

KNOX COUNTY RETIREMENT AND PENSION BOARD

September 24, 2018

The Knox County Retirement and Pension Board met in regular session on Monday, September 24, 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 Jacobs, Commissioner Hugh Nystrom, Vice Chairman, Ms. Tracy Foster, Secretary, Commissioner Brad Anders, Commissioner Larsen Jay, Commissioner John Schoonmaker, Ms. Jennifer Hemmelgarn, Mr. Zack Webb and Mr. Garrett Raiden.

Also present at the meeting were:

USI Consulting Group: Mr. Bob Cross, Mr. Adam Davies and Ms. Brenda Fiddler

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

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

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

Others in attendance: Mr. Wayne Sellers, Nationwide, Mr. Nick McBride, Register of Deeds Office, Mr. Ed Shouse, Trustees Office, Mr. Tom Spangler, Sheriff, James Carson, Sheriff's Office, Ken Clabough, Sheriff's Office, and members of the public

IN RE: CALL TO ORDER

Chairman Caldwell presided and called the meeting to order.

IN RE: AMENDMENTS TO AGENDA

Ms. Bennett stated that there was an amendment to the spread of record and the fee schedule that was emailed to Board members prior to the meeting.

SWEARING IN OF NEW BOARD MEMBERS

Mayor Glenn Jacobs was sworn in prior to the Board meeting and appointed Chris Caldwell as his proxy. Legal counsel, Mr. John Owings, swore in the following new Board members: Mayor's Proxy, Chris Caldwell, Commissioner Brad Anders and Commissioner Larsen Jay.

NOMINATING COMMITTEE NOMINATIONS FOR OFFICERS AND VOTE

The Nominating Committee consisted of Commissioner John Schoonmaker, Mr. Zack Webb and Ms. Jennifer Hemmelgarn. Commissioner Schoonmaker stated the Nominating Committee proposed the current Officers, Chris Caldwell, Chair; Hugh Nystrom, Vice Chair; and Tracy Foster, Secretary, making up the Executive Committee, continue in their same positions. Ms. Bennett asked for additional nominations. There were no additional nominations. The Board unanimously approved.

CHAIRMAN APPOINTMENT OF COMMITTEES

Mr. Caldwell appointed the committees as follows:

- **Disability Committee:** Commissioner Larsen Jay, Chairman of Disability Committee, Commissioner Hugh Nystrom, Ms. Tracy Foster, Ms. Jennifer Hemmelgarn and Mr. Garrett Raiden

- **Document Committee:** Commissioner Hugh Nystrom, Chairman of Document Committee, Commissioner Brad Anders, Mr. Chris Caldwell, Ms. Jennifer Hemmelgarn and Mr. Zack Webb
- **Investment and Actuarial Committee:** Mr. Zack Webb, Chairman of Investment Committee, Commissioner Hugh Nystrom, Commissioner John Schoonmaker, Commissioner Larsen Jay and Mr. Chris Caldwell

IN RE: APPROVAL OF MINUTES OF AUGUST 27, 2018

Chairman Caldwell presented the minutes for August 27, 2018. Commissioner Anders made a motion to approve the minutes for August 27, 2018. The motion was seconded by Commissioner Nystrom and unanimously approved.

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

The following applications for retirement and the credited service benefit based upon completed years of credited service at the date of retirement, as provided in the Defined Benefit Plan, were presented for consideration:

<u>NAME</u>	<u>DEPARTMENT</u>	<u>CREDITED SERVICE</u>	<u>EFFECTIVE DATE</u>
Hobart Bailey	EPW	39 years 5 months	October 1, 2018

A motion was made by Ms. Hemmelgarn to approve the application for retirement under the Defined Benefit 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 Mr. Raiden and unanimously approved.

IN RE: APPLICATIONS 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>
James R. Jones	Sheriff	38 years 6 months	October 1, 2018
Deanna H. Williams	Sheriff	27 years 10 months	October 1, 2018

A motion was made by Commissioner Nystrom to approve the application for retirement under the Uniformed Officers Pension Plan as presented and to authorize Trustee, State Street Bank, to make payment of the monthly benefits and credited service benefit. The motion was seconded by Commissioner Anders and unanimously approved.

Mr. Burroughs stated his objection to the approval of the UOPP applicants' retirement to the extent the calculations include vacation cash out. Mr. Burroughs asked if any applicant calculation included vacation cash out and stated that if no vacation cash out was included, the applicant would not be named in the ongoing litigation. Mr. Burroughs requested the release of UOPP applicants' vacation cash out information, contingent upon the individual applicant's permission, to avoid suing a retiree unnecessarily. Mr. Owings agreed to correspond with UOPP applicants Jones and Williams about Mr. Burroughs's request.

Mr. Owings responded to Mr. Burroughs's motion to intervene as follows:

Each month, the Board receives a Motion to Intervene from Keith Burroughs. The Board acknowledges the Motion at each meeting. The County's Motions have been substantively identical except for the addition of the objection to the Settlement Proposal for the month of September 2018.

The County alleges that the Board's staff has been violating Knox County Ordinance No. O-06-4-101 and the 2007 Charter by including vacation cash out in the calculation of pension benefits. However, both the Ordinance and the Charter include the following language: "*the County's expected additional annual cost of the Pension is projected to be about 5.9% of participant payroll, or \$1.6 million the first year, over and above the 6% of participant payroll currently contributed by the County to the existing defined contribution retirement plan*".

This language, present in the substantive text of both the Ordinance and the Charter, defines the term "salary" as payroll currently contributed to the Asset Plan. In 2007, the payroll contributed to the Asset Plan included vacation cash out. Thus, the Board and its staff have fully complied with the terms of the Knox County Charter.

Additionally, the Ballot that Knox County voters relied on in adopting UOPP did not reference "salary" at all. Instead, it included the same language quoted above. The voters did not vote for "salary" as the County has argued on numerous occasions. They voted for a pay component consistent with the Asset Plan. That is what the Board has administered since UOPP's inception.

The County then argues that the Sheriff's 2016 change to its vacation policy exposed the County to additional financial obligations without consideration and approval by Knox County. This is inaccurate and misleading. In accordance with IRS guidance, UOPP includes in its pension calculation: bona fide vacation leave cash outs. The Board's Legal counsel gave its opinion that the vacation cash out contemplated by the 2016 Sheriff's policy was "bona fide." UOPP, including "bona fide" vacation cash out, was approved by the Commission in 2007, by the voters in 2012, and again by Commission in 2014. The 2016 change to the Sheriff's policy did not increase Knox County funding and thus did not require additional approval by Commission. Commission had already authorized the Board to administer UOPP, including bona fide vacation cash out, on two prior occasions. In fact, the 2014 Commission resolution was approved by the current Law Director Bud Armstrong "as to form and correctness".

The County also asserts that Ms. Bennett's memo to the Sheriff in 2016 announces the construction of UOPP was beyond her authority. The memo simply explained that UOPP would be administered as written, in accordance with its terms and that vacation cash out would only be included if it was "bona fide." The Executive Director was the appropriate person to describe the terms of the retirement plans to Knox County officials.

On page 4 of the Motion, the County alleges that the phrase "leave cash out" was not in the plan that was adopted by the voters in 2007 or in 2012. The phrase "leave cash out" was not required to be included in the plan in 2007. Instead, the IRS concluded that the phrase was deemed to be included in the definition of "post-severance compensation" which was specifically included in the plan. The County is mistaken with respect to the plan in effect at the time of the 2012 Charter amendment. Leave cash out is

specifically included in Section 6.6 of the referenced UOPP document. The phrase was included following new guidance published by the IRS which revised the guidance in effect in 2007.

At the end of that statement, Mr. Owings requested the excerpt of the transcript of the September 7, 2018, hearing and the facts of the case be attached to meeting minutes.

IN RE: APPLICATIONS FOR RETIREMENT – 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>
Foster Arnett, Jr.	CntyClk	10 years 2 months	October 1, 2018
David Ball	IT	28 years 1 month	October 1, 2018
Doug Bataille	Parks & Rec	25 years 1 month	October 1, 2018
Roger Bault	EPW	19 years 2 months	October 1, 2018
Richard Caldwell	Sheriff	20 years 2 months	October 1, 2018
Hermon Dickerson III	Sheriff	21 years 9 months	October 1, 2018
Rebecca Gibson	ComSvcs	15 years 8 months	October 1, 2018
Jon Gustin	IT	24 years 3 months	October 1, 2018
Robert Keeler	PropAsor	37 years 7 months	October 1, 2018
Angela Kelly	Health	13 years 2 months	October 1, 2018
Dan Kelly	MPC	41 years 3 months	October 1, 2018
Betty Mahan	MPC	21 years 2 months	October 1, 2018
Richard Moran	IT	40 years 4 months	October 1, 2018
Paul Russo	Sheriff	14 years 10 months	October 1, 2018
Catherine Shanks	SessCrt	23 years 0 months	October 1, 2018
Jo E Washburn	MPC	32 years 2 months	October 1, 2018
Ruby Whitfield	Schools	9 years 11 months	October 1, 2018

A motion was made by Commissioner Nystrom to approve the applications for retirement under the Asset Accumulation Plan as presented and to authorize the Directed Custodian, Wells Fargo Bank, to make disposition of the benefits upon certification from USI and to authorize the Trustee, State Street Bank, to make payment of the credited service benefit. The motion was seconded by Ms. Hemmelgarn and unanimously approved.

