

KNOX COUNTY RETIREMENT AND PENSION BOARD

June 26, 2023

The Knox County Retirement and Pension Board met in regular session on Monday, June 26, 2023, at 3:00 P.M. in Circuit Court 1 on the Main Level, East End of the City-County Building, Knoxville, Tennessee.

The following members were present: Chairman Chris Caldwell, Proxy for Mayor Jacobs, Commissioner Larsen Jay, Vice Chairman, Commissioner Kyle Ward, Commissioner Terry Hill, Mr. Chris Simons, Mr. Jim Snowden, Mr. Zac Fullerton and Mr. Matthew Schlosshan. Commissioner Richie Beeler, Secretary was absent.

Also present at the meeting were:

USI Consulting Group: Mr. Bob Cross, Ms. Brenda Trollope, Mr. Brett Bronkhorst and Mr. Ralph Lehman

Legal Counsel: Ms. Ashley Trotto, Mr. Bill Mason, Mr. Kevin Escalona, Ms. Stephanie Coleman and Ms. Sarah Jarrard

Retirement Staff: Ms. Jennifer Schroeder, Ms. Savannah Russell, Ms. Nyla Breshears, Ms. Terri Chase and Ms. Faith Sullivan

Sheriff's Department: Ms. Allison Rogers, KCSO Finance Director, Mr. Adam Dorsey, UOPP active, Mr. Todd Clark, Mr. Steve Lane, UOPP active, Mr. Tom Rudder, Lee Dunn, UOPP retired, Mr. Toby Champion, Mr. Jeb Carpenter, UOPP active, Mr. Tom Walker, UOPP active, Mr. Bernie Lyon, UOPP active, Mr. Kevin McCandrew, UOPP active, Mr. David Amburn, UOPP active, Mr. Winston Ragon, UOPP active, Ms. Debbie Cox, UOPP active, Mr. Coby Woodrum, UOPP active, Mr. Steve Webb, UOPP active, Mr. Brad Cox, UOPP active, Mr. Woody Martial

Others in attendance: Ms. Tina Haley, Legal

IN RE: CALL TO ORDER

Chairman Caldwell presided and called the meeting to order.

IN RE: AMENDMENTS TO AGENDA

Chairman Caldwell reported that there no were amendments to the agenda.

IN RE: APPROVAL OF MINUTES OF SPECIAL CALLED BOARD MEETING MAY 12, 2023

Commissioner Caldwell presented the minutes for the board meeting held on May 12, 2023. Commissioner Jay made a motion to approve the minutes for May 12, 2023, as written. The motion was seconded by Commissioner Ward. All members present voted in favor. The motion passed unanimously.

IN RE: APPROVAL OF MINUTES OF MAY 22, 2023

Commissioner Caldwell presented the minutes for the board meeting held on May 22, 2023. Commissioner Jay made a motion to approve the minutes for May 22, 2023, as written. The motion was seconded by Commissioner Ward. All members present voted in favor. The motion passed unanimously.

IN RE: APPLICATION FOR DISABILITY BENEFIT – EMPLOYEE DISABILITY PLAN

The following applications for disability were presented for consideration:

<u>NAME</u>	<u>DEPARTMENT</u>	<u>DATE OF RECOMMENDATION FROM REEDGROUP</u>
Amanda McDonald	Schools	June 7, 2023

Commissioner Jay presented that Reed group did not recommend Ms. McDonald be approved for disability due to its conclusion that her disability was temporary instead of permanent. Commissioner Jay made a motion to deny the claim based on Reed Group's recommendation. The motion was seconded by Commissioner Ward. All members present voted in favor. The motion passed unanimously.

