

## **KNOX COUNTY RETIREMENT AND PENSION BOARD**

**AUGUST 28, 2017**

The Knox County Retirement and Pension Board met in regular session on Monday, August 28, 2017, at 1:30 P.M. in the County Commission Conference Room 640, City-County Building, Knoxville, Tennessee. Chairman Brantley presided and called the meeting to order.

The following members were present: Commissioner Ed Brantley, Chairman, Mr. Chris Caldwell, Proxy for Mayor Burchett (by phone), Vice Chairman, Commissioner Hugh Nystrom, Secretary, Commissioner John Schoonmaker, Ms. Tracy Foster, Mrs. Jennifer Hemmelgarn, and Mr. Zack Webb. Also present at the meeting were: Mr. Bob Cross, USI Consulting Group, Ms. Carissa Dunaway, USI Consulting Group, Mr. Bill Mason, Mrs. Ashley Trotto, Mrs. Stephanie Coleman, Legal Counsel, Mr. Bud Armstrong, Law Director, Mr. David Buuck, Chief Deputy Law Director, Mr. Wayne Sellers, Nationwide, and Retirement staff, Ms. Kim Bennett, Ms. Jennifer Schroeder, Ms. Terri Chase, Ms. Mitzi Stooksbury and Ms. Janet Rowan.

### **IN RE: AMENDMENTS TO THE AGENDA**

Chairman Brantley asked if there are any amendments to the agenda and being none the agenda was set.

### **IN RE: APPROVAL OF MINUTES OF JULY 24, 2017**

Secretary Nystrom presented the minutes of the prior meeting of July 24, 2017, stated he had personally reviewed them and made a few minor revisions, and made a motion that the minutes be approved as presented. The motion was seconded by Commissioner Schoonmaker and unanimously approved.

### **IN RE: APPLICATION FOR DISABILITY BENEFIT – EMPLOYEE DISABILITY PLAN**

The application for disability benefits for **STACEY L. DOZIER**, employee of Sheriff's Department, and a participant in the Asset Accumulation Plan, was presented. Ms. Dozier has 9 years 5 months of credited service. Notification was received from UNUM dated August 14, 2017, recommending approval of a disability benefit for Ms. Dozier.

A motion was made by Ms. Foster to accept the recommendation of UNUM to approve the request of Ms. Dozier for disability benefits. The motion was seconded by Commissioner Nystrom 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> |
|--------------------|--------------------------|--------------------------------|------------------------------|
| Susan Burleson     | Schools                  | 26 years 8 months              | September 1, 2017            |
| William N Clabo    | Schools                  | 30 years 1 month               | September 1, 2017            |
| Carol A Fortner    | Schools                  | 30 years 1 month               | September 1, 2017            |

After review, a motion was made by Ms. Hemmelgarn to approve the application 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 Schoonmaker 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> |
|---------------------|-------------------|-------------------------|-----------------------|
| Judy J Beeler       | Schools           | 32 years 10 months      | September 1, 2017     |
| JoAnn Burnett       | County Clerk      | 35 years 11 months      | September 1, 2017     |
| Janice E Cate       | Schools           | 19 years 10 months      | September 1, 2017     |
| Ora J Chandler      | Schools           | 15 years 1 month        | September 1, 2017     |
| Mitzi S Connell     | Schools           | 12 years 1 month        | September 1, 2017     |
| Trudy D Crass       | Schools           | 6 years 1 month         | September 1, 2017     |
| Margaret E Cummings | Schools           | 33 years 6 months       | September 1, 2017     |
| Melissa L Cupp      | Criminal Court    | 8 years 1 month         | September 1, 2017     |
| Clara P Dotson      | Schools           | 20 years 1 month        | September 1, 2017     |
| Sherry D Dunn       | Schools           | 14 years 9 months       | September 1, 2017     |
| Glenda F Fox        | Election Comm     | 17 years 11 months      | September 1, 2017     |
| Cathy M Frye        | Schools           | 29 years 5 months       | September 1, 2017     |
| Nancy R Griffin     | Schools           | 10 years 1 month        | September 1, 2017     |
| Tammy K Harless     | Schools           | 19 years 1 month        | September 1, 2017     |
| Otha R Hatcher      | Schools           | 25 years                | September 1, 2017     |
| Cynthia Haun        | Schools           | 31 years                | September 1, 2017     |
| Virginia S Houk     | Schools           | 30 years 2 months       | September 1, 2017     |
| Vicki S Houser      | Schools           | 14 years 11 months      | September 1, 2017     |
| Jeannie W Hurst     | Schools           | 20 years 1 month        | September 1, 2017     |
| Wendy M Ivens       | Juvenile Court    | 10 years 3 months       | September 1, 2017     |
| Kay Kaserman        | Juvenile Services | 27 years 1 month        | September 1, 2017     |
| Roy E Kelley        | EPW               | 13 years 7 months       | September 1, 2017     |
| Eileen O King       | Schools           | 24 years 24 months      | September 1, 2017     |
| Kimberly A McCurdy  | Schools           | 21 years                | September 1, 2017     |
| Shirley J Osborne   | Schools           | 16 years 1 month        | September 1, 2017     |
| Brenda V Owen       | Schools           | 29 years 8 months       | September 1, 2017     |
| Gary L Palmer       | Sheriff           | 18 years 7 months       | September 1, 2017     |
| Karen A Partin      | Schools           | 6 years                 | September 1, 2017     |
| Marsha F Partin     | Schools           | 10 years 1 month        | September 1, 2017     |
| Tina E Perry        | Schools           | 25 years                | September 1, 2017     |
| James L Roberts     | EPW               | 12 years 3 months       | September 1, 2017     |

