

KNOX COUNTY RETIREMENT AND PENSION BOARD
FEBRUARY 24, 2014

The Knox County Retirement and Pension Board met in regular session on Monday, February 24, 2014, at 9:00 A.M. in the County Commission Conference Room 640, City County Building, Knoxville, Tennessee. Chairman Rick Trott, presided and called the meeting to order.

The following members were present: Mr. Rick Trott, Chairman, Commissioner Ed Shouse, Vice Chairman, Mr. Nick McBride, Secretary, Commissioner Richard Briggs, Commissioner Mike Hammond, Commissioner Tony Norman, Mr. Chris Caldwell, representing Mayor Tim Burchett, Ms. Crystal Hill and Ms. Robin Moody. Also present at the meeting were: Mr. William Mason, Ms. Kathy Aslinger, Mr. John Owings, and Mrs. Stephanie Coleman, Legal Counsel, Mr. Bob Cross, Mrs. Carissa Dunaway, and Mr. Adam Davies, USICG, Mrs. Rebecca Owens, Knox County Schools, Mrs. Kristi Paczkowski, Executive Director, City Pension Board, Senator Doug Overbey, David Lillard, Treasurer, State of Tennessee, Steve Curry, First Deputy Treasurer, State of Tennessee, John Sutton, Pugh & Co and Retirement staff, Mrs. Kim Bennett, Mrs. Janet Rowan, Mrs. Jennifer Schroeder, Mrs. Terri Chase and Mrs. Mitzi Stooksbury. Richard Beeler participated in the meeting by phone.

IN RE: APPROVAL OF MINUTES OF PREVIOUS MEETING

Consideration of approval of the minutes of the previous meeting of January 21, 2014 was presented. A motion was made by Mr. McBride that the minutes be approved as presented. The motion was seconded by Mr. Caldwell and unanimously carried.

IN RE: APPLICATIONS FOR RETIREMENT AS PROVIDED IN THE DEFINED BENEFIT PLAN

The following applications for 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>
Dave W Shingles	Schools	23 years 6 months	November 1, 2013
Della M Ledford	Retirement	20 years	March 1, 2014

After review, a motion was made by Mr. Caldwell to approve the applications for retirement under the Defined Benefit Plan as presented and authorize the Master Trustee, State Street Bank, to make disposition of the benefits. The motion was seconded by Mr. McBride and unanimously carried.

IN RE: APPLICATIONS FOR RETIREMENT AS PROVIDED IN THE 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 R Loveday	Sheriff	32 years 3 months	February 1, 2014
Sarah J Quindry	Sheriff	26 years 2 months	February 1, 2014

Donald R Easterday	Sheriff	26 years 7 months	March 1, 2014
James R Phillips, Jr	Sheriff	33 years	March 1, 2014

After review, a motion was made by Mr. Caldwell to approve the applications for retirement under the Uniformed Officers Pension Plan as presented and authorize the Master Trustee, State Street Bank, to make disposition of the benefits. The motion was seconded by Commissioner Shouse and unanimously carried.

IN RE: APPLICATIONS FOR RETIREMENT AS PROVIDED IN THE DEFINED CONTRIBUTION PLAN

The following applications for 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>
Robert Aymer	Schools	7 years 2 months	January 1, 2014
Lorenzo Tate	Schools	7 years	February 1, 2014
Janice King	General Sessions	21 years	March 1, 2014
Della M Ledford	Retirement	23 years 7 months	March 1, 2014
Lonnie C Loveday	PBA	37 years 6 months	March 1, 2014

After review, a motion was made by Commissioner Shouse to approve the applications for retirement under the Defined Contribution Plan as presented and authorize the Master Trustee, Wells Fargo Bank, to make disposition of the benefits upon certification from USI. The motion was seconded by Mr. McBride and approved.

IN RE: CONSIDERATION OF ISSUANCE OF DEATH BENEFIT CERTIFICATES ON COMPLETED YEARS OF SERVICE

The request for issuance of certificates of death benefits as provided for in the Plan, based upon completed years of credited service at the date of termination or retirement, for the following participants was presented for consideration:

CERTIFICATES:

Dave W Shingles	Lorenzo Tate
Janice King	Della M Ledford

ACTUARIAL VALUE:

Robert Aymer	Lonnie C Loveday
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After review, a motion was made by Mr. Caldwell to approve the requests as presented as provided by the Plan. The motion was seconded by Ms. Hill and unanimously carried.

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

The request for authorization for payment of lump sum benefits as provided in the Defined Benefit Plan, based upon completed years of credited service at the date of termination, for the following participants was presented for consideration:

Dave W Shingles	Della M Ledford
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After review, a motion was made by Mr. McBride that the Retirement Board approve the request for lump sum distributions as listed above and authorize the Master Trustee, State Street Bank, to make disposition of the benefits as provided by the Plan. The motion was seconded by Mr. Caldwell and approved.

