bennett reported the Board meetings would be held at 3:00 p.m. in room 640, effective January 28, 2019. Chairman Caldwell asked if there was a motion to adjourn. Commissioner Smith made a motion to adjourn, which was seconded by Commissioner Jay, and the meeting was adjourned.



MAYOR GLENN JACOBS, CHAIRMAN
BY PROXY, CHRIS CALDWELL



MS. TRACY FOSTER, SECRETARY

**A RESOLUTION OF THE KNOX COUNTY RETIREMENT AND PENSION BOARD TO
AMEND THE KNOX COUNTY UNIFORMED OFFICERS PENSION PLAN, SHERIFF'S
TOTAL ACCUMULATION RETIREMENT PLAN, EMPLOYEE BENEFIT SYSTEM AND
EMPLOYEE DISABILITY PLAN**

**Authorization for Proposed Amendments to Exclude Overtime from Compensation for Officers
Covered by Uniformed Officers Pension Plan and Sheriff's Total Accumulation Retirement Plan**

WHEREAS, Knox County Government has adopted the Sheriff's Total Accumulation Plan ("STAR"), the Uniformed Officer's Pension Plan ("UOPP"), the Employee Benefit System ("System") including the Deferred Compensation Plan ("457 Plan"), and the Employee Disability Plan ("Disability Plan") (collectively the "Plans"), as each has been subsequently amended; and

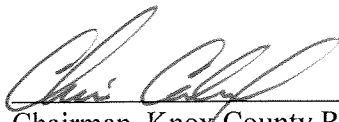
WHEREAS, the Knox County Retirement and Pension Board (the "Board") has the right at any time to modify, alter or amend the Plans, in whole or in part, by instrument in writing duly executed, in accordance with the provisions of the Knox County Charter and the Plans, so long as the Actuary has determined that such Amendments will have no measurable net cost to the County; and

WHEREAS, having considered (i) the findings of the auditors and the administrative error, (ii) information since 2014 with regard to applicable dictates and management decisions on authorization of overtime in certain cases for Officers, (iii) the original 2007 terms of UOPP, and (iv) the Actuary's advice that the proposed Amendments will have no adverse actuarial impact on the County or the Plans, the Board concludes that such proposed Amendments will not increase the funding or financial obligations of the County within the meaning of Charter Section 7.04E or adversely affect vested and accrued rights of Plan Participants pursuant to state or federal law; and


WHEREAS, to correct the inadvertent administrative error, the Board wishes to amend each of the Plans to exclude overtime from the definition of Compensation for Officers covered by UOPP and STAR, as was the case under UOPP in 2007, specifically preserving vested and accrued UOPP or Disability Plan benefits, and accrued contributions to UOPP, STAR and 457 Plan, based on overtime actually paid Officers from January 1, 2014 to the Amendments effective date;

NOW THEREFORE BE IT RESOLVED that the Board hereby authorizes and directs the Executive Director to prepare proposed Amendments to the Plans to accomplish the foregoing purposes, the proposed Amendments to be considered by the Board, after public notice, for adoption on two readings at regularly scheduled Board meetings.

WE HEREBY CERTIFY that the foregoing Resolution was duly adopted pursuant to the provisions of the Charter and the Plans on December 17, 2018.



Chairman, Knox County Retirement &
Pension Board



Secretary, Knox County Retirement &
Pension Board

12/20/18

Date

12/20/18

Date