

KNOX COUNTY RETIREMENT AND PENSION BOARD

MARCH 23, 2015

The Knox County Retirement and Pension Board met in regular session on Monday, March 23, 2015, at 9:00 A.M. in the County Commission Conference Room 640, City County Building, Knoxville, Tennessee. Chairman Rick Trott, presided and called the meeting to order.

The following members were present: Mr. Rick Trott, Chairman, Ms. Robin Moody, Secretary, Commissioner Ed Brantley, Commissioner Sam McKenzie, Commissioner Jeff Ownby, Commissioner Bob Thomas, and Mr. Chris Caldwell, representing Mayor Tim Burchett. Also present at the meeting were: Sheriff J.J. Jones and Chief Deputy Lee Tramel, KCSO, Mr. William Mason, Mr. John Owings, Mrs. Stephanie Coleman, Legal Counsel, Mr. Bob Cross, Mrs. Carissa Dunaway, USICG, Mr. Ed Shouse, Knox County Trustee, and Retirement staff, Mrs. Kim Bennett, Mrs. Terri Chase, Mrs. Janet Rowan and Mrs. Jennifer Schroeder. Also present were Knox County Schools staff and retirees, Mr. Ken Spencer, Ms. Sara Greene, Mr. James Taylor and Ms. Lynda Tipton.

IN RE: OATH OF OFFICE OF BOARD MEMBER ROBIN MOODY

Mr. John Owings administered the following oath of office to newly elected Board Member Ms. Robin Moody:

I, **ROBIN MOODY**, having been duly elected to the Knox County Retirement and Pension Board, do solemnly swear that I will perform with fidelity the duties of a Board Member without prejudice, partiality or favor to the best of my skill and ability, so help me God.

Witness my hand this 23rd day of March, 2015.

/s/ Robin Moody

ROBIN MOODY

Subscribed and sworn to before me this 23rd day of March 2015.

/s/ John Owings

JOHN OWINGS

Legal Counsel

IN RE: OATH OF OFFICE OF BOARD MEMBER RICHARD TROTT

Mr. John Owings administered the following oath of office to newly elected Board Member Mr. Richard Trott:

I, **RICHARD TROTT**, having been duly elected to the Knox County Retirement and Pension Board, do solemnly swear that I will perform with fidelity the duties of a Board Member without prejudice, partiality or favor to the best of my skill and ability, so help me God.

Witness my hand this 23rd day of March, 2015.

/s/ Richard Trott

RICHARD TROTT

Subscribed and sworn to before me this 23rd day of March 2015.

/s/ John Owings

JOHN OWINGS

Legal Counsel

IN RE: APPROVAL OF MINUTES OF PREVIOUS MEETING

Consideration of approval of the minutes of the previous meeting of February 23, 2015 was presented. A motion was made by Mr. Caldwell that the minutes be approved as presented. The motion was seconded by Commissioner McKenzie and unanimously carried.

**IN RE: REQUEST OF KNOX COUNTY SCHOOLS TO RE-EMPLOY THE FOLLOWING RETIREES:
DIANE BALL, FRED BROWN, AND JAMES E TAYLOR.**

Mrs. Bennett presented the request of Knox County Schools for approval for the following retiree to return to employment on a part-time basis as discussed at the January 2015 meeting with the retiree and supervisor:

Mr. James Taylor retired March 2012.

Mrs. Bennett explained that the employee would not be allowed to work over 720 hours in a calendar year without the loss of retirement benefits. She reviewed the Plan Document provisions that the employee must be paid on an hourly rate, with no benefits, and the hours worked must be certified to the Retirement Board as required annually.

After discussion, a motion was made by Commissioner Brantley that the request for the retiree to return to work be approved. The motion was seconded by Commissioner McKenzie and unanimously approved.

Ms. Lynda Tipton retired September 2014.

Mrs. Bennett explained that the employee would not be allowed to work over 720 hours in a calendar year without the loss of retirement benefits. She reviewed the Plan Document provisions that the employee must be paid on an hourly rate, with no benefits, and the hours worked must be certified to the Retirement Board as required annually.

After discussion, a motion was made by Mr. Caldwell that the request for the retiree to return to work be approved. The motion was seconded by Commissioner McKenzie and unanimously approved.