IN RE: CONSIDERATION OF INCOME REPORTS FOR 2013 FOR DISABILITY PARTICIPANTS AND SURVIVING BENEFICIARIES

The report on annual income for 2013 for disability participants was received and accepted by the Board, with the exception of one participant that has not submitted the requested information. The report on income for Jimmy Frye was deferred to the March meeting.

IN RE: CONSIDERATION OF ANNUAL PHYSICIANS MEDICAL REPORTS FOR 2012 FOR DISABLED PARTICIPANTS.

The annual physicians' medical reports for 2013 was received and accepted by the Board, with the exception of one participant that has not submitted the requested information. The report for Jimmy Frye was deferred to the March meeting.

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

The annual report on the status of surviving beneficiaries and dependent children was received and accepted by the Board, with the exception of one participant that has not submitted the requested information. The report for the dependents of Jimmy Frye was deferred to the March meeting.

IN RE: CONSIDERATION OF ANNUAL REPORT OF RETIREES APPROVED TO WORK UP TO 720 HOURS.

At the request of the Mr. McBride, the reports were deferred to the March meeting.

IN RE: REPORT OF COMMITTEE FOR COMBINED REQUEST FOR PROPOSAL FOR DIRECTED TRUSTEESHIP AND CUSTODIAL SERVICES FOR THE ASSET ACCUMULATION PLAN, DEFINED BENEFIT PLANS, SHERIFF'S TOTAL ACCUMULATION RETIREMENT PLAN AND DISABILITY PLAN

Executive Director, Mrs. Kim Bennett, reported that the RFB was emailed to approximately 20 to 25 potential vendors including Countybank and State Street Bank on Thursday, February 20, 2014 with a deadline for proposals to be returned March 25, 2014.

IN RE: REPORT OF EXECUTIVE DIRECTOR

Mrs. Bennett introduced new staff member, Mrs. Mitzi Stooksbury, who was hired as part of the restructuring of the office. She also advised former employee, Mrs. Jill Mayfield, has returned as clerical support for the office on a part-time basis.

Mrs. Bennett reminded all Board members of the Retiree Luncheon on Tuesday April 8th at Rothchild's and welcomed each of them to come be present. Doors open at 10:30 a.m.

Mrs. Bennett advised the Assistant DAs who are State Employees but paid through the County are eligible for the Defined Contribution Plan of the State which is administered by Great West. She advised there is a \$50 match if the employee contributes \$50 so there is a cost to the County.

Mrs. Bennett stated that at the end of January 2014 she received a letter dated December 13, 2013 from UNUM, the administrator for Disability claims, of UNUM's intention to discontinue administration of Knox County Retirement System claims as of July 1, 2014. She responded to the County's representatives, listing concerns since UNUM had worked closely with the Board's Document Committee to design the new Disability Plan effective January 1, 2014. UNUM advised it was discontinuing claims adjudication administration unless UNUM had other insurable business of the County's. Mrs. Bennett has not received an answer yet on her request for an exception. She advised the Board may have to put the Disability Claims out for bid in the near future. Commissioner Shouse asked if there were other vendors that do disability claim administration. Mrs. Bennett advised UNUM has a reputation of doing this and doing it well and that other companies are much smaller. Mr. Cross advised it would not be possible to find an insurance company; any alternative would be a private firm.

Mr. McBride asked if the City was using UNUM. Mrs. Bennett said the City Pension Board had tried last fall but UNUM refused. Commissioner Briggs asked who the City is currently using. Mrs. Paczkowski, Executive Director, City Pension Board, advised that it currently reviews its own disability claims in-house, as the County used to do in the past. Mr. Beeler stated if the County Pension Board goes back to handling claims internally, there are several substantial changes that should be considered.

Commissioner Briggs stated he thinks it has to be an outside vendor. He stated handling the claims internally raises too many questions. Mr. McBride stated all the HIPPA regulations would have to be considered if the Board processes claims internally again. Mrs. Bennett explained how the Disability Committee operated in the past holding a public meeting, potentially discussing personal medical issues. Mr. Cross stated a challenge will be that the Plan was designed around claims adjudication by UNUM and finding another third party administrator to do what UNUM does, and to the degree and level of expertise, will be difficult. Mrs. Bennett stated she told UNUM the Board adopted the disability plan UNUM helped design, including case management, return to work incentives, and social security application assistance, and the Board planned to engage UNUM for that additional work.

