

REVISED
KNOX COUNTY RETIREMENT AND PENSION BOARD

June 25, 2018

The Knox County Retirement and Pension Board met in regular session on Monday, June 25, 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 Burchett, Commissioner Hugh Nystrom, Vice Chairman, Ms. Tracy Foster, Secretary, Commissioner Ed Brantley, Commissioner John Schoonmaker, Commissioner Bob Thomas, Ms. Jennifer Hemmelgarn, Mr. Zack Webb and Mr. Garrett Raiden.

Also present at the meeting were:

USI Consulting Group: Mr. Bob Cross, Mr. Adam Davies

Legal Counsel: Mr. Bill Mason, Ms. Ashley Trotto, Mr. John Owings

Attorney: Ms. Mary Ann Stackhouse and Mr. Keith Burroughs

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

Others in attendance: Mr. Wayne Sellers, Nationwide, Commissioner Charles Busler, 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 was a second amended agenda and an amended fee schedule.

IN RE: APPROVAL OF MINUTES OF MAY 29, 2018

Chairman Caldwell presented the minutes for May 29, 2018. Commissioner Thomas made a motion to approve the minutes for May 29, 2018. The motion was seconded by Commissioner Nystrom and unanimously approved.

IN RE: APPLICATIONS FOR RETIREMENT – DEFINED BENEFIT PLAN, LUMP SUM DISTRIBUTION 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 Benefit Plan, were presented for consideration:

<u>NAME</u>	<u>DEPARTMENT</u>	<u>CREDITED SERVICE</u>	<u>EFFECTIVE DATE</u>
Patricia D. Lynn	Schools	32 years 11 months	July 1, 2018
John A. Chandler	Schools	26 years 10 months	July 1, 2018

A motion was made by Commissioner Brantley to approve the application for retirement under the Closed Defined Benefit Plan as presented and to authorize the Trustee, State Street Bank, to make payment of the monthly benefits and credited service benefit. The motion was seconded by Commissioner Schoonmaker and unanimously approved.

IN RE: APPLICATIONS FOR RETIREMENT – UNIFORMED OFFICER PENSION PLAN

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 Uniformed Officer Pension Plan, were presented for consideration:

<u>NAME</u>	<u>DEPARTMENT</u>	<u>CREDITED SERVICE</u>	<u>EFFECTIVE DATE</u>
Mark Belliveau	Sheriff	27 years 2 months	July 1, 2018

A motion was made by Commissioner Brantley 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 and credited service benefit. The motion was seconded by Commissioner Nystrom and unanimously approved. Ms. Bennett stated for the record that this officer is retiring after being on Disability and has not been working for a while.

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 Asset Accumulation Plan, were presented for consideration:

<u>NAME</u>	<u>DEPARTMENT</u>	<u>CREDITED SERVICE</u>	<u>EFFECTIVE DATE</u>
Charlotte Butler	Schools	12 years 9 months	July 1, 2018
Rickey Daniel	Schools	5 years 0 months	July 1, 2018
Herman Drew III	Schools	13 years 4 months	July 1, 2018
Charlayne Frazier	Health	25 years 4 months	July 1, 2018
Nancy Jackson	Health	19 years 8 months	July 1, 2018
Denise Kelly	Sess Crt	17 years 11 months	July 1, 2018
Gail Lay	Com Svc	16 years 1 months	July 1, 2018
Louis Martin	Parks	5 years 7 months	July 1, 2018
Edward Moody	Schools	5 years 0 months	July 1, 2018
Vickie Price	Schools	13 years 10 months	July 1, 2018
James Puckett	Schools	17 years 8 months	July 1, 2018
Judith Roitman	Health	10 years 3 months	July 1, 2018
John Watts III	Sheriff	11 years 4 months	July 1, 2018

A motion was made by Commissioner Thomas 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 unanimously approved.

IN RE: SECOND READING FOR AMENDMENT AND RESTATEMENT OF THE SYSTEM

Mr. Mason presented the second reading of the proposed amendment and restatement of the System document. The amendment provides for the loan program, scheduled to sunset June 30, 2018, to extend indefinitely, for the incorporation of the past practice of treating one completed school year of service as one full year of credited service for school employees being paid other than on a 12-month schedule, and to make other housekeeping revisions.

A motion was made by Commissioner Thomas to adopt the amendment and restatement of the System on second reading. The motion was seconded by Ms. Hemmelgarn. Chairman Caldwell asked for public comment and saw none. The item was unanimously approved.

IN RE: SECOND READING FOR AMENDMENT AND RESTATEMENT OF THE SHERIFF'S TOTAL ACCUMULATION PLAN (STAR)

Mr. Mason presented the second reading of the amendment and restatement of STAR. The amendment provides for the loan program, scheduled to sunset June 30, 2018 to extend indefinitely and to make other housekeeping revisions.

A motion was made by Commissioner Nystrom to adopt the amendment and restatement of STAR. The motion was seconded by Commissioner Brantley. Chairman Caldwell asked for public comment and saw none. The item was unanimously approved.

