

KNOX COUNTY RETIREMENT AND PENSION BOARD

FEBRUARY 27, 2017

The Knox County Retirement and Pension Board met in regular session on Monday, February 27, 2017, at 1:30 P.M. in the County Commission Conference Room 640, City-County Building, Knoxville, Tennessee. Chair Moody presided and called the meeting to order.

The following members were present: Ms. Robin Moody, Chair *pro tempore*, Mr. Chris Caldwell, Mayor Burchett's designee as Vice Chairman, Commissioner Hugh Nystrom, Secretary, Commissioner Ed Brantley, Commissioner John Schoonmaker, and Commissioner Bob Thomas. Also present were Mrs. Jennifer Hemmelgarn, Mrs. Tracy Foster and Mr. Zack Webb. Also present at the meeting were: Mr. Nick McBride, Chief Deputy Register of Deeds, Mr. Ed Shouse, Knox County Trustee, Mr. David Buuck, Chief Deputy Law Director, Mr. Evan Houser, Knox County Law Department, Mr. Bob Cross, Mr. Edward Bronkhorst, USICG, Mr. William Mason, Mrs. Ashley Trotto, Mr. John Owings, Mrs. Stephanie Coleman, Legal Counsel, Chief William Purvis, Mr. David Yokley, Knox County Sheriff's Office, Mr. Rick Trott, Retiree of Knox County Sheriff's Office, Mr. Wayne Sellers, Nationwide, Ms. Caroline Wickman, Knox County Finance, and Retirement staff, Mrs. Kim Bennett, Mrs. Jennifer Schroeder, Mrs. Terri Chase, and Mrs. Janet Rowan. Also present at the meeting were: Mr. Michael Bartleson, Mrs. Amanda Bartleson, children, Blaine, Wyatt and Savannah Bartleson along with Legal Counsel, Drew McElroy; Mr. James Page, Mrs. Shelly Page with Legal Counsel Drew McElroy and Patrick Slaughter; Mr. Ronald "Ray" Treece and Legal Counsel John Dupree.

IN RE: AMENDMENTS TO THE AGENDA

Mrs. Bennett stated an Amended Agenda has been distributed to everyone. A motion was made by Commissioner Brantley to approve the Amended Agenda. The motion was seconded by Commissioner Thomas and unanimously approved.

IN RE: APPROVAL OF MINUTES OF JANUARY 23, 2017

Consideration of approval of the minutes of the previous meeting of January 23, 2017, was presented. A motion was made by Commissioner Nystrom to amend the minutes and defer the vote until the March Board Meeting. The motion was seconded by Commissioner Schoonmaker and unanimously approved.

IN RE: REQUEST OF ATTORNEY DUPREE REPRESENTING OFFICER RONALD "RAY" TREECE, APPROVED FOR DISABILITY AND BEGAN RECEIVING MONTHLY BENEFITS OCTOBER 1, 2011, TO ADDRESS THE BOARD REGARDING OFFSET FOR WORKER'S COMPENSATION SETTLEMENT.

Attorney Dupree, representing Officer Treece, presented the following information to the Board both verbally and in the form of a handout:

RAY TREECE

- 20 years, 4 months credited service
- Last Job: Detective in Major Crimes
- No Dispute Regarding Disability
- Post Traumatic Stress Disorder

Relevant Dates

-Date of Injury: 3/16/09
-Social Security Date of Disability: 12/13/10
-Date Unum Approved Disability: 5/2/11
-Date Dr. Walker said No More
Law Enforcement Work: 8/11/11
-Date of Workers Comp Settlement: 5/22/14

2009 Plan

ONLY OFFSET PROVISION:

Section 5.5

Disability Benefit equals 50% of such Participant's Average Monthly Compensation. If a Disabled Participant has Earnings While Disabled, the In Line of Duty Disability Benefit shall be reduced by the Disability Benefit Deduction pursuant to Section 5.5(c).

There was no Social Security or Comp Offset in the Plan

There are no earnings either since 9/13/11

Section 5.5(c)(3)

(3) At least once each calendar year and no more frequently than monthly the Board may require any Disabled Participant who is receiving a Disability Benefit to submit a Disability report to establish written proof satisfactory to the Board of continuing Disability. The Disability report shall show the amount of the Participant's Earnings While Disabled.

- (i) A Participant's Earnings While Disabled is defined as earnings received during Disability from full-time or part-time employment, or self-employment.

Mr. Treece has not been employed either full-time or part-time since 9/13/11. There should be no offset for anything since Mr. Treece has not had "earnings" since 9/13/11.

Remember: There is no offset for Social Security or Workers Comp in the 2009 Plan – only "earnings" from full or part-time employment.

But the Plan was Amended

Here's What the 2009 Plan says about Amendments:

Article VII – Plan Amendment

7.1 Amendment

(a) The Board shall have the right at any time to modify, alter or amend this Plan, in whole or in part by instrument in writing duly executed; provided, however, that any amendment is consistent with the terms of Section 6.05 of the Charter; that no amendment shall cause or permit any part of the Trust Fund (other than such part as is required to pay taxes and administration expenses) to be used for or diverted to any purpose other than for the exclusive benefit of the Participants or their survivors or Beneficiaries or estates; that no amendment shall have the effect of reverting in the Employer any portion of such Funds; *that no amendment, unless it is necessary to meet the requirements of any state or federal law, shall operate to deprive any Participants of any benefits, to the extent they are funded.* For clarity, in no event shall an amendment to the pension provisions of the charter of the City of Knoxville be deemed to amend this Plan.

The July 1, 2010 Amendment Deprives Mr. Treece a Portion of His Benefits by now Offsetting for Social Security and Workers Compensation.

There is no requirement of federal or state law to make such an offset

Definition of *deprive*

1. transitive verb
2. *1 obsolete* : remove
3. *2* : *to take something away from* <*deprived him of his professorship — J. M. Phalen*>
4. *3* : to remove from office
5. *4* : *to withhold something from* <*deprived a citizen of her rights*>

Here, the Board has "taken" or "withheld" a Portion of the Benefits Due to Offsets.

We are Asking the Board to Reinstate Mr. Treece's Original Pension Benefits without Offsets. He is currently receiving: \$432.65 per month (Since July 23, 2014). He originally received without offsets: \$2,223.43 per month.

