

KNOX COUNTY RETIREMENT AND PENSION BOARD

APRIL 24, 2017

The Knox County Retirement and Pension Board met in regular session on Monday, April 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, Commissioner Bob Thomas, Mrs. Tracy Foster, Mrs. Jennifer Hemmelgarn, and Mr. Zack Webb. Also present at the meeting were: Mrs. Carissa Dunaway, USICG, Mr. William Mason, Mrs. Stephanie Coleman, Legal Counsel, Mr. David Buuck, Chief Deputy Law Director, 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 bills for this month have been amended and each member has been given a revised fee schedule.

Commissioner Schoonmaker requested to add a discussion item – Gregory Gass vs. Knox County Retirement & Pension Board status.

IN RE: APPROVAL OF MINUTES OF MARCH 27, 2017

Consideration of approval of the minutes of the previous meeting of March 27, 2017, was presented. A motion was made by Commissioner Schoonmaker to defer the approval of the minutes until May Board Meeting due to additional comments from Legal Counsel. The motion was seconded by Commissioner Thomas and unanimously approved.

IN RE: APPLICATION FOR DISABILITY BENEFIT – EMPLOYEE DISABILITY PLAN

The application for disability benefits for DARRELL L WISER, employee of the Engineering & Public Works, and a participant in the Asset Accumulation Plan, was presented. Mr. Wisser has 19 years 1 month of credited service. Notification was received from UNUM dated April 13, 2017, recommending denial of a disability benefit for Mr. Wisser.

After discussion, a motion was made by Commissioner Thomas to accept the recommendation of UNUM to deny the request of Mr. Wisser for disability 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>
Sheila G Bounds	Finance	22 years 7 months	May 1, 2017
Leslie M May	Schools	19 years 9 months	May 1, 2017

After review, a motion was made by Mr. Caldwell 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 Thomas and unanimously approved.

IN RE: REPORT OF EXECUTIVE DIRECTOR

Mrs. Bennett stated the Retiree Luncheon was Tuesday April 11th and there were 575 attendees in addition to the Board Members, Sponsors and Staff that attended. She stated the luncheon was a success and operated smoothly.

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

Asset Accumulation Plan

Total number of loans – as of April 19, 2017	195
Approximate number of participants eligible for loans	1,188
Percentage of Participants with loans processed	16.41%
Total value of all loans as of March 24, 2017	\$3,097,621
Average Loan Balance	\$15,885

STAR – No participants eligible for loans.

Mrs. Bennett stated there were 9 loans processed in the last month.

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

Distributions processed in April 50

Mrs. Bennett stated the Voluntary Workforce Reduction Program has closed. She stated 79 applicants were approved and about 70 of them are eligible to retire as of July 1, 2017. She stated the applicants were paid their credited service benefit on Friday, April 20th.

Mrs. Bennett reported the disability transfers for disability retirees formerly in the Defined Benefit Plan and disability retirees of the Employee Disability Plan that have been disabled for one full year have been funded and communications have been mailed.

Mrs. Bennett requested the Investment Committee meet within 30 days to review and revise the request for qualifications for investment advisory consulting services for the defined benefit plans. Knox County Procurement will handle the request for qualifications through the Knox County Procurement Process.

Mrs. Bennett stated the disability contract with Unum ends June 2018. She stated Bob Cross, USI Consulting Group, has two or three viable options to present to the Disability Committee for review. Mrs. Bennett stated the Board will probably want to prepare a request for proposal for the disability vendor.

IN RE: FISCAL YEAR 2018 BUDGET PRESENTATION

Mrs. Bennett presented the fiscal year 2018 budget. She stated the auditor's report on staffing has not been completed due to compensation study. She stated Salaries, Social Security Tax, and Retirement cannot be calculated until that study is complete.

Commissioner Schoonmaker suggested the Board wait until the Budget is final to approve as it won't affect the operations of the Retirement Office.

After discussion, a motion was made by Commissioner Schoonmaker to defer approval of the Fiscal Year 2018 Budget until final. The motion was seconded by Mr. Webb and unanimously approved.