IN RE: SECOND READING FOR AMENDMENT AND RESTATEMENT OF THE DISABILITY PLAN

Mr. Mason presented the second reading of the amendment and restatement of the Disability Plan. The amendment provides for incorporating the practice of treating one completed school year of service as one full year of credited service for school employees paid other than on a 12-month schedule. Mr. Mason informed the Board all prior amendments will also be incorporated into one document to assist in the transition to the Reed Group, effective July 1, 2018.

A motion was made by Commissioner Thomas to adopt the amendment and restatement of the Disability Plan. The motion was seconded by Mr. Webb. Chairman Caldwell asked for public comment and saw none. The item was unanimously approved.

IN RE: REPORT OF EXECUTIVE DIRECTOR

Ms. Bennett reported on the following items:

- **Pugh & Company Audit Contract for FY18** – Ms. Bennett reported that the audit contract had been filed with the state and was approved. Commissioner Schoonmaker made a motion to accept the FY18 audit contract with Pugh & Company. The motion was seconded by Mr. Raiden and was unanimously approved.
- **Reed Group Status** – Ms. Bennett reported the Reed Group conversion is over 90% complete and would be live on July 1, 2018. The completion of the process is based upon the implementation date of Monday, July 2, 2018. Ms.

Bennett stated there has been communication with UNUM in the final phases of the conversion. There will be another transfer of medical files after June 30, 2018 from UNUM to Reed Group.

- **Internal Audit Status** – Ms. Bennett reported the completion of the disability audit and the continuation of the UOPP audit. She reported that some errors had been discovered and communications with the participants had been established to correct those errors related to the Disability Plan. The UOPP audit was underway.
- **Legal Representation** – Ms. Bennett stated over the past 30 days she was served a subpoena as the Executive Director and personally as Kim Bennett. As an employee of the Board, she has exercised her right to legal counsel. Due to the inability of the Board's legal counsel to represent her in both capacities, the plan document provides that the Board will cover her legal expenses. Ms. Bennett's legal counsel was present, Mary Ann Stackhouse.

IN RE: REPORT OF DISABILITY COMMITTEE

- **Discussion of Frank Brown, Jr. appeal** – Commissioner Thomas reported on the appeal of Mr. Frank Brown Jr. and the hearing he requested before the disability committee to address denial of his disability. The committee came to the conclusion that they wanted Mr. Brown to have every opportunity to have his case reviewed. The Retirement and Pension Board arranged for Reed Group, its new independent disability claims administrator, to review Mr. Frank Brown Jr.'s medical records and to give the Retirement Board its recommendation on his disability status. Commissioner Thomas referred other comments to the Executive Director. Ms. Bennett reported Reed Group had indicated that the Board would receive its recommendation in the next week. The disability committee will meet again to review the recommendation once it is received.

IN RE: REPORT OF INVESTMENT COMMITTEE

- **Monthly Rates of Return** – Commissioner Brantley presented the rates of return for the Defined Contribution Plans as of May 31, 2018 and stated the overall rates of return are in line with the investment objectives.
- **Status of State Street settlement for errors** – Ms. Bennett provided an update on State Street Bank's investment timing error. Ms. Bennett explained that State Street Bank reimbursed the plans approximately \$100,981.36 for errors made by State Street during the recent investment changes and allocations to the Defined Benefit Plans.
- **Status of PRISA Real Estate Liquidation** – Ms. Bennett reported the anticipation to receive 95% of the asset value on Friday, June 29, 2018 with the remaining 5% being liquidated in mid-July. This will be the last money manager liquidation in the transition.

IN RE: REPORT OF LEGAL COUNSEL

Mr. Owings reported on the status of the lawsuits. He stated that the Knox County Retirement and Pension Board was currently involved with three lawsuits excluding the Gass case. He is anticipating a fourth case which has not been served yet. The lawsuits Knox County has filed against the Board, the latest one including UOPP retiree Robert Horner, are continually pending. He reported the upcoming court hearings dated Tuesday, July 3, 2018 and Wednesday, August 1, 2018. He reported that the hearings pertain to the cases filed over the past several months and that the cases are progressing toward a judgement.

Chairman Caldwell opened the floor for discussion.

Commissioner Schoonmaker requested a recap of the hearings thus far.

Mr. Owings reported on the Board's motion to dismiss and to disqualify the Knox County Law Director's retained counsel, Egerton McAfee. The motion to dismiss is waiting to be heard, but the motion to disqualify was heard and is still pending. The hearing scheduled on Tuesday, July 3, 2018 will be related to those motions. Additionally, affidavits were filed for Kim Bennett in regard to the hearing on disqualification. Those affidavits are in the court for review. Knox County's legal counsel filed a motion to strike those affidavits and that is to be heard on July 3, 2018. Mr. Owings reported that the temporary injunction hearing scheduled for Thursday, July 5, 2018 has been rescheduled to Wednesday, August 1, 2018.

Commissioner Thomas questioned if there have been any opinions issued by the court. Mr. Owings responded there have not been any rulings on any of the cases or motions.