Commissioner Shouse asked how other counties across the state were handling disability claims. Mr. Cross stated other counties would be insured or handle the claims internally. Secretary Nick McBride asked how Nashville or the State handled claims. State Treasurer, David Lillard said the State has a Medical Board to internally review claims. Chairman Trott advised the Executive Director to consider other alternatives in the event UNUM does not agree to continue. Commissioner Shouse asked what type of business would have to be given to UNUM for it to continue to adjudicate disability claims. Mrs. Bennett listed as alternatives, insuring the Disability Plan, and providing short term disability; she said UNUM also mentioned life insurance but that coverage is not up for bid and there is no guarantee that

UNUM would be awarded it. Mrs. Bennett commented we have been very fortunate to have the process with UNUM, which it has worked very well and the cost has been nominal.

Mrs. Bennett stated the Retirement Audit will begin soon. Mr. Sutton, Pugh & Co, stated it is on schedule for mid April. This will be the third year of the audit with Pugh & Co. Mrs. Bennett requested input on the audit of the actuary assumptions as the Teacher's Plan is the only one left and only has three active employees. Mr. Caldwell stated this item be added to the Audit Committee agenda for discussion. Mr. McBride made a motion that if there is an actuarial audit that the Pension Board doesn't pay for it. He stated Mr. Cross is paid to do the actuarial valuation and Pension Board should not pay for Pugh & Co for a second opinion, as the majority feel it is not necessary. Motion was not seconded and motion died. Mr. Caldwell stated he would work with Auditors, Audit Committee, and Mrs. Bennett to get this worked out. Mr. Caldwell stated the County would pay the cost for the actuarial review if needed as part of the Retirement System audit.

IN RE: DISCUSSION OF MERP FUNDING

Mrs. Bennett gave overview of the Medical Expense Retirement Plan since its inception in 1999 advising funding of Plan has varied for active employees and retiree bonuses. Mrs. Bennett suggested this be referred to the Document Committee which consists of Commissioner Briggs, Commissioner Shouse, Secretary Nick McBride, Mr. Chris Caldwell and Ms. Robin Moody for a recommendation to the Board in March or April. This is the end of the five-year commitment to annually pay \$120 as a bonus to retirees as well as a 25% match for active employees up to \$104 a year. Cost for current year is \$297,000.

IN RE: PUBLIC HEARING AND SECOND AND FINAL READING OF AMENDMENT NO. 2 TO THE 2014 RESTATEMENT OF THE KNOX COUNTY EMPLOYEE BENEFIT SYSTEM.

Mr. Mason presented Amendment No. 2 to the 2014 Restatement of the Knox County Employee Benefit System to the Board for consideration. Mr. Mason reviewed the amendment, effective January 1, 2014. Mr. Mason said the amendment would clarify the Board's intention that positions held with the Employer, in which the Employee works less than 18 1/2 hours per week, are to be excluded from the definitions of "Compensation" and "Credited Service", and to make certain conforming and correcting changes. Mr. Mason recommended adopting the amendment on Second and Final Reading.

Chairman Trott asked if anyone was present to speak at the public hearing. No one was recognized by the Chairman.

After discussion by the Board Members, a motion was made by Commissioner Hammond to approve Amendment No. 2 to the 2014 Restatement of the Knox County Employee Benefit System on Second and Final Reading. The motion was seconded by Mr. Caldwell and approved.

Amendment No. 2 is as follows:

**Notice of 2nd Amendment to the 2014 Restatement of the
Knox County Employee Benefit System**

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

WHEREAS, Knox County Government has adopted the Knox County Employee Benefit System, as amended and restated in its entirety effective January 1, 2014 (the "System"); and,

WHEREAS, pursuant to Section VIII-1.20 of the System, the Knox County Retirement and Pension Board (the "Board") has the right at any time to modify, alter or amend the System, in whole or in part, by instrument in writing duly executed; and the Actuary has determined that this Amendment will have no measurable net cost to the County; and,

WHEREAS, the Board wishes to further amend the System to clarify the Board's intention that positions held with the Employer, in which the Participant or Employee works less than 18-½ hours per week, are to be excluded from the definitions of "Compensation" and "Credited Service"; and to make certain conforming and correcting changes; and

WHEREAS, the Board has complied with the provisions of Section VIII-1.20 of Article VIII.

NOW THEREFORE BE IT RESOLVED that the System shall be and is hereby amended, effective January 1, 2014, as follows:

1. **Article I, Section I-1.23** of the System is amended by adding the following new subsection (h):

(h) Compensation shall not include any amounts paid to an Employee for employment with the Employer in any one or more positions, where the Employee is regularly scheduled to work less than 18-1/2 hours per week in such position(s), and after March 31, 2014, where the Employee has executed an acknowledgement and irrevocable waiver in form satisfactory to the Board that pay for such position(s) shall not count for benefit accrual under any Plan of the System, STAR, Disability Plan or UOPP, and that the Employee will be entitled to no benefit under the System, STAR, Disability Plan or UOPP with regard to pay for such position(s).