IN RE: REPORT OF EXECUTIVE DIRECTOR

Ms. Bennett reported on the following items:

- **FY18 Audit Status/ Internal Audit in progress** – The FY18 audit of E911 is in progress. The Retirement office ministerially handles the contributions to the

E911 plan, but does not have jurisdiction to administer that Plan. The internal audit is scheduled to be complete by the first week of October.

- **Denver Investment Conference September 11-13** – The USI Denver Conference was scheduled September 11 to 13. The conference involved meeting several of the mutual fund managers and staff. The Board Members and staff that attended the conference were Ms. Foster, Ms. Bennett, Ms. Schroeder, Mr. Cole and several USI representatives.

New Board Member Orientation – Orientation for new Board members was September 17, 2018.

IN RE: REPORT OF INVESTMENT COMMITTEE

- **Monthly Rates of Return** – Mr. Webb presented the rates of return for the Defined Contribution Plans and stated the overall rates of return are in line with the investment objectives. USI's presentation of defined contribution and defined benefit plan additions, deductions, investment earnings, and net increase for the quarter was presented and discussed.

IN RE: REPORT OF LEGAL COUNSEL

Mr. Mason had no report.

Mr. Burks deferred comment to Mr. Owings.

Mr. Owings presented a draft of a settlement proposal. Legal counsel proposed the Board adopt the settlement agreement to resolve all pending disputed cases with the County. The proposed settlement caps the 43-day vacation cash out, keeps consistency with all other Knox County plans and is in line with current Board interpretation of the administration of UOPP. If approved by Knox County, the Board agrees to consider adopting an amendment to UOPP to cap vacation cash out at 43 days. The cap would be applied to the calculation of benefits, and that cap would only be increased in the future upon both the Board's and Commission's approval. The proposal would require Knox County to dismiss all lawsuits and provides for the Commission to consider reimbursement of \$5,000 to each individual defendant for attorney's fees up to \$50,000 total. Currently, seven officers have retained individual counsel in response to the lawsuits filed against them by Knox County. There would also be an appropriate release signed by Knox County. The proposal does not currently include a signature page. Mr. Owings stated his opinion that the Mayor or the Knox County Commission could sign the settlement proposal. He also stated for the record that the Mayor and the Sheriff are both in favor of the settlement. Mr. Burroughs stated his objection to Mr. Owings opinion that the Mayor or Commission could sign the settlement proposal.

Commissioner Nystrom stated his support of settlement discussions, in accordance with the court's urging. Commissioner Jay asked for a description of the compromise being proposed. Mr. Owings responded the Knox County Law Director believes that vacation cash out should not be included in the calculation of retirement benefits. The Board has been administrating with the inclusion of up to 43 days' vacation cash out. The proposal caps the vacation cash out to 43 days and can only be exceeded when approved by the Board with Commission approval. Mr. Burks said one of the concerns Knox County raised

was the absence of a cap to vacation cash out under UOPP. In the past, the Sheriff had the right to allow as much vacation cash out as that official deemed necessary. The Sheriff would still have discretion to grant vacation cash out, but the Board is bound to the cap of 43 pensionable days under the settlement proposal. Mr. Burks added that all members must be treated consistently in order for the plan to be qualified by the IRS. The settlement proposal allows a qualified plan to be in place and recommends the settlement terms be presented to the court as a proposed order.

Commissioner Jay inquired if the settlement proposal had been presented to opposing counsel. Mr. Burks replied they received it the same way the Board did. Without official authorization from the Board, the client, Mr. Owings and Mr. Burks are unable to make an official offer. Due to the legal objection stated by Mr. Burroughs, the Law Director is expected to be opposed to the settlement.

Commissioner Anders asked what would happen if the Board later approves a calculation of over 43 days, but the Commission does not. Mr. Owings responded that both the Board and Commission would have to approve any such future UOPP amendment to pay benefits over 43 days.

Mr. Burks reported the declaratory judgement action filed by Knox County is set for trial on November 12, 2018, before Chancellor Weaver. The Chancellor requested a reasonable effort to settle outside of court. An issue that has been brought up with the case, is whether the judgment would be effective as to parties that are not before the court. Mr. Burks stated that the Chancellor has heard argument on this issue and would rule tomorrow morning at 9:30am. The Chancellor wanted to give the parties an opportunity to engage in settlement negotiations prior to his ruling. Mr. Owings stated that the Chancellor would also rule on the Board's motion to dismiss filed a couple of months ago.

Commissioner Anders motioned to approve the settlement and Ms. Foster seconded the motion.

Commissioner Schoonmaker asked Mr. Cross if the settlement would have any actuarial impact on Knox County. Mr. Cross replied that the current actuarial computations already include the 43 days and computations would remain the same under the proposed settlement agreement. Commissioner Schoonmaker made a substitute motion to defer action and for the Chairman to call a special meeting after the settlement proposal is reviewed by both sides. Commissioner Jay seconded the motion.

Mr. Raiden stated his opinion that the Board should follow the advice of counsel on legal matters such as these.

Commissioner Jay stated his concern that the settlement proposal might be signed by the Mayor and filed with the court without the Law Director's involvement. In response, Mr. Webb stated that the authority to sign is a legal issue rather than a Board issue. Mr. Burks stated that he and Mr. Owings are asking for authority to make an offer and at this point are not making a determination on who can or cannot accept it. Without the authority to make the offer, that topic cannot be reached. Mr. Owings confirmed that it was not the intent of the Board's legal counsel to exclude opposing counsel.

Commissioner Schoonmaker asked why the draft amendment included in the settlement proposal had an effective date of January 1, 2018. Mr. Owings stated that the Board is permitted to retroactively amend the plan in this case since it has not exceeded the 43-day maximum in 2018, so the amendment is

consistent with the administration and operation of UOPP for the 2018 calendar year. In response to Commissioner Schoonmaker's question, Ms. Bennett confirmed that no retiree has received more than 43 days of vacation cash out in 2018.

There was then a rollcall vote for the substitute motion made by Commissioner Schoonmaker. The vote was as follows:

Chairman Proxy Caldwell: No	Ms. Foster: No
Commissioner Anders: No	Ms. Hemmelgarn: No
Commissioner Jay: Yes	Mr. Raiden: Yes
Commissioner Nystrom: No	Mr. Webb: No
Commissioner Schoonmaker: Yes	

The motion failed by a vote of 3 to 6.

There was then a rollcall vote for the motion to approve the settlement proposal made by Commissioner Anders. The vote was as followed:

Chairman Proxy Caldwell: Yes	Ms. Foster: Yes
Commissioner Anders: Yes	Ms. Hemmelgarn: Yes
Commissioner Jay: Yes	Mr. Raiden: Yes
Commissioner Nystrom: Yes	Mr. Webb: Yes
Commissioner Schoonmaker: No	

The motion to approve the settlement proposal was approved on an 8 to 1 vote.

IN RE: REPORT OF ACTUARY

Mr. Cross reported GASB calculation results for Defined Benefit and Defined Contribution plans.

For the Closed Defined Benefit Plan, the January 1, 2018 Actuarially Determined Contribution is \$3.2 million, the Funding Ratio – market value of assets as a percentage of present value of accumulated benefits is 64.3%, the GASB net pension liability at June 30, 2018, is \$28.4 million, and the pension expense for measurement period ended June 30, 2018 is \$3.5 million.

For the Teacher's Plan, the respective amounts are \$475,000, 86.1%, \$8.7 million, and \$1.7 million.

For UOPP, \$5.7 million, 98.07%, \$40.1 million, and \$8.0 million.

The Disability Plan is reported on a different GASB basis. The Annual Required Contribution is \$503,000 as of January 1, 2018, net OPEB Liability as of June 30, 2018 is \$2.5 million, and the GASB OPEB expense for measurement period ended June 30, 2018 is \$3.9 million.

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, audits and recommended for payment by Ms. Bennett:

FEE SCHEDULE

Invoices for SEPT 2018 (Legal Invoices are approved for the previous Months Expense)	Fiscal 19 YTD Approved Invoices 08/31/2018	SEPT Invoice For Approval	Fiscal 19 YTD Approved Invoices 09/30/2018
BENXL Invoice #		\$0.00	
TOTAL BENXL	\$0.00	\$0.00	\$0.00
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #		\$0.00	
***TOTAL KENNERLY, MONTGOMERY & FINLEY, P.C.	\$0.00	\$0.00	\$0.00
Owings, Wilson & Coleman Invoice # 9912M - 09/31/2018 Invoice # 9917M - 09/31/2018 Invoice # 9924M - 09/31/2018 Invoice # 9927M - 09/31/2018		\$944.12 \$49,958.99 \$2,717.97 \$2,032.61	
*** TOTAL OWINGS, WILSON & COLEMAN	\$69,424.60	\$55,653.99	\$125,078.29
JUSTICE, NOEL & BURKS Invoice #		\$18,256.00	
TOTAL JUSTICE, NOEL & BURKS	\$18,256.00	\$18,256.00	\$36,512.00
LEWIS THOMASON (Mary Ann Stackhouse) Invoice # 336137		\$3,325.00	
TOTAL LEWIS THOMASON	\$16,512.50	\$3,325.00	\$18,837.50
USI CONSULTING GROUP Invoice # 90024215		\$35,822.00	
TOTAL USI CONSULTING GROUP	\$81,444.22	\$35,822.00	\$117,266.22
Invoices for SEPT 2018	\$169,124.82	\$109,731.89	\$287,694.01

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

Owings, Wilson & Coleman Retainer
Kennerly Montgomery Retainer

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

Fiscal 19 YTD

\$12,000
\$36,000

Court Reporter for Hearings

\$150.00

\$150.00

Fees Received from QDRO Participants

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

\$0
\$0

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

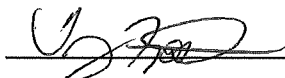
After review of the statement of accounts and invoices, a motion was made by Commissioner Nystrom that the Board authorize the payment indicated above to be paid from the designated Retirement Plans. The motion was seconded by Ms. Hemmelgarn and unanimously approved.

