

KNOX COUNTY RETIREMENT AND PENSION BOARD

JULY 27, 2015

The Knox County Retirement and Pension Board met in regular session on Monday, July 27, 2015, at 1:00 P.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, Mr. Nick McBride, Vice Chairman, Robin Moody, Secretary, Commissioner Ed Brantley, Commissioner Sam McKenzie, Commissioner Jeff Ownby, Commissioner Bob Thomas, Ms. Crystal Fields and Mr. Chris Caldwell, representing Mayor Tim Burchett. Also present at the meeting were: Mr. Bob Cross, USICG, Mr. William Mason, Mr. John Owings, and Mrs. Stephanie Coleman, Legal Counsel, Mr. Wayne Sellers, Nationwide and Retirement staff, Mrs. Kim Bennett, Mrs. Terri Chase, Mrs. Janet Rowan and Mrs. Jennifer Schroeder.

Mr. Mason, Legal Counsel, recused himself and his associates of Kennerly, Montgomery & Finley, P.C. from any representation of the Pension Board in connection with the retirement of Mr. Paxton J Galyon. Mr. Galyon is represented by the firm in connection with other matters.

IN RE: APPROVAL OF MINUTES OF PREVIOUS MEETING

Consideration of approval of the minutes of the previous meeting of June 22, 2015 was presented. A motion was made by Mr. McBride that the minutes be approved as presented. The motion was seconded by Commissioner Ownby and unanimously carried.

IN RE: APPLICATION FOR DISABILITY BENEFITS FOR ARTHUR ASHFORD, A PARTICIPANT IN THE EMPLOYEE DISABILITY BENEFIT PLAN.

The application of **ARTHUR ASHFORD**, employee of Schools, and a participant in the Employee Disability Benefit Plan, for disability benefits was presented. Mr. Ashford has 26 years of credited service. Notification was received from UNUM dated July 6, 2015, recommending approval of a disability benefit for Mr. Ashford.

After discussion, a motion was made by Mr. McBride to accept the recommendation of UNUM and approve the request of Mr. Ashford for disability benefits as presented and authorize the Directed Custodian, Wells Fargo Bank, to make disposition of the benefits in accordance with the terms of the Plan upon certification from USI. The motion was seconded by Commissioner McKenzie and unanimously approved.

IN RE: APPLICATION FOR DISABILITY BENEFITS FOR JAYNE HARRISON, A PARTICIPANT IN THE EMPLOYEE DISABILITY BENEFIT PLAN.

The application of **JAYNE HARRISON**, employee of Schools, and a participant in the Employee Disability Benefit Plan, for disability benefits was presented. Ms. Harrison has 8 years of credited service. Notification was received from UNUM dated July 6, 2015, recommending approval of a disability benefit for Ms. Harrison

After discussion, a motion was made by Mr. McBride to accept the recommendation of UNUM and approve the request of Ms. Harrison for disability benefits as presented and authorize the Directed Custodian, Wells Fargo Bank, to make disposition of the benefits in accordance with the terms of the Plan upon certification from USI. The motion was seconded by Commissioner McKenzie and unanimously approved.

IN RE: APPLICATIONS FOR RETIREMENT AS PROVIDED IN THE 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>
Doris K Bourne	Schools	23 years	August 1, 2015
Donald R Carter	Judges	8 years 2 months	August 1, 2015
Rosa T Carter	Health	15 years	August 1, 2015
Karen M Cross	Schools	6 years 8 months	August 1, 2015
Paxton J Galyon	PBA	12 years 8 months	August 1, 2015
Thomas T Harless	Schools	22 years	August 1, 2015
Michael W Heath	EPW	23 years 10 months	August 1, 2015
John D Hitt	Register of Deeds	8 years 10 months	August 1, 2015
Jackie H Hollifield	Schools	29 years 10 months	August 1, 2015
Elizabeth W Imes	Schools	13 years	August 1, 2015
Joyce C McGinley	Health	22 years 8 months	August 1, 2015
Ronald P McPherson	Schools	22 years 7 months	August 1, 2015
Vickie L Monroe	Juv Svcs	31 years 11 months	August 1, 2015
Sandra W Neibert	Schools	20 years	August 1, 2015
Becky L Pierce	Schools	20 years	August 1, 2015
Jeffrey D Sovastion	PBA	33 years 2 months	August 1, 2015
Jerelene Stoltenborg	Schools	11 years 10 months	August 1, 2015
Mary M Wilkerson	Schools	28 years	August 1, 2015

