

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

**JULY 24, 2017**

The Knox County Retirement and Pension Board met in regular session on Monday, July 24, 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, 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, Mr. Bill Mason, Mrs. Ashley Trotto, Mr. John Owings, Mrs. Stephanie Coleman, Legal Counsel, Mr. Bud Armstrong, Law Director, Mr. David Buuck, Chief Deputy Law Director, Mr. Ed Shouse, Knox County Trustee, Mr. Wayne Sellers, Nationwide, and Retirement staff, Mrs. Kim Bennett, Mrs. Jennifer Schroeder and Mrs. Janet Rowan.

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

Mrs. Bennett stated the agenda was amended to add an additional retiree of the Defined Contribution Plan for approval.

A motion was made by Commissioner Nystrom to accept the amended agenda. The motion was seconded by Mr. Webb and unanimously approved.

### **IN RE: APPROVAL OF MINUTES OF JUNE 26, 2017**

Secretary Nystrom presented the minutes of the prior meeting of June 26, 2017, stated he had personally reviewed them, and made a motion that the minutes be approved as presented. The motion was seconded by Commissioner Thomas and unanimously approved.

### **IN RE: APPEAL OF FRANK BROWN JR ON HIS DISABILITY DENIAL IN MAY 2017**

Mrs. Bennett stated Mr. Brown submitted a written request to appeal the disability denial he received in May. She stated the request was submitted within the 60 days allotted for appeal. Mrs. Bennett stated the Retirement Office would send a letter to UNUM requesting another medical team to review the information submitted previously and also any new medical information received from Mr. Brown.

After discussion, a motion was made by Commissioner Nystrom to accept the appeal of Mr. Brown and resubmit information to UNUM for review by another medical team. The motion was seconded by Mr. Webb and unanimously approved.

Commissioner Schoonmaker asked if appeals happened often. Mrs. Bennett stated no.

### **APPLICATION FOR DISABILITY BENEFIT – EMPLOYEE DISABILITY PLAN**

The application for disability benefits for **FLOYD ARCHER**, employee of Parks & Rec, and a participant in the Asset Accumulation Plan, was presented. Mr. Archer has 19 years 11 months of credited service. Notification was received from UNUM dated July 5, 2017, recommending approval of a disability benefit for Mr. Archer.

After discussion, a motion was made by Commissioner Thomas to accept the recommendation of UNUM to approve the request of Mr. Archer for disability benefits. The motion was seconded by Commissioner Schoonmaker and unanimously approved.

The application for disability benefits for **SUZANNE B LOWERY**, employee of the Schools, and a participant in the Asset Accumulation Plan, was presented. Ms. Lowery has 14 years 7 months of credited service. Notification was received from UNUM dated July 14, 2017, recommending approval of a disability benefit for Ms. Lowery.

After discussion, a motion was made by Commissioner Schoonmaker to accept the recommendation of UNUM to approve the request of Ms. Lowery for disability benefits. The motion was seconded by Ms. Hemmelgarn 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:

<u>NAME</u>	<u>DEPARTMENT</u>	<u>CREDITED SERVICE</u>	<u>EFFECTIVE DATE</u>
Henry J Muckle	Schools	30 years 1 month	August 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 Mr. Webb and unanimously approved.

**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>
Paul E Story	Sheriff	27 years	August 1, 2017

After review, a motion was made by Commissioner Thomas to approve the application 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 Nystrom 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>
Willie J Anderson	Schools	7 years 10 months	August 1, 2017
Jacqueline L Caruthers	Schools	6 years 11 months	August 1, 2017
Cindy Hickerson	Schools	7 years 11 months	August 1, 2017
Glenda J Ladd	Health	13 years	August 1, 2017
James McAliley	Schools	12 years	August 1, 2017
Judy K Reeves	Schools	11 years 4 months	August 1, 2017
Karen Suarez	Schools	30 years	August 1, 2017

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 Mr. Webb and unanimously approved.

**IN RE: REPORT OF EXECUTIVE DIRECTOR**

Ms. Bennett reported the following statistics for the **Loan Program**:

**Asset Accumulation Plan**

Total number of loans – as of July 20, 2017	218
Approximate number of participants eligible for loans	1,126
Percentage of Participants with loans processed	18.47%
Total value of all loans as of July 20, 2017	\$3,239,571.66
Average Loan Balance	\$18,600

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

Mrs. Bennett stated there were 14 loans processed in the last month.

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

Distributions processed May through July 21st	108
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Mrs. Bennett stated the number of distributions is higher than the normal 60-70 due to the Voluntary Work Reduction Program and the timing for schools.