2. **Article I, Section I-1.25** of the System is amended by adding the following new subsection (i):

(i) Credited Service shall not include any period of employment by an Employee in any one or more positions, where the Employee is regularly scheduled to work less than 18-1/2 hours per week in such position(s), and after March 31, 2014, where the Employee has executed an acknowledgement and irrevocable waiver in form satisfactory to the Board that service in such position(s) shall not count for eligibility, vesting or benefit accrual under any Plan of the System, STAR, Disability Plan or UOPP, and that the Employee will be entitled to no benefit under the System, STAR, Disability Plan or UOPP with regard to service in such position(s).

3. **Article VI, Section 4.07(d)** of the System is amended by adding the following new subsection (5):

(5) Notwithstanding Sections VI-4.07(d)(1) through (4), if the Participant is not fully Vested in the Matching Employer Contributions and Prior Plan Employer Accounts, the other forms of distribution under Section VI-5 shall not be available, and the distribution of the Participant's entire interest in the Plan shall be paid only as a single lump sum distribution, or at the Participant's election rolled over to another eligible retirement plan.

4. **Article VI, Section 4.09(a)** of the System is amended to correct the reference to "Section VI-4.09(b)."

5. **Article X, Section X-1.01** of the System is amended to complete the reference to "STAR Section 3.02(c)"; and the Section on "absence in Military Service" is re-numbered "X-1.03."

IN RE: PUBLIC HEARING AND SECOND AND FINAL READING OF AMENDMENT NO. 1 TO THE 2014 RESTATEMENT OF THE KNOX COUNTY UNIFORMED OFFICERS PENSION PLAN.

Mr. Mason presented Amendment No. 1 to the 2014 Restatement of the Knox County Uniformed Officers Pension Plan to the Board for consideration. Mr. Mason reviewed the amendment, effective January 1, 2014. Mr. Mason said the amendment would clarify the Board's intention that positions held with the Employer, in which the Employee works less than 18 1/2 hours per week, are to be excluded from the definitions of "Compensation" and "Credited Service". Mr. Mason recommended adopting the amendment on Second and Final Reading.

Chairman Trott asked if anyone was present to speak at the public hearing. No one was recognized by the Chairman.

After discussion by the Board Members, a motion was made by Commissioner Hammond to approve Amendment No. 1 to the 2014 Restatement of the Knox County Uniformed Officers Pension Plan on Second and Final Reading. The motion was seconded by Mr. Caldwell and approved.

Amendment No. 1 is as follows:

Notice of 1st Amendment to the 2014 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, 2014 ("UOPP"); and,

WHEREAS, pursuant to Article VII, Section 7.05 of the Knox County Charter (the "Charter") and Section 7.1 of UOPP, the Knox County Retirement and Pension Board (the "Board") has the right at any time to modify, alter or amend UOPP, in whole or in part, by instrument in writing duly executed, so long as such amendment is consistent with the terms of Section 7.05 of the Charter; and the Actuary has determined that this Amendment will have no measurable net cost to the County; and,

WHEREAS, the Board wishes to further amend UOPP to clarify the Board's intention that positions held with the Employer, in which the Employee works less than 18-1/2 hours per week, are to be excluded from the definitions of "Compensation" and "Credited Service"; and,

WHEREAS, the Board has complied with the provisions of Section 7.1.

NOW THEREFORE BE IT RESOLVED that UOPP shall be and is hereby amended, effective January 1, 2014, as follows:

6. **Article I, Section 1.19** is amended by adding the following new subsection (h):

(h) Compensation shall not include any amounts paid to an Employee for employment with the Employer in any one or more positions, where the Employee is regularly scheduled to work less than 18-1/2 hours per week in such position(s), and after March 31, 2014, where the Employee has executed an acknowledgement and irrevocable waiver in form satisfactory to the Board that pay for such position(s) shall not count for benefit accrual under UOPP, any Plan of the System, Disability Plan or STAR, and that the Employee will be entitled to no benefit under UOPP, System, Disability Plan or STAR with regard to pay for such position(s).

7. **Article I, Section 1.21** is amended by adding the following new subsection (l):

(l) Credited Service shall not include any period of employment by an Employee in any one or more positions, where the Employee is regularly scheduled to work less than 18-1/2 hours per week in such position(s), and after March 31, 2014, where the Employee has executed an acknowledgement and irrevocable waiver in form satisfactory to the Board that service in such position(s) shall not count for eligibility, vesting or benefit accrual under UOPP, Any Plan of the System, Disability Plan or STAR, and that the Employee will be entitled to no benefit under UOPP, System, Disability Plan or STAR with regard to service in such position(s).

IN RE: PUBLIC HEARING AND SECOND AND FINAL READING OF AMENDMENT NO. 1 TO THE 2014 RESTATEMENT OF THE KNOX COUNTY SHERIFF'S TOTAL ACCUMULATION RETIREMENT PLAN

Mr. Mason presented Amendment No. 1 to the 2014 Restatement of the Knox County Sheriff's Total Accumulation Retirement Plan to the Board for consideration. Mr. Mason reviewed the amendment, effective January 1, 2014. Mr. Mason said the amendment would clarify the Board's intention that positions held with the Employer, in which the Employee works less than 18 1/2 hours per week, are to be excluded from the definitions of "Compensation" and "Credited Service".