IN RE: APPLICATION FOR RETIREMENT – DEFINED CONTRIBUTION PLAN AND AUTHORIZATION OF CREDITED SERVICE BENEFIT BASED ON COMPLETED YEARS OF SERVICE

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

<u>NAME</u>	<u>DEPARTMENT</u>	<u>CREDITED SERVICE</u>	<u>EFFECTIVE DATE</u>
Evelyn Brooks	Schools	9 Years 8 Months	July 1, 2023
Billy Calhoun	Schools	23 Years 6 Months	July 1, 2023
Mary Coones	Schools	28 Years 8 Months	July 1, 2023
Ann Dew	Health	5 Years 0 Months	July 1, 2023
Cindy Dyer	Schools	4 Years 8 Months	July 1, 2023
Cynthia Gibson	Schools	22 Years 6 Months	July 1, 2023
Tina Headrick	Schools	11 Years 0 Months	July 1, 2023
Yvonne Hurst	Schools	6 Years 8 Months	July 1, 2023
Stanley Jones	PBA	5 Years 1 Month	July 1, 2023
Wendell Kirkland	Parks and Rec	8 Years 8 Months	July 1, 2023
Lori Long	Mayor	7 Years 4 Months	July 1, 2023
Linda Newton	PropA	13 Years 3 Months	July 1, 2023
Barry O'Neal	Schools	5 Years 8 Months	July 1, 2023
Kathleen Westmoreland	Schools	9 Years 9 Months	July 1, 2023
Charles Williams	EPW	9 Years 9 Months	July 1, 2023
Angie Wilson	Schools	19 Years 6 Months	July 1, 2023

A motion was made by Commissioner Hill to approve the applications for retirement under the Defined Contribution Plan as presented and to authorize the Directed Custodian, Charles Schwab, 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 Mr. Simons. All members present voted in favor. The motion passed unanimously.

IN RE: APPLICATION FOR RETIREMENT – UNIFORMED OFFICERS PENSION PLAN

The following applications for 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>
Michael Bost	Sheriff	32 Years 0 Months	July 1, 2023
Anthony Karnes	Sheriff	25 Years 1 Month	July 1, 2023
Brandon Workman	Sheriff	28 Years 0 Months	July 1, 2023

A motion was made by Commissioner Hill 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. The motion was seconded by Commissioner Jay. All members present voted in favor. The motion passed unanimously.

IN RE: REPORT OF EXECUTIVE DIRECTOR

- **Audit Update – On site August 7 to August 25, 2023** – Ms. Schroeder informed the Board she had a pre-audit meeting with Pugh and Company auditors. The auditors will be present for three weeks, in the office from August 7th to August 25th.
- **Document Committee Meeting July 18, 2023 at 10 am, Room 640** – Ms. Schroeder reminded the Board of the scheduled Document Committee meeting to continue hearing the appeals of the 3 Uniformed Officers for credit for prior military service. The meeting is scheduled for July 18, 2023 at 10:00am in room 640.
- **BENXL Virtual Server**- The BENXL server is being transferred from a stand-alone server to a cloud server, expected within the next 30 days.

IN RE: REPORT OF INVESTMENT COMMITTEE

- **Monthly Rates of Return** – Mr. Simons presented the rates of return for the Defined Contribution and Defined Benefit Plans Ms. Schroeder noted that anyone in the defined contribution plans received a notice about the transition to institutional shares on July 1, 2023. A blackout period will take place during the next 5 to 7 business days and limits what fund changes are able to be made.

IN RE: REPORT OF LEGAL COUNSEL

- **Owings, Wilson & Coleman**
 - **Public Comment Rules and Procedures**–Ms. Coleman summarized new legislation passed by the General Assembly effective July 1, 2023, requiring governing bodies to open a period for public comment during meetings. Ms. Coleman reviewed the draft of the Rules and Procedures for Public Comment (“Policy”) which was included in the Board packet. Commissioner Ward made a motion to approve the draft Policy, as written. The motion was seconded by Commissioner Jay. All members present voted in favor. The motion passed unanimously.
 - **Kennerly, Montgomery**– Ms. Trotto introduced Kevin Escalona; a law clerk who will continue assisting the legal team throughout the summer.