Mr. Mason gave the following summary of the appeal of Officer Treece:

Officer Treece, a UOPP participant, was approved for UOPP disability benefits on October 1, 2011, after already having commenced a Social Security Disability benefit. Officer Treece subsequently received a lump sum Workers' Compensation award.

Prior to receipt of the Workers' Compensation award, there was no offset applied to Officer Treece's benefit because the sum of his UOPP disability benefit and his Social Security benefit did not exceed 100% of his pre-disability compensation. Following the Workers' Compensation award, the sum of Officer Treece's UOPP disability benefit, Social Security benefit and monthly Workers' Compensation benefit exceeded

100% of his pre-disability compensation by \$2,061.98. Thus, in accordance with the terms of the Plan, Officer Treece's benefit was offset by that amount.

The Retirement Office notified Officer Treece of this result in a letter dated July 23, 2014, and received a response from Officer Treece's attorney, Tony Farmer, Esq., on August 11, 2014, objecting to the application of the offset.

Mr. Farmer argued that the 2010 Amendment to the Plan establishing the above-described offset was only effective for disabilities occurring after July 1, 2010, and according to Officer Treece's Workers' Compensation documentation, he was disabled on March 16, 2009.

Mr. Mason responded to Mr. Farmer's letter on August 13, 2014, stating that the offset applies to Officer Treece because he specifically stated in his application for UOPP disability benefits that his effective date of disability and last day of work was December 13, 2010. Decisions in Workers' Compensation proceedings are not determinative for UOPP disability purposes. The Pension Board did not receive any further correspondence from Mr. Farmer on this matter.

At his request, Mr. Mason and Ms. Trotto met with John Dupree, Esq., on December 1, 2016. He told them that he was representing Officer Treece and was objecting to the application of the offset to his UOPP disability benefit. Specifically, Mr. Dupree argued that the Amendment to the Plan establishing the offset is ineffective because it reduces a participant's benefit and the plan provides that "no amendment, unless it is necessary to meet the requirements of any state or federal law, shall operate to deprive any participants of any benefits, to the extent they are funded."

Mr. Mason told Mr. Dupree that the law is clear in Tennessee that an employee has no vested or accrued right to a disability benefit prior to suffering a disability and that by his own statements, Officer Treece suffered his Disability after the effective date of the Amendment. Thus, the Plan Amendment properly applied to Officer Treece.

Later that day, Mr. Dupree appealed to the Board on Officer Treece's behalf. Mr. Mason responded to that request by letter dated January 6, 2017, informing him that Officer Treece would be placed on the agenda for the February 27, 2017, Board meeting. Mr. Mason also noted for the record that the sixty (60) day deadline had passed to appeal the application of the offset provision to Officer Treece's disability benefit.

Because the Board is required to administer the Plan in accordance with its terms, Mr. Mason advised the 2010 Amendment is effective as written and applied. The only other decision for the Board is whether, in Officer Treece's case, the appropriate disability date was used to determine any applicable offset. The Pension Office and UNUM relied on the date given by Officer Treece in his application. Decisions in Workers' Compensation proceedings are not determinative for UOPP disability purposes.

Mr. Mason advised that the Uniformed Officers Pension Plan ("Plan") provides a disability benefit for Officers who were disabled prior to January 1, 2014.

The Plan was amended, effective for disabilities occurring on or after July 1, 2010, to close an obvious loop hole and to specifically provide that the sum of an Officer's disability benefit, plus his or her Social Security and Workers' Compensation benefits, shall not exceed 100% of the Officer's pre-disability compensation.

This amendment was consistent with the Plan's fundamental premise that participants receive a reasonable benefit, but are not incentivized to be disabled. In other words, participants are not paid more by being disabled than they are working.

Additionally, the amendment was consistent with the referendum approved by Knox County voters in 2006, authorizing the adoption of the Plan and explicitly directing that Officers' "disability benefits shall be coordinated with, and offset by other County-provided compensation, insurance or benefit arrangements."

Mr. Dupree asked to be allowed to provide additional information to the Board following questions from Commissioner Nystrom regarding Mr. Treece's pre- versus post-disability compensation.

After discussion, a motion was made by Commissioner Nystrom to defer a decision to the March Board Meeting to allow Mr. Dupree additional time to assemble and present, in writing, information on Mr. Treece's pre-disability versus post-disability compensation, with and without the subject offset. That written documentation is due by March 13th and will be considered by the Board at its March 27th meeting. The motion was seconded by Commissioner Brantley and unanimously approved.

IN RE: REQUEST OF OFFICER MICHAEL BARTLESON, APPROVED FOR DISABILITY AND BEGAN RECEIVING MONTHLY BENEFITS JANUARY 1, 2016, TO ADDRESS THE BOARD REGARDING OFFSET FOR WORKER'S COMPENSATION SETTLEMENT.

Attorney McElroy representing Officer Michael Bartleson stated this is an appeal to the Board to review the offset for the Worker's Compensation Settlement on Mr. Bartleson's disability benefit and adjust the offset back to its original amount of \$127 per month.

Mr. McElroy introduced himself and noted for the record that he was retained by Mr. Bartleson three days before the meeting. Mr. McElroy summarized Mr. Bartleson's circumstances. He stated that he agreed that an offset was authorized in Mr. Bartleson's case, but questioned the appropriate amount of such offset. Mr. McElroy's stated that his argument is based on the application of Tennessee Workers' Compensation law and fundamental notions of fairness.

Mr. McElroy reviewed the pertinent provisions of the Tennessee Workers' Compensation law and stated that Mr. Bartleson discussed the applicable offset with the Retirement Office during the Workers' Compensation settlement process and that he was told that the offset would be based on Mr. Bartleson's lifetime, rather than on the Workers' Compensation award period. He stated that this interpretation was incorporated by the Knox County Law Department in the Workers' Compensation settlement agreement entered by the Court.

Mr. McElroy referenced and agreed with the fact that Knox County wants to disincentivize individuals from becoming disabled and stated that Mr. Bartleson would not be making more disabled than he would be if he had continued working, even if the original offset amount were applied.

Mr. McElroy summarized by stating that the Board should find for Mr. Bartleson and reinstate his original offset (\$127 per month).

Mr. Mason gave the following summary of the appeal of Officer Bartleson:

Officer Bartleson, a UOPP participant, was approved for disability benefits under the Knox County Disability Plan ("Plan") on January 1, 2016, after having received a lump sum Workers' Compensation award.

