

**KNOX COUNTY RETIREMENT AND PENSION BOARD**

**JULY 25, 2016**

The Knox County Retirement and Pension Board met in regular session on Monday, July 25, 2016, at 1:00 P.M. in the County Commission Conference Room 640, City-County Building, Knoxville, Tennessee. Chairman Trott, presided and called the meeting to order.

The following members were present: Mr. Rick Trott, Chairman, Mr. Nick McBride, Vice Chairman, Commissioner Ed Brantley, Commissioner Jeff Ownby, Commissioner Bob Thomas, Mrs. Ashley Huffaker, and Mr. Chris Caldwell, representing Mayor Tim Burchett. Also present at the meeting were: Mrs. Carissa Dunaway, USICG, Mr. William Mason, Mr. John Owings, Mrs. Stephanie Coleman, Legal Counsel, and Retirement staff, Mrs. Kim Bennett, Mrs. Terri Chase, Mrs. Jennifer Schroeder, and Mrs. Janet Rowan. The following employees of the Knox County Sheriff's Office were also present: Mr. Rodney Bivens, Mr. Dale Dantzler, Mr. Greg Gass, Ms. Krystal Gibson, Mr. Larry Hart, Mr. Mark Harvey, Mr. Tim Heck, Mr. John Hopkins, Mr. Van Lam, Ms. Kathy Lawson, Ms. Melinda Lynch, Mr. Tim Morgan, Ms. Allison Rodgers, Ms. Benita J Thompson, Mr. Steve Webb, Mr. Colin West and Mr. Coby Woodrum.

**IN RE: APPROVAL OF MINUTES OF PREVIOUS MEETING**

Consideration of approval of the minutes of the previous meeting of June 27, 2016, was presented. A motion was made by Mr. McBride that the minutes be approved as presented. The motion was seconded by Commissioner Brantley and unanimously approved.

**IN RE; APPLICATION FOR DISABILITY BENEFIT – EMPLOYEE DISABILITY PLAN**

The application for disability benefits for **ROBERT D BEALS**, employee of the Health Dept, and a participant in the Asset Accumulation Plan, was presented. Mr. Beals has 33 years of credited service. Notification was received from UNUM dated July , 2016, recommending approval of a disability benefit for Mr. Beals.

After discussion, a motion was made by Mr. McBride to accept the recommendation of UNUM and approve the request of Mr. Beals for disability benefits as presented and authorize the Directed Custodian, Wells Fargo Bank, to make disposition of the benefits in accordance with the terms of the Plan upon certification from USI. The motion was seconded by Commissioner Ownby and unanimously approved.

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

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

<b><u>NAME</u></b>	<b><u>DEPARTMENT</u></b>	<b><u>CREDITED SERVICE</u></b>	<b><u>EFFECTIVE DATE</u></b>
Beatrice C Smith	Schools	26 years 7 months	August 1, 2016

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

**IN RE: APPLICATION FOR RETIREMENT – UNIFORMED OFFICERS PENSION PLAN**

Mr. Mason, Legal Counsel, reported he had rendered an opinion concerning whether amounts paid to "cash-out" unused vacation pay are considered "pensionable" for purposes of calculating retirement contributions and benefits. The Executive Director emailed each Board member a copy of counsel's written opinion last Thursday, July 21<sup>st</sup>. The opinion details counsel's analysis and the basis for the following opinions contained therein.

- Each County retirement plan uses the same definition of "compensation", and the opinion applies to each plan.
- Vacation leave taken as paid time off from work while a participant is actively employed is pensionable.
- Vacation leave accrued but unused at retirement is actually paid out in cash in accordance with the specific terms of the various County employer vacation policies. Our opinion has no effect on the calculation or payment of those cash-outs.

Mr. Mason explained he was relying on IRS guidance concerning language incorporated in each County retirement plan. Consistent with the charge to the Board in the County Charter that the Plans be administered on an actuarially sound and financially sound basis, counsel advised that, as the plans are written, vacation leave cash-outs are "pensionable" compensation up to the fixed bona fide limits set out in the various County employer vacation policies.