ADJOURNMENT

Chairman Caldwell asked if there was a motion to adjourn. Commissioner Thomas made a motion to adjourn, which was seconded by Commissioner Brantley, and the meeting was adjourned.



MAYOR TIM BURCHETT, CHAIRMAN
BY PROXY, CHRIS CALDWELL



MS. TRACY FOSTER, SECRETARY

Attachments:

1. Amended Fee Schedule
2. Proxy Appointee Memorandum
3. Oath of New Board Members
4. Transcript of September 7, 2018 Proceeding
5. Facts of Case
6. Motion to Intervene
7. USI Investment Breakout
8. GASB Presentation

FEE SCHEDULE

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BENXL Invoice # TOTAL BENXL	 \$0.00	 \$0.00 \$0.00	 \$0.00
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice # ***TOTAL KENNERLY, MONTGOMERY & FINLEY, P.C.	 \$0.00	 \$0.00 \$0.00	 \$0.00
Owings, Wilson & Coleman Invoice # 9912M - 08/31/2018 Invoice # 9917M - 08/31/2018 Invoice # 9924M - 08/31/2018 Invoice # 9927M - 08/31/2018 *** TOTAL OWINGS, WILSON & COLEMAN	 \$69,424.60	 \$944.12 \$49,958.99 \$2,717.97 \$2,032.61 \$55,653.69	 \$125,078.29
JUSTICE, NOEL & BURKS Invoice # TOTAL JUSTICE, NOEL & BURKS	 \$18,256.00	 \$18,256.00 \$18,256.00	 \$36,512.00
LEWIS THOMASON (Mary Ann Stackhouse) Invoice # 336137 TOTAL LEWIS THOMASON	 \$15,512.50	 \$3,325.00 \$3,325.00	 \$18,837.50
USI CONSULTING GROUP Invoice # 90024215 TOTAL USI CONSULTING GROUP	 \$81,444.22	 \$35,822.00 \$35,822.00	 \$117,266.22
Invoices for SEPT 2018	\$169,124.82	\$109,731.69	\$297,694.01

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

		Fiscal 19 YTD
Owings, Wilson & Coleman Retainer	\$4,000 per month	\$12,000
Kennerly Montgomery Retainer	\$12,000 per month	\$36,000
Court Reporter for Hearings		\$150.00
Fees Received from QDRO Participants	\$500 (DC Fee)	\$0
	\$2,000 (DB Fee)	\$0

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

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

*TN. SUP. CT. Rule 31 Certified Mediator

JUSTICE, NOEL & BURKS

AN ASSOCIATION OF
ATTORNEYS AND COUNSELORS AT LAW
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(1910-1990)
W. CONWAY GARLINGTON
(1923 -2008)
JAMES W. JUSTICE
OF COUNSEL

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

Invoice #4 Trimmed

August 22, 2018

File #: 200-713

DATE	DESCRIPTION	HOURS
<u>Beginning – June 25, 2018</u>		
	a.) Attorney-Client Privileged and Confidential Information; b.) Legal Research	0.6 Hours
<u>July 2018</u>		
	a.) Attorney-Client Privileged and Confidential Information; b.) Legal Research	50.2 Hours
<u>Through – August 22, 2018</u>		
	a.) Attorney-Client Privileged and Confidential Information; b.) Legal Research	10.0 Hours
Expenses paid by Justice, Noel & Burks		
	Knox County Court Clerk (photocopies)	\$16.00
<u>Attorney</u>	<u>Hourly Rate</u>	<u>Total Hours</u>
Charles C. Burks Jr.	\$300.00	\$18,240.00
Total Current Work		\$18,256.00
Balance Due Currently		<u>\$18,256.00</u>



OFFICE OF COUNTY MAYOR GLENN JACOBS

400 Main Street, Suite 615, Knoxville, TN 37902

MEMORANDUM

To: Kim Bennett, Executive Director and Knox County Retirement and Pension Board Members

From: Mayor Glenn Jacobs

RE: Appointment of Proxy

Date: September 24, 2018

As a County Elected Official with a designated seat on the Knox County Retirement and Pension Board I wish to appoint Chris Caldwell to represent me on the Retirement and Pension Board until further notice.

Glenn Jacobs, Mayor

OATH

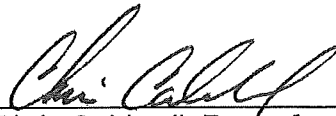
Knox County Retirement and Pension Board

STATE OF TENNESSEE

COUNTY OF KNOX

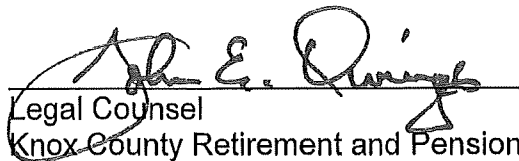
I, Chris Caldwell, Proxy for Mayor Glenn Jacobs, having been selected to the Knox County Retirement and Pension Board, do solemnly swear that I will perform with fidelity the duties of a Board Member without prejudice, partiality or favor to the best of my skill and ability, so help me God.

Witness my hand this 24th day of September 2018



Chris Caldwell, Proxy for Mayor Glenn Jacobs

Subscribed and sworn to before me
This 24th day of September 2018



Legal Counsel
Knox County Retirement and Pension Board

OATH

Knox County Retirement and Pension Board

STATE OF TENNESSEE

COUNTY OF KNOX

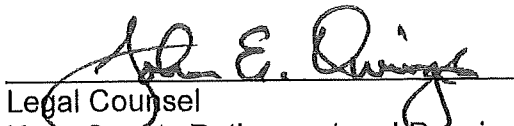
I, Brad Anders, having been selected to the Knox County Retirement and Pension Board, do solemnly swear that I will perform with fidelity the duties of a Board Member without prejudice, partiality or favor to the best of my skill and ability, so help me God.

Witness my hand this 24th day of September 2018



Brad Anders

Subscribed and sworn to before me
This 24th day of September 2018



Legal Counsel
Knox County Retirement and Pension Board

OATH

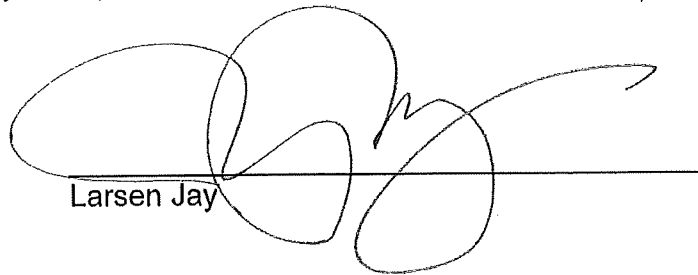
Knox County Retirement and Pension Board

STATE OF TENNESSEE

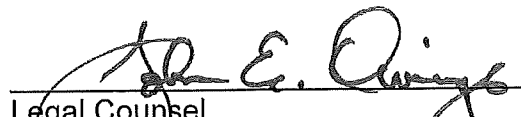
COUNTY OF KNOX

I, Larsen Jay, having been selected to the Knox County Retirement and Pension Board, do solemnly swear that I will perform with fidelity the duties of a Board Member without prejudice, partiality or favor to the best of my skill and ability, so help me God.

Witness my hand this 24th day of September 2018


Larsen Jay

Subscribed and sworn to before me
This 24th day of September 2018


Legal Counsel
Knox County Retirement and Pension Board

OATH

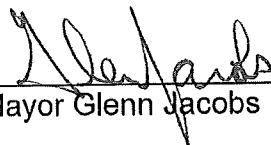
Knox County Retirement and Pension Board

STATE OF TENNESSEE

COUNTY OF KNOX

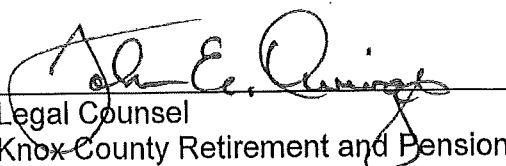
I, Mayor Glenn Jacobs, having been selected to the Knox County Retirement and Pension Board, do solemnly swear that I will perform with fidelity the duties of a Board Member without prejudice, partiality or favor to the best of my skill and ability, so help me God.

Witness my hand this 24th day of September 2018



Mayor Glenn Jacobs

Subscribed and sworn to before me
This 24th day of September 2018



Legal Counsel
Knox County Retirement and Pension Board

In The Matter Of:
KNOX COUNTY, TENNESSEE vs.
KNOX COUNTY RETIREMENT AND PENSION BOARD, et al

TRANSCRIPT OF PROCEEDINGS
September 7, 2018

Gibson Court Reporting
606 West Main Street
Suite 350
Knoxville, TN 37902

Gibson 
COURT
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TRANSCRIPT OF PROCEEDINGS

September 7, 2018

IN THE CHANCERY COURT FOR KNOX COUNTY, TENNESSEE

KNOX COUNTY, TENNESSEE,)

Plaintiff,)

vs.)