The Retirement Office inadvertently calculated his offset using the Social Security Administration's (SSA's) lifetime offset method provided for in the *Order Approving Workers' Compensation Settlement Agreement* rather than the method provided for by the Plan. This error resulted in a lower monthly offset and a higher monthly benefit. Since January 2016, Officer Bartleson's monthly disability benefit has been reduced by \$127.02, but should have been reduced by \$1,704.98. Officer Bartleson has been overpaid by \$19,062.54 due to this calculation error.

The Retirement Office, with the assistance of counsel, discovered this error during its review of Officer Page's offset calculation. Officer Bartleson was notified of the error by letter dated October 26, 2016, which recognized that the Retirement Office was at fault in this situation and as such the error would be corrected by adjusting Officer Bartleson's benefit, effective January 1, 2017, based on the full 37 month Workers' Compensation award period, taking into account all amounts withheld during 2016. Thus, for a period of 37 months, beginning in January 2017, his monthly disability benefit will be reduced from \$2,191.35 to \$486.37.

Officer Bartleson requested to appear at the November 21, 2016, Board meeting to appeal the Retirement Office's determination. Officer Bartleson did not appear and did not provide any explanation for his absence. Thereafter, Officer Bartleson retained an attorney, John Dupree, Esq., and on December 1, 2016, Mr. Dupree appealed to the Board on Officer Bartleson's behalf. Mr. Mason responded to that request by letter dated January 6, 2017, informing Mr. Dupree that Officer Bartleson would be placed on the agenda for the February 27, 2017, Board meeting.

On January 13, 2017, Kim Bennett received an email from Officer Bartleson, confirming his appearance at the February 27th meeting. On January 16, 2017, Mr. Dupree informed the Retirement Office, through counsel, that he no longer represented Officer Bartleson.

Because the Board is required to administer the Plan in accordance with its terms, Mr. Mason advised the applicable offset calculation is the one provided for by the terms of the Plan and that corrective action is necessary to remedy the above-described error. The only other decision for the Board is whether, in Officer Bartleson's case, the proposed corrective action is appropriate. Decisions regarding the existence or propriety of an agreement or understanding between Officer Bartleson and the Knox County Law Department are outside the scope of the Board's authority.

Mr. Mason told the Board that the Knox County Disability Plan ("Plan") is a self-insured plan covering general government and schools employees participating in a Knox County Retirement System plan (Asset Plan, Closed DB, UOPP or STAR) who become disabled on or after January 1, 2014.

The Plan's fundamental premise is that participants receive a reasonable benefit (60% of the participant's pre-disability compensation), but are not incentivized to be disabled. In other words, participants do not make more by being disabled than they do working.

Consistent with a fully insured plan model, the disability benefit is subject to a dollar-for-dollar offset for Social Security and Workers' Compensation benefits, less any attorney fees incurred by the participant

in obtaining such benefits, and a scaled adjustment for earned income. Notwithstanding the above, a participant's monthly benefit shall never be less than \$150.

Social Security benefits are paid monthly. Thus, the Plan provides that the Social Security offset is the gross primary benefit amount awarded by the SSA, whether for disability or retirement. The amount used in the offset shall not be increased after the effective date of the Social Security award for subsequent SSA cost of living adjustments.

Workers' Compensation benefits are often paid in a single lump sum settlement rather than on a monthly basis. In such cases, the Plan provides that the monthly Workers' Compensation offset is determined by dividing the lump sum award by the total number of weeks covered by such award, as shown on the "Workers' Compensation Statistical Data Form."

The Social Security Administration ("SSA") uses a different method for offsetting Workers' Compensation benefits. Under that method, the lump sum award is divided by the participant's life expectancy. This difference in calculation is due to the fact that Social Security is a lifetime benefit, whereas the Plan only provides a benefit until the earlier of the following: (1) the participant is no longer disabled; (2) the participant reaches his or her Social Security Normal Retirement Age; or (3) the participant retires and begins receiving retirement benefits under any Knox County Retirement System plan.

Mr. Houser added that Mr. Bartleson's attorney had no questions regarding the Retirement System's disability offset during the worker's compensation settlement process.

Commissioner Nystrom asked Mr. McElroy if there was any additional information to present to the Board.

Earlier in the meeting, Ms. Page passed out folders to the Board members containing personal information on Officers Bartleson and Page. Commissioner Schoonmaker questioned whether the Board should review such documentation. Mr. McElroy requested that the Board not review the documentation as it contained information that the Officers would not want to become public record. Ms. Coleman stated that if the Officers did not want the documents to become public record, they should be taken up without consideration. The information provided was not considered or further discussed.

Commissioner Nystrom asked Mr. McElroy if he would like more time to prepare his own supplemental information since he was so recently retained by Officer Bartleson. Mr. McElroy stated he would. Commissioner Brantley requested that Mr. McElroy provide written information from which the Board can make a decision on the appeal.

After discussion, a motion was made by Commissioner Brantley to defer decision to the March Board Meeting to allow Mr. McElroy additional time to acquire and assemble additional information on Officer Bartleson's case, including a written brief describing his legal arguments and a description of the specific action requested of the Board. That written documentation is due by March 13th and will be considered by the Board at its March 27th meeting. The motion was seconded by Commissioner Schoonmaker and unanimously approved.

IN RE: REQUEST OF OFFICER JAMES PAGE, APPROVED FOR DISABILITY AND BEGAN RECEIVING MONTHLY BENEFITS SEPTEMBER 1, 2016, TO ADDRESS THE BOARD REGARDING OFFSET FOR WORKER'S COMPENSATION SETTLEMENT.

Attorney McElroy representing Officer James Page stated this is an appeal to the Board to review the offset for the Worker's Compensation Settlement on Mr. Page's disability benefit.

Mr. McElroy introduced himself and noted for the record that he was retained by Mr. Page three days before the meeting. Mr. McElroy summarized Mr. Page's circumstances. He stated that he agreed that an offset was authorized in Mr. Page's case, but questioned the appropriate amount of such offset. Mr. McElroy stated that his argument is based on the application of Tennessee Workers' Compensation law and fundamental notions of fairness.

Mr. McElroy reviewed the pertinent provisions of Tennessee Workers' Compensation law and stated that Mr. Page discussed the applicable offset with Mr. Houser from the Knox County Legal Department during the Workers' Compensation settlement process and that he was told that the offset would be based on his lifetime, rather than on the Workers' Compensation award period. He stated that this offset was confirmed in the Workers' Compensation settlement agreement entered by the Court.

