

KNOX COUNTY RETIREMENT AND PENSION BOARD

April 23, 2018

The Knox County Retirement and Pension Board met in regular session on Monday, April 23, 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, Mr. Garrett Raiden and Mr. Zack Webb. Ms. Jennifer Hemmelgarn was present by phone and did not vote on any matter.

Also present at the meeting were:

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

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

Attorney: Mr. Keith Burroughs

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

Others in attendance: Mr. Wayne Sellers, Nationwide

IN RE: CALL TO ORDER

Chairman Caldwell presided and called the meeting to order.

IN RE: AMENDMENTS TO AGENDA

Ms. Bennett stated that there was an amendment to the fee schedule (attached).

IN RE: APPROVAL OF MINUTES OF MARCH 26, 2018

Chairman Caldwell presented the minutes for March 26, 2018. Commissioner Thomas made a motion to approve the minutes for March 26, 2018. The motion was seconded by Commissioner Nystrom and approved.

IN RE: APPLICATION FOR DISABILITY BENEFIT – EMPLOYEE DISABILITY PLAN

- **RICHARD T. GREGORY**, employee of the Sheriff, 29 years 6 months of credited service. Letter received from UNUM dated March 23, 2018 recommending approval of disability.

Chairman Caldwell presented the application for disability for Richard T. Gregory. Commissioner Thomas made a motion to approve the application for Richard T. Gregory. The motion was seconded by Commissioner Brantley and unanimously approved.

- **FRANK BROWN, JR.**, employee of Parks and Rec, 15 years 9 months of credited service. Letter received from UNUM dated April 17, 2018, on third appeal, recommending denial of disability. Frank has requested to appear before the Disability Committee to appeal the recommendation of UNUM.

Ms. Bennett stated Mr. Brown had appealed his denial and requested a hearing from the Disability Committee scheduled May the 7th. Commissioner Thomas questioned if a vote was necessary. Ms. Bennett said that this was part of the appeal process. Mr. Mason answered that no vote was needed.

IN RE: APPLICATION FOR RETIREMENT – UNIFORMED OFFICERS 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 Officers Pension Plan, were presented for consideration:

| <u>NAME</u> | <u>DEPARTMENT</u> | <u>CREDITED SERVICE</u> | <u>EFFECTIVE DATE</u> |
|------------------|-------------------|-------------------------|-----------------------|
| Robert H. Horner | Sheriff | 18 years 10 months | May 1, 2018 |

A motion to intervene (attached) was made by Mr. Keith Burroughs. He stated that Knox County and its taxpayers only object if Mr. Horner's retirement calculation included leave cash out. He inquired if this person's calculation included leave cash out. Ms. Bennett stated she was uncertain of the amount of leave cash out, if any. Ms. Bennett disclosed that Mr. Horner physically left employment in 2012 and was not eligible to retire until now. Commissioner Schoonmaker asked why he left employment in 2012. Ms. Bennett said that under UOPP, a person is not eligible to retire until they have had 25 years under UOPP or is over the age of 50. He qualifies starting May 1, 2018.

A motion was made by Mr. Webb to approve the application for retirement under the Uniform 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 Ms. Foster 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 Asset Accumulation Plan, were presented for consideration:

| <u>NAME</u> | <u>DEPARTMENT</u> | <u>CREDITED SERVICE</u> | <u>EFFECTIVE DATE</u> |
|-------------------|-------------------|-------------------------|-----------------------|
| Rhonda Bender | Com Svcs | 9 years 5 months | May 1, 2018 |
| Lewis Carpenter | Schools | 10 years 6 months | May 1, 2018 |
| Thomas Gilman | Sheriff | 16 years 2 months | May 1, 2018 |
| Sue McLemore | Schools | 21 years 3 months | May 1, 2018 |
| Marjorie Pressley | EPW | 21 years 8 months | May 1, 2018 |
| Debra Tibbs | EPW | 25 years 4 months | May 1, 2018 |

A motion was made by Commissioner Thomas to approve the application 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 Trustee, State Street Bank, to make payment of the credited service benefit. The motion was seconded by Commissioner Nystrom and approved.

IN RE: RESOLUTION FOR PLAN AMENDMENTS

Ms. Bennett presented a resolution to amend the System, STAR and the Disability Plan. The resolution provides for the Asset/STAR loan program, scheduled to sunset June 30, 2018 to extend indefinitely. The resolution also provides for incorporating the practice of treating one completed school year as one full year of credited service for school employees. Mr. Mason included that if the Board was to adopt the resolution, first reading would occur in May and second reading in June.

A motion was made by Commissioner Nystrom to adopt the resolution for the plan amendments (attached). The motion was seconded by Ms. Foster. In discussion, Commissioner Thomas asked if the loan program was being executed the way it was expected. Ms. Bennett directed the Board to the spread of records in the agenda with the statistics on the loan program. Commissioner Thomas questioned if there had been any defaults in the program. Ms. Bennett answered that there has been and most have been due to the termination or retirement of the employee. Mr. Cross added that the key is the criteria to qualify for the loan and the program was adopted with strict limitations to the policy.