IN RE: PUBLIC HEARING AND FIRST READING OF AMENDMENT AND RESTATEMENT OF THE KNOX COUNTY EMPLOYEE BENEFIT SYSTEM

Mrs. Bennett presented the following information for amendment of the Knox County Employee Benefit System:

**Summary Document for
System Amendments**

The following summarizes the proposed amendments to the System as recommended by the Document Committee:

- Revise Article VI-5.02 to authorize partial lump sum distributions to Retirees from the Asset Plan in accordance with the terms and conditions set forth in the Partial Lump Sum Distribution Procedure.
- Revise Article X-3.07(b) to authorize partial lump sum distributions to Retirees from the 457 Plan in accordance with the terms and conditions set forth in the Partial Lump Sum Distribution Procedure.
- Revise Article I-1.25 to clarify that Credited Service under STAR is not counted for purposes of calculating the Credited Service Benefit for Asset Plan Participants.

Additional amendments to the System document are proposed to make clarifying and conforming changes necessitated by the proposed amendments described above. Minor housekeeping amendments have also been proposed.

Following is a copy of the Partial Lump Sum Distribution Procedure and a redline draft of the provisions listed above, showing the amendments made, as exhibited to the Board.

**KNOX COUNTY RETIREMENT SYSTEM
ASSET ACCUMULATION AND DEFERRED COMPENSATION PLAN**

PARTIAL LUMP SUM DISTRIBUTION PROCEDURE

WHEREAS, the KNOX COUNTY PENSION BOARD (the "Board") administers the KNOX COUNTY RETIREMENT SYSTEM ASSET ACCUMULATION and DEFERRED COMPENSATION PLANS (the "Plan" or "Plans"); and

WHEREAS, the Plans each permit a Retiree to elect to receive, from time to time, a portion of his or her remaining Individual Account in a lump sum payment in accordance with a Partial Lump Sum Distribution Procedure ("Procedure"); and

NOW THEREFORE, effective July 1, 2017, the Board hereby establishes this Procedure; for purposes of the Internal Revenue Code of 1986 (the "Code"), and the Regulations thereunder, this Procedure is intended to form a part of and be incorporated in, the provisions of the Plan:

Section 1: ESTABLISHMENT OF PROCEDURE

(a) The Plan Administrator hereby establishes the Procedure and shall establish such recordkeeping and accounting procedures as are necessary to carry out, within the scope of fiduciary obligations to the Plan's Participants and beneficiaries, the purposes of the Procedure.

(b) The Plan Administrator shall establish and amend from time to time such rules and procedures as are necessary or appropriate to effect the ongoing administration of the Procedure. The Plan Administrator shall prescribe such forms from time to time as may be necessary or appropriate for the Procedure.

(c) The Executive Director is hereby delegated authority and shall act as the Plan Administrator for this Procedure.

(d) Unless otherwise defined herein, any capitalized terms in this Procedure shall have the same meanings assigned to those terms by the Plan.

Section 2: ELIGIBLE PARTICIPANTS

(a) Participants who are Retirees as of the date of the distribution election shall be eligible to receive a partial lump sum distribution under this Procedure.

(b) In the event a Retiree dies, his or her Beneficiary shall be eligible to receive a partial lump sum distribution under this Procedure.

(c) Participants who Terminate employment shall not be eligible to receive a partial lump sum distribution.

(d) A Reemployed Retiree shall not be eligible to receive a partial lump sum distribution during his or her period of reemployment.

Section 3: ELECTION PROCEDURES

(a) To elect a partial lump sum distribution, a Retiree or Beneficiary must complete and return to the Retirement Office a revised *Application for Retirement*, indicating his or her election in Part III. Each application shall specify the amount of the partial lump sum distribution requested.

(b) If the Plan Administrator determines that all other requirements of this Procedure have been satisfied, the Retiree or his or her Beneficiary will receive the partial lump sum distribution as soon as administratively feasible in accordance with the Administrator's regular payment procedure. If the Plan cannot make the distribution within three (3) weeks, the Plan Administrator will advise the Retiree or Beneficiary of the delay, of the reason for the delay and of the date by which the Plan expects to make payment.

Section 4: PLAN LEVEL LIMITATIONS

(a) Minimum Distribution. The minimum partial lump sum distribution available under the Plan shall be \$5,000.

(b) Maximum Distribution. There shall be no maximum partial lump sum distribution, except that a Retiree or Beneficiary shall not elect to receive an amount in excess of his or her remaining Individual Account balance.

(c) Timing. Only one (1) partial lump sum distribution per calendar quarter shall be permitted under this Procedure.