Mr. Mason gave the following summary of the appeal of Officer Page:

Officer Page, an Asset Plan participant (with a 457 Plan balance), was approved for disability benefits under the Knox County Disability Plan ("Plan") on September 1, 2016, after having received a lump sum Workers' Compensation award.

The Retirement Office calculated the appropriate offset in accordance with the terms of the Plan, dividing his net lump sum Workers' Compensation award of \$85,331.20 over 160 weeks, the period specified on the *Workers' Compensation Statistical Data Form*. The monthly offset totaled \$2,311.05, to be applied for 160 weeks -- or 37 months.

The Retirement Office notified Officer Page of this result. Officer Page complained, stating that he was under the impression that his offset would be much lower. After a thorough review of the circumstances, it was discovered that there had been some miscommunication between the Retirement Office and the Knox County Law Department and later between the Law Department and Officer Page about the appropriate offset calculation (e.g., the Plan's calculation or the SSA calculation).

As part of his complaint, Officer Page suggested that Officer Bartleson, who was approved for disability benefits under the Plan on January 1, 2016, had received a more favorable Workers' Compensation offset calculation. On review, the Retirement Office, with the assistance of counsel, discovered that it had inadvertently used the SSA's method of calculating Officer Bartleson's Workers' Compensation offset, rather than the Plan's method, resulting in a lower monthly offset and a higher monthly benefit. That error is being separately addressed.

Officer Page requested to appear at the November 21, 2016, Board meeting to appeal the Retirement Office's initial determination. Officer Page did not appear and did not provide any explanation for his absence. Thereafter, Officer Page retained an attorney, John Dupree, Esq., and on December 1, 2016, Mr. Dupree appealed to the Board on Officer Page's behalf. We responded to that request by letter dated January 6, 2017, informing Mr. Dupree that Officer Page would be placed on the agenda for the February 27, 2017, Board meeting.

On January 13, 2017, Ms. Bennett received an email from Cheryl Page, Officer Page's wife and an attorney herself, confirming that Officer Page would appear and speak at the February 27th meeting. On

January 16, 2017, Mr. Dupree informed the Retirement Office, through counsel, that he no longer represented Officer Page.

Because the Board is required to administer the Plan in accordance with its terms, we think the applicable offset calculation is the one provided for by the terms of the Plan. Decisions regarding the existence or propriety of an agreement or understanding between Officer Page and the Knox County Law Department are outside the scope of the Board's authority.

Mr. Mason told the Board that the Knox County Disability Plan ("Plan") is a self-insured plan covering general government and schools employees participating in a Knox County Retirement System plan (Asset Plan, Closed DB, UOPP or STAR) who become disabled on or after January 1, 2014.

The Plan's fundamental premise is that participants receive a reasonable benefit (60% of the participant's pre-disability compensation), but are not incentivized to be disabled. In other words, participants do not make more by being disabled than they do working.

Consistent with a fully insured plan model, the disability benefit is subject to a dollar-for-dollar offset for Social Security and Workers' Compensation benefits, less any attorney fees incurred by the participant in obtaining such benefits, and a scaled adjustment for earned income. Notwithstanding the above, a participant's monthly benefit shall never be less than \$150.

Social Security benefits are paid monthly. Thus, the Plan provides that the Social Security offset is the gross primary benefit amount awarded by the SSA, whether for disability or retirement. The amount used in the offset shall not be increased after the effective date of the Social Security award for subsequent SSA cost of living adjustments.

Workers' Compensation benefits are often paid in a single lump sum settlement rather than on a monthly basis. In such cases, the Plan provides that the monthly Workers' Compensation offset is determined by dividing the lump sum award by the total number of weeks covered by such award, as shown on the "Workers' Compensation Statistical Data Form."

The Social Security Administration ("SSA") uses a different method for offsetting Workers' Compensation benefits. Under that method, the lump sum award is divided by the participant's life expectancy. This difference in calculation is due to the fact that Social Security is a lifetime benefit, whereas the Plan only provides a benefit until the earlier of the following: (1) the participant is no longer disabled; (2) the participant reaches his or her Social Security Normal Retirement Age; or (3) the participant retires and begins receiving retirement benefits under any Knox County Retirement System plan.

Commissioner Nystrom asked Mr. McElroy if he would like more time to prepare any supplemental information since he was so recently retained by Officer Page. Mr. McElroy stated he would. Commissioner Brantley requested that Mr. McElroy provide written information from which the Board can make a decision on the appeal.

After discussion, a motion was made by Commissioner Brantley to defer decision to the March Board Meeting and to allow Mr. McElroy additional time to acquire and assemble additional information on Officer Page's case, including a written brief describing his legal arguments and a description of the specific action requested of the Board. That written documentation is due by March 13th and will be considered by

the Board at its March 27th meeting. The motion was seconded by Commissioner Nystrom 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>
Carolyn B Blasing	Comm Svcs	18 years 3 months	March 1, 2017
Karen M Carson	Schools	12 years	March 1, 2017
Edwin A Dennison	Schools	16 years 11 months	March 1, 2017
William D Griffin	Schools	8 years 3 months	March 1, 2017
Walter S Hall	Reg of Deeds	10 years	March 1, 2017
Cynthia D Hollowell	Schools	16 years 7 months	March 1, 2017
Gary D Mahoney	Trustee	44 years	March 1, 2017
Kathryn Mitchell	Schools	29 years 7 months	March 1, 2017
Tami C Newsom	Med Examiner	5 years 6 months	March 1, 2017
John A Sentell	Schools	9 years 11 months	March 1, 2017
Rebecca C Smeltzer	Comm Svcs	7 years 9 months	March 1, 2017
Naomi C Wynn	Schools	25 years 2 months	March 1, 2017

After review, a motion was made by Commissioner Brantley 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 Trustee, State Street Bank, to make payment of the credited service benefit. The motion was seconded by Mr. Caldwell and unanimously approved.

IN RE: REPORT OF EXECUTIVE DIRECTOR

Mrs. Bennett stated the Retiree Luncheon is Tuesday April 11th and all Board Members are invited to attend. She stated the letters soliciting donations and prizes will be mailed by the end of the week.

Mrs. Bennett reported the registration deadline for the Wilshire Conference is February 28, 2017.

Mrs. Bennett stated the scanning process for the Retirement Office has been completed.

