

KNOX COUNTY RETIREMENT AND PENSION BOARD

JUNE 27, 2016

REVISED

The Knox County Retirement and Pension Board met in regular session on Monday, June 27, 2016, at 1:00 P.M. in the County Commission Conference Room 640, City-County Building, Knoxville, Tennessee. Chairman Trott, presided and called the meeting to order.

The following members were present: Mr. Rick Trott, Chairman, Mr. Nick McBride, Vice Chairman, Ms. Robin Moody, Secretary, Commissioner Ed Brantley, Commissioner Sam McKenzie, Commissioner Jeff Ownby, Commissioner Bob Thomas, Mrs. Ashley Huffaker, and Mr. Chris Caldwell, representing Mayor Tim Burchett. Also present at the meeting were: Mr. Ted Holtz, Pugh & Co, Mr. Bob Cross and Mrs. Carissa Dunaway, USICG, Mr. William Mason, Mr. John Owings, Mrs. Stephanie Coleman, Legal Counsel, and Retirement staff, Mrs. Kim Bennett, Mrs. Terri Chase and Mrs. Janet Rowan.

IN RE: APPROVAL OF MINUTES OF PREVIOUS MEETING

Consideration of approval of the minutes of the previous meeting of May 23, 2016, was presented. A motion was made by Commissioner Ownby that the minutes be approved as presented. The motion was seconded by Commissioner McKenzie and unanimously approved.

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

The following applications for retirement along with the lump sum benefit 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>
William C Kee	Schools	27 years 10 months	July 1, 2016

After review, a motion was made by Mr. McBride 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: APPLICATION FOR RETIREMENT – TEACHERS PLAN

The following applications for retirement, as provided in the City A Teachers Plan, were presented for consideration:

<u>NAME</u>	<u>DEPARTMENT</u>	<u>CREDITED SERVICE</u>	<u>EFFECTIVE DATE</u>
Mary Rose Copple	Schools	40 years	June 1, 2016

After review, a motion was made by Commissioner Ownby to approve the applications for retirement under the City A Teachers 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 ASSET ACCUMULATION 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>
Franziska Cinnamon	Schools	10 years 4 months	July 1, 2016
Sandra K Dixon	Schools	21 years 4 months	July 1, 2016
Terry M Dunaway	Schools	13 years 5 months	July 1, 2016
Eric R Hahn	Parks & Rec	5 years 5 months	July 1, 2016
James E Jones	Schools	10 years 11 months	July 1, 2016
Sylvia L Jones	Schools	11 years 1 month	July 1, 2016
Lorraine B Nieuwkoop	Schools	6 years 6 months	July 1, 2016
Sheree-Ann Spoons	Schools	5 years 11 months	July 1, 2016

After review, a motion was made by Commissioner Thomas to approve the applications for retirement under the Asset Accumulation Plan as presented and 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 McKenzie and unanimously approved.

IN RE: REPORT OF EXECUTIVE DIRECTOR

Mrs. Bennett advised the letter from Pugh & Co containing required communications from the System auditors is intended to notify the Board of the upcoming audit in August.

Mr. Holtz stated if there are any disclosures, Pugh & Co will meet with the Board Members.

Mrs. Bennett reported that the Retirement Education classes for Phase I and Phase II have been completed for General Government, the last being July 14th at Richard L Bean Juvenile Center. She also stated Phase II class for Asset Accumulation and STAR employees of the Sheriff's Department will be presented during the Sheriff's Office In-Service in September 2016.

Mrs. Bennett stated the Phase III, Retirement Readiness, presentation is much longer as it covers Retirement, Social Security and Medicare. Mrs. Bennett stated the presentation will be sent to the Committee within a few weeks. She plans to begin the Phase III in September 2016 and it will be on a voluntary basis.

Mrs. Bennett stated she will be traveling to USI Consulting Group in Glastonbury, CT to discuss the valuation, the detailed process of loans from the Asset Accumulation and STAR plans and summary plan description booklet changes.