Section 5: EFFECT ON INSTALLMENT PAYMENT ELECTION

(a) A Retiree's or Beneficiary's periodic installment payments shall continue, as elected, in the month of the partial lump sum distribution and thereafter until his or her Individual Account is depleted.

(b) Such installment payments shall be recalculated in December of each year, based on the Participant's Individual Account balance as of the last business day of November, to take account of any partial lump sum distribution(s) received during that year. The recalculated payments shall be effective January 1 of the following year. Exhibit A, attached hereto, provides examples showing the effect a partial lump sum distribution may have on a Retiree's or Beneficiary's future installment payments.

Section 6: MISCELLANEOUS

(a) The Board reserves the right to modify, amend or terminate this Procedure at any time. The Plan Administrator shall have the power to suspend the eligibility of a Retiree where pending qualified domestic relations orders or similar occurrences make such action necessary or appropriate to protect the interests of the Plan and Retirement System.

(b) In the event any person to which this Procedure applies receives a distribution that should not have been paid by the Plan, the recipient is designated a constructive trustee for the amount received and shall immediately return such amount to the Plan Administrator. Notwithstanding the foregoing, the Plan Administrator specifically reserves the right to seek the recovery of any amounts paid by the Plan in error to any person.

(c) Nothing in this Procedure shall be interpreted or construed to modify or amend the Plan. In all cases, the terms of the Plan shall determine any party's eligibility for benefits and the amount of such benefits. The benefits payable are governed by the Plan, which is subject to modification, amendment or termination at any time. All benefit payments are subject to the actual terms and conditions of the Plans in effect when a party applies for benefits.

(d) This Procedure shall be interpreted and applied consistent with provisions of the Plan and the Internal Revenue Code and applicable regulations.

IN WITNESS WHEREOF, this Partial Lump Sum Distribution Procedure has been executed this ___ day of May, 2017.

KNOX COUNTY RETIREMENT SYSTEM

By: _____
Its: Executive Director

Exhibit A

Fixed Period Installment Example:

Retiree: Sally Smith
Age: 62
Plan: Asset Accumulation
Account Balance: \$240,000
Benefit Election: Monthly Installments over 10 Years
Retirement Date: January 1, 2018

Benefit Year (Jan. – Dec.)	Monthly Benefit	Partial Lump Sum Distribution (prior to December 1)	Annual Distribution	Remaining Balance	Benefit Years Remaining
2018	\$2,000	\$0	\$24,000	\$216,000	9
2019	\$2,000	\$10,000	\$34,000	\$182,000	8
2020	\$1,895.83	\$5,000	\$27,750	\$154,250	7
2021	\$1,836.31	\$5,000	\$27,035.71	\$127,214.29	6

2022	\$1,766.87	\$0	\$21,202.38	\$106,011.91	5
2023	\$1,766.87	\$0	\$21,202.38	\$84,809.53	4
2024	\$1,766.87	\$10,000	\$31,202.38	\$53,607.15	3
2025	\$1,489.09	\$0	\$17,869.05	\$35,738.10	2
2026	\$1,489.09	\$0	\$17,869.05	\$17,869.05	1
2027	\$1,489.09	\$0	\$17,869.05	\$0	0

For purposes of this example, 0% earnings were assumed. Earnings and/or losses affect the annual recalculation of a Retiree's or Beneficiary's regular installment payment. Earnings are not guaranteed. Recalculations are performed in December for the next calendar year based on account balances as of the last business day in November. Partial lump sum distributions received in December are accounted for in the following year. For example, if Sally took a partial lump sum distribution in December 2019, the distribution will first affect her monthly benefit in January 2021.

Fixed Payment Installment Example:

Retiree: Joe Johnson
Age: 65
Plan: Deferred Compensation (457)
Account Balance: \$50,000
Benefit Election: Monthly Installments of \$250
Retirement Date: January 1, 2018

Benefit Year (Jan. – Dec.)	Monthly Benefit	Partial Lump Sum Distribution	Annual Distribution	Remaining Balance	Benefit Years Remaining
2018	\$250	\$0	\$3,000	\$47,000	15 + 8 months
2019	\$250	\$5,000	\$8,000	\$39,000	13
2020	\$250	\$5,000	\$8,000	\$31,000	10 + 4 months
2021	\$250	\$0	\$3,000	\$28,000	9 + 4 months
2022	\$250	\$10,000	\$13,000	\$15,000	5
2023	\$250	\$0	\$3,000	\$12,000	4
2024	\$250	\$0	\$3,000	\$9,000	3
2025	\$250	\$0	\$3,000	\$6,000	2
2026	\$250	\$0	\$3,000	\$3,000	1
2027	\$250	\$0	\$3,000	\$0	0

For purposes of this example, 0% earnings were assumed. Earnings and/or losses affect the duration of a Retiree's or Beneficiary's regular installment payment and partial lump sum distributions reduce that duration. Earnings are not guaranteed.