Mrs. Bennett reported the Investment Management Contract for CenterSquare is complete and will be executed by the first full week in April. The move from Adelante will begin April 1, 2017.

Mrs. Bennett stated Pugh & Company have completed the staffing and workflow interviews with the staff of the Retirement office and should be scheduling a meeting in the next week or so with information.

Mrs. Bennett reported there is large number of USICG quarterly statements that are returned to the Retirement Office as undeliverable and that USICG had suggested that the Pension Board use electronic delivery as a cost and efficiency measure. She said she had met with USICG and was told by USICG that most of its clients have paperless statements as the default. She stated, under the proposal, if a participant wants a paper statement, they can contact the Retirement Office and request it. Mrs. Bennett stated the

returned statements are costly such as postage, USICG cost, and manpower of staff searching for participants updated addresses. She said staff currently researches and re-sends each statement that is returned. Mrs. Bennett reported she would like to propose to the Board to make this change to paperless statements for a savings of approximately \$10,000 per year.

After discussion of the cost savings and of the efficacy of the current system, and changing habits of retirees and the need to provide information both to those who use e mail and those who do not, a motion was made by Mr. Caldwell to change the default to paperless statements effective with the September statements, with the right of any retiree to request paper statements. The motion was seconded by Commissioner Schoonmaker and approved. Commissioner Thomas voted nay.

Ms. Bennett reported the following statistics for the **Loan Program**:

Asset Accumulation Plan

Total number of loans – as of February 24, 2017	174
Approximate number of participants eligible for loans	2,550
Percentage of Participants with loans processed	14.5%
Total value of all loans as of February 24, 2017	\$2,978,983
Average Loan Balance	\$16,458

STAR – No participants eligible for loans.

Mrs. Bennett stated there were 7 loans processed in the last month.

Mrs. Bennett reported the statistics for the **Defined Contribution Plans** as follows:

Distributions processed in January and February	53 and 44
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IN RE: CONSIDERATION OF INCOME AND MEDICAL REPORTS FOR 2016 FOR DISABILITY PARTICIPANTS

The report on annual income for 2016 for the remaining disability participants was received and reviewed by the Board. Mrs. Bennett stated all requested information has been received with the exception of one participant and their information is with their doctor for completion. Commissioner Brantley suggested sending a letter advising benefits will cease April 1, 2017 if not received by the Retirement Office. Mrs. Bennett stated she will report status at the March Board meeting.

After discussion, the Board recommended the Executive Director handle any issues in the future and only report to the Board problems or if benefits cease.

IN RE: CONSIDERATION OF ANNUAL REPORT ON STATUS OF SURVIVING BENEFICIARIES AND DEPENDENT CHILDREN.

The annual report on the status of the remaining surviving beneficiaries and dependent children was received and reviewed by the Board. Mrs. Bennett stated all requested information has been received.

IN RE: REPORT OF ELECTION COMMITTEE

Mr. Caldwell reported the Election had the largest participation in history with a total of 979 votes. He stated there were no issues with the online voting and there were only 4 paper ballots.

Mr. Caldwell stated the results are as follows:

- Jennifer Hemmelgarn, Knox County Schools Employee Representative, Seat A.

- Tracy Foster – Knox County Government Employee Representative, Seat B1.
- Zack Webb – Knox County Government Employee Representative, Seat B2.

Mrs. Bennett stated the successful candidates will be sworn in at the March Board Meeting.

IN RE: REPORT OF INVESTMENT COMMITTEE

Mr. Caldwell presented the rates of return for the Defined Contribution Plans as of January 31, 2017, from USI that were distributed to the Board Members.

Mr. Caldwell reported that the Investment Committee met on February 14th and USICG recommends changing the current portfolios of the Asset Accumulation Plan, 457, and Sheriff's Total Accumulation Retirement to the funds shown in the attachment.

After discussion, a motion was made by Commissioner Brantley to accept the recommendation of USI Consulting Group and the Investment Committee and approve the attached changes. The motion was seconded by Commissioner Schoonmaker and approved.

Mrs. Bennett stated the blackout would be April 28th through May 8th and communications would be sent to the participants.

Mr. Caldwell reported that at the Investment Committee meeting, the Wilshire Consulting Group representative referred to a 6% return on investments. He stated that he needs to meet with Bob Cross, USICG and Mrs. Bennett to discuss and report to the Board.

Mr. Mason reported, as discussed in this month's Investment Committee meeting, State Street is restructuring its asset management business to meet its obligations under the Dodd-Frank Wall Street Reform Act. Currently, State Street Global Advisors ("SSgA") operates as the asset management division of State Street. Effective on or after April 1, 2017, that SSgA business will be transferred to the newly established State Street Global Advisors Trust Company ("SSgA Trust Company"), a wholly owned subsidiary of State Street.

State Street will appoint SSgA Trust Company as successor trustee to each collective and common trust fund holding SSgA investment portfolios. State Street will continue to act as custodian of the funds. For the Knox County Retirement & Pension Board ("Knox County"), the transaction will affect the following:

	Closed DB/Teachers	UOPP
Dollar Amount	~\$33.4 Million	~\$56.4 Million
SSgA Fund Type	Investment Funds for Tax Exempt Retirement Plans ("ERISA DB & DC funds")	Investment Funds for Tax Exempt Retirement Plans ("ERISA DB & DC funds")
KCRS Governing Document	2014 Participation Agreement	2007 Investment Management Agreement

State Street has requested that Knox County consent to such appointment by February 28, 2017. If Knox County fails to respond to the request, consent will be deemed given; if Knox County affirmatively objects to the consent, it must withdraw from all SSgA funds.

Mr. Mason said he and Ms. Trotto had reviewed the documentation provided by State Street and have had several discussions with State Street representatives and its legal counsel, and with Wilshire,

about this transaction. He advised they not found anything that suggests the necessity of objecting to the requested consent and withdrawing SSgA funds.

Mr. Mason reported the capitalization of the SSgA Trust Company (\$550 million) compared to that of State Street (\$250 billion).

On a phone call with State Street representatives, he was were told that State Street management compared the capitalization of other similar entities in determining the appropriate level of capitalization for SSgA Trust Company.

Thus, he said it may be appropriate to consider the capitalization of similar investment managers, but SSgA Trust Company is significantly less capitalized than State Street, the entity Knox County originally selected as the fund's manager.