IN RE: REPORT OF ACTUARY BOB CROSS

Mr. Cross stated he would report during the discussion of the actuarial valuation.

IN RE: APPROVAL FOR 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. Schroeder:

Invoices for May 2023 For FY 23 (Legal Invoices are approved for the previous Months Expense)	Fiscal 23 YTD Approved 4/30/2023	Invoices For Approval	Fiscal 23 YTD Approved 5/31/2023	FY 23 Budget vs. Actual 5/31/2023
BENXL Invoice #				Budget \$50,000.00
				Expenses -\$12,000.00
TOTAL BENXL	\$12,000.00	\$0.00	\$12,000.00	Remaining Budget \$38,000.00
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #		\$0.00		QDRO* \$2,000.00
Invoice #		\$0.00		Rec'd from Participate -\$4,000.00
TOTAL KENNERLY, MONTGOMERY & FINLEY, P.C.	\$2,900.00	\$0.00	\$2,900.00	Expenses \$2,900.00
				Remaining Budget -\$4,900.00
Owings, Wilson & Coleman Invoice # 9993M Rathbone		\$587.50		Budget \$125,000.00
Invoice # 9942M Etters		\$12,238.25		
Invoice #		\$0.00		Expense -\$74,124.37
*** TOTAL OWINGS, WILSON & COLEMAN	\$61,298.62	\$12,825.75	\$74,124.37	Remaining Budget \$50,875.63
USI CONSULTING GROUP Invoice # 90081526		\$1,000.00		Budget \$475,000.00
Invoice # 90081527		\$3,750.00		Expense -\$246,746.00
Invoice #		\$0.00		Remaining Budget \$228,254.00
TOTAL USI CONSULTING GROUP	\$241,996.00	\$4,750.00	\$246,746.00	
Invoices for May 2023 For FY 23	\$318,194.62	\$17,575.75	\$335,770.37	

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

		Fiscal 22 YTD
Owings, Wilson & Coleman Retainer	\$4,000 per month	\$44,000.00
Kennerly Montgomery Retainer	\$12,000 per month	\$132,000.00
USI Quarterly Fee for DB Advisory Services	\$37,000 per quarter	\$111,000.00
Fees Received from QDRO* Participants	\$500 (DC Fee)	\$0.00
	\$2,000 (DB & UOPP Fee)	\$4,000.00

*QDRO fee is Paid to Retirement Office which offsets the legal fee

After review of the statement of accounts and invoices, a motion was made by Commissioner Jay that the Board authorize the payment indicated above to be paid from the designated Retirement Plans. The motion was seconded by Commissioner Ward. All members present voted in favor. The motion passed unanimously.

IN RE: FIRST READING OF PLAN AMENDMENT FOR THE UNIFORMED OFFICERS PENSION PLAN

Commissioner Jay notified the audience that after the last meeting, a Q&A document was put together based on the questions asked to the Board. The document will be available to the audience.

Commissioner Hill revisited the questions she asked in the previous meeting. She asked if it would be possible to defer the proposed cap for a year. Chairman Caldwell answered that by deferring the cap for a year, the County would need to find approximately \$15 million to give the raises. If the cap was deferred for a year, it is likely the budget would be revised to eliminate/reduce the raises.

Ms. Schroeder asked Mr. Mason to summarize the two parts of the proposed amendment. Mr. Mason stated that the amendment would (1) cap UOPP Compensation growth at 3% per year, which does not reduce any benefit that officers are currently entitled to; and (2) specifies that such cap will not apply for purposes of determining the amount of leave cash-out included in UOPP Compensation. Mr. Schlosshan asked if bonuses, longevity pay, and previous raises above 3% are still pensionable. Ms. Schroeder confirmed bonuses, longevity pay, and previous raises above 3% are still pensionable.