PROPOSED AMENDMENTS TO PLAN LANGUAGE

I-1.25 "Credited Service" shall mean the sum of an Employee's full and partial Years of Service, determined in years and months.

- a) If a Participant becomes ineligible to participate because he or she is in the Ineligible Class of a component plan of the System or if an Employee in the Ineligible Class becomes a part of the Eligible Class, no period of Employment in the Ineligible Class shall be included in determining Credited Service for that component plan.
- b) If a Participant becomes ineligible to participate because he or she is in the Ineligible Class, or if an Employee in the Ineligible Class becomes a part of the Eligible Class, no period of Employment in the Ineligible Class shall be included in determining Credited Service, except as provided in Section I-1.25(d).

c) Credited Service shall not include any period of Employment counted for purposes of determining an Employee's benefit under the Uniformed Officers Pension Plan.

d) A Participant's Credited Service under the Asset Plan shall include Credited Service under STAR, whether such STAR Credited Service occurs prior to, concurrent with, or following that Participant's Credited Service under the Asset Plan. However, if the same period is credited under more than one such plan, the calculation of Credited Service shall eliminate such duplication. Notwithstanding the above, Credited Service under STAR shall not be included for purposes of calculating the Credited Service benefit described in Article III-3.06.

e) Credited Service shall include an authorized Leave of Absence, but not beyond six (6) months, and may include time during which a Participant is receiving a Disability Benefit under the System, UOPP, or the Disability Plan. A Leave of Absence extending beyond six (6) months granted by a duly authorized Knox County official and approved by the Board shall not be counted as Credited Service but shall not be considered an interruption in Credited Service.

VI-5.02 Election of Options

A Participant or Beneficiary entitled to a Retirement or Death benefit under the Plan may elect, upon written notice of such election filed with the Board in such form and manner as prescribed by the Board, to receive such benefit payable in the Standard Form under Section VI-4.01(d) or in accordance with any one of the options provided in Section VI-5.01 with the Board's approval. The election of any option may be revoked and a new option elected if such election is made and duly filed prior to the date benefits would otherwise commence. The election of any option may not be changed after the date benefit payments have commenced except upon reemployment under Section VI-1.02(b) or as follows:

A Participant who is receiving benefit payments in installments pursuant to the terms of Sections VI-5.01(a), VI-5.01(b) or VI-5.01(c) shall be permitted to make one change to such election, to either of the optional forms of benefit described in Section VI-5.01(a) or VI-5.01(b), at any time after benefit payments have commenced. Notwithstanding the above, a Retiree may elect to receive the entire remaining Individual Account in a single lump sum payment or to receive, from time to time, a portion of the remaining Individual Account in accordance with the System's Partial Lump Sum Distribution Procedure.

A Beneficiary shall be permitted to make one change to the election made by the Participant to either of the optional forms of benefit described in Section VI-5.01(a) or VI-5.01(b), upon the death of the Participant. Notwithstanding the above, a Beneficiary may elect to receive the entire remaining Individual Account in a single lump sum payment.

X-3.07 Form of Retirement Benefit

(b) Election of Options.

A Participant or Beneficiary entitled to a Retirement or Death benefit under the Plan may elect, upon written notice of such election filed with the Board in such form and manner as prescribed by the Board, to receive such benefit payable in the Standard Form under Section X-3.02(d) or in accordance with any one of the options provided in Section X-3.07(a) with the Board's approval. The election of any option may be revoked and a new option elected if such election is made and duly filed prior to the date benefits would otherwise commence. The election of any option may not be changed after the date benefit payments have commenced except upon reemployment under Section VI-1.02(b), STAR 3.02(b), UOPP 3.05(b) or as follows:

A Participant who is receiving benefit payments in installments pursuant to the terms of Sections X-3.07(a)(1), X-3.07(a)(2) or X-3.07(a)(3) shall be permitted to make one change to such election, to either of the optional forms of benefit described in Section X-3.07(a)(1) or X-3.07(a)(2), at any time after benefit

payments have commenced. Notwithstanding the above, a Retiree may elect to receive the entire remaining Individual Account in a single lump sum payment or to receive, from time to time, a portion of the remaining Individual Account in accordance with the System's Partial Lump Sum Distribution Procedure.