Regarding the request of Knox County Schools to re-employ Mr. Fred Brown, Mrs. Bennett stated an email was received advising Mr. Brown had decided against returning to work with Knox County Schools.

IN RE: CONSIDERATION OF RETIREMENT AND RETURN TO WORK AT KNOX COUNTY.

Chairman Trott stated the Sheriff was present to request the Board to consider changes to the Plan Documents to allow Knox County retirees to return to work and not jeopardize their retirement benefits. Mr. Trott stated this would be a benefit to all Knox County departments and supervisors in that they could interview and hire the best qualified candidates for the position without any discrimination toward the retirees.

Sheriff Jones advised this proposal was developed from discussions with Chief Paidousis, Knox County Schools Chief of Security, whose staffing model for school security officers is to use retired police officers. However, with the current Plan Document Knox County officers must suspend their defined benefit plan retirement to be re-employed with the Schools. Sheriff Jones also advised the salary is

around \$21-24,000 for a school security officer. Sheriff Jones also stated he currently cannot employ retired County officers as bailiffs due to the rules on suspension of retirement benefits upon reemployment. He stated retired City of Knoxville police officers and State troopers can become County bailiffs or School security officers but County officers cannot. Sheriff Jones stated the current suspension rules almost discriminated against retired County officers. Sheriff Jones request was that the Plans be amended to allow retirees to be reemployed following retirement, without suspension of their Knox County Retirement System benefits.

Chairman Trott stated the current Plan Document allows retirees of the Asset Accumulation Plan to withdraw their retirement account and be re-employed in any position within the County after a period of 90 days. In response to questions, Sheriff Jones said he planned to announce the change to the Commission after it is approved by the Pension Board.

The Board and Sheriff discussed the possibility of the proposal applying only to officers, and not to general government employees. The Board also discussed the possibility that it could only apply to officers being employed for Schools, or for different jobs than the retiree held at the time of retirement.

In the discussion, the Board recognized that UOPP is closed to officers, including retired officers who are reemployed. A retired officer who is reemployed might be in a position covered by either the Asset Plan or STAR. The Board discussed the definition of officer and recognized that the definition now used in UOPP and STAR for "officer" would be used, if the change applied only to officers.

Ms. Bennett told the Board that there are a few officers covered by the Asset Plan and one court security officer still covered by the Closed DB Plan.

Ms. Moody stated the Schools Security position could probably be job shared by two retirees and would fall within the 720 hours allowed by retirees.

Commissioner McKenzie stated he doesn't agree that the Asset Accumulation Plan and the Uniformed Officers Pension Plan are the same as the County continues to contribute to the Uniformed Officers Pension Plan even after separation.

Commissioner Ownby stated he supports amending the Plan Document for the Sheriff's Department retirees but not all retirees of all Plans. He stated other retirees should be considered case-by-case and come before the Board for approval.

Mr. Caldwell stated all Plans should be amended similarly for all retirees. He stated the Uniformed Officers Pension Plan retirees are treated unfairly. Mr. Caldwell also stated the Mayor is in support of the change for all retirees of Knox County.

Mr. Cross stated the actuarial impact of re-employment of retirees would be *de minimus* as the full cost of retirement has been assumed for the retiree's lifetime and the County would employ someone to fill the position in any event.

Commissioner Brantley stated it doesn't make good business sense that a retiree of Knox County cannot be re-employed if they are the best candidate for the open position. He stated he supports making the change and see what happens.

Mr. Mason summarized the existing rules on bona fide retirements, included in the Plans to protect the Plans' qualified status: that there be no agreement or pre-arrangement at the time of retirement for a retiree to be reemployed by Knox County; and that a retiree have a minimum 90-day

break in service prior to reemployment. He told the Board that there was no IRS requirement or State rule that required the County Plans to provide for the suspension of benefits upon reemployment; he said the Plans were permitted to include such a suspension and equally would be allowed to remove the provision on suspension upon reemployment. He said that the IRS did not prevent the Board from having different rules applicable to Officers compared to other employees, if that was the Board's decision.

After discussion, a motion was made by Mr. Caldwell to approve amendment to the Plan Document to allow the re-employment for the Sheriff's Department retirees and refer to the Document Committee for correct language to amend the Plan and discuss inclusion of retirees from other County departments, with the Committee to report back in April, with the two readings of amendments in May and June. The motion was seconded by Commissioner Ownby and unanimously approved.