Chairman Brantley asked if Mrs. Bennett sent the letter to schools regarding the waiting period for reemployment. Mrs. Bennett stated yes the letter was sent to Scott Bolton and also a listing of the retirees from the Voluntary Work Reduction Program.

Ms. Schroeder gave a summary of the conference, International Foundation of Employee Benefit Plans with Certification of Achievement in Public Plan Policy (CAPP) that she attended. She stated the conference included the following topics:

- Governance
- Legal Environment
- Legislative/Regulatory Development
- Actuarial Principles
- Plan Design
- Investments
- Business Improvement Strategies
- Emerging Issues

She stated most attendees were Trustees of Governmental Plans and most Boards require Trustees to attend the CAPP Certification. Mrs. Schroeder stated there were attendees from 40-50 states and good networking with them. She stated she was the only person in a governmental plan that was a Defined Contribution Plan.

**IN RE: RFQ REPORT**

Mrs. Bennett stated the deadline for bids is this Friday (7/28) and the committee would meet sometime the following week to discuss next steps. She stated the bids will be opened at 2:00 p.m. Friday, July 28<sup>th</sup>.

**IN RE: REPORT OF DISABILITY COMMITTEE**

Commissioner Thomas stated originally three (3) companies were interested in the prospect of reviewing medical information for disabilities; however, there is now only one (1) other than UNUM. Mr. Cross stated the other companies wanted to provide other services.

Mrs. Bennett stated that she, Jennifer Schroeder and Bob Cross will be visiting Reed Group August 14<sup>th</sup> in the Houston, Texas area. She stated there will also be a scheduled visit to UNUM. Mrs. Bennett stated Mr. Cross's contact stated claims are all processed in Chattanooga, Tennessee not Columbia, South Carolina where the disability information is sent.

**IN RE: ELECTION COMMITTEE**

Mrs. Bennett reported the Election Committee is comprised of the following members:

- Chris Caldwell, Chairman
- Allison Rogers
- Khrysta Baig
- Scott Bolton
- Krisden Parrott

Mrs. Bennett stated the committee needs to fill Robin Moody's seat on the Pension Board and will be sending an announcement to schools employees in August when school is back in session. She stated the election will be held in early September 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 June 30, 2017, from USI that were distributed to the Board Members. Mrs. Bennett stated the Defined Benefit Plan rates of return will be emailed upon receipt from Wilshire & Associates.

Mr. Caldwell stated the quarterly Investment Committee Meeting is scheduled for Tuesday, August 15<sup>th</sup> at 1:30 p.m.

**IN RE: REPORT OF LEGAL COUNSEL**

Mr. Armstrong, Knox County Law Director, stated Mr. Gass through his attorney, has proposed the Board administratively reconsider his case in total, *de novo*, with all facts and issues on the table, all the way back to the 43 vacation days or no vacation days at all. He stated he thought this would put the Board in a better position. Mr. Armstrong stated the Law Dept. sent a memo to the Board on that point and if the Board would like more details or discussion, he would propose an Executive Session. Mr. Armstrong stated otherwise, the Law Dept. would recommend placing the proposal on the agenda for the August Board meeting. Chairman Brantley agreed to place the issue tentatively on the August agenda.

Mr. Owings and Mr. Mason had nothing to report at this time.

## **IN RE: REPORT OF ACTUARY**

Mr. Cross stated it is standard procedure for USI Consulting Group, Inc. to perform an experience study on the Defined Benefit Plans every five years comparing assumptions to actual experience to determine whether changes in assumptions are recommended.

Mr. Cross went over the executive summaries and recommended changes, if any, for each of the plans as follows:

- Defined Benefit: Continue with 7% rate of return; lower salary assumptions from 3% to 2.5% for active participants; continue with cost of living adjustment, move to Tennessee Consolidated Retirement Systems (TCRS) mortality tables; lower disability rate; no change in term rate.

Commissioner Thomas asked if there were any red flags. Mr. Cross stated no.

- Teachers Plan: Move to Tennessee Consolidated Retirement Systems (TCRS) mortality tables.
- Uniformed Officers Pension Plan Experience: Return rates are skewed due to Voluntary Workforce Reduction Program. Recommend moving to graded assumption for those hired prior to age 40; reduce cost of living adjustment to 3.125%; lower disability rate; smooth rates for terminations for those hired after age 40; summary recognized that participants are retiring earlier with higher benefits; further discussion is warranted for rate of return. Mr. Cross stated there would be an increase in contribution and liability due to these recommendations.