Employee Communication
Partial Lump Sum Distributions

Subject to pending Pension Board approval, effective July 1, 2017, Retirees (or their Beneficiaries) with account balances in the Asset Accumulation Plan, the Deferred Compensation Plan (457 Plan) or STAR may elect to receive a partial lump sum distribution from their Individual Account. This additional distribution option gives Knox County Retirees and their Beneficiaries the flexibility to access retirement savings while retaining the advantage of the Pension Board's competitively priced fund line-up.

Partial lump sum distributions may only be elected once per calendar quarter in an amount not less than \$5,000 per plan.

For complete details on this change, please see the Partial Lump Sum Distribution Procedure, available online at _____ or in the Retirement Office.

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

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

IN RE: PUBLIC HEARING AND FIRST READING OF AMENDMENT AND RESTATEMENT OF THE SHERIFF'S TOTAL ACCUMULATION PLAN

Mrs. Bennett presented the following information for amendment of the Knox County Employee Benefit System:

Following is a copy of the Partial Lump Sum Distribution Procedure and a redline draft of the provisions listed above, showing the amendments made, as exhibited to the Board.

KNOX COUNTY RETIREMENT SYSTEM
SHERIFF'S TOTAL ACCUMULATION RETIREMENT PLAN

PARTIAL LUMP SUM DISTRIBUTION PROCEDURE

WHEREAS, the KNOX COUNTY PENSION BOARD (the "Board") administers the SHERIFF'S TOTAL ACCUMULATION RETIREMENT PLAN ("Plan"); and

WHEREAS, the Plan permits a Retiree to elect to receive, from time to time, a portion of his or her remaining Individual Account in a lump sum payment in accordance with a Partial Lump Sum Distribution Procedure ("Procedure"); and

NOW THEREFORE, effective July 1, 2017, the Board hereby establishes this Procedure; for purposes of the Internal Revenue Code of 1986 (the "Code"), and the Regulations thereunder, this Procedure is intended to form a part of and be incorporated in, the provisions of the Plan:

Section 1: ESTABLISHMENT OF PROCEDURE

(e) The Plan Administrator hereby establishes the Procedure and shall establish such recordkeeping and accounting procedures as are necessary to carry out, within the scope of fiduciary obligations to the Plan's Participants and beneficiaries, the purposes of the Procedure.

(f) The Plan Administrator shall establish and amend from time to time such rules and procedures as are necessary or appropriate to effect the ongoing administration of the Procedure. The Plan Administrator shall prescribe such forms from time to time as may be necessary or appropriate for the Procedure.

(g) The Executive Director is hereby delegated authority and shall act as the Plan Administrator for this Procedure.

(h) Unless otherwise defined herein, any capitalized terms in this Procedure shall have the same meanings assigned to those terms by the Plan.

Section 2: ELIGIBLE PARTICIPANTS

(e) Participants who are Retirees as of the date of the distribution election shall be eligible to receive a partial lump sum distribution under this Procedure.

(f) In the event a Retiree dies, his or her Beneficiary shall be eligible to receive a partial lump sum distribution under this Procedure.

(g) Participants who Terminate employment shall not be eligible to receive a partial lump sum distribution.

(h) A Reemployed Retiree shall not be eligible to receive a partial lump sum distribution during his or her period of reemployment.

Section 3: ELECTION PROCEDURES

(c) To elect a partial lump sum distribution, a Retiree or Beneficiary must complete and return to the Retirement Office a revised *Application for Retirement*, indicating his or her election in Part III. Each application shall specify the amount of the partial lump sum distribution requested.

(d) If the Plan Administrator determines that all other requirements of this Procedure have been satisfied, the Retiree or his or her Beneficiary will receive the partial lump sum distribution as soon as administratively feasible in accordance with the Administrator's regular payment procedure. If the Plan cannot make the distribution within three (3) weeks, the Plan Administrator will advise the Retiree or Beneficiary of the delay, of the reason for the delay and of the date by which the Plan expects to make payment.

Section 4: PLAN LEVEL LIMITATIONS

(d) Minimum Distribution. The minimum partial lump sum distribution available under the Plan shall be \$5,000.