There are components of this transaction that act to mitigate that fact. SSgA Trust Company will act as trustee and asset manager of the SSgA funds and State Street will continue to act as custodian of fund assets. Thus, State Street will continue to be liable for the security and safe-keeping of fund assets. Additionally, because Knox County only invests in SSgA index funds, the risk of liability for action (or inaction) on the part of the trustee/asset manager may be relatively lower. Further, State Street's written material reports that SSgA will be a wholly-owned subsidiary of State Street, with the same executive officers as that parent bank, will be subject to the same bank regulatory oversight as State Street bank (e.g., Massachusetts Division of Banks, Federal Reserve Bank, and Federal Deposit Insurance Corporation) and will be covered by the State Street insurance program currently in place for the funds (\$75 million coverage limit). SSgA assets held in trust are not subject to the claims of SSgA Trust Company creditors.

The transaction will only affect the trusteeship and management of the assets invested in SSgA collective and common trust funds. No changes will be made to the Master Trust Agreements (Plan level trusts for Closed DB/Teachers or UOPP) between State Street and Knox County nor will any changes be made to SSgA fund fees, administration or operation.

Having carefully reviewed with Wilshire and staff the material available on State Street's request to consent to the change, Mr. Mason said he does not have any specific legal basis to object, or to advise Knox County to not consent. Clearly the capitalization of the entity Knox County originally contracted with to be the trustee and investment manager of the various SSgA funds will be significantly reduced by this assignment to the successor SSgA Trust Company. Other than that, the requested consent seems legally unobjectionable. The mitigating factors listed above address the risks created by the change in capitalization, and Mr. Mason advised on those bases it is within the Board's discretion, acting on Wilshire's investment advice, to accept the change.

Because of the relatively short time allowed to consider the requested consent, Mr. Mason said it might be appropriate to consider in the future with Wilshire as part of Knox County's on-going investment reviews, whether there are alternative fund managers, with comparable investment products and the same or better fees, that have greater capital or insurance backing, that might fit Knox County's operational requirements.

After discussion, a motion was made by Mr. Caldwell to authorize and direct the Executive Director to execute the consent to the changes within State Street regarding SSGA. The motion was seconded by Commissioner Brantley and unanimously approved.

Mr. McBride stated the options for retirement in the Asset Accumulation Plan and STAR Plan are limited and requested the Document Committee review them for additional payment options.

IN RE: REPORT OF LEGAL COUNSEL

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

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

IN RE: REPORT OF ACTUARY

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

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

Invoices for February 2017	Fiscal YTD Approved Invoices 1/31/2017	February Invoice For Approval	Fiscal YTD Approved Invoices 2/28/2017
BENXL			
Invoice #102887		\$3,200.00	
TOTAL BENXL	\$30,400.00	\$0.00	\$33,600.00
KENNERLY, MONTGOMERY & FINLEY, P.C.			
Invoice # 200957		\$2,419.00	
KENNERLY, MONTGOMERY & FINLEY, P.C.			
Invoice # 200955		\$9,397.50	
***TOTAL KENNERLY, MONTGOMERY & FINLEY, P.C.	\$62,199.00	\$11,816.50	\$74,015.50
ROBERTSON, OVERBEY			
Invoice #		\$0.00	
*** TOTAL ROBERTSON, OVERBEY	\$0.00	\$0.00	\$0.00

USI CONSULTING GROUP

Invoice # 90014400 \$37,388.75

USI CONSULTING GROUP

Invoice # 90014578 \$59,383.00

TOTAL USI CONSULTING GROUP \$196,066.39 \$96,771.75 \$196,066.39

Invoices through February 2017 \$274,941.39 \$13,724.00 \$292,838.14

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

Fiscal YTD

Robertson, Overbey Retainer \$4,000 per month \$32,000

Kennerly Montgomery Retainer \$5,000 per month \$40,000

Fees Received from QDRO Participants \$500 (DC Fee) \$2,000

\$2,000 (DB Fee) \$0

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 Retirement Plans. 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.



ROBIN MOODY, CHAIR PRO TEMPORE



HUGH NYSTROM, SECRETARY PRO TEMPORE



CONSULTING GROUP



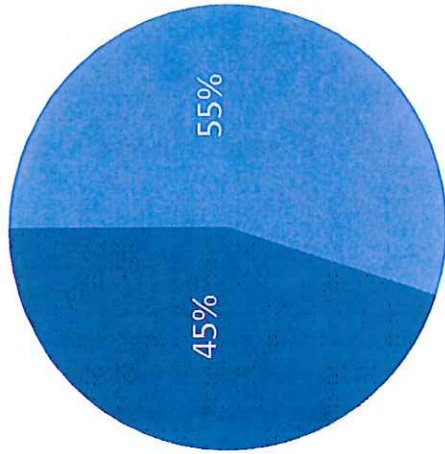
Knox County Employee Retirement & Pension Board

Risk-based Portfolio Review

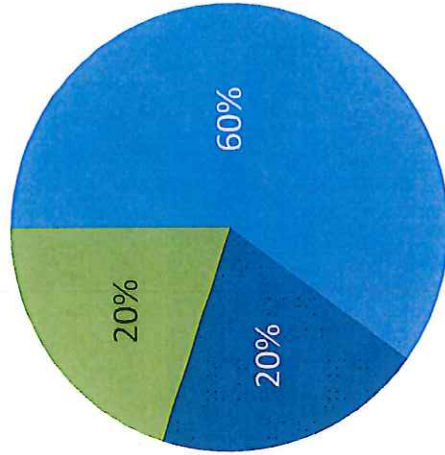
February 14th, 2017

Current Portfolios

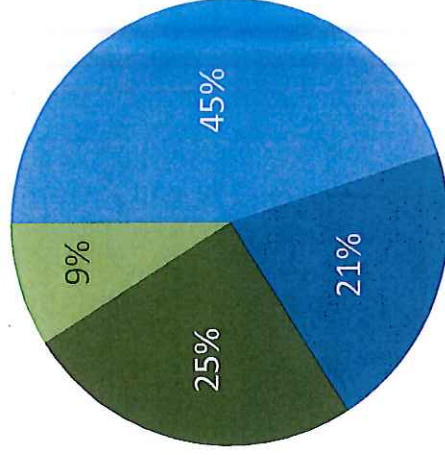
Ultra Aggressive (100% Equity)



