

## **KNOX COUNTY RETIREMENT AND PENSION BOARD**

**June 21, 2023**

The Knox County Retirement and Pension Board met in special session on Wednesday, June 21, 2023, at 3:00 P.M. in the Main Assembly Room, City-County Building, Knoxville, Tennessee.

The following members were present: Chairman Chris Caldwell, Proxy for Mayor Jacobs, Commissioner Larsen Jay, Vice Chairman, Commissioner Richie Beeler, Secretary, Commissioner Terry Hill, Mr. Chris Simons, Mr. Zac Fullerton, Mr. Matthew Schlosshan and Mr. Jim Snowden. Commissioner Kyle Ward was absent.

Also present at the meeting were:

USI Consulting Group: Mr. Bob Cross

Legal Counsel: Ms. Ashley Trotto, Mr. Bill Mason, Ms. Stephanie Coleman and Ms. Sarah Jarrard  
Retirement Staff: Ms. Jennifer Schroeder, Ms. Nyla Breshears, Ms. Terri Chase and Ms. Faith Sullivan

Sheriff's Office: Samantha Hill, UOPP active, Jeb Carpenter, UOPP active, Lee Dunn, UOPP retiree, Steven Patrick, UOPP retiree, Carl King, UOPP retiree, Russell Kuhlman Jr., former UOPP, Charles Frankenberg, former UOPP, Winston Ragon, UOPP active, Branden Oldham, UOPP active, Allison Rogers, KCSO Finance Director, Debbie Cox, UOPP active, Janice Yates, UOPP retiree, Keith Yates, former KCSO employee, Jerry Harmon, UOPP retiree, Tim Belcher, UOPP active, Frank Nauss, UOPP retiree, Brad Cox, UOPP active, Woody Martin, UOPP active, Steve Webb, UOPP active, Tom Walker, UOPP active, Jeffrey Lane, UOPP active, Coby Woodrum, UOPP active

### **IN RE: CALL TO ORDER**

Chairman Caldwell presided and called the meeting to order.

### **IN RE: DISCUSSION OF THE UNIFORMED OFFICERS PENSION PLAN**

Chairman Caldwell reminded the Board and audience that the Mayor and Sheriff reached an agreement on officer salary increases, which is conditioned on the Board's adoption of an amendment capping UOPP Compensation growth at 3% per year. Ms. Rogers confirmed Mr. Caldwell's statement and stated the Sheriff agreed to the 3% cap because it was in the original paperwork that each officer signed. She clarified that this amendment will not have any effect on retirees. Mr. Schlosshan asked if the proposed amendment has any effect on medical plan subsidies. Ms. Schroeder responded that it would not affect medical plan subsidies. Mr. Schlosshan asked if longevity pay would continue to be pensionable. Ms. Schroeder confirmed that it will be pensionable. Mr. Schlosshan inquired if any past raises over 3% would continue to be pensionable. Ms. Schroeder confirmed it would be pensionable since the raises were given before the amendment goes into effect. Mr. Schlosshan wanted clarification on what would happen if the Board did not approve the proposed amendment. Chairman Caldwell responded there would be a negative impact to the plan if Compensation is not capped. If the Board does not pass the UOPP amendment, then there is a significant actuarial impact to UOPP - \$60 million over 20 years. He estimated that a 1% raise

above the 3% assumption equates to about \$1 million in additional County funding to UOPP. Commissioner Jay added that the Commission supported the agreement between the Mayor and Sheriff and explained if this part of the deal was not upheld, then it is likely that the Commission would go back and revisit the budget. The goal for the Board and Commission is to keep these plans financially stable for current and future retirees.

Mr. Snowden asked for clarification on the 2<sup>nd</sup> section of the amendment which talks about the leave cash outs. Ms. Schroeder responded that if an employee in UOPP is going to retire, they can have up to 43 days of unused accrued vacation cash-out included in their UOPP calculation. The proposed cap would not affect the calculation of that vacation cash-out. Mr. Fullerton asked about the 3% assumption being in the original documentation and if it was in the plan document. Ms. Schroeder stated it was not in the plan document. Mr. Fullerton questioned whether the assumption was sent to the officers and if the assumption was the same as the expectation. Mr. Fullerton stated that it could be problematic that the assumption percentage was not in the plan document. Commissioner Jay added that actuarial models are built on the financial stability of what the County and participants put in. The entire UOPP plan is built on a model and includes what can be afforded by all parties to provide for a proper retirement. Chairman Caldwell added that from a documentation standpoint, assumptions are generally not incorporated into the plan document. Mr. Fullerton stated that he was concerned they would be setting a precedent that we can alter our plans at will for budgetary reasons when there could be alternative solutions. Commissioner Richie Beeler respectfully disagreed stating his belief that in this situation, everyone compromised because officers needed better pay.

Commissioner Jay asked Ms. Rogers to give a break-down on final raises for different levels. Ms. Rogers stated they are still working on the exact percentages, but the current percentages are corrections officers will receive a 27% increase, patrol 14%, corrections supervisors 20%, patrol supervisors 12%, and civilians 5%. The Sheriff's office also agreed to remove 29 vacant correctional officer positions. Commissioner Jay asked prior to this year, what was the highest yearly increase. Ms. Rogers stated that last year was the highest raise participants in STAR received at a 12% increase, 6% of that was due to the reduction in retirement benefits. She stated there have been years officers received no raise, and yearly raises vary.