Disability Plan – The plan is young and does not have many disabled participants requiring a longer analysis period before any changes can be recommended to the Board. Mrs. Bennett asked if changes to the mortality tables would affect benefit calculations. Mr. Cross stated he recommends the actuarial equivalent in the plan match the valuation. Mr. Mason stated the system definition of actuarial equivalent and this issue needed to be looked into further. Mrs. Bennett agreed.

After discussion, a motion was made by Mr. Caldwell to accept the experience studies of the Defined Benefit, Teachers and Uniformed Officers Pension Plans presented by USI Consulting Group, Inc. The motion was seconded by Commissioner Thomas and unanimously approved.

Mr. Cross presented the final Actuarial Valuation for the Uniformed Officers Pension Plan for the Plan Year beginning January 1, 2017. Mr. Cross stated that the contribution increased from \$4.1 million to \$5.3 million and that the funded ratio declined somewhat. He stated the significant reason for this occurrence was that a number of participants retired earlier than expected with higher benefits. In that regard, Mr. Cross noted that there was a change in personnel policy but that he could not entirely determine the impact going forward of the reduction in the amount of vacation pay taken into account for retirement purposes. He stated he increased the liability by 1% to take into account that additional drop in salary that has occurred and probably will occur and that assumption will be monitored closely over next 3-5 years. He reported the recommended employer actuarially determined contribution for the fiscal year ending June 30, 2018 is \$5,298,465 or 21.66% calculated as payable on July 1, 2017.

After discussion by the Board Members, a motion was made by Mr. Caldwell to accept the Actuarial Valuation Report for the Uniformed Officers Pension Plan. The motion was seconded by Commissioner Thomas and unanimously approved.

**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:

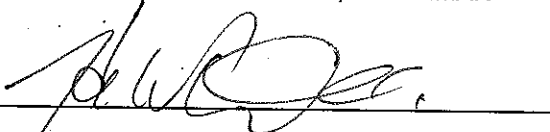
Invoices for JULY 2017	Fiscal YTD Approved Invoices 06/30/2017	July Invoice For Approval	Fiscal YTD Approved Invoices 07/31/2017
<b>BENXL</b>			
<b>Invoice # 102898</b>		<b>\$1,200.00</b>	
<b>TOTAL BENXL</b>	<b>\$50,400.00</b>	<b>\$1,200.00</b>	<b>\$51,600.00</b>
<b>KENNERLY, MONTGOMERY &amp; FINLEY, P.C.</b>			
<b>Invoice # 202800</b>		<b>\$13,477.50</b>	
<b>KENNERLY, MONTGOMERY &amp; FINLEY, P.C.</b>			
<b>Invoice # 202802</b>		<b>\$424.00</b>	
<b>KENNERLY, MONTGOMERY &amp; FINLEY, P.C.</b>			
<b>Invoice # 202804</b>		<b>\$800.00</b>	
<b>***TOTAL KENNERLY, MONTGOMERY &amp; FINLEY, P.C.</b>	<b>\$132,642.00</b>	<b>\$14,701.50</b>	<b>\$147,343.50</b>
<b>ROBERTSON, OVERBEY</b>			
<b>Invoice #</b>			
<b>*** TOTAL ROBERTSON, OVERBEY</b>	<b>\$8,895.75</b>		<b>\$8,895.75</b>
<b>USI CONSULTING GROUP</b>			
<b>Invoice # 90016479</b>		<b>\$47,008.50</b>	
<b>*TOTAL USI CONSULTING GROUP</b>	<b>\$482,974.15</b>	<b>\$47,008.50</b>	<b>\$529,982.65</b>
<b>Invoices for JULY 2017</b>	<b>\$674,911.90</b>	<b>\$62,910.00</b>	<b>\$737,821.90</b>
<b>*** Retainer not included in approved billings for the Board</b>			<b>Fiscal YTD</b>
<b>Robertson, Overbey Retainer</b>	<b>\$4,000 per month</b>		<b>\$48,000</b>
<b>Kennerly Montgomery Retainer</b>	<b>\$5,000 per month</b>		<b>\$60,000</b>
<b>Fees Received from QDRO Participants</b>	<b>\$500 (DC Fee)</b>		<b>\$2,500</b>
	<b>\$2,000 (DB Fee)</b>		<b>\$2,000</b>

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 Schoonmaker 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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COMMISSIONER ED BRANTLEY, CHAIRMAN

  
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COMMISSIONER HUGH NYSTROM, SECRETARY