Mr. Fullerton revisited his comment on assumptions versus expectations at the previous meeting. The individual summary was given to officers when they were given the opportunity to switch to UOPP. He stated the document is based off numerous assumptions, one being the 3% pay increase. Officers might think they would get a 5% pay increase one year and a 0% pay increase others. However, he does not like the idea of singularly looking at this document to modify what the original expectation was. Mr. Fullerton emphasized that assumptions and expectations differ. In addition, stated he has slowly seen pension plans become more obsolete. Of the 41 amendments made to the UOPP plan document (10 enhancements, 10 reductions, and 21 neutral), he questioned what the enhancements were. He wants to ensure this particular amendment is the right alternative for protecting the fiscal soundness of the plan.

Chairman Caldwell opened the meeting for public comment.

Mr. Tom Walker, Knox County Sheriff's Office, made the following comments: the Board should not be diminishing benefits of UOPP participants; the proposed amendment is in violation of UOPP; the initial 3% assumption was not certain and he expected salary increases to fluctuate; the amendment stems from the Mayor not wanting to raise property taxes and ineffective financial planning of former Mayors.

Mr. Winston Ragon, Knox County Sheriff's Office, made the following comments: the Board is required to act in the best interest of the participants; the amendment would change UOPP benefits, which would no longer be based on an officer's two highest years but would be based on an officer's two highest years of pensionable pay; the 3% mentioned in the document is for the cost-of-living adjustment (COLA) that every retiree receives and was not expected to be a cap on compensation; the 3% assumption was not interpreted by officers as a cap, but as a guarantee.

A motion was made by Commissioner Jay to approve the first reading of plan amendment for the Uniformed Officers Pension Plan. The motion was seconded by Commissioner Ward. All members present voted in favor. The motion passed unanimously.

**IN RE: APPROVAL OF REVISED ACTUARIAL VALUATION FOR KNOX COUNTY CLOSED
UNIFORMED OFFICERS PENSION PLAN**

A motion was made by Commissioner Jay to approve the revised actuarial valuation for the Uniformed Officers Pension Plan pending adoption of the proposed UOPP amendment on second reading. The motion was seconded by Commissioner Ward.

Mr. Cross stated the next valuation will be January 1, 2024 for the fiscal year ending June 30, 2023. The proposed UOPP amendment will result in a decrease in the County's 2023 contribution. Mr. Cross said actuarial standards permit the revision of a prior valuation for a subsequent material change, such as the adoption of the UOPP amendment, subject to second reading.

All members present voted in favor. The motion passed unanimously.

The second reading of the plan amendment will be on Thursday, June 29, 2023 in the Main Assembly Room at 11:30 am.

Rules and Procedures for Public Comment at Meetings of the
Knox County Retirement & Pension Board

The following Rules and Procedures shall apply to all persons who desire to participate in the period for public comment provided during any meeting of the Knox County Retirement & Pension Board ("Board") or any of its Committees. Failure to follow such rules and procedures may result in denial or delay of the opportunity to speak.

1. Each person who desires to participate in the public comment period at a public meeting shall have an opportunity to speak when the public comment period is opened by the chair of the meeting.
2. Each person speaking during the public comment period shall begin by stating his or her full name and city of residence for the record.
3. Comments by any one individual shall be limited to three (3) minutes. No speaker may speak more than once per meeting.
4. All comments shall be confined to issues relevant to the business of the Board and over which the Board has jurisdiction.
5. No obscene, abusive, personal attacks, or threatening comments will be permitted.
6. Each public comment period shall be limited to a total time of 15 minutes. At the end of this time, those who are waiting to speak but have not yet been recognized, may be requested to hold their comments until the next meeting's public comment period, at which time they will be given priority for expression. Alternatively, the Board, in its discretion, may extend the time allotted for public comment.

The Board shall have the exclusive authority to resolve any and all questions or disputes arising under these Rules and Procedures. The Board specifically reserves the right to waive formalities or permit nonconformities with these Rules and Procedures. This Policy may be revised, amended, supplemented, or otherwise changed from time to time by the Board or its Executive Director.