|                    |           |          |          |                   |
|--------------------|-----------|----------|----------|-------------------|
| Donna M Scripa     | Schools   | 19 years | 4 months | September 1, 2017 |
| Daniel Stewart     | Schools   | 32 years | 6 months | September 1, 2017 |
| Pamela J Turner    | Comm Svcs | 9 years  | 2 months | September 1, 2017 |
| Rebecca A Vittetoe | Schools   | 30 years | 1 month  | September 1, 2017 |
| Judy Wilson        | Schools   | 28 years | 8 months | September 1, 2017 |

Commissioner Schoonmaker asked why this month there were so many employees retiring from the schools and Ms. Bennett replied that this is typical each school year because most employees from the schools receive pay through August for a September 1 eligibility date for Retirement. After review, a motion was made by Commissioner Thomas to approve the applications for retirement under the Asset Accumulation Plan as presented and to authorize the Directed Custodian, Wells Fargo Bank, to make disposition of the benefits upon certification from USI and to authorize Trustee, State Street Bank, to make payment of the credited service benefit. The motion was seconded by Commissioner Schoonmaker and unanimously approved.

**IN RE: REPORT OF EXECUTIVE DIRECTOR**

Ms. Bennett reported the Loan Program was implemented in September of 2016. Ms. Bennett stated that the statistical information was added to her report so the Board could monitor the loan process. Ms. Bennett reported that there were 5 loans processed in the last 30 days. Ms. Bennett stated that in the future, verbal reports on loans would only be made to communicate significant changes. Commissioner Thomas stated that he would like to see at least a quarterly report on loans and Ms. Bennett stated that the statistical data could be added to the spread of record each month. Commissioner Thomas agreed. Ms. Bennett reminded the Board that the sunset date for applying for a loan was June 30, 2018 unless the Board took further action.

**Asset Accumulation Plan**

|   |                |
|---|----------------|
| Total number of loans – as of August 24, 2017         | 222            |
| Approximate number of participants eligible for loans | 1,126          |
| Percentage of Participants with loans processed       | 19.72%         |
| Total value of all loans as of August 24, 2017        | \$3,241,443.63 |
| Average Loan Balance                                  | \$14,601       |

**STAR** – No participants eligible for loans.

Mrs. Bennett stated there were 5 loans processed in the last month.

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

|  |    |
|--|----|
| Distributions processed August 1 through August 22 <sup>nd</sup> | 81 |
|--|----|

Ms. Bennett suggested that in the future, distributions be reported like loans – only verbal reporting on significant changes and statistics included in the monthly spread of record. The Board agreed.

Ms. Bennett report that Robertson, Overbey has reviewed the Fiduciary Insurance Policy Renewal for September 1, 2017, a few minor necessary changes have been conveyed to USI for consideration. Ms. Bennett stated that the premium has dropped from \$59,000 for FY 17 to \$51,643 for FY 18. A motion was made by Commissioner Nystrom to accept the new premium and submit the renewal with Robertson,

Overbey's for final review of counsel. The motion was seconded by Ms. Foster and unanimously approved.

#### **IN RE: RFQ REPORT**

Mrs. Bennett stated the committee received 18 bids for review and all bids submitted met the qualification requirements. Ms. Bennett stated that the goal of the committee was to touch base next week after completing an individual review of each bid submitted. Commissioner Brantley stated that because of the large response it may take more time for the committee to review. Commissioner Nystrom and Mr. Webb agreed. Ms. Bennett reported that the next meeting would be delayed a week or two because of the additional time required to review the bids.