(e) Maximum Distribution. There shall be no maximum partial lump sum distribution, except that a Retiree or Beneficiary shall not elect to receive an amount in excess of his or her remaining Individual Account balance.

(f) Timing. Only one (1) partial lump sum distribution per calendar quarter shall be permitted under this Procedure.

Section 5: EFFECT ON INSTALLMENT PAYMENT ELECTION

(c) A Retiree's or Beneficiary's periodic installment payments shall continue, as elected, in the month of the partial lump sum distribution and thereafter until his or her Individual Account is depleted.

(d) Such installment payments shall be recalculated in December of each year, based on the Participant's Individual Account balance as of the last business day of November, to take account of any partial lump sum distribution(s) received during that year. The recalculated payments shall be effective January 1 of the following year. Exhibit A, attached hereto, provides examples showing the effect a partial lump sum distribution may have on a Retiree's or Beneficiary's future installment payments.

Section 6: MISCELLANEOUS

(e) The Board reserves the right to modify, amend or terminate this Procedure at any time. The Plan Administrator shall have the power to suspend the eligibility of a Retiree where pending qualified domestic relations orders or similar occurrences make such action necessary or appropriate to protect the interests of the Plan and Retirement System.

(f) In the event any person to which this Procedure applies receives a distribution that should not have been paid by the Plan, the recipient is designated a constructive trustee for the amount received and shall immediately return such amount to the Plan Administrator. Notwithstanding the foregoing, the Plan Administrator specifically reserves the right to seek the recovery of any amounts paid by the Plan in error to any person.

(g) Nothing in this Procedure shall be interpreted or construed to modify or amend the Plan. In all cases, the terms of the Plan shall determine any party's eligibility for benefits and the amount of such benefits. The benefits payable are governed by the Plan, which is subject to modification, amendment or termination at any time. All benefit payments are subject to the actual terms and conditions of the Plans in effect when a party applies for benefits.

(h) This Procedure shall be interpreted and applied consistent with provisions of the Plan and the Internal Revenue Code and applicable regulations.

IN WITNESS WHEREOF, this Partial Lump Sum Distribution Procedure has been executed this ___ day of May, 2017.

KNOX COUNTY RETIREMENT SYSTEM

By: _____
Its: Executive Director

Exhibit A

Fixed Period Installment Example:

Retiree: Sally Smith
Age: 62
Plan: STAR
Account Balance: \$240,000
Benefit Election: Monthly Installments over 10 Years
Retirement Date: January 1, 2018

Benefit Year (Jan. – Dec.)	Monthly Benefit	Partial Lump Sum Distribution (prior to December 1)	Annual Distribution	Remaining Balance	Benefit Years Remaining
2018	\$2,000	\$0	\$24,000	\$216,000	9
2019	\$2,000	\$10,000	\$34,000	\$182,000	8
2020	\$1,895.83	\$5,000	\$27,750	\$154,250	7
2021	\$1,836.31	\$5,000	\$27,035.71	\$127,214.29	6
2022	\$1,766.87	\$0	\$21,202.38	\$106,011.91	5
2023	\$1,766.87	\$0	\$21,202.38	\$84,809.53	4
2024	\$1,766.87	\$10,000	\$31,202.38	\$53,607.15	3
2025	\$1,489.09	\$0	\$17,869.05	\$35,738.10	2
2026	\$1,489.09	\$0	\$17,869.05	\$17,869.05	1
2027	\$1,489.09	\$0	\$17,869.05	\$0	0

For purposes of this example, 0% earnings were assumed. Earnings and/or losses affect the annual recalculation of a Retiree's or Beneficiary's regular installment payment. Earnings are not guaranteed. Recalculations are performed in December for the next calendar year based on account balances as of the last business day in November. Partial lump sum distributions received in December are accounted for in the following year. For example, if Sally took a partial lump sum distribution in December 2019, the distribution will first affect her monthly benefit in January 2021.

