

KNOX COUNTY RETIREMENT AND PENSION BOARD

JANUARY 22, 2018

The Knox County Retirement and Pension Board met in regular session on Monday, January 22, 2018, at 1:30 P.M. in the Large Assembly Room, City-County Building, Knoxville, Tennessee.

The following members were present: Commissioner Hugh Nystrom, Vice Chairman, Ms. Tracy Foster, Secretary, Commissioner Ed Brantley, Commissioner John Schoonmaker, Commissioner Bob Thomas, Ms. Jennifer Hemmelgarn, Mr. Garrett Raiden and Mr. Zack Webb (Mr. Chris Caldwell, Proxy for Mayor Burchett, was absent).

Also present at the meeting were:

USI Consulting Group: Mr. Bob Cross, Mr. Adam Davies, Mr. Edward Bronkhorst

Legal Counsel: Ms. Stephanie Coleman, Mr. Bill Mason, Ms. Ashley Trotto, Mr. Charles Burks

Law Director's Office: Mr. David Wigler

Attorney: Mr. Jonathan Reed

Retirement Staff: Ms. Kim Bennett, Ms. Jennifer Schroeder, Ms. Terri Chase, Mr. Zach Cole, Ms. Savannah Russell, Ms. Debbie Slagle, Ms. Mitzi Stooksbury, Ms. Nyla Breshears

Sheriff's Office: Mr. Stoney Gentry, Ms. Renee Russell, and Mr. David Whaley

Others in attendance: Mr. Ted Holtz, Pugh & Company, Mr. Wayne Sellers, Nationwide, and members of the general public

IN RE: CALL TO ORDER

In Chairman Caldwell's absence, Vice Chairman Commissioner Hugh Nystrom presided and called the meeting to order.

IN RE: AMENDMENTS TO AGENDA

Ms. Bennett stated that each Board Member has a copy of the amended minutes for the meeting on January 5, 2018.

IN RE: APPROVAL OF MINUTES OF GASS APPEAL OF DECEMBER 5, 2017

Commissioner Nystrom stated that the Board had three sets of minutes to approve and introduced the Secretary, Ms. Foster to present the minutes. Ms. Foster had previously reviewed the minutes set for approval. Commissioner Nystrom asked the Board to have a separate motion for each set of minutes. Ms. Foster made a motion to approve the minutes for the Gass Appeal of December 5, 2017, as presented. The motion was seconded by Commissioner Brantley and unanimously approved.

IN RE: APPROVAL OF MINUTES OF DECEMBER 18, 2017

Commissioner Brantley made a motion to approve the minutes of December 18, 2017, as presented. The motion was seconded by Ms. Foster and unanimously approved.

IN RE: APPROVAL OF MINUTES OF JANUARY 5, 2018

Commissioner Brantley made a motion to approve the amended minutes for January 5, 2018, as presented. The motion was seconded by Ms. Foster and unanimously approved.

IN RE: PUGH & COMPANY REPORT OF FY17 AUDIT

Mr. Ted Holtz of Pugh and Company stated that the audit for the Retirement and Pension Board is complete and an electronic copy is available in the Retirement and Pension Board Office. Mr. Holtz presented an overview of the audit for period ending June 30, 2017. Mr. Holtz stated that two documents have been issued: 1) Full Audit report consisting of 60 pages and 2) Governance Letter which is an eight page letter outlining the required communications, accounting estimates and management representation letter. The audit report details the financial statements and notes that plan assets in total are up to over \$600 million dollars with an overall return on investments of 11%. Notes to the financial statements included in the audit reference the lawsuit filed by Knox County against the Board. One compliance issue is noted in the report dealing with a carry forward issue of benefit calculations which was first noted in the audit report for last year. Due to a change in management procedures, no issues were found with current benefit calculations. Around 50 benefit calculation were audited and two discrepancies were noted from previous year calculations. A procedure will be implemented on a sample basis to review calculations prior to December 1, 2016. Mr. Holtz recapped the audit stating overall the procedures and numbers are good and the audit ran smoothly. Commissioner Brantley asked when the report will be issued and Mr. Holtz replied that an electronic copy was sent just recently to Ms. Bennett. Ms. Bennett stated she did receive the report on Friday, January 19, 2018, and would email the report to all Board Members' today. Commissioner Brantley and Commissioner Thomas request that Mr. Holtz be at the next Board meeting to answer any possible questions after the Board has had a chance to review the full audit report.