Chairman Trott asked if anyone was present to speak at the public hearing. No one was recognized by the Chairman.

After discussion by the Board Members, a motion was made by Commissioner Hammond to approve Amendment No. 1 to the 2014 Restatement of the Knox County Sheriff's Total Accumulation Retirement Plan on Second and Final Reading. The motion was seconded by Mr. Caldwell and approved.

Amendment No. 1 is as follows:

**Notice of 1st Amendment to the
Knox County Sheriff's Total Accumulation Retirement Plan**

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

WHEREAS, Knox County Government has adopted the Knox County Sheriff's Total Accumulation Retirement Plan, effective January 1, 2014 ("STAR"); and,

WHEREAS, pursuant to Section 8.20 of STAR, the Knox County Retirement and Pension Board (the "Board") has the right at any time to freeze, suspend or modify STAR, in whole or in part, by instrument in writing duly executed; and the Actuary has determined that this Amendment will have no measurable net cost to the County; and,

WHEREAS, the Board wishes to amend STAR to clarify the Board's intention that positions held with the Employer, in which the Employee works less than 18-1/2 hours per week, are to be excluded from the definitions of "Compensation" and "Credited Service"; and,

WHEREAS, the Board has complied with the provisions of Section 8.20.

NOW THEREFORE BE IT RESOLVED that STAR shall be and is hereby amended, effective January 1, 2014, as follows:

8. **Article I, Section 1.15** is amended by adding the following new subsection (h):

(h) Compensation shall not include any amounts paid to an Employee for employment with the Employer in any one or more positions, where the Employee is regularly scheduled to work less than 18-1/2 hours per week in such position(s), and after March 31, 2014, where the Employee has executed an acknowledgement and irrevocable waiver in form satisfactory to the Board that pay for such position(s) shall not count for benefit accrual under STAR, any Plan of the System, Disability Plan or UOPP, and that the Employee will be entitled to no benefit under STAR, System, Disability Plan or UOPP with regard to pay for such position(s).

9. **Article I, Section 1.17** is amended by adding the following new subsection (g):

(g) Credited Service shall not include any period of employment by an Employee in any one or more positions, where the Employee is regularly scheduled to work less than 18-1/2 hours per week in such position(s), and after March 31, 2014, where the Employee has executed an acknowledgement and irrevocable waiver in form satisfactory to the Board that service in such position(s) shall not count for eligibility, vesting or benefit accrual under STAR, any Plan of the System, Disability Plan or UOPP, and that the Employee will be entitled to no benefit under STAR, System, Disability Plan or UOPP with regard to service in such position(s).

IN RE: PUBLIC HEARING AND SECOND AND FINAL READING OF AMENDMENT NO. 1 TO THE KNOX COUNTY EMPLOYEE DISABILITY BENEFIT PLAN

Mr. Mason presented Amendment No. 1 to the 2014 Restatement of the Knox County Employee Disability Benefit Plan to the Board for consideration. Mr. Mason reviewed the amendment, effective January 1, 2014. Mr. Mason said the amendment would clarify the Board's intention that positions held with the Employer, in which the Employee works less than 18 1/2 hours per week, are to be excluded from the definitions of "Compensation" and "Credited Service", and would grant pre-participation service credit for vesting and benefit accrual for employment with a prior non-governmental employer, on approval by the Board, where that prior employment is terminated on transfer of the position to Knox County or Knox County Schools. Mr. Mason recommended adopting the amendment on Second and Final Reading.

Chairman Trott asked if anyone was present to speak at the public hearing. No one was recognized by the Chairman.

After discussion by the Board Members, a motion was made by Commissioner Hammond to approve Amendment No. 1 to the 2014 Restatement of the Knox County Employee Disability Benefit Plan on Second and Final Reading. The motion was seconded by Mr. Caldwell and approved.

Amendment No. 1 is as follows:

**Notice of 1st Amendment to the
Knox County Employee Disability Benefit Plan**

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

WHEREAS, Knox County Government has adopted the Knox County Employee Disability Benefit Plan, effective January 1, 2014 (the "Disability Plan"); and,

WHEREAS, pursuant to Section 7.20 of the Disability Plan, the Knox County Retirement and Pension Board (the "Board") has the right at any time to modify, alter or amend the Disability Plan, in whole or in part, by instrument in writing duly executed; and the Actuary has determined that this Amendment will have no measurable net cost to the County; and,

WHEREAS, the Board wishes to amend the Disability Plan to clarify the Board's intention that positions held with the Employer, in which the Employee works less than 18-1/2 hours per week, are to be excluded from the definitions of "Compensation" and "Credited Service"; and to allow for the granting of pre-participation service credit for vesting and benefit accrual for employment with a prior non-governmental employer where that prior employment is terminated on transfer of the position to Knox County or Schools; and,

WHEREAS, the Board has complied with the provisions of Section 7.20.