Fixed Payment Installment Example:

Retiree: Joe Johnson
Age: 65
Plan: STAR
Account Balance: \$250,000
Benefit Election: Monthly Installments of \$1,000
Retirement Date: January 1, 2018

Benefit Year (Jan. – Dec.)	Monthly Benefit	Partial Lump Sum Distribution	Annual Distribution	Remaining Balance	Benefit Years Remaining
2018	\$1,000	\$0	\$12,000	\$238,000	19 + 10 months
2019	\$1,000	\$10,000	\$22,000	\$216,000	18
2020	\$1,000	\$15,000	\$27,000	\$189,000	15 + 9 months
2021	\$1,000	\$0	\$12,000	\$177,000	14 + 9 months
2022	\$1,000	\$30,000	\$42,000	\$135,000	11 + 3 months
2023	\$1,000	\$0	\$12,000	\$123,000	10 + 3 months
2024	\$1,000	\$0	\$12,000	\$111,000	9 + 3 months
2025	\$1,000	\$50,000	\$62,000	\$49,000	4 + 1 month
2026	\$1,000	\$0	\$12,000	\$37,000	3 + 1 month
2027	\$1,000	\$13,000	\$25,000	\$12,000	1
2028	\$1,000	\$0	\$12,000	\$0	0

For purposes of this example, 0% earnings were assumed. Earnings and/or losses affect the duration of a Retiree's or Beneficiary's regular installment payment and partial lump sum distributions reduce that duration. Earnings are not guaranteed.

ARTICLE VII - FORM OF PAYMENT

7.02 Election of Options

A Participant or Beneficiary entitled to a Retirement or death benefit under the Plan may elect, upon written notice of such election filed with the Board in such form and manner as prescribed by the Board, to receive such benefit payable in the Standard Form under Section 6.01(d) or in accordance with any

one of the options provided in Section 7.01 with the Board's approval. The election of any option may be revoked and a new option elected if such election is made duly filed prior to the date benefits would otherwise be paid or commenced. The election of any option may not be changed after the date benefit payments have commenced except upon reemployment under Section 3.02 or System Sections III-3.01 or VI-1.02(b) or as follows:

A Participant who is receiving benefit payments in installments pursuant to the terms of Sections 7.01(a), 7.01(b) or 7.01(c) shall be permitted to make one change to such election, to either of the optional forms of benefit described in Section 7.01(a) or 7.01(b), at any time after benefit payments have commenced. Notwithstanding the above, a Retiree may elect to receive the entire remaining Individual Account in a single lump sum payment or to receive, from time to time, a portion of the remaining Individual Account in accordance with the Plan's Partial Lump Sum Distribution Procedure.

A Beneficiary shall be permitted to make one change to the election made by the Participant to either of the optional forms of benefit described in Section 7.01(a) or (b), upon the death of the Participant. Notwithstanding the above, a Beneficiary may elect to receive the entire remaining Individual Account in a single lump sum payment.

A Participant may make an election of optional form of benefit with respect to the Employer Supplemental Contribution Account and a second, separate election of optional form of benefit as to the remainder of the Individual Account.

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

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

IN RE: REPORT OF INVESTMENT COMMITTEE

Mr. Caldwell presented the rates of return for the Defined Contribution Plans as of March 31, 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 reported the Investment Committee met on Wednesday, March 29th to consider changing the fixed income investments in the Defined Benefit Plan, Teachers Plan and Uniformed Officers Pension Plan. He stated the Investment Committee recommends replacing Chicago Equity with Prudential Core Fixed Income.

After discussion, a motion was made by Mr. Caldwell to accept the Investment Committee recommendation to replace Chicago Equity with Prudential Core Fixed Income. The motion was seconded by Commissioner Schoonmaker and unanimously approved.

IN RE: REPORT OF LEGAL COUNSEL

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

Mrs. Coleman stated she would report her business during the discussion of Gregory Gass vs. Knox County Retirement & Pension Board.

IN RE: REPORT OF ACTUARY

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

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 APRIL 2017	Fiscal YTD Approved Invoices 03/31/2017	March Invoice For Approval	Fiscal YTD Approved Invoices 04/30/2017
BENXL			
Invoice # 102888		\$6,000.00	
TOTAL BENXL	\$33,600.00	\$6,000.00	\$39,600.00
KENNERLY, MONTGOMERY & FINLEY, P.C.			
Invoice # 201421		\$500.00	
KENNERLY, MONTGOMERY & FINLEY, P.C.			
Invoice # 201524		\$5,477.00	
KENNERLY, MONTGOMERY & FINLEY, P.C.			
Invoice #201544		\$8,941.00	
***TOTAL KENNERLY, MONTGOMERY & FINLEY, P.C.	\$85,479.50	\$14,918.00	\$100,397.00
ROBERTSON, OVERBEY			
Invoice #		\$0.00	
*** TOTAL ROBERTSON, OVERBEY	\$0.00	\$0.00	\$0.00
USI CONSULTING GROUP			
Invoice # 90015048		\$23,844.00	
USI CONSULTING GROUP			
Invoice # 90015158		\$33,032.00	
TOTAL USI CONSULTING GROUP	\$376,920.14	\$56,876.00	\$433,796.14
Invoices for APRIL 2017	\$495,999.14	\$77,794.00	\$573,793.14
*** Retainer not included in approved billings for the Board			Fiscal YTD
Robertson, Overbey Retainer	\$4,000 per month		\$40,000
Kennerly Montgomery Retainer	\$5,000 per month		\$50,000
Fees Received from QDRO Participants	\$500 (DC Fee)		\$2,500
	\$2,000 (DB Fee)		\$0