IN RE: PENSION BOARD BUDGET FY19

Ms. Bennett presented the budget for the fiscal year 2019. A motion was made by Commissioner Brantley to defer the vote of approval of the FY19 budget to the May Board meeting. The motion was seconded by Commissioner Schoonmaker and was approved. Mr. Raiden asked if the budget incorporated the worst-case scenario for the pending lawsuits. Ms. Bennett replied that it did.

IN RE: REPORT OF EXECUTIVE DIRECTOR

Ms. Bennett reported on the following items:

- **Status of Reed Group Transition** – Ms. Schroeder informed the Board that the transition is half way complete. The transition includes weekly meetings along with additional meetings as needed. Ms. Schroeder stated that the transition is a 5 phase implementation process and Reed Group and the Retirement Office are in the early parts of stage 3 and that the transition is 49% complete.
- **Notice to UNUM** – Ms. Bennett reported that the Retirement Office would be serving the required notice of termination to UNUM as of July 1, 2018. The Board is obligated to give them a 60 day notice and the letter will be mailed this week.
- **Audit “Internal Process” with an end date of August 31, 2018** – The Retirement Office has put the internal process in place to provide appropriate checks and balances. Pugh & Co. have requested the staff do a sample audit of both the disability plans and UOPP for pre-December 1, 2016 retirees which is planned to be completed before August 31, 2018.
- **Retiree Luncheon** – The retiree luncheon held on April 10th at Rothchild’s had over 500 people in attendance.

IN RE: REPORT OF INVESTMENT COMMITTEE

- **Monthly Rates of Return** – Commissioner Brantley presented the rates of return for the Defined Contribution Plans as of March 31, 2018.
- **Nationwide Information Status** – Commissioner Brantley noted that there are discussions still taking place regarding enhancements to the Nationwide investment options. Ms. Bennett explained that there has been some confusion regarding analysis the Board had requested from Nationwide as to how the enhancements would affect plan participants. Mr. Brantley addressed Mr. Wayne Sellers of Nationwide to update the Board on Nationwide enhancements and answer questions regarding the analysis being requested. Mr. Sellers indicated that Mr. Jeff Francis of Nationwide is the person handling the analysis and he would be the person to communicate with regarding the confusion on what's being requested. Mr. Sellers indicated that Nationwide is trying to provide more value to participants and not hinder or harm anyone in anyway. Mr. Webb explained that the question was for a hypothetical analysis of how the enhancements would affect someone's Nationwide investments within the fixed account, as well as the penalties for someone trying to withdraw funds to liquidate their account. Mr. Sellers stated that Nationwide does not do hypotheticals. Mr. Webb then asked if Nationwide could take a current plan participant without giving identification of the participant and provide a factual analysis of this person's account now versus changing to the enhancements. Mr. Sellers explained that Mr. Jeff Francis would be the contact to discuss this with in order to get a resolution. Mr. Sellers then addressed Mr. Webb's additional question regarding the penalties associated with liquidating an account. Mr. Sellers explained that a participant can withdraw 20% out of the fixed account each year in order to fully liquidate their account over a 5 year period. Mr. Sellers indicated that these restrictions have been the same since before the enhancements were proposed, and that overall he has not had many cases of participants withdrawing their complete account balance.

IN RE: REPORT OF LEGAL COUNSEL

Mr. Owings had no report.

Mr. Burks reported that the plaintiffs have taken nonsuit in their original lawsuit as to the declaratory judgment action which left the certiorari and judicial review pending. Since that time, Knox County filed a new declaratory judgment action which is separate from the original lawsuit. The County has also petitioned for certiorari and judicial review against Knox County Retirement and Pension Board and Gregory Craig, a new retiree who was recently approved. Knox County filed a motion to consolidate those actions. Mr. Burks stated they have a motion pending on May 17th in front of Chancellor Weaver on the motion to dismiss on the conflict of interest issue. Those issues will have to be responded to. In order for the Board's attorneys to respond, he asked that the Board adopt a motion to cover those cases by revising the original contracts filed for representation. Mr. Burks stated that they will need authorization to represent the Board