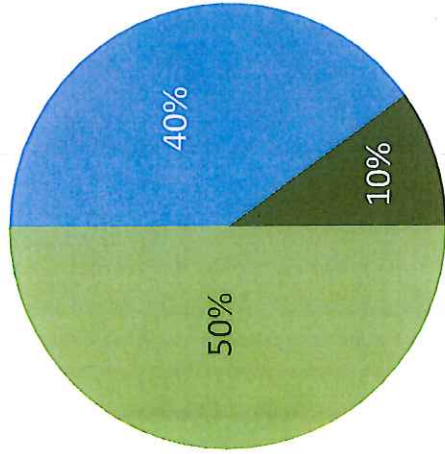
Aggressive (80% Equity)



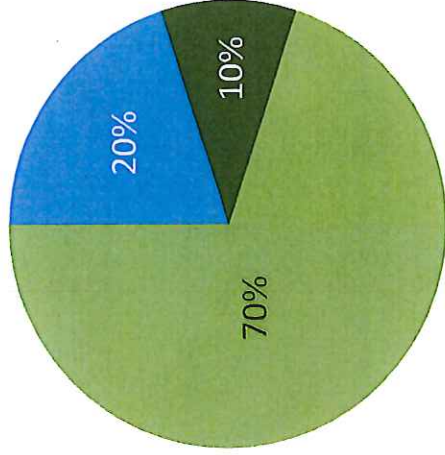
Balanced (66% Equity)



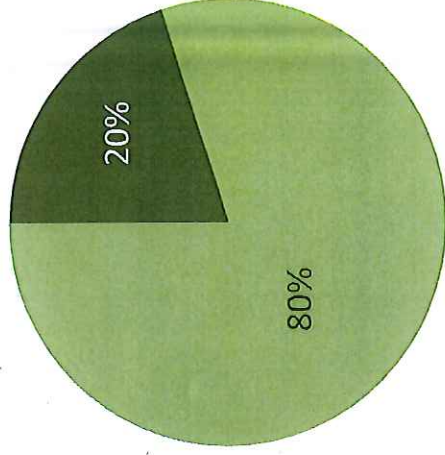
Moderate (40% Equity)



Conservative (20% Equity)

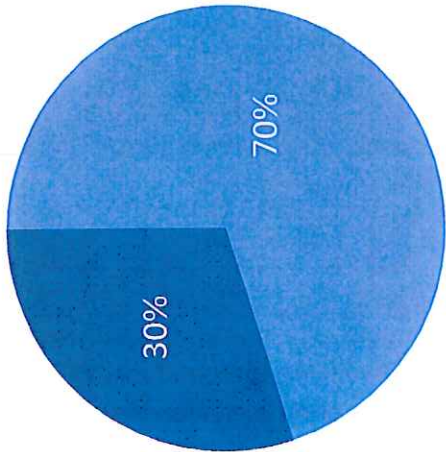


Fixed Income (0% Equity)

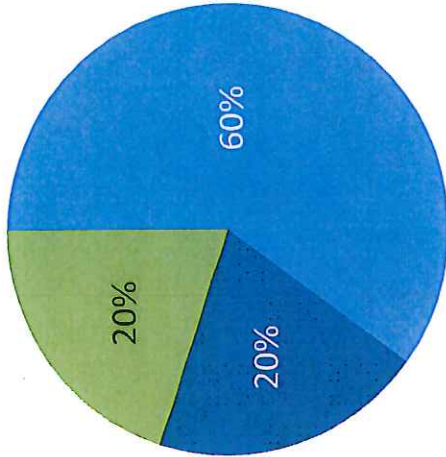


Alternative Portfolios

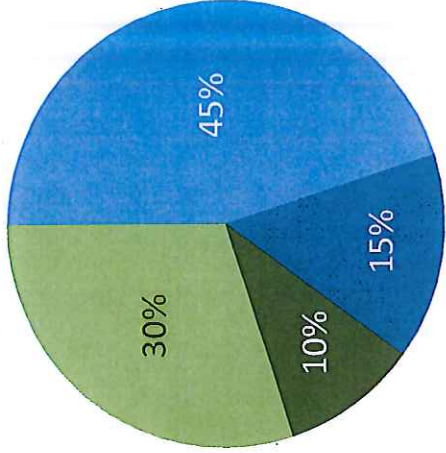
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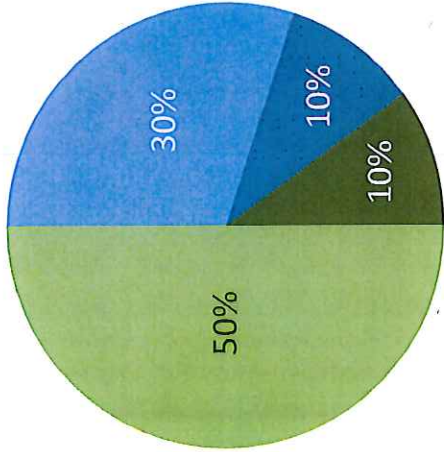
Aggressive (80% Equity)



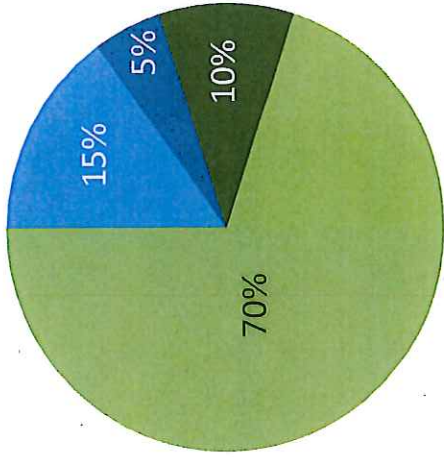
Balanced (60% Equity)



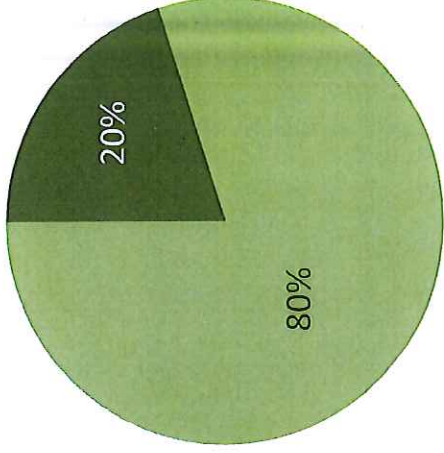
Moderate (40% Equity)



Conservative (20% Equity)