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.

IN RE: GREGORY GASS VS. KNOX COUNTY RETIREMENT & PENSION BOARD

Commissioner Schoonmaker began the special discussion by summarizing his understanding of the procedural progress of the case to date. He requested Mrs. Bennett to confirm his understanding, and she did. Specifically, Commissioner Schoonmaker stated it was his understanding that the Retirement & Pension Board was officially served on March 28, 2017. Mrs. Bennett stated yes. Commissioner Schoonmaker stated that it was his understanding that the Board had 30 days to respond. Mrs. Bennett confirmed. Commissioner Schoonmaker questioned whether general counsel had requested the file on the Gass matter yet, and Mrs. Bennett responded that a meeting was scheduled for April 25th with General Counsel regarding those files.

Commissioner Schoonmaker then referred to previous Board minutes concerning the potential conflict of interest issue between Robertson Overbey and Mr. Gass. He stated that the minutes from the October board meeting reflected that Mr. Owings stated Robertson Overbey would recuse itself from the Gass request because Robertson Overbey had served as prior legal counsel for Mr. Gass. Commissioner Schoonmaker expressed concern over the significance of the lawsuit and potential liability. Commissioner Schoonmaker questioned Mr. Buuck about the need for the Board to waive any potential conflict of interest between Robertson Overbey and Mr. Gass, and Mr. Buuck agreed. Ms. Moody then stated she believed the Board had expressed its waiver of any potential release at the March meeting.

Commissioner Schoonmaker expressed his belief that a swift response to the lawsuit would be best.

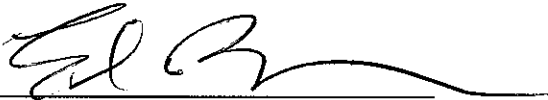
Mrs. Coleman then explained that only a potential conflict of interest existed between Robertson Overbey and Mr. Gass, but no actual conflict existed. Mr. Gass, however, has waived any potential conflict of interest, and this information had been provided to the Board previously. The potential conflict of interest was raised during the March meeting also, and at that time the Board elected for Robertson Overbey to proceed with representation. Additionally, counsel was scheduled to meet with Mr. Mason and Mrs. Bennett to ensure Robertson Overbey had copies of all relevant documents related to the litigation. Counsel had contacted Mr. Holifield, attorney for Mr. Gass, about an extension for the time to answer and expected that to be resolved amicably and pursuant to the Rules of Civil Procedure. In any event, the Board would comply with the Rules of Civil Procedure in its response.

Commissioner Schoonmaker asked whether the Board had officially waived any potential conflict of interest. Commissioner Brantley stated yes when the Board voted to hire them. Mrs. Bennett stated the March minutes reflect the following: "After discussion, a motion was made by Commissioner Brantley for Robertson/Overbey Law Firm to represent the Board in this litigation. The motion was seconded by Ms. Moody and unanimously approved. Commissioner Schoonmaker asked whether that motion acted as a waiver. Mrs. Hemmelgarn clarified her understanding that the motion accepted representation by the firm but not the conflict waiver. After some discussion, Commissioner Nystrom asked if, out of an abundance of caution, the Board should have a waiver drafted. Commissioner Brantley asked Mrs. Coleman to prepare

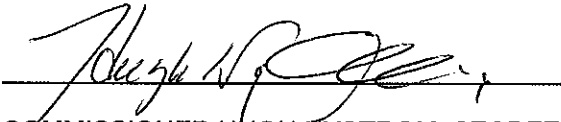
a written waiver for the May Board Meeting. Mrs. Coleman agreed to present a written conflict of interest waiver to the Board.

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