#### **IN RE: REPORT OF DISABILITY COMMITTEE**

Mrs. Bennett stated that she, Jennifer Schroeder and Bob Cross visited Reed Group August 14th in the Houston, Texas area and Reed Group was quite impressive, but Mr. Cross was researching another potential vendor as well. Mr. Cross stated that after leaving 3 separate messages, that he had not received any contact back from the other vendor. Mr. Cross reported that Reed Group was top notch and that the visit with Reed Group went well. Ms. Bennett stated that she had sent Reed Group basic fact information and anticipated receiving a cost quote this week. Ms. Bennett indicated that there are still ongoing issues with UNUM, and that after the quote is received, a Disability Committee meeting would be held to discuss Reed Group and UNUM in more detail. Ms. Bennett noted that the UNUM contract expires on June 30, 2018, which makes the timeline fairly tight if the Board decides to change vendors.

#### **IN RE: ELECTION COMMITTEE**

Mrs. Bennett reported the election on September 7, for the open Board Seat will have one candidate on the ballot, Garrett Raiden. Ms. Bennett stated that Mr. Raiden is employed by the Schools Finance Department and previously was an auditor with Pugh & Company and audited The Board's Plans. Ms. Bennett stated that just one vote is needed to secure the open seat. The results would be released on September 8, 2017, and the new member would be sworn in at the September Board Meeting.

#### **IN RE: REPORT OF INVESTMENT COMMITTEE**

Mr. Caldwell presented the rates of return for the Defined Contribution Plans as of July 31, 2017, from USI that were distributed to the Board Members. Mr. Caldwell pointed out that the 457 plan has now reached its 10 year anniversary and has almost \$20 million invested.

Ms. Bennett stated that included in the board packet was the investment changes for Nationwide's 457 plan, as recommended by the Investment Committee. Chairman Brantley made a motion to accept the fund changes, as recommended, to be effective October 24, 2017. The motion was seconded by Mr. Webb and unanimously approved.

#### **IN RE: CONSIDERATION OF RESOLUTION OF MERP INVESTMENTS/LIFE INSURANCE PLAN**

Mr. Webb stated that the investments in the Medical Expense Retirement Plan (MERP) are a fixed or locked investment, determined by the Board that cannot be change by the participant. At its August 15 meeting, the Investment Committee approved a recommendation to "unlock" the investment options and allow participants who choose to do so to direct their own investments, like they are permitted to do under the Asset Accumulation Plan. Mr. Webb indicated that the default investment would remain the same as

the one currently, set by the Board but if a participant wanted to direct investments differently, that option would be available. In other words, only participants who wish to direct their own investments would be affected by this recommendation. Ms. Dunaway stated that USI would check the funds to see if all the investments were still open and if not a similar fund would be offered as a replacement.

Ms. Bennett reviewed moving the administration of the Life Insurance from the Retirement and Pension Board office to the Human Resource office. This move was recommended after the auditors conducted a work study stating that life insurance is an active benefit and should be administered with the other county benefits in Human Resources. Ms. Bennett stated that Mr. Caldwell and Mr. Mark Jones in Human Resources have agreed to this change. Ms. Foster asked when the transition would start and Mr. Schoonmaker inquired about the effective date. Ms. Bennett stated that the transition would take place over the next four months with Human Resources handling premium payments, enrollment eligibility and open enrollment in October. The Retirement and Pension Board office would still pay the claims and submit disability waiver of premiums for the short term. Mr. Mason stated that the Board would have first and second reading in September and October, respectively and a specific date could be locked in at that time. Mr. Wayne Sellers from Nationwide Solutions asked if the Board would allow MERP participants to invest in Nationwide Funds. Mr. Cross asked Mr. Sellers to call Michael Wells at USI to further explore that option. A motion was made by Mr. Nystrom to approve the resolution to amend MERP and its Investment Policy to allow participants to individually direct investments effective January 1, 2018 and to amend the Plans to transfer administration of the Knox County Life Insurance benefit to the Knox County Human Resources Department. The motion was seconded by Mr. Webb and unanimously approved.

Jennifer – please insert the Resolution here.

**IN RE: REPORT OF LEGAL COUNSEL**

Ms. Coleman, Roberston Overbey, stated that she had been working on the fiduciary insurance renewal with Ms. Bennett and had no other report.