IN RE: APPLICATIONS FOR RETIREMENT AS PROVIDED IN THE DEFINED BENEFIT PLAN

The following applications for retirement, as provided in the Defined Benefit Plan, were presented for consideration:

<u>NAME</u>	<u>DEPARTMENT</u>	<u>CREDITED SERVICE</u>	<u>EFFECTIVE DATE</u>
Betty H Sandusky	Schools	27 years 9 months	April 1, 2015

After review, a motion was made by Mr. Caldwell to approve the applications for retirement under the Defined Benefit Plan as presented and authorize the Trustee, State Street Bank, to make disposition of the benefits. The motion was seconded by Commissioner McKenzie and unanimously approved.

IN RE: APPLICATIONS FOR RETIREMENT AS PROVIDED IN THE DEFINED CONTRIBUTION PLAN

The following applications for 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>
Eunice L Jones	Schools	21 years 7 months	April 1, 2015
Terri D Geiser	Health	7 years	April 1, 2015
Arthur D Lewis	Ppty Assessor	5 years	April 1, 2015
Nancy H Petersen	Comm Svcs	40 years 8 months	April 1, 2015
Patricia Pichoff	Schools	5 years 4 months	April 1, 2015
Arthur Spencer, Jr	Schools	22 years 8 months	April 1, 2015
Carolyn S Valentine	Schools	24 years 6 months	April 1, 2015
Walter Whiting	Schools	18 years 11 months	April 1, 2015

After review, a motion was made by Commissioner Brantley to approve the applications for retirement under the Defined Contribution Plan as presented and authorize the Directed Custodian, Wells Fargo Bank, to make disposition of the benefits upon certification from USI. The motion was seconded by Commissioner McKenzie and unanimously approved.

IN RE: CONSIDERATION OF ISSUANCE OF DEATH BENEFIT CERTIFICATES ON COMPLETED YEARS OF SERVICE

The request for issuance of certificates of death benefits or the actuarial value of the death benefit, as provided for in the Plan, based upon completed years of credited service at the date of termination or retirement, for the following participants was presented for consideration:

CERTIFICATES:

Betty H Sandusky Carolyn S Valentine

ACTUARIAL VALUE:

Eunice L Jones Terri D Geiser
Arthur D Lewis Nancy H Petersen
Patricia Pichoff Arthur Spencer, Jr
Walter Whiting

After review, a motion was made by Mr. Caldwell to approve the requests as presented as provided by the Plan. The motion was seconded by Commissioner Sam McKenzie and unanimously approved.

IN RE: APPLICATION FOR LUMP SUM DISTRIBUTION – DEFINED BENEFIT PLAN – BASED ON COMPLETED YEARS OF SERVICE

The request for authorization for payment of lump sum benefits as provided in the Defined Benefit Plan, based upon completed years of credited service at the date of termination, for the following participants was presented for consideration:

Betty H Sandusky

After review, a motion was made by Mr. Caldwell that the Retirement Board approve the request for lump sum distributions as listed above and authorize the Master Trustee, State Street Bank, to make disposition of the benefits as provided by the Plan. The motion was seconded by Commissioner McKenzie and unanimously approved.

IN RE: ANNUAL REPORT OF RETIREES APPROVED TO WORK UP TO 720 HOURS ANNUALLY.

The annual report of retirees approved to work up to 720 hours annually was presented and some of the retirees exceeded the 720 hours and it appeared they were working for more than one supervisor. Mrs. Bennett stated the office would research and discuss with Schools staff to determine the issue and how to prevent in the future. Mr. Caldwell suggested the Executive Director contact the retiree and supervisor to give a warning and remind them of the limited hours. Mr. Caldwell made a motion to defer the report to the April board meeting. The motion was seconded by Commissioner McKenzie and unanimously approved.

IN RE: REPORT OF EXECUTIVE DIRECTOR

Mrs. Bennett reminded the Board Member of the 15th annual Retiree Luncheon on Tuesday, April 7, 2015 advising there are currently 600+ retirees registered to attend. She also requested the members to advise the Retirement Office if they would be attending. All Board Members advised they would be in attendance at the Retiree Luncheon. Mrs. Bennett also advised donations are being accepted for door prizes and the deadline is the end of March for contributors to be listed in the Retiree Luncheon Program.