on the new lawsuits. Commissioner Schoonmaker asked how soon the declaratory action will be heard by the judge. Mr. Burks stated that date has not been set at this time. The date will be set after the court makes a determination as to the motion to dismiss and the conflict of interest issue that will be dealt as a preliminary matter. Commissioner Schoonmaker asked for an estimated time of when this might happen. Mr. Burks responded that it could happen in the next three months if expedited. Commissioner Brantley asked if this case is dismissed if it will preempt the other filings. Mr. Burks responded that it would preempt those filings as they are currently, but would leave the Greg Gass case pending. Commissioner Brantley questioned if the Judge's rulings will direct the Board going forward. Mr. Burks stated once the preliminary matter is resolved, the judge will determine whether the Board is acting in accordance with the provisions of the Charter and UOPP. Commissioner Brantley asked if that lawsuit had been filed. Mr. Burks responded that it has been refiled last week. Commissioner Nystrom motioned to authorize Owings and Burks' firms to represent the Board in the new legal actions against the Knox County Retirement and Pension Board. The motion was seconded by Mr. Raiden and was approved. Commissioner Brantley questioned the origin of the filings. Mr. Burks replied that Mr. Burroughs is filing the lawsuits on behalf of the Knox County law department. Commissioner Brantley stated the law department represents four of the Board members and it is a concern it will conflict with the voting on the Board. Mr. Burks stated they are there to defend the Board and not to bring lawsuits against any entity; therefore, the Board is not voting against Knox County and will not have voting conflicts.

Mr. Mason had no report.

IN RE: REPORT OF ACTUARY

Mr. Cross presented the actuarial valuation for the Board of Education Retirement Plan. Commissioner Nystrom motioned to approve the Board of Education Retirement valuation. The motion was seconded by Mr. Raiden and was approved.

Mr. Cross presented the actuarial valuations for the Uniformed Officers Pension Plan. Commissioner Brantley motioned to approve the Uniformed Officers Pension Plan valuation. The motion was seconded by Mr. Webb and was approved.

Mr. Cross presented the actuarial valuation for the Disability Plan. Commissioner Thomas motioned to approve the Disability Plan valuation. The motion was seconded by Commissioner Nystrom and was approved.

Mr. Cross presented the actuarial valuation for the Closed Defined Benefit Plan. Commissioner Nystrom motioned to approve the Closed Defined Benefit Plan valuation. The motion was seconded by Commissioner Brantley and was approved.

Mr. Davies presented the market value of assets in respect to the pension plans. Ms. Bennett stated the only fund that has not been liquidated into the new investment strategy is the PRISA real estate, which can only be liquidated on a quarterly basis. A notice was sent in March to State Street and the Board will be notified of its pending liquidation in June. Ms. Bennett presented the possibility of a Special Called Board Meeting in lieu of the response of State Street and the delay of investments.

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 April 2018 | Fiscal YTD Approved Invoices 03/31/2018 | APR Invoice For Approval | Fiscal YTD Approved Invoices 04/30/2018 |
|---|---|--------------------------|---|
| BENXL Invoice # | | \$0.00 | |
| TOTAL BENXL | \$35,400.00 | \$0.00 | \$35,400.00 |
| KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #11699-006 03/31/2018- QDRO* | | \$1,300.00 | |
| KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice # | | \$0.00 | |
| KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice # | | \$0.00 | |
| ***TOTAL KENNERLY, MONTGOMERY & FINLEY, P.C. | \$1,000.00 | \$1,300.00 | \$2,300.00 |
| Owings, Wilson & Coleman Invoice # 9912M - 03/31/2018 Invoice # 9909M - | | \$25,694.72 \$0.00 | |
| *** TOTAL OWINGS, WILSON & COLEMAN | \$59,806.05 | \$25,694.72 | \$85,500.77 |
| JUSTICE, NOEL & BURKS Invoice # Jan - April 2018 | | \$8,580.00 | |
| TOTAL JUSTICE, NOEL & BURKS | \$17,310.00 | \$8,580.00 | \$25,890.00 |
| USI CONSULTING GROUP Invoice # 90020944 Invoice # | | \$15,358.25 | |
| TOTAL USI CONSULTING GROUP | \$411,592.40 | \$15,358.25 | \$426,948.65 |
| Invoices for April 2018 | \$526,108.45 | \$50,930.97 | \$576,039.42 |

| | | <u>Fiscal YTD</u> |
|--|------------------------------------|--------------------|
| *** Retainer not included in approved billings for the Board | | |
| Owings, Wilson & Coleman Retainer | \$4,000 per month | \$40,000 |
| Kennerly Montgomery Retainer | \$12,000 per month | \$120,000 |
| Court Reporter | | \$3,977.35 |
| 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 Ms. Foster that the Board authorize the payment indicated above to be paid from the designated Retirement Plans. The motion was seconded by Mr. Raiden and approved. Commissioner Brantley abstained from voting.