(b) Leave cashouts shall be included in Post-Severance Compensation, if those amounts would have been included in the definition of Compensation without application of Section 1.19(j), if they were paid prior to the Participant's Severance, and the amounts are payment for unused accrued bona fide sick, vacation, or other leave, but only if the Participant would have been able to use the leave if Employment had continued. Section 1.19(j) shall not apply for purposes of determining the amount of leave cashout included in Post-Severance Compensation.

ADOPTED by the Knox County Retirement and Pension Board on first reading on the 26th day of June 2023.

ADOPTED by the Knox County Retirement and Pension Board on second reading on the ___ day of June 2023.

Following public notice on June 4, 2023, June 11, 2023, and June 18, 2023, the above 1st **Amendment** was duly adopted pursuant to the provisions of the Charter and UOPP and shall be effective as stated above.

Executive Director, Knox County Retirement and Pension Board

**Notice of 1st Amendment to the 2023 Restatement of the
Knox County Uniformed Officers Pension Plan**

**A RESOLUTION OF
THE KNOX COUNTY RETIREMENT AND PENSION BOARD**

WHEREAS, Knox County Government has adopted the Knox County Uniformed Officers Pension Plan, as amended and restated in its entirety effective January 1, 2023 ("UOPP"); and,

WHEREAS, the Knox County Retirement and Pension Board ("Board") has the right at any time to modify, alter or amend UOPP, in whole or in part, by instrument in writing duly executed, in accordance with the provisions of the Knox County Charter and UOPP; and

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

WHEREAS, to maintain and enhance the fiscal soundness and stability of UOPP, having considered the agreement of the Mayor and the Sheriff as to Officer pay for fiscal year 2024 and following the Board's review of a range of options, the Board wishes to further amend UOPP, prior to any Officer earning an incremental pay increase for fiscal year 2024, to restore the original expectation that UOPP Compensation would increase over time at a rate of not more than 3% per year and to clarify that such limitation does not apply for purposes of determining the amount of vacation cashout included in Post-Severance Compensation;

NOW THEREFORE BE IT RESOLVED that UOPP shall be and is hereby amended, effective July 1, 2023, as follows:

1. **Article I, Section 1.19**, is amended by adding the following new subsection (j) to the end thereof:

(j) On and after July 1, 2023, Compensation shall not include incremental increases paid to an Officer in excess of 3% per year applied position-by-position on a base fixed as of December 31, 2022, as designated by the Sheriff's Office and recorded in the County payroll system.

2. **Article I, Section 1.75(b)**, is amended to read as follows:



USI Consulting Group
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Suites 1796
Knoxville, TN 37902
www.usicg.com
Tel: 865.523.8353

June 19, 2023

Ms. Jennifer Schroeder, Executive Director
Knox County Retirement and Pension Board
City County Building, Room 371
400 S. Main Street
Knoxville, TN 37902

RE: Uniformed Officers Pension Plan ("UOPP")

Dear Ms. Schroeder:

Per the request of the Retirement and Pension Board, USI Consulting Group has evaluated the actuarial impact of the 1st Amendment to the 2023 Restatement of the Knox County Uniformed Officers Pension Plan.

The referenced 1st Amendment will not have an adverse actuarial impact to the Knox County Uniformed Officers Pension Plan.

Sincerely,

USI CONSULTING GROUP

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

Bob Cross, ASA, FCA, MAAA
President, Central and Southern Regions

ADJOURNMENT

Chairman Caldwell asked if there was a motion to adjourn. Commissioner Ward made a motion to adjourn, and the meeting was adjourned.



MAYOR GLENN JACOBS, CHAIRMAN
BY PROXY, CHRIS CALDWELL



COMMISSIONER RICHIE BEELER, SECRETARY

Attachments:

1. Procedures for Public Comment
2. First Reading of UOPP Amendment
3. USI Impact Letter - UOPP Amendment