KNOX COUNTY RETIREMENT AND PENSION)
BOARD, et al.,)

Defendants.)

NO. 195629-1
194873-1
195683-1

APPEARANCES:

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1 from Knox County, the amount doesn't really
2 matter. The question is, is it even proper under
3 the charter? That's the question to be answered
4 in one of these cases.

5 THE COURT: Okay. You've told me all
6 along and I've heard a lot about what's wrong with
7 what the pension board's done, but from their
8 side, that 2012 the charter amendment --

9 MS. CARRASCO: Yes.

10 THE COURT: -- it approved the 2007 plan
11 as amended; correct?

12 MS. CARRASCO: It approved the 2007 plan.
13 I don't believe it said as amended.

14 THE COURT: Well, how could it not be as
15 amended? You mean the voters approved the 2007
16 plan as unamended? That wouldn't make any sense;
17 would it?

18 MS. CARRASCO: That's an interesting
19 thing to raise, because the 2009 plan and the
20 amendments have some very serious problems with it
21 in terms of who approved it --

22 THE COURT: What is in the 2012 charter;
23 is it the 2007 plan?

24 MS. CARRASCO: Yes.

25 THE COURT: Okay. And if it got amended,

1 what was the plan when the charter provision was
2 passed? The amendment to the charter, it was that
3 plan as amended; wasn't it?

4 MS. CARRASCO: If that amendment was
5 proper.

6 THE COURT: If the charter amendment was
7 proper and it amended the 2007 plan, it overrides
8 everything; doesn't it?

9 MS. CARRASCO: I think only if the 2012
10 charter amendment says it's adopting the 2007 --

11 THE COURT: So your position there is the
12 people when they voted in the 2012 charter
13 amendment, they didn't mean the plan as amended up
14 to that point, what was before them, they meant
15 the way it was back when originally adopted in
16 2007? Is there anything to suggest that?

17 MS. CARRASCO: If the 2009 amendment was
18 not properly passed and was not properly
19 approved --

20 THE COURT: Forget about it. You've got
21 the 2012 charter hand coming out there and
22 grabbing ahold of something, and you're saying it
23 didn't grab ahold of the 2007 plan with the
24 amendments. It left amendments behind.

25 Is there anything to indicate any intent

1 like that?

2 MS. CARRASCO: Do you care if I check a
3 minute to see the language of the -- because I
4 believe it's still in our charter today. And if
5 it says as amended, then I will come up here and
6 apologize.

7 THE COURT: Well, if it doesn't say as
8 amended, what does that mean? Is that what you
9 mean, that it would only be the original one?

10 MS. CARRASCO: This is why we carry large
11 books.

12 Here's what it says in section 705(b),
13 "The 2007 officers plan adopted effective July 1,
14 2007, shall be closed to enrollment of officers
15 hired on or after January 1, 2014.

16 The 2007 officers plan shall remain in
17 effect for any officers who participated in it
18 prior to January 1, 2014, so long as such officer
19 remains continuously employed as an officer.

20 A participant in the 2007 officers plan
21 who is not vested on January 1, 2014, but who
22 thereafter completes five years of service under
23 that plan shall be entitled to benefits under the
24 2007 officers plan."

25 THE COURT: Okay. How can anybody then

1 participate in the 2007 officers plan in 2014
2 except as amended? That's not possible; is it?

3 MS. CARRASCO: Well, I will say that I
4 don't think the charter says as amended --

5 THE COURT: It doesn't, but how can
6 anybody -- it doesn't use the words "as amended."

7 MS. CARRASCO: Correct.

8 THE COURT: I don't know that everyone
9 anticipates how we're going to pick on all this
10 stuff later on, and I'm not stating you're picking
11 on it any more than I am or anybody else is, but
12 how in the world -- there wasn't anybody
13 participating in the 2007 plan as unamended in
14 2014; was there?

15 MS. CARRASCO: I think you're correct.
16 As far as I know, in 2012 --

17 THE COURT: So what do I do with this
18 charter amendment? Doesn't it bring it forward
19 or, "Hey, that's what I got now. That's the
20 people did that."

21 MS. CARRASCO: Well, the absolute most it
22 can do, if it does, which we do not concede
23 because I think there's evidence the 2009
24 amendment was not proper, but the most it could
25 do --

1 THE COURT: Forget about it. I mean,
2 just do the 2012 charter.

3 MS. CARRASCO: Again, based on -- since
4 we're all pretending today.

5 THE COURT: Yes.

6 MS. CARRASCO: The most the 2012
7 amendment of the charter amendment -- and I should
8 clarify. I apologize. The most the 2012 charter
9 amendment could do would be incorporate the 2007
10 plan with the 2009 amendment. That's the most it
11 could do. Any of the additional amendments after
12 2012 would not be covered by this provision of the
13 charter.

14 THE COURT: All right. By 2012, was
15 accrued vacation leave being included?

16 MS. CARRASCO: The only place it appears
17 in the 2009 plan is under their section where it
18 defines -- now, they've inserted a section called
19 Section 415. And if you would like, I can bring
20 it out and we can go through that section, but
21 that's where it appears in that little bitty
22 section that says that it's included as part of
23 this Section 415 compensation.

24 The interesting part about the pension
25 board's argument though is that their argument

1 seems to be that we included it because of a
2 proposed regulation. It was just proposed at the
3 time, but, hey, we went ahead and put it in there.
4 And then as it turns out, if you read through
5 their argument, it turns out that regulation just
6 said it was now optional. It wasn't even
7 mandatory.

8 THE COURT: But it was put in there --

9 MS. CARRASCO: Only in that little
10 section, but what I'm saying is, and this is part
11 of the --

12 THE COURT: Well, if they just put it in
13 that one little section and it mean, "Well, we'll
14 just put in this cupboard over here, it won't have
15 anything to do with the rest of kitchen," they
16 didn't mean that; did they? That would not be
17 rational; would it?

18 MS. CARRASCO: But what they are saying
19 is that they chose to take an action that was
20 optional, it was not mandatory, without getting
21 proper approval from the commission that would
22 have the effect of increasing the unfunded
23 liability of the county.

24 THE COURT: But after that --

25 MS. CARRASCO: And that's part of where

1 we take issue.

2 THE COURT: Do you have the 2012 charter
3 amendment?

4 MS. CARRASCO: That is correct.

5 THE COURT: Okay. So that's going to
6 trump the commission or anybody else; isn't it?

7 MS. CARRASCO: Assuming that the 2009
8 plan is proper, which again I think that's where
9 the proof at trial will be.

10 THE COURT: Now, wait, you can trump the
11 2012 charter amendment by saying the 2009 plan
12 amendment was not correct?

13 MS. CARRASCO: If it wasn't properly
14 done, if it wasn't correct, then how could the
15 voters of Knox County have incorporated something
16 that was incorrect?

17 THE COURT: Whatever it was is what they
18 incorporated. The voters didn't think, "Well, I'm
19 going to go through this and see which part I
20 think is correct or not."

21 MS. CARRASCO: I guarantee no one did
22 that.

23 THE COURT: If it existed, if that
24 charter existed when you had the charter
25 amendment, there's a problem there; isn't there?

1 There's at least some ground for argument; right?

2 MS. CARRASCO: I certainly will be glad
3 to hear their argument on that issue. I do think
4 there is significant counter arguments, but again
5 I think that is where the proof at trial --

6 THE COURT: Well, I mean the main
7 argument for me is what the charter says about
8 salary. It doesn't say accrued vacation pay, it
9 says salary, 24 months; right? The highest --

10 MS. CARRASCO: Correct.

11 THE COURT: -- 24 months? And I'm told
12 to look up to the charter; right? That's where
13 the guidance comes from, the main guidance; right?
14 Forget about the part about not notifying the
15 commission and getting their consent and all that.
16 I just need to look at the charter, but what do I
17 do with the 2012 charter?

18 MS. CARRASCO: I think what you do with
19 it is you go back to Faust, and Faust says that
20 you can't construe -- the pension board can't
21 construe the ordinance different from what the
22 ordinance actually says.

23 THE COURT: So if the 2012 charter
24 amendment adopts the plan, the 2007 plan as it
25 existed in 2012, then isn't that what you would be

1 asking me then, do what would be wrong under
2 Faust; wouldn't it?

3 MS. CARRASCO: No, because --

4 THE COURT: Because what was valid would
5 be determined by the '12 amendment.

6 MS. CARRASCO: I think what we'll be
7 asking you to do is construe the 2007 UOPP and its
8 reference to compensation. And if you ultimately
9 decide the 2009 amendment was proper or even
10 ratified in 2012, construe that consistent with
11 the ordinance which says the pension benefits are
12 based on salary, not compensation.

13 I would also ask you to look at other
14 parts of the 2007 and the 2009 amendment which
15 specifically say that post severance compensation,
16 that compensation -- excuse me, I'm using a
17 defined term, and I won't do that because they
18 will yell at me, but it says that compensation
19 after termination shall not be included.

20 So what I will be asking you to do is
21 look at the language of the ordinance as it was
22 passed in 2007, look at what was in the charter in
23 2007, look at what was in the UOPP in 2007.

24 THE COURT: But if that 2007 plan as
25 amended became part of the charter in 2012 and it

1 has a provision in there that says it's to be
2 included, what am I to do, write that out of the
3 charter?