NOW THEREFORE BE IT RESOLVED that the Disability Plan shall be and is hereby amended, effective January 1, 2014, as follows:

10. Article I, Section 1.14 is amended by adding the following new subsection (h):

(h) Compensation shall not include any amounts paid to a an Employee for employment with the Employer in any one or more positions, where the Employee is regularly scheduled to work less than 18-1/2 hours per week in such position(s), and after March 31, 2014, where the Employee has executed an acknowledgement and irrevocable waiver in form satisfactory to the Board that pay for such position(s) shall not count for benefit accrual under the Disability Plan, any Plan of the System, STAR or UOPP, and that the Employee will be entitled to no benefit under the Disability Plan, System, STAR or UOPP with regard to pay for such position(s).

11. Article I, Section 1.18 is amended by adding the following new subsection (f):

(f) Credited Service shall not include any period of employment by an Employee in any one or more positions, where the Employee is regularly scheduled to work less than 18-1/2 hours per week in such position(s), and after March 31, 2014, where the Employee has executed an acknowledgement and irrevocable waiver in form satisfactory to the Board that service in such position(s) shall not count for eligibility, vesting or benefit accrual under the Disability Plan, any Plan of the System, STAR or UOPP, and that the Employee will be entitled to no benefit under the Disability Plan, System, STAR or UOPP with regard to service in such position(s).

12. Article I, Section 1.18 is amended by adding the following new subsection (g):

(g) Subject to approval of the Board and provision of funding to the Disability Plan, Credited Service shall include a Participant's period of continuous employment with a

prior non-governmental employer where the Participant's employment with that prior employer is terminated due to the transfer of the Participant's position and employment to the Employer.

IN RE: REPORT OF LEGAL COUNSEL, RICHARD BEELER AND BILL MASON

Mr. Beeler stated he is awaiting order to show cause the final Herb Moncier case should not be dismissed for lack of prosecution.

Mr. Mason stated all qualified plans including the new STAR, and Disability Plan, have been submitted to the IRS for qualification determination letters. At the present time, the IRS has acknowledged the timely applications; action could take nine to twelve months, or longer.

IN RE: REPORT OF ACTUARY BOB CROSS

Mr. Cross reviewed the prepayment to Uniformed Officers Pension Plan for the upcoming year; therefore next year's contribution will be reduced.

IN RE: REPORT OF INVESTMENT COMMITTEE

Commissioner Shouse reviewed the rates of return as of January 31, 2014, that were previously distributed to the Board Members. Commissioner Shouse reported that the Investment Committee met on February 20, 2014, and recommends the following changes to the Asset Accumulation Plan, 457 Plan and STAR Plan as recommended by USI:

1) Asset Accumulation Plan, 457 Plan and STAR:

Replace Sentinel Gov't with Franklin Adjustable US Gov't Securities

After discussion, a motion was made by Commissioner Shouse to accept the recommendation of USI and the Investment Committee and approve the above changes. The motion was seconded by Ms. Hill and approved. Mrs. Bennett advised there would be a short blackout to make this change and that notification would be sent to employees and retirees.

Commissioner Shouse asked Mr. Cross to discuss the recommendation for the Disability Plan and the 2% STAR Supplemental Fund. Mr. Cross said that to achieve a rate of return of 7%, USI is recommending that the funds in the Disability Plan and the 2% supplemental contribution account for STAR be invested, using the existing portfolios, as follows:

10% Conservative

45% Moderate

45% Ultra Aggressive

Mrs. Bennett stated the Investment Policy for the Disability Plan and 2% STAR Supplemental Fund have been updated should the Board approve this recommendation.

After discussion, a motion was made by Commissioner Shouse to accept the recommendation of USI, and invest the Disability Plan funds and the 2% STAR Supplemental Contribution as stated above, and authorize the Executive Director to execute the investment policies. The motion was seconded by Commissioner Norman and approved.

IN RE: STATE LEGISLATION – SENATOR OVERBEY, TREASURER DAVID LILLARD, FIRST DEPUTY TREASURER STEVE CURRY

Mrs. Bennett welcomed David Lillard, State of Tennessee Treasurer, First Deputy Treasurer Steve Curry and Senator Overbey to discuss the proposed legislation regarding additional requirements that would be imposed on government defined benefit plans in the state. She said Knox County has 3 defined benefit plans, all of which are closed to new participants. Knox County new hires are covered only by the Asset Accumulation Program and Medical Expense Retirement Plan, or by STAR, all of which are defined contribution plans. The Board was given a copy of the pending legislation as well as a copy of the letter Mrs. Bennett sent to Senator McNally and Representative Sargent earlier in February. Senate Bill 2079 / House Bill 2037. The Knox County Pension Board has not discussed this legislation, because the Board has not had a meeting since the Bill was introduced to the Joint Council on Pensions and Insurance by Treasurer Lillard.