ADJOURNMENT

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



MAYOR TIM BURCHETT, CHAIRMAN
BY PROXY, CHRIS CALDWELL



MS. TRACY FOSTER, SECRETARY

Attachments:

- 1.) Amended Fee Schedule
- 2.) Motion to Intervene
- 3.) Resolution
- 4.) Actuary Market Value of Assets

FEE SCHEDULE

| AMENDED 04/23/2018 Invoices for April 2018 | Fiscal YTD Approved Invoices 03/31/2018 | APR Invoice For Approval | Fiscal YTD Approved Invoices 04/30/2018 |
|---|--|-----------------------------|--|
| BENXL Invoice # | | \$0.00 | |
| TOTAL BENXL | \$35,400.00 | \$0.00 | \$35,400.00 |
| KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #11699-006 03/31/2018- QDRO* | | \$1,300.00 | |
| KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice # | | \$0.00 | |
| KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice # | | \$0.00 | |
| ***TOTAL KENNERLY, MONTGOMERY & FINLEY, P.C. | \$1,000.00 | \$1,300.00 | \$2,300.00 |
| Owings, Wilson & Coleman Invoice # 9912M - 03/31/2018 Invoice # 9909M - | | \$25,694.72 \$0.00 | |
| *** TOTAL OWINGS, WILSON & COLEMAN | \$59,806.05 | \$25,694.72 | \$85,500.77 |
| JUSTICE, NOEL & BURKS Invoice # Jan - April 2018 | | \$8,580.00 | |
| TOTAL JUSTICE, NOEL & BURKS | \$17,310.00 | \$8,580.00 | \$25,890.00 |
| USI CONSULTING GROUP Invoice # 90020944 Invoice # 90021152 | | \$15,356.25 \$43,410.61 | |
| TOTAL USI CONSULTING GROUP | \$411,592.40 | \$58,766.86 | \$470,359.26 |
| Invoices for April 2018 | \$525,108.45 | \$94,341.58 | \$619,450.03 |

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

| | | <u>Fiscal YTD</u> |
|--------------------------------------|--------------------|-------------------|
| Owings, Wilson & Coleman Retainer | \$4,000 per month | \$40,000 |
| Kennerly Montgomery Retainer | \$12,000 per month | \$120,000 |
| Court Reporter | | \$3,977.35 |
| Fees Received from QDRO Participants | \$500 (DC Fee) | \$1,000 |
| | \$2,000 (DB Fee) | \$2,000 |

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

KENNERLY, MONTGOMERY & FINLEY, P.C.
550 Main Street, Fourth Floor
Knoxville, TN 37902
(865) 546-7311
Fax: (865) 524-1773

March 31, 2018

Kim Bennett
City-County Building
400 Main Avenue, Room 371
Knoxville, TN 37902

Matter No.: 11699-006
Knox County Pension Board/QDROs

QDROs

Defined Contribution Fixed Fee

| | |
|----------------|-----------------|
| Rawls: | \$500.00 |
| #206016 | |

Defined Benefit Fixed Fee

| | |
|------------------|-----------------|
| Chandler: | \$800.00 |
| #206017 | |

| | |
|---------------|-------------------|
| Total: | \$1,300.00 |
|---------------|-------------------|

PLEASE BE SURE TO REFERENCE MATTER NO. WHEN MAKING PAYMENT!

'18 APR 5 PM 3:48

JOHN E. OWINGS †
 SHELLY L. WILSON *
 STEPHANIE D. COLEMAN
 DAVID E. WAITE •††
 RICHARD A. MCCALL *
 FELICIA F. COALSON
 SARAH D. JARRARD
 ANNA M. SWIFT



OWINGS, WILSON & COLEMAN
 ATTORNEYS & SOLICITORS

800 Riverview Tower
 900 South Gay Street
 Knoxville, TN 37902-1800

tel 865-522-2717
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owclaw.com

† Rule 31 General Civil Mediator

‡ Certified as a Specialist in Medical Malpractice by
 the American Board of Professional Liability Attorneys

* Also Licensed in FL
 * Also Licensed in KY
 * Also Licensed in GA

Knox County Retirement and Pension Board
 City-County Building, Suite 371
 400 Main Street
 Knoxville TN 37902

Page: 1
 April 12, 2018
 ACCOUNT NO: 9912M

Attention: Ms. Kim Bennett

Knox County vs. KCRPB, et. al., Docket #194873-1

**PLEASE NOTE OUR FIRM NAME CHANGE
 PLEASE MAKE CHECKS PAYABLE TO OWINGS, WILSON & COLEMAN**

Legal Fees Through 03/31/2018

FOR CURRENT SERVICES RENDERED HOURS 86.50 24,846.25

RECAPITULATION

| <u>TIMEKEEPER</u> | <u>HOURS</u> | <u>HOURLY RATE</u> | <u>TOTAL</u> |
|-------------------|--------------|--------------------|--------------|
| Law Clerk | 0.25 | \$85.00 | \$21.25 |
| Stephanie Coleman | 0.25 | 350.00 | 87.50 |
| John E. Owings | 50.25 | 350.00 | 17,587.50 |
| Sarah D. Jarrard | 35.75 | 200.00 | 7,150.00 |

| | | |
|------------|---------------------------|--------------------|
| 03/06/2018 | LexisNexis research | 169.44 |
| 03/29/2018 | Miscellaneous photocopies | 541.25 |
| 03/29/2018 | Color photocopies | 8.00 |
| 03/29/2018 | Postage | 7.25 |
| 03/29/2018 | Postage | 7.25 |
| 03/29/2018 | Postage | 50.75 |
| 03/29/2018 | Postage | 60.30 |
| 03/29/2018 | Postage | 4.23 |
| | TOTAL EXPENSES | 848.47 |
| | PREVIOUS BALANCE | \$26,445.55 |
| | TOTAL CURRENT WORK | 25,694.72 |