4 MS. CARRASCO: No, what I will ask you to
5 do is construe it consistent with the ordinance as
6 it's passed.

7 THE COURT: It says it's to be included.
8 If it says it's to be included, how do I not
9 include it and say, "Well, that's consistent"?

10 MS. CARRASCO: Well, it doesn't, in fact,
11 say it should be included. Again, there will be
12 plenty of argument on that point, but what I will
13 say is --

14 THE COURT: Does it say it's optional?

15 MS. CARRASCO: What it says is, it
16 actually says -- it defines compensation and
17 defines post severance compensation as part of
18 compensation, then you got this other whole
19 section of definitions which talk about 415
20 compensation.

21 That's a whole other separate issue and
22 that's where accrued leave cash-out actually
23 appears, and then you've got another provision
24 which says that compensation payments made after
25 termination shall not be included.

I. FACTS

A. Creation and Authority of the Knox County Retirement and Pension Board.

The Defendant was established by the Tennessee General Assembly by 1967 Tenn. Priv. Acts, Ch. 246 and amended by 1969 Tenn. Priv. Acts, Ch. 26; 1975 Tenn. Priv. Acts, Ch. 91; and 1980 Tenn. Priv. Act, Ch. 282 (collectively referred to as the "Act"). 1967 Tenn. Priv. Acts, Ch. 246; 1969 Tenn. Priv. Acts, Ch. 26; 1975 Tenn. Priv. Acts, Ch. 91; and 1980 Tenn. Priv. Act, Ch. 282 are attached to *Knox County Retirement and Pension Board's response in Opposition to Plaintiff's Application for Temporary Injunction* ("Response to Temporary Injunction") as collective **Exhibit A** and are specifically incorporated herein. Section 3 of the Act gives the Defendant (*at that time referred to as the Knox County Retirement and Pension Commission*) the power to

to design and adopt and place into effect a financially sound retirement system. Be it further enacted that the Knox County Retirement and Pension Commission shall be empowered to employ the services of legal counsel, investment consultants, actuary consultants, and the services of others which, at the sole discretion of the [Knox County Retirement and Pension] Commission, may be necessary to maintain a soundly designed administrated and financed pension system.

The [Knox County Retirement and Pension] Commission shall also have *complete control over the administration of the system.* The [Knox County Retirement and Pension] Commission shall be *empowered to define all terms and further empowered to rule on all specifications necessary for the design of the plan* such as but not limited to: the purpose, the effective date of the system, the eligibility of employees as to membership in the retirement system, administration, contributions of the employees and Knox County on a matching fund basis, prior service, back service, and method of payment of same; military service, refund of members' contributions, service retirement, optional retirement, compulsory retirement, involuntary retirement, service retirement allowance, optional allowance on service retirement, ordinary disability retirement, ordinary disability retirement allowance, benefit for disability in line of duty, benefit for death in the line of duty, benefit for death not in the line of duty, recovery from and reexamination for disability, indeterminate period of service, group insurance, constitutionality, credited services, base earnings, excess earnings, average base earnings, average excess earnings, normal retirement date, beneficiary contingent annuitant, et al. *The Retirement Commission is further empowered to perform all*

Charter, §7.04(D). However, the Charter restricts the Defendants powers by stating that the Defendant “shall not adopt a policy, plan, plan amendment or administrative action unless it is actuarially sound and is actuarially funded at the time of adoption.” Charter, § 7.02(C).

The Charter further restricts Defendant by stating that Defendant:

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 from the Commission by resolution. The intent of this provision is to restrict the power of the Retirement Board so that all plans, benefits, annuities or pensions are actuarially sound and actuarially funded from the date of their creation.

Charter, §7.04(E).

B. Uniformed Officers Pension Plan

In 2006, the process to adopt a defined benefit plan to cover the Knox County Sheriff’s Department’s uniformed officers began. At that time, uniformed officers were included either in the Knox County Asset Accumulation Plan, a defined contribution plan (aka “DC”) or the Closed Defined Benefit Plan (aka “DB”). The Asset Accumulation Plan at that time existed as Article IV of the Restatement of the Knox County Employee Benefit System and the Closed Defined Benefit Plan existed as Article III. The 2002 Restatement of the Knox County Employee Benefit System and all amendments through 2006 (“2006 Retirement Plan”) are attached collectively to the Response to Temporary Injunction as **Exhibit C** and specifically incorporated by reference herein.

On September 21, 2006, the Knox County Commission approved ordinance O-06-4-101 allowing the adoption of a uniformed officers pension plan (“UOPP”) to be submitted to the voters of Knox County by referendum. Knox County Ordinance O-06-4-101 (“O-06-4-101”) is attached to the Response to Temporary Injunction as **Exhibit D** and specifically incorporated by reference herein. O-06-4-101 directed the Defendant to “establish, maintain and administer as a plan of the

§7.04(E), submitted to the Knox County Commission for approval. The Knox County Commission approved the 2007 UOPP in Resolution R-07-2-902.

The following provisions were set forth in the 2007 UOPP:

5.1 Normal Retirement Benefit

A Participant who retires on or after the Normal Retirement Date shall be entitled to a Normal Retirement Benefit, commencing immediately and payable monthly for life. The Normal Retirement Benefit equals 2.5% of such Participant's *Average Monthly Compensation* multiplied by the Participant's Service (up to a maximum of thirty (30) years). A Participant's Normal Retirement Benefit shall not be less than the minimum benefit provided in Section 5.7.

2007 UOPP, § 5.1 (emphasis added).

1.7 "Average Monthly Compensation" means the *monthly Compensation* of a Participant as an Officer averaged over any two (2) 12-month periods, whether or not consecutive but which do not overlap, from date of employment, including periods prior to the Effective Date of the Plan, which produce the highest monthly average. If a Participant has less than 24 months of Service as an Officer, Average Monthly Compensation will be based on the Participant's monthly Compensation during the Participant's entire Service as an Officer. Compensation subsequent to termination of participation pursuant to Section 3.4 shall not be recognized.

2007 UOPP, § 1.7 (emphasis added).

1.14 "Compensation" with respect to any Participant means such Participant's total salary as an Officer, as determined and paid by the Employer, which is currently includible in gross income, which is attributable to the period of his or her participation in the Plan for each Plan Year.

For purposes of this Section, the determination of Compensation shall be made by:

(a) excluding overtime.

(b) including bonuses.

(c) including longevity pay.

(d) including amounts which are contributed by the Employer pursuant to a salary reduction agreement and which are not includible in the gross income of the Participant under Code §§125, 132(f)(4), 402(e)(3), 402(h)(1)(B), 403(b) or 457(b), and Employee Contributions described in Code §414(h)(2) that are treated as Employer contributions. For this purpose, effective January 1, 1998, amounts not

C. 2009 Plan Amendment

In order to comply with the Charter requirement that the UOPP be a qualified plan, the Defendant amended the 2007 UOPP after public notice on two readings in October and November 2008. The amendment and restatement ("2009 Restatement") approved by the Defendant on November 17, 2008, and effective January 1, 2009, stated that its purpose was "to amend and restate the Plan to comply with certain IRS requirements for a qualified plan." The 2009 Restatement did not require approval by the Knox County Commission as it did not "increase the funding or financial obligations of the County." Charter, §7.04(E).

The UOPP, like all qualified defined benefit plans, is subject to the requirements of Internal Revenue Code ("Code") § 415(b), which imposes a limit on the maximum defined benefit that a participant can accrue. Under the Code and applicable regulations, each Participant's accrued benefit is compared to a maximum allowed benefit. If the Participant's accrued benefit under the Plan formula would be more than the maximum benefit permitted by Code § 415(b), the Plan benefit is reduced to the § 415(b) maximum.

To define the applicable maximum Code § 415(b) benefit, the Code and regulations specify elements that go into defining a Plan's accrued defined benefit, including retirement age, service, and compensation. A qualified plan is required to incorporate into its written document required § 415(b) provisions, reflecting those § 415 defined terms.

In 2005, the IRS proposed amendments to the 415 regulations ("Proposed 415 Regulations"). The Proposed 415 Regulations referred to "post-severance compensation" for the first time and provided specific rules regarding when amounts received following severance from employment were considered compensation for purposes of § 415. Pursuant to those Proposed 415 Regulations, payments for accrued bona fide sick, vacation, or other leave paid within 2 ½

including to specifically state that vacation leave cashout is included in Post-Severance Compensation, until January 1, 2009. Instead, the Pension Board was permitted to continue to operate the UOPP as a fully qualified plan consistent with the Proposed 415 Regulations and to amend the Plan document by the deadline, retroactive to July 1, 2007. Accordingly, the 2009 Restatement contains the following language:

6.6 Final §415 Regulations

(a) This Section is effective as of July 1, 2007, shall apply to Limitation Years and Plan Years beginning on and after July 1, 2007, and supersedes the provisions of the Plan to the extent inconsistent with this Section.