Mr. Mason stated this opinion does not affect the applicants for retirement on today's agenda, whose vacation pay cash-outs are within the fixed limits of the Sheriff's Office General Order.

He also added Mrs. Bennett, Executive Director, is planning some employee communications on this topic.

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>
Brenda G Heaton	Sheriff	25 years 1 month	August 1, 2016
Milton F Kelly III	Sheriff	25 years 1 month	August 1, 2016

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

**IN RE: APPLICATIONS FOR RETIREMENT AS PROVIDED IN THE ASSET ACCUMULATION PLAN AND AUTHORIZATION OF CREDITED SERVICE BENEFIT BASED ON COMPLETED YEARS OF SERVICE**

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

<u>NAME</u>	<u>DEPARTMENT</u>	<u>CREDITED SERVICE</u>	<u>EFFECTIVE DATE</u>
Gordon H Abbott	Schools	8 years 5 months	August 1, 2016
Ronald L Campbell	Schools	14 years 6 months	August 1, 2016
Robert B Christenson	Schools	26 years 9 months	August 1, 2016
Debra W Dexter	Schools	20 years 8 months	August 1, 2016
Susan M Fowlkes	Health	31 years 7 months	August 1, 2016
Melissa B Lyke	Sheriff	15 years 8 months	August 1, 2016
Carol A Morris	Schools	16 years 1 month	August 1, 2016
Ronald Reed	Schools	5 years	August 1, 2016
Kathy T Ridenour	Schools	21 years 6 months	August 1, 2016
Douglas R Ryerkerk	Schools	8 years 6 months	August 1, 2016
Linda G Sharp	Schools	14 years 6 months	August 1, 2016
Betty A Webster	Schools	31 years 5 months	August 1, 2016

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

**IN RE: REPORT OF EXECUTIVE DIRECTOR**

Mrs. Bennett stated the Schools has paid their portion for the Teachers Plan, Defined Benefit Plan and Disability for a total of \$3 million per the valuation approved by the Board in April. Knox County continues to make monthly payments with the Disability and Defined Benefit Plans paid in full. Mr. Caldwell stated he had a verbal conversation with Schools Finance Director and it is possible the schools may pay an additional \$500,000 per year over a number of years.

Mrs. Bennett reported that the Retirement Education classes Phase II are for the most part completed with the exception of the Knox County Sheriff's Office employees which will be presented in September during in-service. She also stated the next education phase for employees of the Uniformed Officers Pension Plan will be the first of 2017.

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

Chairman Trott requested Mrs. Bennett speak about the annual leave policy, IRS bona fide leave policy and pensionable leave.

Mrs. Bennett stated the policy that has been put in place for all County retirement plans (UOPP, STAR, Asset and DB) is abiding by the IRS bona fide annual leave guidelines and up to the policy is what will be allowed for an employee to take if they retire and it would be compensation towards pensionable earnings. She stated under the revised Sheriff's annual leave policy there will be no more excess carryover approved going forward. Under the Sheriff's Policy the allowed amount this year will be the 43 days carryover plus the days accrued in 2016 (up to 30) which could be a total of 73 days. She stated the

Sheriff's Department has committed to paying out any excess over the next 6 months for those who may be retiring in December but the extra compensation will not be pensionable earnings in the calculation of your average earnings. Mrs. Bennett stated there is an announcement with examples that will be distributed to officers explaining this in more detail.

Chairman Trott stated the Board should be aware there are many employees of the Sheriff's Department here to challenge this change in policy in a civil fashion and wants to make sure the Board is in a position to do all it can do to reduce the impact from that. He stated he would like there to be some forum, such as the Document Committee, if willing, sometime within the next week or so meet to have discussions about specifically that, and even though the IRS is the controlling agency, the IRS doesn't make the policy for the Sheriff Department, they make the policy for the Federal Government and they both have different goals. The IRS goal is to get your tax money and the Sheriff's goal is to make sure that you get a job done that he is proud of in the community and that you get compensated in a way that you're promised you would get compensated. He stated for all those who showed up what that means is I understand what your concerns are and I have asked to set aside time for debate on that specific issue and you are welcome to come to that meeting where there will be time for you to vet your questions or concerns. He stated each person should compose a list of questions specific to themselves, how you're affected by the decision the Executive Director has made and then at this meeting, you will be given time to vet those.