Mrs. Bennett reminded the Board Members of the NAGDCA Annual Conference September 26-30, 2015.

Mrs. Bennett stated the Pension Board portion of the audit is being included in the County bid.

Mrs. Bennett also stated the current life insurance contract with Voya ends December 31, 2015. She stated USICG is currently working on the life insurance bid which will include County and Knox County Schools. Mrs. Bennett will forward the bid to the Schools personnel upon receipt.

Corrective Contributions Policy

Mrs. Bennett stated employees have come to the Retirement Office with issues regarding their 457 (or MERP) contributions up to 5 years after the change was made; therefore, she is recommending a procedural change for the 457 contributions to be corrected as follows:

- If an error is discovered no more than one year after receipt by the Retirement Office, the County will use the IRS safe harbor correction method. The IRS defines the safe harbor procedure which states the County will contribute 50% of the missed deferral plus 100% of the employer match on the total amount of the missed deferral. In addition, lost earnings are calculated and added to the participant's account.
- If an error is discovered more than one year after receipt by the Retirement Office, the County will contribute 50% of the missed deferral opportunity, plus 50% of any associated employer match on the total amount of the missed deferral, plus attributable earnings. However if the participant elects to contribute the other 50% of the missed deferral opportunity, plus attributable earnings on the deferral, the County will contribute the remaining match, plus attributable earnings on the match.

A motion was made by Commissioner McKenzie to make the procedural change effective immediately as stated above. The motion was seconded by Commissioner Ownby and unanimously carried.

Mrs. Bennett stated there has been a request by Commissioner Brantley and Commissioner Thomas to change the Retirement & Pension Board Meetings to afternoon due to the time change of the Commission meetings.

After discussion, a motion was made by Commissioner Thomas to change the meetings to 1:00 p.m. on the days Commission meets at 5:00 p.m. The meetings would remain at 9:00 a.m. on the days Commission meets at 1:00 P.M. The motion was seconded by Commissioner McKenzie and unanimously carried.

Mrs. Bennett stated the County is implementing a Medical Insurance Contribution Holiday for County employees approved for Disability retirement after July 1, 2014. This would allow the disability retiree 6 months of free (County paid) medical insurance upon approval for disability retirement. Per Mr. Caldwell it is permissible to advise the two employees already approved for disability of this benefit.

Mrs. Bennett stated the Fiscal Year 2016 Budget will be presented at the April Board Meeting.

IN RE: REPORT OF DISABILITY COMMITTEE

Mrs. Bennett and Mr. Mason presented the following Disability Committee recommendations:

Disability Date:

- For Participant to be eligible for benefit, Disability Date must occur while Participant is an eligible Employee
- Disability Date is date provided on a written statement from a medical doctor unless Board determines, in unusual cases, that date given by physician is not supported by evidence in the record, or is otherwise unreasonable or inequitable
- Board will not contract with UNUM to recommend Participant's Disability Date

Elimination Period:

- The later of:
 - 90 days after Disability Date or
 - Date Participant used all employer-provided sick, annual or vacation pay, paid time off, and other salary continuation benefits of whatever kind, and stopped working due to Disability
- Participant may work during Elimination Period
 - Days worked count toward satisfaction of Elimination Period
 - Participant's demonstration of ability to work at regular job, full time, may be evidence Participant is not Disabled

Disability Application:

- Disability determination process works best and most accurately when there are not long delays between Disability Date and date of Disability application
- Participant files for Disability by filing a Disability application in Pension Office
- Participant is ordinarily required to apply for Disability within 90 days of claimed Disability Date
 - *Application Filed Prior to Participant's Severance of Employment.* If Participant applies more than 90 days after claimed Disability Date but prior to severance of employment, Disability application will be processed. However, Disability Commencement Date (date benefits are first payable) shall not be established retroactive more than 90 days prior to date Disability application was filed, unless Board determines otherwise, for good cause shown
 - *Application Filed Following Participant's Severance of Employment.* Disability application may not be filed more than 90 days after claimed Disability Date by former Participant who has severed employment (e.g., quit, terminated, laid off, retired, severed following workers comp settlement)

Claim Processing

- Pension Office does not transmit Disability application to UNUM for claim processing and recommendation until
 - Disability application is filed and
 - Statement is provided by employer organization and
 - Job Description received and
 - Authorization for Release of Medical Records
 - Participant's physician's statement and medical records are received

Disability policies and procedures are subject to change and may be amended or revoked at any time.