JUSTICE, NOEL & BURKS

AN ASSOCIATION OF
ATTORNEYS AND COUNSELORS AT LAW
1816 W. CLINCH AVENUE
KNOXVILLE, TENNESSEE 37916

TELEPHONE: (865) 522-4964
FACSIMILE: (865) 546-8525
EMAIL: jnbattys@jnblawfirm.com

ROBERT T. MANN
(1910-1990)

W. CONWAY GARLINGTON
(1923 -2008)

JAMES W. JUSTICE
OF COUNSEL

DAVID D. NOEL
CHARLES C. BURKS, JR. *
PATRICK G. NOEL

*TN. SUP. CT. Rule 31 Certified Mediator

Knox Co. Pension Board
400 Main Street
City-County Building, Room 371
Knoxville, Tennessee 37902

April 17, 2018

File #: 200-713

| DATE | DESCRIPTION | HOURS |
|------------------------------------|--|------------------|
| <u>Beginning - January 4, 2018</u> | | |
| | a.) Attorney-Client Privileged and Confidential Information; | |
| | b.) Legal Research | |
| | | 6.0 Hours |
| <u>February 2018</u> | | |
| | a.) Attorney-Client Privileged and Confidential Information; | |
| | b.) Legal Research | |
| | | 6.6 Hours |
| <u>March 2018</u> | | |
| | a.) Attorney-Client Privileged and Confidential Information; | |
| | b.) Legal Research | |
| | | 9.1 Hours |
| <u>Through - April 17, 2018</u> | | |
| | a.) Attorney-Client Privileged and Confidential Information; | |
| | b.) Legal Research | |
| | | 6.9 Hours |

| <u>Attorney</u> | <u>Hourly Rate</u> | <u>Total Hours</u> | <u>Total</u> |
|------------------------------|--------------------|--------------------|--------------------------|
| Charles C. Burks Jr. | \$300.00 | 28.60 | \$8,580.00 |
| Total Current Work | | | \$8,580.00 |
| Balance Due Currently | | | <u>\$8,580.00</u> |

Knox County Retirement and Pension Board

Page: 2
April 12, 2018
ACCOUNT NO: 9912M

Knox County vs. KCRPB, et. al., Docket #194873-1

| | | |
|------------|--|--------------------|
| 04/11/2018 | Fee payment - thank you. | -26,373.75 |
| 04/11/2018 | Out-of-pocket expense payment - thank you. | <u>-71.80</u> |
| | TOTAL PAYMENTS | -26,445.55 |
| | BALANCE DUE | <u>\$25,694.72</u> |

Taxpayer Identification Number 62-1139153

Please make checks payable to
Owings, Wilson & Coleman
Payment in Full is Due Upon Receipt.



USI Consulting Group, Inc.
 95 Glastonbury Blvd.
 Suite 102
 Glastonbury, CT 06033-6503
 (860) 633-5283

Empire State Building
 350 Fifth Avenue 37th Floor
 New York, NY 10018

601 Union Street Suite 1000
 Seattle, WA 98101

Invoice

Bill To :
 Knox County Retirement Board
 Kim Bennett
 Room 371
 City County Building
 Knoxville TN 37902

Information
Invoice No. 90020944
Invoice Date 03/31/2018
Customer No. 1000298
Terms of Payment Net due in 15 days
Purchase Order Number TN

Remit To:
 USI Consulting Group, Inc.
 95 Glastonbury Blvd.

 Glastonbury, CT 06033
 (860) 633-5283

| Service | Amount |
|---|------------------|
| Actuarial Consulting Fees County Plan Calculation of old disability Plan funding amounts (work-in-progress) | 1,948.75 |
| Actuarial Consulting Fees UOPP Consultation regarding revision of actuarially assumed rate of investment return and modification of projected contribution requirements and funding levels--actuarial and GASB (work-in-progress) | 13,407.50 |
| 18 APR 11 PM 1:56 | |
| Total | 15,356.25 |



USI Consulting Group, Inc.
 95 Glastonbury Blvd.
 Suite 102
 Glastonbury, CT 06033-6503
 (860) 633-5283

Empire State Building
 350 Fifth Avenue 37th Floor
 New York, NY 10018

601 Union Street Suite 1000
 Seattle, WA 98101

Invoice

Bill To :

Knox County Retirement Board
 Kim Bennett
 Room 371
 City County Building
 Knoxville TN 37902

Information

Invoice No. 90021152
Invoice Date 04/18/2018
Customer No. 1000298
Terms of Payment Net due in 15 days
Purchase Order Number TN Q1 2018

Remit To:

USI Consulting Group, Inc.
 95 Glastonbury Blvd.