Mr. Mason reported the 2017 engagement letter to the Board set a monthly retainer for Kennerly Montgomery's services through June 30, 2018. When the Executive Director prepared the Board's budget for the next fiscal year, Mr. Mason informed the Executive Director that Kennerly & Montgomery would provide continuation of their services with the same scope and progress that they have in the past for the same monthly retainer rate. Additionally, Mr. Mason informed the Board the matters worked on in the past month were previously covered by the plan amendments, the disability appeal, the transition to Reed Group, and the internal audit.

Chairman Caldwell asked Mr. Owings if Mr. Mason's letter for the retainer needed approval. Mr. Owings asked Mr. Mason if his letter provided that the retainer was ongoing or had an end date. Mr. Mason responded that the letter states the monthly retainer for this work will be fixed at the same rate as last fiscal year through June 30, 2018. Mr. Owings answered that the Board needed to approve the letter.

A motion was made by Ms. Foster to approve the monthly retainer for Kennerly Montgomery. The motion was seconded by Ms. Hemmelgarn. Chairman Caldwell asked for discussion and saw none. The item was unanimously approved.

IN RE: REPORT OF ACTUARY

Mr. Cross reported both USI and Mr. Cross as an individual were served with subpoenas and USI had retained counsel with Greg Loge, Wolfe & McClain, to represent USI Consulting Group and Mr. Cross as an individual. Mr. Raiden asked who was responsible for covering the legal expense. Mr. Cross stated USI Consulting Group covered the legal expenses and those would not be billed to the Board.

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 and audited and recommended for payment by Ms. Bennett:

FEE SCHEDULE

Invoices for JUNE 2018	Fiscal YTD Approved Invoices 05/31/2018	June Invoice For Approval	Fiscal YTD Approved Invoices 06/30/2018
BENXL Invoice # 102931		\$3,800.00	
TOTAL BENXL	\$35,400.00	\$3,800.00	\$39,200.00
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #		\$0.00	
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #		\$0.00	
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #		\$0.00	
***TOTAL KENNERLY, MONTGOMERY & FINLEY, P.C.	\$2,300.00	\$0.00	\$2,300.00
Owings, Wilson & Coleman Invoice # 9912M - 05/31/2018 Invoice # 9918M - 05/31/2018 Invoice # 9917M - 05/31/2018 Invoice # 9912M - 06/25/2018 Invoice # 9918M - 06/25/2018 Invoice # 9917M - 06/25/2018		\$17,820.97 \$5,246.25 \$1,367.19 \$40,030.18 \$542.50 \$10,707.75	
*** TOTAL OWINGS, WILSON & COLEMAN	\$101,145.94	\$75,514.84	\$176,660.78
JUSTICE, NOEL & BURKS Invoice # June 22, 2018		\$16,098.56	
TOTAL JUSTICE, NOEL & BURKS	\$25,890.00	\$16,098.56	\$41,988.56
USI CONSULTING GROUP Invoice # 90022354 Invoice #		\$27,543.75 \$0.00	
TOTAL USI CONSULTING GROUP	\$527,262.76	\$27,543.75	\$554,806.51
Invoices for JUNE 2018	\$691,998.70	\$122,957.15	\$814,955.85

*** Retainer not included in approved billings for the Board

Owings, Wilson & Coleman Retainer
Kennerly Montgomery Retainer

\$4,000 per month
\$12,000 per month

Fiscal YTD
\$48,000
\$144,000
\$3,977.35

Court Reporter

Fees Received from QDRO Participants

\$500 (DC Fee)
\$2,000 (DB Fee)

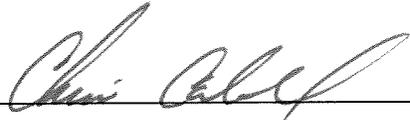
\$1,000
\$2,000

*QDRO fee is Paid to Retirement Office which off sets the legal fee

After review of the statement of accounts and invoices and discussion on the legal fees, a motion was made by Commissioner Thomas that the Board authorize the payment indicated above to be paid from the designated Retirement Plans. The motion was seconded by Commissioner Nystrom and approved. Commissioner Brantley abstained.

ADJOURNMENT

Chairman Caldwell asked if there was a motion to adjourn. Commissioner Brantley made a motion to adjourn, which was seconded by Mr. Webb. Mr. Burroughs stated that the agenda he received had 14 items and the agenda referenced today had 16 items and asked whether there were any additions dealing with benefits for UOPP participants. Ms. Bennett stated that an amended agenda was distributed just prior to the start of the meeting and there was one individual in UOPP. She stated she would email that revised agenda to Mr. Burroughs. Ms. Bennett stated that the individual in question went from Disability to Retirement so he had not worked for a period of time before retiring. Mr. Burroughs apologized for being late to the meeting and Ms. Bennett apologized for not emailing the amended agenda to Mr. Burroughs, but it was just amended 45 minutes ago. Mr. Burroughs stated to the extent that any accrued leave cash out is in the calculation, that Knox County objects to the inclusion of any leave cash out in the calculation. Chairman Caldwell noted Mr. Burroughs' objection for the record and stated that the meeting stands adjourned.



MAYOR TIM BURCHETT, CHAIRMAN
BY PROXY, CHRIS CALDWELL



MS. TRACY FOSTER, SECRETARY