Mrs. Bennett reported there are 13 outstanding checks from when the Medical Expense Retirement Plan (2008-2014) paid bonuses to retirees totaling approximately \$2,000 for retirees who cannot be located. She stated the Plan Document authorizes those amounts to be forfeited and that she

was directing that the account be closed; however, if any of those retirees is ever located then the bonus would be paid to them from forfeitures.

IN RE: REPORT OF DOCUMENT COMMITTEE

Mrs. Bennett reported the Document Committee met on June 16, 2016 to discuss and review loans versus hardship withdrawals from the Defined Contribution plans. The committee voted to recommend loans rather than hardships as hardships have income tax penalties and do not give the participant the option for pay back the amount to the Plan.

Mrs. Bennett gave the following overview of the Loan Provision Proposal:

- **ONLY** Online initiation of Loan
- Must be paid back within 5 years with after tax dollars
- Amortization schedule is put together by USI and sent to the Retirement Office to input into payroll
 - If loan payments are missed by payroll and not made up, loan balance must be reported as income and 1099-R issued (may be subject to taxes and penalty) at the end of the calendar quarter following the calendar quarter in which the default occurred.
 - Repayments can be suspended for employees performing military service and the period of time extended for the period on military leave. FMLA can be suspended but 5 yr. limit still applies.
- Plan Transfers must be communicated so disruptions don't occur (i.e. transfer from Asset to STAR; or STAR to Asset)
- Termed participants must report outstanding loan balances as income, if it's not paid off by the end of the calendar quarter following employment termination date
- Loans can be paid off early in a lump sum via certified check. Partial pre-payments are not accepted.
- Participant must be fully vested to be eligible for loan
- \$5,000 minimum loan
- Maximum = lesser of 25% of employee account balance or \$50,000 (in accordance with IRS rules)
- 1 loan outstanding at a time
- Payback period up to 5 years
- Interest Rate – (Fixed Rate determined by Board within the Interest Rate /Loan Policy)
- 6 month waiting period between loans
- Participant must remain on a payroll frequency that continues 12 months out of the year
- Fees
 - Loan initiation - \$50.00
 - Processing Payroll Deduction Payments - \$8.75 per quarter

- Loan Pilot Program – September 1, 2016 thru June 30, 2018. Knox County Only (including all depts./fee offices paid on the Knox County (Munis) Payroll System)
 - Knox County Schools, E911, Metro. Drug Commission, and Charter Schools are not part of the Pilot Program
- Asset & STAR Plan Amendments to authorize Loan Program will have 1st reading in July and 2nd reading in August, 2016. Written Loan Program will be provided to the Board in July

After discussion by the Board Members, a motion was made by Mr. McBride to accept the Document Committee's recommendation of the Loan Provision Proposal for the Asset Accumulation Plan and the Sheriff's Total Accumulation Plan. The motion was seconded by Commissioner Ownby and unanimously approved.

IN RE: PUBLIC HEARING AND SECOND READING OF AMENDMENT AND RESTATEMENT OF THE 2014 PLAN DOCUMENT FOR THE KNOX COUNTY EMPLOYEE BENEFIT SYSTEM

Mrs. Bennett reviewed the Amendment and Restatement of the 2014 Plan Document for the Knox County Employee Benefit System. She gave the following summary of the proposed amendments to the System as recommended by the Document Committee:

- Amend Article X, Section 3 to add distribution options, timing and election procedures to the 457 Plan that are the same as those rules under the Asset Plan and STAR.
- Amend Article VI-5.01 and 5.02 to remove the earnings only and adjusted life expectancy (3% interest assumed) distribution options.
- Amend Article VI-4.01(d) to change the standard form of benefit from installment payments over the Participant's life expectancy to a lump sum payment.
- Amend Article VI-1.102 to require Participants who Terminate Employment and withdraw any part of their Asset Plan, STAR, 457, or MERP Account balances to wait 4 full calendar months from date of distribution before being eligible for reemployment.
- Amend Articles III-3.01 and VI-1.02 to clarify exception to 4 month waiting period after Termination or Retirement for elected or appointed public officials and to add an exception to the rule for unusual circumstances, as approved by the Board on a case by case basis.
- Amend Article VI-4.07(d) to clarify that a Vested Terminated Participant may withdraw Employee contributions to Asset Plan or STAR and leave Employer money on deposit and retain Credited Service upon reemployment.
- Amend Article VII-4.04 to clarify MERP distribution provisions to reflect current practice.
- Amend System document by incorporating all amendments since the System's last amendment and restatement (2014).

The System document was also amended to make clarifying and conforming changes necessitated by the specific amendments listed above. In addition, minor housekeeping amendments have been made.

Chairman Trott asked if anyone was present to speak at the public hearing. Mr. Owings, Legal Counsel, stated no one from the public was present to speak.

After discussion by the Board Members, a motion was made by Commissioner McKenzie to approve on second reading the amendment and restatement of the Knox County Employee Benefit System. The motion was seconded by Mr. McBride and unanimously approved.

IN RE: PUBLIC HEARING AND SECOND READING OF AMENDMENT AND RESTATEMENT OF THE 2014 PLAN DOCUMENT FOR THE UNIFORMED OFFICERS PENSION PLAN

Mrs. Bennett summarized comparable proposed amendments to the Uniformed Officers Pension Plan (UOPP).

Chairman Trott asked if anyone was present to speak at the public hearing. Mr. Owings, Legal Counsel, stated no one from the Public was present to speak.

After discussion by the Board Members, a motion was made by Commissioner Thomas to approve on second reading the amendment and restatement of the Uniformed Officers Pension Plan. The motion was seconded by Mr. McBride and unanimously approved.

IN RE: PUBLIC HEARING AND SECOND READING OF AMENDMENT AND RESTATEMENT OF THE 2014 PLAN DOCUMENT FOR THE KNOX COUNTY SHERIFF'S TOTAL ACCUMULATION RETIREMENT PLAN

Mrs. Bennett summarized comparable proposed amendments to the Knox County Sheriff's Total Accumulation Retirement Plan (STAR).

Chairman Trott asked if anyone was present to speak at the public hearing. Mr. Owings, Legal Counsel, stated no one from the Public was present to speak.

After discussion by the Board Members, a motion was made by Commissioner Brantley to approve on second reading the amendment and restatement of the Sheriff's Total Accumulation Retirement Plan. The motion was seconded by Commissioner McKenzie and unanimously approved.

IN RE: REPORT OF LEGAL COUNSEL

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

Mrs. Coleman stated she is meeting with the attorney representing a participant of the Disability Plan to resolve overpayment of disability benefits due to approval of Social Security disability and Worker's Compensation settlement. The meeting is scheduled for first week in July.

Mr. Owings introduced Miss Abby McConkey, a senior at Christian Academy Knoxville, as a summer intern for the Robertson Overbey law firm.

IN RE: REPORT OF ACTUARY

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

IN RE: REPORT OF INVESTMENT COMMITTEE

Mr. McBride presented the rates of return as of May 31, 2016, from USI Consulting Group and Wilshire & Associates that were 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, in accordance with agreements and audited and recommended for payment by Mrs. Bennett:

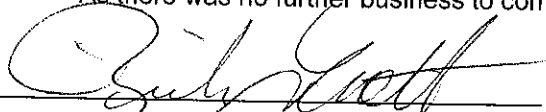
Invoices for June 2016

KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #197696	\$5,381.50
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #197698	\$295.00
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #197699	\$1,546.00
USI CONSULTING GROUP Invoice #90011219	\$21,316.25
Invoices for June 2016	\$28,538.75


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