Mrs. Bennett provided the following overview of the proposed legislation as it might affect the County and the three closed Defined Benefit plans administered by the Pension Board:

- Requires a formal funding policy for each plan, including provisions for an actuarially determined contribution (ADC, called ARC in the past); a maximum amortization period; 100% funding of the ADC; and State Comptroller approval of the funding policy
- That actuarial methodology comply with standards of the Actuarial Standards Board
- Defines minimum standards for actuarial determination of the ADC, including acceptable actuarial methods; limits on asset smoothing; level dollar amortization requirements by 2020, and a closed maximum amortization period; inclusion of assumptions on mortality improvement after 2024; limit on investment assumption tied to TCRS assumption of 7-1/2%
- Minimum qualifications for actuaries
- 100% funding of ADC

Knox County is in substantial compliance with those requirements; enactment of legislation with those requirements does not affect Knox County other than add cost and complexity to what the Board already does as a matter of routine and good practice.

The legislation would also provide:

- If a local government's Plan is funded below 60%, the government may not enact benefit enhancements
- Authorizes State to divert funds payable to the local government to the Pension Fund, if local government fails to fund the ADC.

Given Knox County's history, those last provisions are unlikely to affect the Plans the Board administers. The County has always contributed the actuarially required deposit and in many instances has contributed more. The 3 County DB plans are valued using very conservative actuarial assumptions, including a 7% investment earnings assumption, compared to TCRS's 7-1/2%.

If 8% were to be used as the investment assumption, as permitted by the proposed legislation, Mrs. Bennett pointed out, the County's contribution would drop by almost \$2 million dollars a year. Knox County does not need a law to require it to do the right thing.

Mrs. Bennett also provided the following concerns as to the effect to the Knox County Retirement & Pension Board and potentially Knox County of the proposed legislation:

- Knox County's "home rule" Charter already requires the retirement plans be "actuarially sound and actuarially funded".
- New GASB 67 & 68 requirements have put a large increased reporting burden on the Board as well as the liability impact on the County's financials. Is the State's proposed legislation a duplication of effort with GASB requirements?
- Additional reporting to the State would be a duplication of information that the State already has through the County's Audit and the Pension Plan Audit (which includes the Actuary Valuation for each plan). Additional reporting translates to additional cost for the Pension Board.
- Is this proposed legislation penalizing the many responsibly-funded pension plans within the State because of a few poorly funded plans?

Mrs. Bennett then referred to questions she had, as follows:

- Why was this Bill developed?
- Are Knox County home rule Charter requirements not enough?
- Does the County being "Home Rule" have any effect on the legislation and the impact to Knox County?
- What is the vision of the additional reporting requirements by the County/Pension Board to the State? What would be required more than the Actuary Report and the GASB 67 & 68 requirements?

Commissioner Briggs referred to a few years back when Supreme Court ruled on "Home Rule" for Shelby and Knox County. He asked, what parts are governed by State Legislation and what parts by Charter? Is it settled that this legislation even applies to Knox County? Mr. Beeler, Legal Counsel, stated that constitutionally and statutorily the County cannot adopt measures and the charter cannot provide measures that are directly conflicting with state policies. He advised on the question as to whether the County charter would conflict with this legislation, the Board would not know until legislation is adopted but given the existing requirement of funding in the charter, the biggest statutory requirement is inconsequential for the pension board.

Senator Overbey introduced Mr. Lillard and Mr. Curry. Mr. Lillard gave a brief overview and answered questions as follows:

- The legislation would require adoption of a funding policy for Defined Benefit Retirement Plans outside of TCRS.
- The legislation would document best practices for the sake of government employees and taxpayers.

- The legislation is not a duplication of GASB.
- GASB imposes requirements on the accounting side. GASB actual recommendation to all is to adopt funding plan and policy.
- The legislation only presents outside parameters for pension funding.
- Local governments will not have to file more than they already do with their GASB financial reports and actuarial reports.
- For Knox County, nothing would be different, since its funding for closed pension plans is already within all parameters.

Chairman Trott asked what is the number 1 question of opposed viewpoints. Mr. Lillard stated most counties are not opposed but just wanted to understand the legislation and know they must adequately fund their Defined Benefit Plans.

Commissioner Hammond asked about ramification and/or penalties for not funding or inadequate funding. Mr. Lillard stated the State can divert state-shared taxes to fund the retirement plans. He stated under the law, the State Comptroller would review report that is filed annually and could direct the Commissioner of Finance to process the diversion of funds.