A motion was made by Commissioner Brantley to proceed with the Disability Committee recommendations and present the Amendments at the April and May board meetings. The motion was seconded by Commissioner McKenzie and unanimously carried.

IN RE: INVESTMENT AND RETIREMENT EDUCATION COMMITTEE

Mrs. Bennett stated the Investment and Retirement Education seminars are continuing to receive good response from employees. She stated the USI website has been overloaded due to the overwhelming response by employees. Mrs. Bennett stated enrollments in the 457 Deferred Compensation Plan and the Medical Expense Retirement Plan (MERP) have increased. She will present the number of increases at the April Board Meeting. She stated there have seminars conducted at the Health Department and Engineering & Public Works and seminars are scheduled for the Sheriff's Department at the end of April and first of May. Mrs. Bennett stated USICG is currently working on the Uniformed Officers Pension Plan educational seminar for the Sheriff's Department employees.

IN RE: REPORT OF LEGAL COUNSEL

Mr. Mason advised the IRS Determination letters have been received.

Mr. Mason stated there is pending Qualified Domestic Relations Order (QDRO) legislation regarding local Tennessee retirement plans that do not honor them. He stated the Bill would require qualified governmental plans, including both 401(A) and 403(B) plans to honor a QDRO, so long as the order relates to the provision of marital property rights for the benefit of the former spouse of the qualified plan's participant. The Bill has a proposed effective date of July 1, 2015. Mr. Mason stated the Bill has passed the Senate and is currently awaiting the vote from the House Committee on March 24th.

Mr. Owings stated there was no business to report at this time.

IN RE: REPORT OF ACTUARY

Mr. Cross recommended the Board continue with the 7% expected rate of return for the 2015 pension valuation. He presented the estimated July 1, 2015 contributions to the retirement plans as follows:

- Closed Defined Benefit Plan \$2,850,000 - \$2,950,000
- Uniformed Officers Pension Plan \$3,500,000 - \$3,600,000
- Teachers Plan \$840,000
- Disability Benefit Plan \$520,000 - \$580,000
- Total \$7,710,000 - \$7 970,000

The above total is compared to the total for July 1, 2014 of \$7,755,996.

Mr. Cross stated he will present the final actuarial valuations of all the retirement plans at the April Board Meeting with recommended contributions for the coming years.

IN RE: REPORT OF INVESTMENT COMMITTEE

Mrs. Bennett stated the Investment Committee met on February 26th, 2015 to discuss the investment review for the quarter ending December 31, 2014. At that meeting USICG presented additional funds for the Committee's consideration. She stated after much discussion, the Investment Committee recommends adding Oppenheimer International Small Co A (OSMAX) AND Ivy Science & Technology A (WSTAX) as stand alone accounts to the Asset Accumulation 401(A) and 457 Plans as well as the Sheriff's Total Accumulation Retirement Plan (STAR). Mrs. Bennett stated this would not require a black out period since it is not a change but an addition of investment options.

After discussion, a motion was made by Mr. Caldwell to accept the recommendation of USI and the Investment Committee, and add the above funds to the Asset Accumulation 401(A) and 457 Plans as

well as the Sheriff's Total Accumulation Retirement Plan (STAR). The motion was seconded by Commissioner Ownby and unanimously approved.

Mrs. Bennett presented the rates of return as of February 28, 2015, that were previously distributed to the Board Members.

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 of approval of payment, as in accordance with agreements and audited and recommended for payment by Mrs. Bennett:

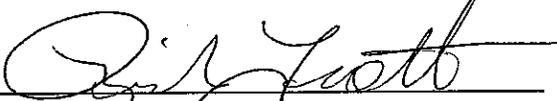
INVOICES FOR MARCH 2015

KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #191721	\$4,073.50
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #191764	\$5,934.00
USI CONSULTING GROUP Invoice #9005359	\$9,258.75
TOTAL FOR MARCH 2015	\$19,266.25

After review of the statement of accounts and invoices, a motion was made by Commissioner Ownby that the Board authorize the payment indicated above to be paid from the designated State Street funds. The motion was seconded by Mr. Caldwell and unanimously approved.

ADJOURNMENT

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



RICK TROTT, CHAIRMAN



ROBIN MOODY, SECRETARY