In response to Commissioner Hill's question, Chairman Caldwell responded that an increase in revenue is to be used for raises. Commissioner Jay added it is necessary to figure out how to get more pay into officers' hands now versus later. He explained this will cut back on officers working extra side jobs. Ms. Schroeder replied that if an officer wanted to put more money into retirement, they could contribute to the voluntary 457 retirement plan. The 457 contributions are pre-tax funds that can reduce taxable income and adds more money for retirement. Chairman Caldwell stated he met with Ms. Schroeder and Ms. Rogers about making STAR more closely resemble the Asset Plan.

Chairman Caldwell asked Bob Cross to discuss the actuarial impact of the proposed amendment and the new valuation. Mr. Cross stated as a result of the amendment to UOPP, there will be a modification in the actuarial valuation for the fiscal year beginning July 1, 2023.

Chairman Caldwell opened discussion for public forum.

Mr. Tom Walker, Knox County Sheriff's Office, made the following comments: UOPP is the only plan affected by the proposed amendment which could be discriminatory; the amendment comes 15 years after inception of UOPP; closing UOPP in 2014 may have had a negative financial impact on the plan; corrections officers with greater pay increases will be adversely affected in UOPP; and the proposed amendment could be a violation of the Pension Protection Act and may result in a class action lawsuit brought by UOPP officers. In response to Mr. Walker's comments, Chairman Caldwell stated that UOPP is more expensive than the other retirement plans and the fiscal impact on UOPP is more than a defined contribution plan. Ms. Schroeder added that STAR is not a pension plan, but a defined contribution plan, so that plan is not being affected. Commissioner Jay stated that the plan document is living and the Board is authorized to amend it from time to time. Chairman Caldwell stated that just because a plan is left open, does not mean that it will get to a point that it is fully funded. If UOPP would have been kept open, then the liability would be larger than it is today. Ms. Schroeder clarified the 3% cap is only applied to the yearly pay increase; percentage increases for promotions would not be affected and will still be considered pensionable. The 3% cap is on the salary increase; the 3% increase would be paid as pensionable wages while the excess percentage would be paid as non-pensionable wages.

Mr. Winston Ragon, Knox County Sheriff's Office, commented that the proposed amendment would affect the intent that was previously established in UOPP. He noted that some officers would have left County employment if not for UOPP and that changing the plan now would have a negative impact on officers and their benefits.

Mr. Steve Patrick, Knox County Sheriff's Office, asked the Board when the last change was made to the plan document. Ms. Schroeder responded that the most recent UOPP amendment was effective January 2023. Mr. Patrick asked if that negatively affected retirees and employees. Ms. Schroeder stated that the UOPP plan document has been amended several times since 2007. She would need to review the details to give an informed answer. Commissioner Jay asked for clarification on "negatively impact" and Mr. Patrick stated "financially negative" in terms of taking money away from the participants. Commissioner Jay asked legal to help clarify. Mr. Mason stated UOPP has been previously amended to maintain fiscal soundness by limiting the amount of vacation cash-out included in UOPP Compensation to 43-days. Mr. Patrick asked what would prevent another future negative impact. Commissioner Jay stated that any future Board can make changes. All plans can be amended and are not set in stone.

Ms. Samantha Hill, Knox County Sheriff's Office, asked if this amendment is adopted, would every annual raise in the future be capped at 3%. Ms. Schroeder responded that is correct, capped at 3% pensionable and anything above 3% would not be pensionable.

Mr. Jeb Carpenter, Knox County Sheriff's Office, stated employees have not received a pay raise every year, nor have they received documentation about what is pensionable and what is not pensionable. Mr. Carpenter asked if information is sent out to define what is pensionable and what is not pensionable. Ms. Schroeder stated the summary plan descriptions are available on the office website and copies are available in the retirement office at any time. In the summary plan description, it states what is pensionable and what is not. She further explained the defined benefit plans do not have an account with funds for each participant like in a defined contribution plan. This is the reason defined contribution plans have quarterly statements and pension plans do not. However, anyone can receive a retirement estimate upon request.

Mr. Russell Kuhlman, Knox County Sheriff's Office, asked how many members of the Board were currently in UOPP. Mr. Schlosshan, employee elected representative, is a participant in UOPP. Ms. Schroeder explained that the Board is made up of 4 Commissioners, the Mayor, and 4 employee representatives (two from general County government, one from Sheriff's office, and one from Schools). Mr. Kuhlman explained that for several years they did not receive a raise and instead received extra vacation days.

Chairman Caldwell explained that anyone in the audience can call the retirement office with any further questions. Commissioner Jay added that the Sheriff's office has a representative on the Board that can assist any officer with questions and that other Board members are also available for questions and assistance.

Ms. Schroeder stated that the first reading of the proposed amendment will be Monday June 26, 2023 at 3:00pm and the second vote will be on June 29, 2023 at 11:30am.

**ADJOURNMENT**

Chairman Caldwell adjourned the meeting.



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MAYOR GLENN JACOBS, CHAIRMAN  
BY PROXY, CHRIS CALDWELL



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COMMISSIONER RICHIE BEELER, SECRETARY