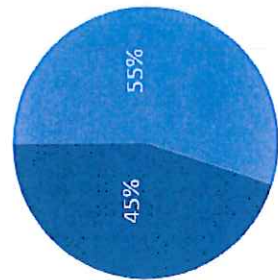
Fixed Income (0% Equity)



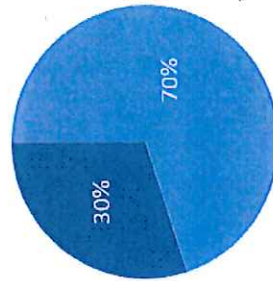
■ Domestic Equity ■ International Equity ■ Stable Value ■ Fixed Income

Ultra Aggressive

Asset Category	Current	Alternative
Large Value	-	10.00%
Large Blend	10.00%	10.00%
Large Growth	12.00%	10.00%
Mid-Cap Value	-	-
Mid-Cap Blend	-	15.00%
Mid-Cap Growth	13.00%	-
Small Blend	15.00%	15.00%
Foreign Large Growth	25.00%	10.00%
Foreign Small/Mid Growth	5.00%	5.00%
Diversified Emerging Mkts	5.00%	10.00%
Technology	5.00%	10.00%
World Allocation	10.00%	5.00%
Total	100.00%	100.00%



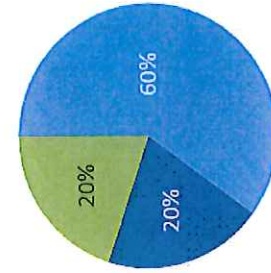
Current



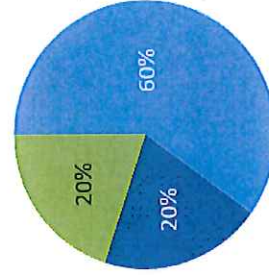
Alternative

Aggressive

Asset Category	Current	Alternative
Large Value	20.00%	12.00%
Large Growth	20.00%	12.00%
Mid-Cap Value	5.00%	10.00%
Mid-Cap Blend	10.00%	-
Mid-Cap Growth	5.00%	10.00%
Small Value	-	8.00%
Small Growth	-	8.00%
Foreign Large Blend	10.00%	10.00%
Diversified Emerging Mkts	10.00%	10.00%
Stable Value	20.00%	20.00%
Total	100.00%	100.00%



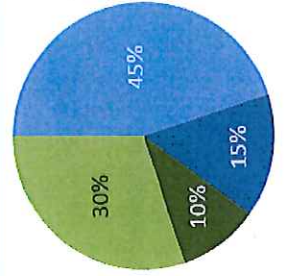
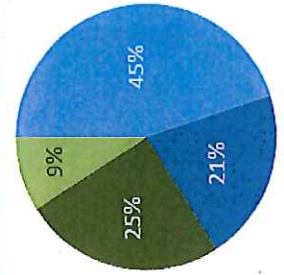
Current



Alternative

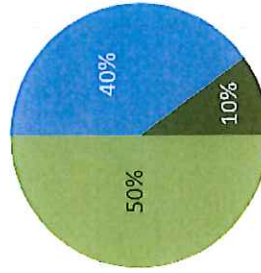
Balanced

Asset Category	Current	Alternative
Large Value	12.00%	10.00%
Large Growth	12.00%	10.00%
Mid-Cap Blend	5.00%	8.00%
Mid-Cap Growth	5.00%	-
Small Value	3.00%	6.00%
Small Growth	3.00%	6.00%
Foreign Large Blend	8.00%	5.00%
Foreign Small/Mid Growth	5.00%	5.00%
Diversified Emerging Mkts	8.00%	5.00%
Real Estate	5.00%	5.00%
Emerging Markets Bond	8.00%	-
World Bond	5.00%	3.00%
Intermediate-Term Bond	8.00%	4.00%
Short-Term Bond	4.00%	3.00%
Stable Value	9.00%	30.00%
Total	100.00%	100.00%

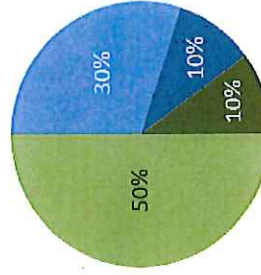


Moderate

Asset Category	Current	Alternative
Large Value	10.00%	8.00%
Large Blend	10.00%	-
Large Growth	15.00%	8.00%
Mid-Cap Value	-	4.00%
Mid-Cap Growth	5.00%	4.00%
Small Value	-	3.00%
Small Growth	-	3.00%
Foreign Large Growth	-	10.00%
Multisector Bond	-	5.00%
Intermediate-Term Bond	10.00%	5.00%
Stable Value	50.00%	50.00%
Total	100.00%	100.00%



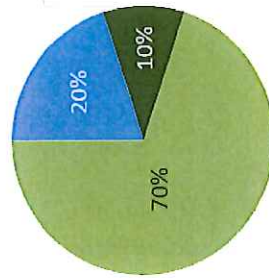
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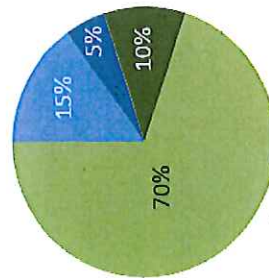
Alternative

Conservative

Asset Category	Current	Alternative
Large Blend	10.00%	10.00%
Large Growth	10.00%	5.00%
Foreign Large Blend	-	5.00%
Intermediate Government	5.00%	5.00%
Short-Term Bond	5.00%	5.00%
Stable Value	70.00%	70.00%
Total	100.00%	100.00%



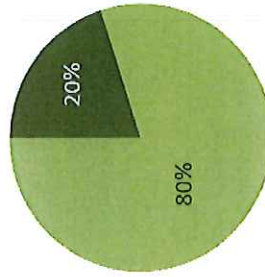
Current



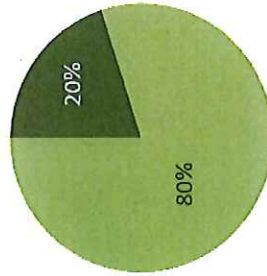
Alternative

Fixed-Income

Asset Category	Current	Alternative
Multisector Bond	5.00%	5.00%
Intermediate-Term Bond	5.00%	5.00%
Intermediate Government	5.00%	-
Ultrashort Bond	-	5.00%
Short Government	5.00%	-
Bank Loan	-	5.00%
Stable Value	80.00%	80.00%
Total	100.00%	100.00%



Current



Alternative