On the issue of the application of Mr. Paxton J. Galyon who has been the subject of several recent local newspaper articles, Mr. Owings, Legal Counsel stated he had contacted PBA and special counsel with the Ethics Committee, Mr. Chris Trump, as they are doing an investigation. Mr. Owings provided the Plan Document and the provisions. He spoke with Mr. Trump on multiple occasions. Mr. Trump advised Mr. Owings this morning that PBA did not want the Retirement Board to withhold the retirement funds of Mr. Galyon. Mr. Owings also spoke with Mr. Dale Smith, PBA and Mr. John Gill, District Attorney's office which is conducting an investigation. Mr. Gill advised that the District Attorney's investigation may take months.

After review, a motion was made by Mr. McBride 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 Brantley and unanimously approved.

After review, a motion was made by Mr. McBride to approve the credited service benefits as presented and authorize the Directed Custodian, State Street Bank, to make disposition of the benefits as provided by the Plan. The motion was seconded by Commissioner Brantley and unanimously approved.

IN RE: REPORT OF EXECUTIVE DIRECTOR

Mrs. Bennett stated that due to legislative changes effective July 1, 2015, governmental retirement plans must honor a Qualified Domestic Relations Order (QDRO). She advised the Retirement Office, USI Consulting Group, and legal counsel have had detailed conversation of processes. She stated there is an outline of the DB Plans and the DC Plans and would like to schedule a workshop for the Board or appoint a committee to review and understand the details. Mr. Bennett stated there will be required amendments to the Plans at the September & October board meetings to facilitate the process.

After discussion, a motion was made by Commissioner Brantley to have the Document Committee review the processes and provide a recommendation to the Board. The motion was seconded by Commissioner McKenzie and unanimously approved.

Mrs. Bennett stated she will email the Document Committee to schedule a meeting in the next few days.

Mrs. Bennett stated the new server for the Imaging process has been ordered and the specifications have been determined to use software with Benxi to lessen paperwork in files.

Mrs. Bennett introduced Mrs. Jennifer Schroeder as the Assistant Executive Director.

IN RE: INVESTMENT AND RETIREMENT EDUCATION COMMITTEE

Mrs. Bennett stated the Investment and Retirement Education seminars are continuing. She stated there were 12 meetings of Phase II of the Asset Accumulation Plan at the Health Department in the last week. Mrs. Bennett also stated Phase I of the STAR Plan is scheduled for 4 days in August. She also stated Phase II of the Asset Accumulation Plan will be on Thursdays at the City/County Building.

Commissioner Brantley questioned having larger groups for the sessions. Mrs. Bennett stated the smaller groups seem to be better as there are more questions.

Commissioner Thomas asked if the seminars could be taped and put online. Mrs. Schroeder stated the presentations could be emailed to employees and there are printed copies for Phase II of the Asset Accumulation Plan and STAR.

Mrs. Bennett stated that ongoing there will be a couple of each seminar annually for new employees to attend.

IN RE: REPORT OF LEGAL COUNSEL

Mr. Mason stated each of the six KCRS qualified plans is submitted to the IRS for a favorable determination letter on a 5-year cycle. These letters express the IRS' opinion that the plans' terms meet the Internal Revenue Code's tax-qualification form requirements.

He stated the IRS announced last week that effective January 1, 2017, it will no longer issue determination letters for individually designed plans, like those of KCRS, except on initial adoption or

termination. Therefore, following the expiration of its current favorable letters, the County will no longer be permitted to apply for an IRS opinion that the form of its plans meet the qualification requirements of Code 401(a). This change means that the County must be even more diligent in its plan document maintenance measures.

The favorable determination letters for all six KCRS qualified plans will expire on January 31, 2019.

Mrs. Coleman stated there is a draft agreement with Emerald Foundation Charter School and they will be consulting with the School Board and Emerald Foundation as to how to fill the holes, such as disability retirement. She stated the contract should be finalized and presented at the August Board meeting. Mrs. Coleman stated the finalized document should be applicable to any new charter schools as it follows statutory laws. She also stated the Retirement Board can back charge Emerald Foundation Charter School if needed.