Mr. Mason, Kennerly Montgomery, stated the Board had received a copy of his letter addressed to Ms. Bennett requesting the Board give its informed consent regarding Kennerly Montgomery's ongoing representation of the Board specifically with regard to UOPP and the Sgt. Gass case. Mr. Mason stated that the letter refers to specific questions raised recently regarding the attorneys' Rules of Professional Conduct and his communications to the Board and his advice on the interpretation of UOPP as the primary author of the UOPP document. Chairman Brantley asked Mr. Mason if a motion was required. Mr. Mason stated that he would like Board's specific consent to continue to advise the Board on the Sgt. Gass case or interpretation of UOPP. After further discussion, Commissioner Schoonmaker asked general counsel to give an opinion. Ms. Coleman stated that the circumstances surrounding this case are unusual. Ms. Coleman was clear that she had not read or seen most of the discussion items leading to Mr. Mason's request but that she understood Mr. Mason to be asking for the Board to give its informed consent for Kennerly Montgomery to continue advising the Board on the stated matters and that the Board needed to formally decide to continue receiving such advice from Mr. Mason and his Firm. A motion was made by Ms. Foster to give Mr. Mason and his Firm informed consent to continue its representation of the Board on

the Sgt. Gass case and specifically with regard to advice on the interpretation and authorization of the adoption of UOPP. The motion was seconded by Commissioner Thomas and unanimously approved.

Mr. Armstrong, Knox County Law Director, reported that an offer of settlement had been made by Sgt. Gass and that a Resolution to that effect has been distributed whereby Sgt. Gass would dismiss his current lawsuit without prejudice if the Pension Board agrees to a full administrative re-hearing of his case. Mr. Armstrong recommended the Board approve the Resolution. Commissioner Thomas made a motion to adopt the Resolution. The motion was seconded by Chairman Brantley. During discussion, Ms. Foster made a substitute motion, to defer a vote on the Resolution until there is a full Board to vote. Mr. Armstrong stated that the Board had delayed already in responding to the offer and that Sgt. Gass' attorney could retract the offer at any time. Discussion continued about the Board setting a precedent of allowing participants to come back to the Board again and again to rehear the same subject matter that was already decided upon. The substitute motion did not receive a second and was ruled to have failed by Chairman Brantley for that reason. The original motion made by Commissioner Thomas to adopt the Resolution, seconded by Chairman Brantley, was voted on and passed. Ms. Foster voted against approval of the Resolution. Jennifer – Insert the Resolution here please. Mr. Armstrong stated that the Resolution would be filed and that the Law Department would notify the Retirement and Pension Board office when the resulting dismissal was received.

**IN RE: REPORT OF ACTUARY**

Mr. Cross had no report.

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

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

| Invoices for August 2017                                | Fiscal YTD Approved Invoices 07/31/2017 | AUG Invoice For Approval | Fiscal YTD Approved Invoices 08/31/2017 |
|---|---|--------------------------|---|
| BENXL<br>Invoice # 102902                               |   | \$25,800.00              |   |
| <b>TOTAL BENXL</b>                                      | \$0.00                                  | \$25,800.00              | \$25,800.00                             |
| KENNERLY, MONTGOMERY & FINLEY, P.C.<br>Invoice # 203044 |   | \$500.00                 |   |
| KENNERLY, MONTGOMERY & FINLEY, P.C.<br>Invoice #        |   | \$0.00                   |   |
| KENNERLY, MONTGOMERY & FINLEY, P.C.<br>Invoice #        |   | \$0.00                   |   |
| <b>***TOTAL KENNERLY, MONTGOMERY &amp; FINLEY, P.C.</b> | \$0.00                                  | \$500.00                 | \$500.00                                |
| ROBERTSON, OVERBEY<br>Invoice # 061417-9897M            |   | \$0.00                   |   |
| <b>*** TOTAL ROBERTSON, OVERBEY</b>                     | \$0.00                                  | \$0.00                   | \$0.00                                  |
| USI CONSULTING GROUP<br>Invoice # 90017110              |   | \$50,631.00              |   |
| USI CONSULTING GROUP<br>Invoice # 90016633              |   | \$40,678.43              |   |
| <b>TOTAL USI CONSULTING GROUP</b>                       | \$0.00                                  | \$91,309.43              | \$91,309.43                             |
| <b>Invoices for August 2017</b>                         | <b>\$0.00</b>                           | <b>\$117,609.43</b>      | <b>\$117,609.43</b>                     |

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

|   |                    | Fiscal YTD |
|---|--------------------|------------|
| Robertson, Overbey Retainer                 | \$4,000 per month  | \$8,000    |
| Kennerly Montgomery Retainer                | \$12,000 per month | \$24,000   |
| <b>Fees Received from QDRO Participants</b> | \$500 (DC Fee)     | \$500      |
|   | \$2,000 (DB Fee)   | \$0        |

Commissioner Schoonmaker sought explanation for the \$200 an hour programming fees with Benxl to see if the programming could be done locally. Ms. Bennett stated that Benxl did work on our account as indicated on the invoice and that a local programmer could not do the programming in BENXL. 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 Retirement Plans. The motion was seconded by Commissioner Nystrom and unanimously approved.

**ADJOURNMENT**

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



COMMISSIONER ED BRANTLEY, CHAIRMAN



COMMISSIONER HUGH NYSTROM, SECRETARY