Glastonbury, CT 06033
 (860) 633-5283

1st Quarter 2018

| Service | Amount |
|--|------------------|
| Asset Accumulation Plan | 39,267.12 |
| Quarterly Administrative Fee \$322,178,561.50 x .00012188 | |
| 457 Plan | 2,663.69 |
| Quarterly Administrative Fee \$21,855,051.01 x .00012188 | |
| Medical Expense Plan | 1,044.81 |
| Quarterly Administrative Fee \$8,572,746.12 x .00012188 | |
| STAR Plan | 434.99 |
| Quarterly Administrative Fee \$3,569,017.31 x .00012188 | |
| 18 APR 20 AM 11:53 | |
| Total | 43,410.61 |

EGERTON McAFEE

Egerton McAfee Armistead & Davis, P.C.

ATTORNEYS AT LAW

CLIENT DRIVEN SINCE 1932

Joe Mont McAfee
Lewis C. Foster, Jr.
Stephen A. McSween
Wm. E. McClamroch, III
Rockforde D. King
Jonathan D. Reed
Ronald T. Hill
Keith H. Burroughs
Reuben N. Pelot, IV
Norman G. Templeton
Cheryl G. Rice
James M. Cornelius, Jr.
Tracy G. Edmundson
R. Christopher Trump
Nicholas J. Chase

P. Newman Bankston
John L. Wood
Melissa B. Carrasco
Bradley C. Sagraves
William H. Kittrell
Allison S. Jackson
Heather G. Ferguson
Jeremy D. Miller
Rameen J. Nasrollahi
Samuel C. Louderback
K. Susanne Kozma
Andrew B. Tucker
Soojin Kim

Of Counsel:
Dan W. Holbrook

April 20, 2018

VIA HAND DELIVERY and VIA EMAIL

Kim Bennett, Executive Director
Knox County Retirement and Pension Board
City-County Building Room 371
400 Main Street
Knoxville, TN 37902

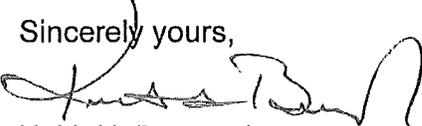
**RE: Knox County's Motion to Intervene and Objections to Item 5 of the
Agenda for the Board's April 23, 2018 Meeting**

Dear Ms. Bennett:

Please find enclosed the captioned Motion on behalf of Knox County. We ask that this Motion be addressed by the Board before making any determinations regarding Item 5 on the agenda for the Board's April 23, 2018 meeting.

If you have any questions, please feel free to contact me.

With kind regards.

Sincerely yours,

Keith H. Burroughs

KHB

Enclosure: As stated above

Cc: Richard B. Armstrong, Jr., Esq.
Melissa B. Carrasco, Esq.
Jonathan D. Reed, Esq.
Knox County Retirement and Pension Board

1386738v1

**KNOX COUNTY'S MOTION TO INTERVENE AND
OBJECTIONS TO ITEM 5 OF THE AGENDA
FOR THE BOARD'S APRIL 23, 2018 MEETING**

Comes now Knox County, Tennessee, by and through the undersigned counsel, and moves to intervene and objects to the approval by the Knox County Retirement and Pension Board ("Board") of the application of Robert H. Horner for the Uniformed Officers Pension Plan ("UOPP") retirement benefits on Item 5 of the Agenda for the Board's April 23, 2018 meeting. Knox County objects to this item only to the extent that any accrued leave cashout was or will be used in calculating the pension benefits to be awarded to this Participant in the UOPP.

Knox County moves to include by reference as part of the record on this matter: this Motion and all prior Motions filed by Knox County regarding UOPP retirement applications with attachments; the Board's minutes from 2007 through the present; any and all amendments to the UOPP; records identifying leave cashout included or to be included in pension calculations for all retirees including the retiree on the agenda for the April 23, 2018 meeting; and any additional items that may be deemed relevant by the Board's General Counsel.

MEMORANDUM IN SUPPORT OF MOTION

The staff of the Pension Board has been violating Section 1.10 of the UOPP, Knox County Ordinance No. O-06-4-101 and the November 7, 2006 Charter Amendment by including leave cashout in calculating pension benefits.

In a July 29, 2016 Memo to Sheriff Jones, Board Director Kim Bennett states that she reviewed the Sheriff's General Order with counsel for the Board "to determine the

treatment of vacation pay cash-out...." (hereinafter "UVCO") She then announced a policy change for retirees on or before January 1, 2017, who would receive more UVCO than the General Order permitted, and another for persons retiring after January 1, 2017, who would not. These policy changes created a terrible precedent and exposed the Board to arguments that its interpretation of the Plan was arbitrary and capricious. These policy changes further exposed Knox County to additional financial obligations without consideration and approval by Knox County.