(b) The Section 1.29 definition of 415 Compensation shall be modified by: (1) including payments for unused sick, vacation or other leave pursuant to Section 6.6(c)(2); (2) including payments from nonqualified unfunded deferred compensation plans pursuant to Section 6.6(c)(2); (3) including salary continuation payments for participants on military service pursuant to Section 6.6(c)(3); and (4) including salary continuation payments for Disabled Participants pursuant to Section 6.6(c)(4). *The Section 1.14 definition of Compensation shall be modified to provide for the same adjustments that are made to 415 Compensation pursuant to this Section, except as provided in Section 6.6(c)(1)(A) and except the term "Limitation Year" shall be replaced with the term "Plan Year" and the term "415 Compensation" shall be replaced with the term "Compensation."*

(c) 415 Compensation shall be adjusted for the following types of Compensation paid after Participant's severance from employment with the Employer maintaining the Plan (or any other entity that is treated as the Employer pursuant to Code §414(b), (c), (m) or (o)). However, amounts described in Sections 6.6(c)(1) and (2) below may only be included in 415 Compensation to the extent such amounts are paid by the later of 2-1/2 months after severance from employment or by the end of the Limitation Year that includes the date of such severance from employment. Any other payment of Compensation paid after severance of employment that is not described in the following types of Compensation is not considered 415 Compensation within the meaning of Code §415(c)(3), even if payment is made within the time period specified above.

(1) 415 Compensation shall include regular pay after severance of employment if:

(A) The payment is regular Compensation for services during the Participant's regular working hours, or Compensation for services

Amendment 1 closed enrollment into the UOPP to new officers, but was left open to any officers who participated in it prior to January 1, 2014. As a result of the recommendation of the Knox County Charter Review Committee, and approval of the Law Director, Proposed Amendment 1 was placed on the ballot for approval by the voters of Knox County. Proposed Amendment 1 and the 2012 Ballot are attached to the Response to Temporary Injunction collectively as **Exhibit F** and specifically incorporated by reference herein.

Proposed Amendment 1 states “[t]he 2007 Officers Plan shall remain in effect for any officers who participated in it prior to January 1, 2014 so long as such officer remains continuously employed as an officer.” Proposed Amendment 1, §7.05(B). The 2012 Ballot stated “[s]hall Article VII of the Knox County Charter entitled ‘Pensions’, be amended to: (1) close *the present Uniformed Officers Pension Plan* to new participants, effective December 31, 2013....” Proposed Amendment 1 passed and became the new Section 7.05 of the Charter (“2012 Charter Amendment”). By approving Proposed Amendment 1, the voters of Knox County adopted and ratified the language of the 2007 UOPP. This fact is acknowledged in *Plaintiff’s Brief in Support of Plaintiff’s Application for Temporary Injunction* (“Plaintiff’s Brief”). See Plaintiff’s Brief, p. 7 (“By enacting the 2012 Charter Amendment, the Knox County Voters adopted and ratified the 2007 UOPP and reiterated that the Pension Board could only amend the UOPP consistent with Section 7.04E of the Charter.”). This ratification was not only of the original 2007 UOPP, which included Post-Severance Compensation as part of the officer’s benefit calculation, but also any amendments to the 2007 UOPP properly passed prior to the 2012 Charter Amendment, including the 2009 Restatement.

F. Yearly Commission Approval

Each year, Defendant submits to the actuary, USI Consulting Group (“Actuary”), census data, which includes payroll information, compensation as defined in the UOPP plan (including leave cashout), and employer and employee contributions to the plan. Defendant then receives from the Actuary the annual valuation of each pension plan. Once receiving the annual valuation, Defendant votes to accept each year’s annual valuation. As part of the annual budget, Defendant submits to Knox County Finance Department all monies needed to fund all retirement plans maintained by Defendant. The funding requirements, including the funding requirements for the 2007 UOPP plan as amended and the 2014 UOPP plan, are included in the budget submitted to the Knox County Commission for approval each year.

Each year the Knox County Commission has reviewed and approved the budget presented by the Defendant, effectively ratifying the funding requirements of the UOPP plan each and every year. This approval covers any increase or decrease that a plan may have had in funding requirements for each and every year since the institution of the UOPP.

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September 21, 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 Items 8 and 12 of the
Agenda for the Board's September 24, 2018 Meeting**

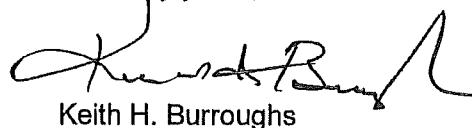
Dear Ms. Bennett:

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: (1) the Applications of James R. Jones and Deanna H. Williams for UOPP benefits as noted on Item 8 of the Agenda for the Board's September 24, 2018 meeting and any other UOPP applicants that are added to the Agenda for the Board's September 24, 2018 meeting, and (2) the Settlement Proposal of the Knox County Retirement and Pension Board Regarding Lawsuits Filed on Behalf of Knox County, Tennessee referenced in Item 12 of the Agenda for the Board's September 24, 2018 meeting and as included in the Board's packet for the September 24, 2018 meeting. I request the opportunity to be heard on this Motion at the September 24th Board 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

1498930v1

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**KNOX COUNTY'S MOTION TO INTERVENE AND
OBJECTIONS TO ITEMS 8 AND 12 OF THE AGENDA
FOR THE BOARD'S SEPTEMBER 24, 2018 MEETING**

Comes now Knox County, Tennessee, by and through the undersigned counsel, and moves to intervene and objects: (1) to the approval by the Knox County Retirement and Pension Board ("Board") of the applications of James R. Jones and Deanna H. Williams (the "Participants") for the Uniformed Officers Pension Plan ("UOPP") retirement benefits on Item 8 of the Agenda for the Board's September 24, 2018 meeting, and (2) to the Settlement Proposal of the Knox County Retirement and Pension Board Regarding Lawsuits Filed on Behalf of Knox County, Tennessee (the "Settlement Proposal") referenced in Item 12 of the Agenda for the Board's September 24, 2018 meeting and as included in the Board's meeting packet for the September 24, 2018 meeting. Knox County objects to Item 8 only to the extent that any accrued leave cashout was or will be used in calculating the pension benefits to be awarded to the Participants and any other participants in the UOPP added to any amended agenda for the Board's September 24, 2018 meeting. Knox County objects to Item 12 because, as further explained below, the Settlement Proposal's terms include the recognition and inclusion of accrued leave cashout in the retirement benefits calculations for participants in the UOPP, thus violating the Knox County Charter.

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 Participants on the agenda

for the September 24, 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

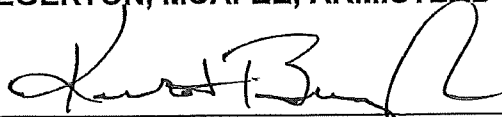
On October 18, 2017, Director Bennett produced to Knox County a copy of the original 2007 UOPP. Leave cashout is not included and Compensation is defined as "salary." Thus, leave cashout has never been permitted for inclusion in the calculation of pension benefits by the Knox County Charter. The phrase "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 the Participants' pension benefits. If the calculations for the retirement benefits on the September 24, 2018 Board Agenda, Item 8, include any accrued leave cashout in their pension calculations, they are *ultra vires* and unlawful, and Knox County objects. Likewise, Knox County objects to the Settlement Proposal referenced in Item 12 of the Board's September 24, 2018 Agenda and enclosed in the Board's packet for the September 24, 2018 meeting because its terms include the recognition and inclusion of accrued leave cashout in the retirement benefits calculations of participants in the UOPP, thus violating the terms of the Knox County Charter.

Respectfully submitted this 21st day of September, 2018.

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



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	401(a) Plan	457 Plan	MERP	STAR
Beginning Balance (7/31/2018):	\$ 333,316,294.70	\$ 23,243,656.02	\$ 5,963,392.83	\$ 3,581,103.41

Additions:

Contributions:	\$ 2,524,289.91	\$ 311,113.62	\$ 36,561.63	\$ 193,044.13
Loan Repayments:	\$ 106,828.12			
Total Additions:	\$ 2,631,118.03	\$ 311,113.62	\$ 36,561.63	\$ 193,044.13

Deductions:

Distributions	\$ (2,405,068.80)	\$ (227,462.47)	\$ (44,912.28)	\$ (27,077.13)
New Loans:	\$ (8,000.00)			
Forfeitures:	\$ 5.71			\$ -
Total Fees:	\$ (50.00)	\$ -	\$ -	\$ -
Total Deductions:	\$ (2,413,113.09)	\$ (227,462.47)	\$ (44,912.28)	\$ (27,077.13)

Investment Earnings:

Investment Earnings:	\$ 4,038,342.50	\$ 307,368.59	\$ 75,252.06	\$ 37,777.97
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Ending Balance (8/31/2018):	\$ 337,572,642.10	\$ 23,634,675.70	\$ 6,030,294.24	\$ 3,784,848.38
Net Increase (Decrease):	\$ 4,256,347.40	\$ 391,019.68	\$ 66,901.41	\$ 203,744.97

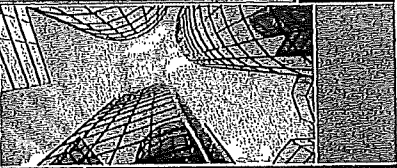

	Closed DB	Teachers	UOPP	Disability
Beginning Balance (7/31/2018):	\$ 45,075,767.04	\$ 57,865,643.89	\$ 182,282,494.66	\$ 1,250,550.02

Additions:				
Contributions:	\$ 29,225.91	\$ 315.94	\$ 747,965.62	\$ 358,790.52
Total Additions:	\$ 29,225.91	\$ 315.94	\$ 747,965.62	\$ 358,790.52


Deductions:				
Distributions:	\$ (572,140.28)	\$ (545,620.12)	\$ (805,196.81)	\$ (13,260.85)
Total Fees:	\$ (41,249.20)	\$ (39,897.61)	\$ (105,133.42)	\$ (139,592.63)
Total Deductions:	\$ (613,389.48)	\$ (585,517.73)	\$ (910,330.23)	\$ (152,853.48)

Investment Earnings:				
Investment Earnings:	\$ 504,510.14	\$ 725,106.48	\$ 2,030,401.19	\$ 18,414.74

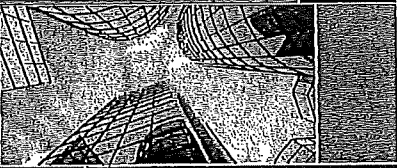

Ending Balance (8/31/2018):	\$ 44,996,113.61	\$ 58,005,548.58	\$ 184,150,531.24	\$ 1,474,901.80
Net Increase (Decrease):	\$ (79,653.43)	\$ 139,904.69	\$ 1,868,036.58	\$ 224,351.78




Knox County Employee Benefit System



September 2018



Knox County Employee Benefit System



*Closed Defined Benefit Plan, Board of Education Defined Benefit Plan, and
Uniformed Officers' Pension Plan*



Liabilities

Two Measurement Components

- Actuarial
- GASB 67/68

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Knox County Closed Defined Benefit Plan

4

CLOSED DEFINED BENEFIT PLAN



PRINCIPAL RESULTS OF THE VALUATION

Below is a summary of the principal results of this year's valuation compared with the previous valuation. Amounts for each valuation period reflect the actuarial cost method, assumptions and plan benefits in effect at that time.