**IN RE: AMENDMENT AND RESTATEMENT OF THE KNOX COUNTY EMPLOYEE BENEFIT SYSTEM**

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

- **ONLY** Online initiation of Loan
- Must be paid back within 5 years with after tax dollars
- Amortization schedule is put together by USI and sent to the Retirement Office to input into payroll
  - If loan payments are missed by payroll and not made up, loan balance must be reported as income and 1099-R issued (may be subject to taxes and penalty) at the end of the calendar quarter following the calendar quarter in which the default occurred.
  - Repayments can be suspended for employees performing military service and the period of time extended for the period on military leave. FMLA can be suspended but 5 yr. limit still applies.
- Plan Transfers must be communicated so disruptions don't occur (i.e. transfer from Asset to STAR; or STAR to Asset)
- Termed participants must report outstanding loan balances as income, if it's not paid off by the end of the calendar quarter following employment termination date

- Loans can be paid off early in a lump sum via certified check. Partial pre-payments are not accepted.
- Participant must be fully vested to be eligible for loan
- \$5,000 minimum loan
- Maximum = lesser of 25% of employee account balance or \$50,000 (in accordance with IRS rules)
- 1 loan outstanding at a time
- Payback period up to 5 years
- Interest Rate – 4% (Fixed Rate determined by Board within the Interest Rate /Loan Policy)
- 1 year waiting period between loans
- Participant must remain on a payroll frequency that continues 12 months out of the year
- Fees
  - Loan initiation - \$50.00
  - Processing Payroll Deduction Payments - \$17.50 semi-annually (June and December)
- Loan Pilot Program – September 1, 2016 thru June 30, 2018. Knox County Only (including all depts./fee offices paid on the Knox County (Munis) Payroll System)
  - Knox County Schools, E911, Metro. Drug Commission, and Charter Schools are not part of the Pilot Program

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

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

**IN RE: AMENDMENT AND RESTATEMENT OF THE KNOX COUNTY SHERIFF'S TOTAL ACCUMULATION RETIREMENT PLAN**

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

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

After discussion by the Board Members, a motion was made by Mr. McBride to approve the amendment and restatement of the Sheriff's Total Accumulation Retirement Plan. The motion was seconded by Commissioner Thomas and unanimously approved.

**IN RE: REPORT OF LEGAL COUNSEL**

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

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

**IN RE: REPORT OF ACTUARY**

Mrs. Dunaway stated there was no business to report at this time.

**IN RE: REPORT OF INVESTMENT COMMITTEE**

Mr. McBride presented the rates of return as of June 30, 2016, from USI Consulting Group.

Mr. McBride stated the Investment Committee meets on August 16<sup>th</sup> at 1:00 p.m.

Mrs. Bennett stated the Defined Benefit Plan rates of return will be emailed upon receipt from Wilshire & Associates.

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

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

Invoices for July 2016

BENXL

Invoice #102875 \$800.00

KENNERLY, MONTGOMERY & FINLEY, P.C.

Invoice #198154 \$9,963.00

KENNERLY, MONTGOMERY & FINLEY, P.C.

Invoice #198156 \$1,458.00

USI CONSULTING GROUP

Invoice #90011490 \$28,600.00

USI CONSULTING GROUP

Invoice #90011663 \$35,844.25

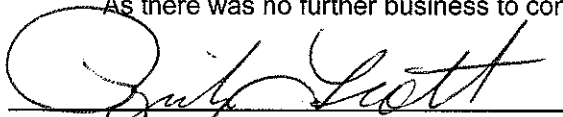
Invoices for July 2016

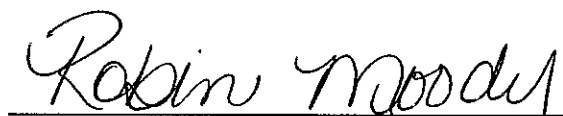
\$76,665.25

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

**ADJOURNMENT**

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

  
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RICK TROTT, CHAIRMAN

  
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ROBIN MOODY, SECRETARY