According to Section 2.04 of the UOPP, the Board is the Administrator of the UOPP with the discretion to construe the terms of the Plan and determine all questions arising in connection with the administration, interpretation, and application of the Plan, including all questions relating to the amount of any benefit to which any participant may become entitled. Upon information and belief, the Board has never exercised its exclusive authority to interpret the relevant provisions of the UOPP. The July 29, 2016 Memo to Sheriff Jones announcing a change in construction of the UOPP was completely beyond Director Bennett's authority.

In addition, Director Bennett's July 29, 2016 Memo also announced a policy change and interpretation of the UOPP that directly increased the funding or financial obligations of the County. However, that action was never submitted to the Commission for its express consent and funding by resolution as required by Section 7.04E of the Charter. The Pension Board has a duty to obtain Knox County's consent and funding by resolution before taking any action that would increase the funding or financial obligations of the County. Section 7.04E of the Knox County Charter specifically provides:

The Knox County Retirement and Pension Board shall not have the power or authority to adopt or approve any plan or plan amendment, or take any other action, which thereby would increase the funding or financial obligations of the County either at the time of the action or in the future without notification to and express consent and funding by resolution from the commission.

The Pension Board's actions have increased and will increase the funding or financial obligations of the County and have violated and will continue to violate Section 7.04E of the Knox County Charter unless they are taken with the express consent and funding by resolution of the Knox County Commission. No such resolution has ever been considered by the Knox County Commission.

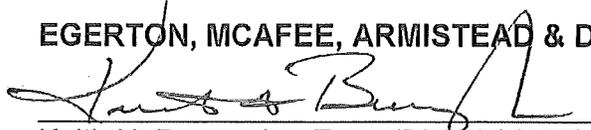
Analysis

On October 18, 2017, Director Bennett produced to Knox County a copy of the original 2007 UOPP. Leave cashout is not included and Compensation is defined as "salary." Thus, leave cashout has never been permitted for inclusion in the calculation of pension benefits by the Knox County Charter. The phrase "leave cashout" was not in the Plan that was adopted by the voters at the inception of the UOPP and as of the last amendment of the Charter in 2012.

Section 1.10 of the 2016 Restated UOPP and the 2017 Restated UOPP provide that post-severance compensation shall not be "recognized" in determining a participant's "Average Monthly Compensation." This provision is consistent with the Charter and must be given effect. Leave cashout cannot be included in the calculation of these retirees' pension benefits. If the calculations for the retirement benefits on the April 23, 2018 Board Agenda, Item 5, include any accrued leave cashout in their pension calculations, they are *ultra vires* and unlawful, and Knox County objects.

Respectfully submitted this 23rd day of April, 2018.

EGERTON, MCAFEE, ARMISTEAD & DAVIS, P.C.



Keith H. Burroughs, Esq. (BPR 014255)

Jonathan D. Reed (BPR 012769)

Melissa B. Carrasco (BPR 029094)

Attorneys for Knox County and its Taxpayers

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

WHEREAS, Knox County Government has adopted the Knox County Employee Benefit System ("System"), the Sheriff's Total Accumulation Retirement Plan ("STAR"), and the Knox County Employee Disability Benefit Plan ("Disability Plan") (collectively the "Plans"), as each has been subsequently amended or amended and restated; and

WHEREAS, the Board wishes to amend the System and STAR and the associated Participant Loan Program documents and communications to extend the Participant Loan Program indefinitely; and

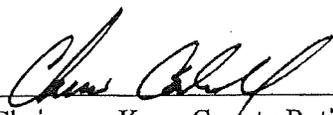
WHEREAS, the Board further wishes to amend the System, STAR and the Disability Plan to confirm the longstanding practice of providing one year of credited service to certain Knox County Schools employees paid other than on a twelve-month basis who have rendered one full school year of service and to make other confirming and clarifying changes; and

WHEREAS, the Knox County Retirement and Pension Board ("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; and

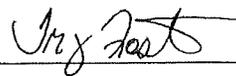
WHEREAS, as required by the Plans, the Actuary has advised that these Amendments and Restatements will have no adverse actuarial impact on the County, the System or the Plans, and based on that advice the Board has concluded that this action will not increase the funding or financial obligations of the County within the meaning of Charter Section 7.04E; and

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

WE HEREBY CERTIFY that the foregoing Resolution was duly adopted pursuant to the provisions of the System, STAR and Disability Plan on April 23, 2018.