Mr. Owings stated he received a motion for an injunction and notice to hold retirement of Mr. Justin E Stafford. He was requested to proceed in the litigation by Mrs. Bennett as time was of the essence. Mr. Owings stated he and Mrs. Coleman made a special appearance in the divorce matter and filed a response to the motion. He stated a hearing was had and that he was permitted to address the court. As a result, Judge McMillan determined that the Retirement Board was not a party in the case and could not be properly enjoined. Mr. Owings was asked by Judge McMillan if the Retirement Board accepted QDRO's. Mr. Owings replied as of July 1, 2015. Judge McMillan was most appreciative of the change in the law subjecting the Retirement Board to QDRO's.

After discussion, a motion was made by Commissioner Ownby, *nunc pro tunc*, to approve Mr. Owings and Robertson Overbey to address the Stafford case in court. The motion was seconded by Mr. Caldwell and unanimously approved.

Mr. Owings stated that in one of the cases of Ms. Bee DeSelm and others versus the Retirement Board through attorney Mr. Moncier, Chancellor Pridemore, successor of Chancellor Fansler, has issued an Order to Prosecute and given Mr. Moncier 30 days from July 20, 2015, within which to show cause for retaining the case on the court's docket or the matter would be dismissed, without prejudice. This case was filed in 2007. Mr. Owings advised the Retirement Board to expect activity in the case within the next 20 days or so.

IN RE: REPORT OF ACTUARY

Mr. Cross discussed the disability claims chart advising the expected range is 18 per year. He stated if the number of disability claims continue to rise, USI Consulting Group will look at the assumptions but as of right now they are fine.

Mrs. Bennett stated UNUM is not contacting disability retirees regarding the return to work program. Mr. McBride questioned UNUM is charging for the service but not providing it. Ms. Bennett stated yes it does appear that way at the current time.

Mrs. Bennett stated the return to work process and Social Security Disability process may be sent to the Disability Committee to engage UNUM to understand their process if no objections.

IN RE: REPORT OF INVESTMENT COMMITTEE

Mr. McBride stated the letter emailed to Mr. David Lindberg, Wilshire Associates, with questions regarding the current investment strategy for each of the three defined benefit plans with a requested response to the Investment Committee no later than July 24, 2015, received a response by email to Mrs. Bennett apologizing for not getting the information to Mr. McBride and Mrs. Bennett by the deadline. Mr. Lindberg stated he was leaving for vacation and requested to have the deadline extended to August 4th. He also stated he would be ready to discuss fully the investment strategy at the Investment Committee meeting on August 18th.

Mr. McBride responded via email to Mr. Lindberg stating his disappointment in the response to the letter dated June 19th and that the information was needed by July 24th to share with the Board at the July Board Meeting. Mr. McBride stated he felt the deadline that was given gave Mr. Lindberg and Wilshire Associates plenty of time to respond. He also stated the service level of Wilshire Associates has become very different and it has become apparent that Knox County Retirement & Pension Board is not an important client to Wilshire. Mr. McBride requested the information as soon as possible to review prior to the Investment Committee meeting on August 18th.

Mrs. Bennett stated Mr. Lindberg had advised her the exposure risk with China and Greece has a nominal effect.

Commissioner Thomas asked if the Wilshire & Associates relationship ends, is there anyone on deck to hire. Mrs. Bennett stated the City Pension Board uses Summit Strategies and is very satisfied with their performance. Mr. Trott and Mr. McBride stated the Retirement Board would have to put out a request for proposal to review and hire a new advisor.

Mr. McBride stated the 30 day notice to terminate Security Benefit and how to handle employees that are currently with them will be discussed in detail at the August Investment Committee meeting.

Mr. McBride presented the rates of return as of June 30, 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 JULY 2015

KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #193511	\$14,501.00
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #193514	\$449.50
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #193515	\$690.00

USI CONSULTING GROUP
Invoice #90006691

\$18,503.75

USI CONSULTING GROUP
Invoice #90006944

\$35,850.85

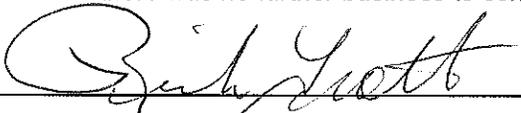
TOTAL FOR JULY 2015

\$69,995.10

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