Commissioner Briggs asked Mrs. Bennett what would the Retirement Office be doing different and how much work this would entail. Mrs. Bennett stated that is not totally clear yet. She asked Mr. Lillard if GASB was sufficient or would another form of reporting be required.

Commissioner Shouse and Mr. McBride discussed the fact that Knox County recently adopted a 7% return rate but the State and most other counties are at 7 ½%. Mr. Lillard stated the State has been at 7 ½% for approximately 15 years. Prior to that the State was at 8%.

Mr. McBride expressed that while Knox County closed its Defined Benefit Plans, Nashville is putting in guidelines. Any change in personnel could change the rate assumption or earnings.

There was also discussion of Memphis and Hallsdale Powell District funding by Mr. McBride and Mr. Lillard as examples of being underfunded and how to get back to funding 100% of the ARC.

Mr. Lillard stated there had recently been a National Survey and Tennessee ranks as one of the three best financially managed government entities in the United States. He said Knox County is a good example of that conservatism in financial management. He said it behooves all of us as Tennesseans to look at this issue with forthrightness and not shy away from the path of paying 100% of the ARC because that is the right thing to do. Tennessee governments have made commitments to employees and taxpayers, and should be funded on a current basis; otherwise benefits can be promised without any consequences.

Mr. Caldwell stated he commends the Treasurer for the legislation and thinks it is needed. His concern is for example, in 20 years if the rate drops to 5% but the County is using 7%, the legislation says the County would have to drop to 5 ½%; that would have a great impact on the County's finances. Mr. Lillard stated that all he could do is provide the State's history of responsible funding and reasonable assumptions. Tennessee ARC has gone from around \$250 million per year 10 years ago to over \$750

million this year. TCRS is carrying, on a market value basis, approximately \$3 billion in unfunded liabilities in the State and Teachers Plans. From that standpoint, Mr. Lillard said he did not think anyone within the State is going to go to a corporate bond discount rate of 5 or 5.5%.

Mr. McBride stated a concern, when there is an administration change in Nashville, if money gets tight, about the possibility of an increase in the assumption rate to 9 or 9.5%. He expressed concerns that boards such as Knox County may say the legislation only requires that the county's assumption not be over 50 basis points above the TCRS rate, but that those in Nashville might content the County's assumption was too low and argue that the County needed to increase to within 50 basis points of the TCRS rate. Mr. Lillard stated that Knox County's conservative measurement practices would prevail. Mr. Beeler added that in Knox County's case, the charter provision requires funding and the Board would not be in conflict with State policy.

Mr. Caldwell stated that with GASB 67/68 all liabilities will look worse. Following up on Mrs. Bennett's concern of reports to the State, he asked if the current annual reports would be sufficient? Mr. Lillard stated that should be fine.

Commissioner Shouse stated this legislation would not impact the Board since we are so far ahead of the curve. Mrs. Bennett stated we have guidelines we use, such as Actuarial Standards, Rate Assumption and other measuring tools and that we have always been conservative at best. She stated so long as nothing in legislation causes us to do something that is not compliant with other requirements, GASB, Standards Board, then trying to enforce others in the State to use those standards is not a concern of the Board. As long as the State is not asking for something above and beyond that which is accepted by standards across the nation. The Board does not want to use a rate that is not justifiable. The Board has have always been conscientious and used rates justified by its actual experience; she said she does not expect that to change. Mrs. Bennett stated she doesn't have concerns about most of the assumptions because the Board is already in compliance. Her concerns are about the "what-ifs".

Commissioner Hammond stated the bottom line is that there would be minimal impact to Knox County with regard to this bill.

Mr. Lillard stated the legislation is necessary to protect Tennesseans as a whole.

Chairman Trott thanked Senator Doug Overbey, David Lillard, Treasurer, State of Tennessee, and Steve Curry, First Deputy Treasurer, State of Tennessee for coming to the Board Meeting and explaining and answering questions and concerns about the new State Legislation.

IN RE: STATEMENT OF ACCOUNTS AS AUDITED AND RECOMMENDED FOR PAYMENT BY KIM BENNETT, EXECUTIVE DIRECTOR

The following statement of accounts for professional services was presented for consideration of approval of payment, as in accordance with agreements and audited and recommended for payment by Mrs. Bennett:

FEE SCHEDULE:

Kennerly, Montgomery & Finley	Invoice # 186487	\$12,158.00
	Invoice # 186489	\$ 1,452.50
	Invoice # 186490	\$ 385.00
Total for February 2014		\$13,995.50

After review of the statement of accounts and invoices, motion was made by Mr. Caldwell that the Board authorize the payment indicated above to be paid from the designated State Street funds. The motion was seconded by Mr. McBride and approved.

IN RE: ADJOURNMENT

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



RICK TROTT, CHAIRMAN



NICK McBRIDE, SECRETARY