Chairman, Knox County Retirement &
Pension Board



Secretary, Knox County Retirement &
Pension Board

4/26/18

Date

4-26-18

Date

Summary Document for Proposed System, STAR, and Disability Plan Amendments

The following summarizes proposed amendments to the System, STAR, and Disability Plan as anticipated by the proposed resolution to be considered on April 23, 2018:

System:

- Revise Article VI, Section VI-4.13 to remove reference to June 30, 2018, thereby extending the Asset Accumulation Plan Participant Loan Program indefinitely, or until otherwise limited by future action of the Board.
- Revise Article I, Section I-1.25 to confirm that certain Knox County School employees paid other than on a twelve-month basis who render a full school year of service receive one year of Credited Service.

Additional housekeeping amendments to the System are proposed, including:

- Revise Article III, Section III-3.06 to remove extraneous references to "Severance" of employment.
- Revise Article I, Section I-1.14 to clarify payment to a deceased Participant's estate shall only be made if a probate estate has been properly opened.
- Revise Article I, Section I-1.25(d) to clarify that the same calendar month shall not be counted as Credited Service under both STAR and the Asset Plan.
- Revise Article IV, Section IV-1.03 to clarify that a Participant's disability benefit is reduced prospectively from 60% to 50% when he or she reports during the annual re-certification process that he or she no longer has an eligible dependent.
- Revise Article IV, Section IV-1.05 to clarify that the COLA for a disability survivor benefit is calculated as 75% of the Participant's COLA.
- Revise Article IV, Section IV-1.05 to clarify the distinctions between survivor disability benefits for Asset Plan Participants and Closed DB Plan Participants.

STAR:

- Revise Article VI, Section 6.11 to remove reference to June 30, 2018, thereby extending the STAR Participant Loan Program indefinitely, or until otherwise limited by future action of the Board.

Additional housekeeping amendments to STAR are proposed, including:

- Revise Article I, Section 1.07(b) to clarify payment to a deceased Participant's estate shall only be made if a probate estate has been properly opened.
- Revise Article I, Section 1.17(c) to clarify that the same calendar month shall not be counted as Credited Service under both STAR and the Asset Plan.

Disability Plan:

- Restate the Disability Plan in its entirety to incorporate all amendments made since the Plan's inception, to ease Reed Group transition and ongoing Plan administration.
- Revise Article I, Section 1.18 to confirm that certain Knox County School employees paid other than on a twelve-month basis who render one full school year of service receive one year of Credited Service.



CONSULTING GROUP

USI Consulting Group
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Knoxville, TN 37902
www.usi.biz
Phone: 865.523.8353
Fax: 865.523.8227

April 23, 2018

Ms. Kim Bennett
Executive Director
Knox County Retirement and Pension Board
City County Building, Room 371
400 S. Main Street
Knoxville, Tennessee 37902

Dear Ms. Bennett:

Per the request of the Retirement and Pension Board, USI Consulting Group has evaluated the actuarial impact of the April 23rd Resolution to amend and restate the Knox County Retirement System, the Sheriff's Total Accumulation Retirement Plan and the Knox County Employee Disability Benefit Plan. Such Amendment and Restatement will not have an adverse actuarial impact to the County, the System or either Plan.

Sincerely,

USI CONSULTING GROUP

A handwritten signature in black ink, appearing to read "Bob Cross", with a long horizontal flourish extending to the right.

Bob Cross, ASA, MAAA, MCA
President, Southeast and Midwest Regions

'18 APR 17 AM 10:44

Securities offered through USI Securities, Inc., Member NASD/SIPC,
Investment Advice provided by USI Advisors, Inc.
95 Glastonbury Blvd., Glastonbury, CT 06033, 860.652.3239

Market Value of Assets

MARKET VALUE OF ASSETS

| | Beginning Balance | Contributions | Disbursements | Investment Earnings | Ending Balance |
|-------------------------------|-------------------|----------------|----------------|---------------------|------------------|
| 12/31/2017 - 3/31/2018 | \$283,854,949.08 | \$2,258,057.19 | \$4,216,155.52 | -\$2,831,643.56 | \$279,065,207.19 |
| 3/31/2018 - 4/20/2018 | \$279,065,207.19 | \$675,419.52 | \$1,870,700.43 | \$2,101,589.66 | \$279,971,515.94 |
| Total | \$283,854,949.08 | \$2,933,476.71 | \$6,086,855.95 | -\$730,053.90 | \$279,971,515.94 |

MARKET VALUE OF ASSETS

| | DB/Teachers | UOPP | *Prisa Real Estate | Cash Sweep Account | Total |
|-------------------|-----------------|------------------|--------------------|--------------------|------------------|
| 12/31/2017 | \$95,986,202.79 | \$163,880,555.66 | \$22,120,567.54 | \$1,867,623.09 | \$283,854,949.08 |
| 3/31/2018 | \$39,680,062.12 | \$163,603,416.36 | \$22,485,920.18 | \$493.39 | \$279,065,207.19 |
| 4/20/2018 | \$39,255,810.65 | \$164,577,488.37 | \$22,485,920.18 | \$31,221.07 | \$279,971,515.94 |

*the Prisa Real Estate Fund is priced quarterly