	As of January 1, 2017	As of January 1, 2018
CONTRIBUTION LIMITATIONS		
Actuarially Determined Contribution	\$ 2,956,033	\$ 3,152,602
Expected Employee Contribution	\$ 83,594	\$ 79,265
SUPPORTING INFORMATION		
Market Value of Assets	\$ 43,428,729	\$ 44,844,849
Actuarial Value of Assets	\$ 44,783,238	\$ 43,132,774
HAN Accrued Liability	\$ 72,808,218	\$ 71,460,923
Present Value of Accumulated Benefits	\$ 70,880,451	\$ 69,695,134
Funding Ratio - Market Value of Assets as a Percentage of Present Value of Accumulated Benefits	61.3%	64.3%
Funding Ratio - Actuarial Value of Assets as a Percentage of Present Value of Accumulated Benefits	63.2%	62.3%
Funding Ratio Discount Rate	7.00%	7.00%
Number of Lives Included in the Valuation	5,257	4,937
Present Value of all Future Benefits	\$ 73,292,136	\$ 72,372,120

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CLOSED DEFINED BENEFIT PLAN



Required Supplementary Information Changes in Net Pension Liability (NPL) by Source

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 06/30/2017*	\$71,463,732	\$42,744,224	\$28,719,508
Changes for the year:			
Service Cost	\$135,568		\$135,568
Interest	\$4,755,787		\$4,755,787
Changes of benefit terms	\$0		\$0
Differences between expected and actual experience	\$905,820		\$905,820
Changes of assumptions	\$452,152		\$452,152
Contributions - employer		\$3,044,132	(\$3,044,132)
Contributions - employee		\$90,004	(\$90,004)
Net investment income		\$3,654,188	(\$3,654,188)
Benefit payments, including refunds of employee contributions	(\$7,444,896)	(\$7,444,896)	\$0
Administrative expense		(\$218,540)	\$218,540
Other changes		(\$29,330)	\$29,330
Net changes	(\$1,195,569)	(\$904,442)	(\$291,127)
Balances at 06/30/2018*	\$70,268,163	\$41,839,782	\$28,428,381

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CLOSED DEFINED BENEFIT PLAN



Calculation of OASD 61 Pension Expense for Measurement Period Ended June 30, 2018

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Balance at 06/30/2017	\$71,463,332	\$42,744,224	\$28,719,108	\$3,487,299	\$2,411,296	
Changes for the year:						
Service Cost	135,568		135,568			135,568
Interest	4,735,787		4,735,787			4,735,787
Change of benefit terms	-		-			
Differences between expected and actual experience	905,870		905,870	637,650	-	268,220
Change of assumptions	439,132		439,132	319,275	-	119,857
Contributions - employer		3,044,132	(3,044,132)			
Contributions - employee		90,001	(90,001)			(90,001)
Projected Earnings on pension plan investments		2,816,252	(2,816,252)			(2,816,252)
Differences between projected and actual earnings		877,036	(877,036)		614,349	(262,687)
Net settlements, including refunds of no contributions	(7,444,856)	(7,444,856)				
Administrative expense			218,510			218,510
Other changes		(19,230)	19,230			
Expense for beginning deferred amount				(1,639,265)	(706,219)	933,046
Net changes	(1,195,569)	(864,431)	(331,138)	(632,400)	(51,870)	(1,115,808)
Balance at 06/30/2018	\$70,267,763	\$41,879,793	\$28,387,970	\$2,854,899	\$1,894,426	\$2,253,275
Pension Expense for Measurement Period Ended 06/30/2018			2,836,251.33			
Change in the Net Pension Liability			(391,127)			
Less: Change in Deferred Outflows			632,400			
Plus: Change in Deferred Inflows			(51,870)			
Plus: Employer Contributions			3,034,132			
Total			2,253,275			



Knox County Board of Education Plan

BOARD OF EDUCATION



PRINCIPAL RESULTS OF THE VALUATION

Below is a summary of the principal results of this year's valuation compared with the previous valuation. Amounts for each valuation period reflect the actuarial cost method, assumptions and plan benefits in effect at that time.

	As of January 1, 2017	As of January 1, 2018
CONTRIBUTION LIMITATIONS		
Actuarially Determined Contribution	\$ 551,609	\$ 475,234
Expected Employee Contribution	\$ 0	\$ 0
SUPPORTING INFORMATION		
Market Value of Assets	\$ 57,734,604	\$ 59,949,334
Actuarial Value of Assets	\$ 59,378,498	\$ 57,828,525
Entry Age Normal Accrued Liability	\$ 68,983,539	\$ 67,176,971
Present Value of Accumulated Benefits	\$ 68,983,539	\$ 67,176,971
Funding Ratio - Actuarial Value of Assets as a Percentage of Present Value of Accumulated Benefits	86.1%	86.1%
Funding Ratio - Market Value of Assets as a Percentage of Present Value of Accumulated Benefits	83.7%	89.2%
Funding Ratio Discount Rate	7.0%	7.0%
Number of Lives Included in the Valuation	433	425
Present Value of All Future Benefits	\$ 68,983,539	\$ 67,176,971

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BOARD OF EDUCATION

Required Supplementary Information
Changes in Net Pension Liability (NPL) by Source

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 06/30/2017*	\$67,981,453	\$58,784,777	\$9,196,676
Changes for the year:			
Service Cost	\$0		\$0
Interest	\$4,532,053		\$4,532,053
Changes of benefit terms	\$0		\$0
Differences between expected and actual experience	(\$689,853)		(\$689,853)
Changes of assumptions	\$890,541		\$890,541
Contributions - employer		\$551,669	(\$551,669)
Contributions - employee		\$0	\$0
Net Investment Income		\$4,812,557	(\$4,812,557)
Benefit payments, including refunds of employee contributions	(\$6,587,091)	(\$6,587,091)	\$0
Administrative expense		(\$168,064)	\$168,064
Other changes		\$0	\$0
Net changes	(\$1,854,350)	(\$1,390,929)	(\$463,421)
Balances at 06/30/2018*	\$66,127,103	\$57,393,848	\$8,733,255

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BOARD OF EDUCATION

Calculation of OASD 69 Pension Expense for Measurement Period Ended June 30, 2018

	Total Pension Liability (a)	Non-Employer Net Position (b)	Net Pension Liability (c) = (a) - (b)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Balance at 06/30/2017	\$67,811,453	\$35,784,717	\$9,196,676	\$1,013,513	\$23,668	
Changes for the year:						
Service Cost	-	-	-	-	-	-
Interest	4,532,033	-	4,532,033	-	-	4,532,033
Change of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(619,853)	-	(619,853)	-	-	(619,853)
Change of assumptions	490,511	-	490,511	-	-	490,511
Contributions - employer	-	551,669	(551,669)	-	-	-
Contributions - employee	-	-	-	-	-	-
Projected benefits on pension plan investments	-	3,921,320	(3,921,320)	-	-	(3,921,320)
Differences between projected and actual earnings	-	891,437	(891,437)	-	713,150	(178,287)
Benefit payments, including refunds of employee contributions	(6,517,091)	(6,517,091)	-	-	-	-
Administrative expense	-	(169,864)	169,864	-	-	169,864
Other changes	-	-	-	-	-	-
Expense for replacing deferred amounts	-	-	-	(1,529,620)	(316,670)	942,810
Net change	(1,854,330)	(1,290,922)	(663,408)	(1,529,620)	126,410	
Balance at 06/30/2018	\$66,127,103	\$37,493,848	\$9,733,255	\$2,483,062	\$2,423,161	\$1,772,218
Pension Expense for Measurement Period Ended 06/30/2018						
Change in the Net Pension Liability			(663,408)			
Less: Change in Deferred Outflows			1,529,620			
Plus: Change in Deferred Inflows			126,410			
Plus: Employer Contributions			551,669			
Total			1,772,218			

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Knox County Uniformed Officers' Pension Plan

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UNIFORMED OFFICERS' PENSION PLAN



PRINCIPAL RESULTS OF THE VALUATION

Below is a summary of the principal results of this year's valuation compared with the previous valuation. Amounts for each valuation period reflect the actuarial cost method, assumptions and plan benefits in effect at that time.

	As of January 1, 2017	As of January 1, 2018
CONTRIBUTION LIMITATIONS		
Actuarially Determined Contribution	\$ 5,298,165	\$ 5,674,613
Percentage of Payroll	21.66%	24.60%
Expected Employee Contribution	\$ 1,467,406	\$ 1,383,810
SUPPORTING INFORMATION		
Market Value of Assets	\$ 159,237,917	\$ 182,831,364
Actuarial Value of Assets	\$ 162,646,089	\$ 174,809,422
RAN Accrued Liability	\$ 203,488,300	\$ 215,497,970
Present Value of Accumulated Benefits	\$ 175,164,981	\$ 186,435,628
Funding Ratio - Market Value of Assets as a Percentage of Present Value of Accumulated Benefits	90.91%	98.07%
Funding Ratio - Actuarial Value of Assets as a Percentage of Present Value of Accumulated Benefits	93.42%	93.76%
Funding Ratio Discount Rate	7.00%	7.25%
Number of Lives Included in the Valuation	710	725
Present Value of all Future Benefits	\$ 225,678,072	\$ 235,494,220

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UNIFORMED OFFICERS' PENSION PLAN



Required Supplementary Information
Changes in Net Pension Liability (NPL) by Source

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 06/30/2017*	\$207,960,660	\$168,791,309	\$39,169,351
Changes for the year:			
Service Cost	\$2,779,465		\$2,779,465
Interest Cost	\$14,445,037		\$14,445,037
Changes of benefit terms	\$0		\$0
Differences between expected and actual experience	\$6,768,821		\$6,768,821
Changes of assumptions	(\$3,183,809)		(\$3,183,809)
Contributions - employer		\$5,329,976	(\$5,329,976)
Contributions - employee		\$1,350,946	(\$1,350,946)
Net Investment Income		\$13,610,856	(\$13,610,856)
Benefit payments, including refunds of employee contributions	(\$8,915,702)	(\$8,915,702)	\$0
Administrative expense		(\$442,395)	\$442,395
Other changes		\$0	\$0
Net changes	\$11,893,812	\$10,933,681	\$960,131
Balances at 06/30/2018*	\$219,854,472	\$179,724,990	\$40,129,482

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UNIFORMED OFFICERS' PENSION PLAN

Calculation of OASD 41 Pension Expense for Measurement Period Ended June 30, 2018

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (b)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Balance at 06/30/2017	<u>\$707,820,660</u>	<u>\$161,721,309</u>	<u>\$546,099,351</u>	<u>\$24,451,110</u>	<u>\$9,301,438</u>	
Changes for the year:						
Service Cost	2,779,465	-	2,779,465	-	-	2,779,465
Interest	14,445,037	-	14,445,037	-	-	14,445,037
Changes of benefit terms	6,761,811	-	6,761,811	5,963,967	-	404,854
Differences between expected and actual experience	(3,183,009)	-	(3,183,009)	-	2,101,235	(971,774)
Changes of assumptions	-	5,339,976	(5,339,976)	-	-	-
Contributions - employer	-	1,350,946	(1,350,946)	-	-	(1,350,946)
Contributions - employee	-	11,723,273	(11,723,273)	-	-	(11,723,273)
Projected Earnings on pension plan investments	-	1,887,581	(1,887,581)	-	1,310,065	(577,516)
Differences between projected and actual earnings	-	(8,915,707)	8,915,707	-	-	-
Net benefit payments, including refunds of contributions	-	-	-	-	-	442,395
Administrative expense	-	(442,395)	442,395	-	-	-
Other changes	-	-	-	-	-	-
Expense for beginning deferred amounts	-	-	-	(5,450,837)	(2,071,646)	3,379,191
Net changes	<u>11,803,812</u>	<u>10,923,681</u>	<u>860,131</u>	<u>\$15,110</u>	<u>2,241,654</u>	<u>3,379,191</u>
Balance at 06/30/2018	<u>\$719,624,472</u>	<u>\$172,644,990</u>	<u>\$546,979,482</u>	<u>\$24,466,220</u>	<u>\$11,750,692</u>	<u>\$8,018,651</u>
Pension Expense for Measurement Period Ended 06/30/2018						
Change in the Net Pension Liability	960,131					
Less: Change in Deferred Outflows	(513,110)					
Plus: Change in Deferred Inflows	2,241,654					
Plus: Employer Contributions	5,339,976					
Total	<u>8,018,651</u>					

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Knox County Disability Plan

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EMPLOYEE DISABILITY BENEFIT PLAN



VALUATION AS OF 1/1/2018

PRINCIPAL RESULTS OF THE VALUATION

Below is a summary of the principal results of this year's valuation compared with the previous valuation. Amounts for each valuation period reflect the actuarial cost method, assumptions and plan benefits in effect at that time.

	As of January 1, 2017	As of January 1, 2018
CONTRIBUTION LIMITATIONS		
Annual Required Contribution	\$453,466	\$503,685
SUPPORTING INFORMATION		
Market Value of Assets	\$1,544,390	\$1,613,772
Actuarial Value of Assets	\$1,653,350	\$1,580,887
Entry Age Normal Accrued Liability	\$2,670,327	\$3,450,463
Funding Ratio Discount Rate	7.00%	7.00%
Number of Lives Included in the Valuation	4,935	5,099
Present Value of All Future Benefits	\$4,750,199	\$4,994,479

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EMPLOYEE DISABILITY BENEFIT PLAN




Schedules of Required Supplementary Information (RSI) Schedule of Changes in the Net OPEB Liability (NOL) and Related Ratios

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 06/30/2017*	\$2,790,372	\$1,270,556	\$1,519,816
Changes for the year:			
Service Cost	\$315,236		\$315,236
Interest	\$208,878		\$208,878
Changes of benefit terms	\$0		\$0
Differences between expected and actual experience	\$1,052,678		\$1,052,678
Changes of assumptions	(\$618,044)		(\$618,044)
Contributions - employer		\$1,166,514	(\$1,166,514)
Contributions - employee		\$0	\$0
Net Investment Income		\$165,366	(\$165,366)
Benefit payments, including refunds of ee contributions	(\$247,446)	(\$247,446)	\$0
Administrative expense		(\$1,351,344)	\$1,351,344
Other changes		(\$12,954)	\$12,954
Net changes	\$711,302	(\$279,864)	\$991,166
Balances at 06/30/2018*	\$3,501,674	\$990,692	\$2,510,982

*To determine the Total OPEB Liability as of each 06/30/xx, the liability based on data as of 01/01/xx is rolled forward using the discount rate in effect on 06/30/xx.

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EMPLOYEE DISABILITY BENEFIT PLAN




**Schedule of Required Supplementary Information (RSI)
Schedule of Changes in the Net OPEB Liability (NOL) and Related Ratios**

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) - (b)	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Balance at 06/30/2017	\$3,790,372	\$1,270,556	\$1,519,816	\$0	\$0	
Changes for the year						
Service Cost	315,216		315,216			315,216
Interest	208,878		208,878			208,878
Changes of benefit terms	-		-			-
Differences between expected and actual experience	1,032,678		1,032,678	716,551	-	316,120
Changes of assumptions	(618,041)		(618,041)	-	433,441	(184,599)
Contributions - employer		1,166,514	(1,166,514)			
Contributions - employee						
Projected Earnings on OPEB plan investments		71,065	(71,065)			(71,065)
Differences between projected and actual earnings		91,301	(91,301)		73,011	(18,290)
Benefit payments, including refunds of employee contributions	(247,416)	(247,416)	-			
Administrative expense		(1,351,344)	1,351,344			1,351,344
Other changes		(12,954)	12,954			12,954
Expenses for beginning deferred amounts						
Net change	711,302	(239,251)	950,553	716,551	505,416	
Balance at 06/30/2018	\$3,501,674	\$930,692	\$2,570,982	\$716,551	\$505,416	\$1,026,603
OPEB Expense for Measurement Period Ended 06/30/2018						
Change in the Net OPEB Liability	991,166		(991,166)			
Less: Change in Deferred Outflows	(276,551)		276,551			
Plus: Change in Deferred Inflows	505,416		(505,416)			
Plus: Employer Contributions	1,166,514		(1,166,514)			
Total						1,026,603

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ASSETS, LIABILITIES & CONTRIBUTION REQUIREMENTS



	CLOSED DU	TEACHERS	UOPP	DISABILITY
	7/1/2018	7/1/2018	7/1/2018	7/1/2018
Present Value of Future Benefits	\$72,372,120	\$97,170,971	\$235,494,220	\$4,094,479
Market Value of Assets	\$44,044,049	\$59,040,534	\$182,831,384	\$1,013,772
Accrued Liability	\$89,008,134	\$97,170,971	\$180,436,020	N/A
Funded Percent of Accrued Liability	64.3%	60.2%	68.1%	N/A
Projected Employee Contributions	\$70,205	\$0	\$1,383,810	N/A
County Fiscal Year Recommended Contribution	\$3,162,002	\$476,234	\$5,074,013	\$603,885
Net Pension Liability	\$28,428,381	\$8,733,255	\$40,129,402	\$2,610,002
GAAP Funding Ratio	69.5%	88.0%	61.7%	N/A
OPEB Expense	\$3,353,675	\$1,744,348	\$8,018,851	\$1,028,600

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