IN RE: REQUEST TO SPEAK TO THE BOARD BY STONEY GENTRY, PRE-TRIAL/PROBATION OFFICER FROM THE SHERIFF'S DEPARTMENT

Mr. Stoney Gentry of the Knox County Sheriff's Office distributed a handout (attached) to each Board Member. Mr. Gentry stated that in 2009 his department (Pre-Trial/Release) was moved from the Mayor's office to the Knox County Sheriff's Office. The employees at the time were not given a choice but were required to move. He stated that 3 other employees were also affected: Ms. Renee Russell, Mr. David Whaley and Mr. Todd Cook. Mr. Gentry is requesting that all four employees be given the opportunity to buy their time in the Mayor's Office as they were in the same job but just under the Mayor for reporting purposes verses the Sheriff's Office. Mr. Gentry stated that he has accrued 12 years under the Mayor's Office and the 3 other employees approximately 6 years each. Mr. Gentry understands that there is a cost to complete the study to determine the purchase price of the prior service, but it would be important to know the cost to determine if it is affordable for any of the four officers. Commissioner Nystrom asked Mr. Gentry if they are seeking just to buy service time. Mr. Gentry agreed and stated that the difference for him is retiring under UOPP at age 52 with 30 years of service or retiring at age 64 with 30 years of service. Mr. Webb asked Mr. Cross how he would calculate the cost of purchasing the prior service. Mr. Cross stated that the calculation would be based on the amount of service requested and would be calculated at today's present value on an actuarial basis. Mr. Webb asked Mr. Mason if any

plan amendment would need to be made to allow for these employees to buy back time. Mr. Mason stated that in UOPP, the Eligible Class is defined as employees who are Officers hired after July 1, 2007 and before January 1, 2014 and Officers are defined as those who are sworn officers regularly employed by the Sheriff's office. He stated that UOPP specifically provides that no period of employment in the Ineligible Class (non-Officers) shall be included in determining credited service. Thus, when the pre-trial/probation department was transferred to the Sheriff's office on August 31, 2009, the four employees in question moved from the Ineligible Class to the Eligible Class. He concluded that under the current UOPP document, no period of service in the Ineligible Class counts as UOPP credited service and that UOPP would require an amendment to permit these officers to purchase the prior service requested. After discussion it was determined by Mr. Cross that if the employees would each pay the cost of their actuarial calculation, the cost would be a flat fee of \$500 per employee. The Board agreed to let the employees, at their cost, receive a calculation of the amount necessary to buy prior service time. After the cost is determined, each employee will decide if he or she will pursue the request of buying back prior service. Commissioner Nystrom requested that Ms. Bennett report to the Board at its next meeting any additional facts/details or any other possible consequences of such a plan amendment.

IN RE: APPLICATIONS FOR RETIREMENT – DEFINED CONTRIBUTION 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>
William Beaty	Schools	9 years	0 months	February 1, 2018
Sandra Blair	Sheriff	5 years	5 months	February 1, 2018
Randal Drew	EPW	36 years	9 months	February 1, 2018
Sandra Dunsmore	Schools	21 years	4 months	February 1, 2018
Robert Fletcher	Schools	5 years	6 months	February 1, 2018
Robert Kerley	Sheriff	11 years	7 months	February 1, 2018
Cecelia McDowell	Schools	8 years	2 month	February 1, 2018
Betty Noel	JuvSvcs	22 years	1 month	February 1, 2018
Deborah Waller	Schools	16 years	8 month	February 1, 2018
Kathryn White	JuvSvcs	34 years	9 months	February 1, 2018
Beverly Williams	Schools	30 years	4 months	February 1, 2018

A motion was made by Commissioner Brantley 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 on the following items:

- **Disability Verification** – In the annual report of Income, out of 60 letters, 10 still have not responded. In the annual report of Medical information, out of 10 letters, 3 still have not responded. In the annual report of dependency, out of 8 letters sent, 6 are still missing and 4 of those requests are from the same family. Ms. Bennett requested a 30 day extension for receiving the missing reports before suspending benefits in accordance with the Board's regular procedure, as second request letters were recently mailed. A motion was made by Commissioner Brantley to extend the reporting period and for Ms. Bennett give a status update at that time.
- **Status of Reed Group Transition** – Ms. Coleman revised the initial contract and Ms. Bennett has sent it back to Reed Group for approval.
- **Information provided to Board Members from Board Orientation Training** Ms. Bennett stated that an email had been sent regarding the fiduciary responsibilities of the Board as requested.

IN RE: DISABILITY COMMITTEE REPORT

Commissioner Thomas deferred the report to Ms. Bennett. Ms. Bennett stated that Mr. Frank Brown was still waiting on medical records to submit to the Disability Committee. Mr. Skinner was informed that his second request was denied by UNUM, and Mr. Skinner will let Ms. Bennett know by Friday if he will appeal to the disability committee.

IN RE: REPORT OF INVESTMENT COMMITTEE

Commissioner Brantley presented the rates of return for the Defined Contribution Plans as of December 31, 2018, from USI that were distributed to the Board Members. Commissioner Brantley gave a recap of the special investment meetings from January 11 and January 18, 2018, and encouraged committee members to speak as well. Mr. Brantley stated that USI Consulting is the new investment advisor for the 3 Defined Benefit Plans and that USI proposed converting our investment plan from 10 investment managers into 15+ mutual funds, intended to create a better rate of return. Mr. Brantley presented each Board Member a handout (attached) provided by USI Consulting of the historical investment management performance of the investments of Wilshire compared to the recommended asset allocation into mutual funds. Commissioner Nystrom stated that the chart presented was a huge “aha” moment for the Committee

regarding smart, active management in mutual funds. Mr. Webb stated that converting to mutual funds will stream line the process and take liability off of retirement staff which will be absorbed by USI. Mr. Webb stated that Mr. Cross and his team are top notch and have presented well to the Committee. Commissioner Schoonmaker added that this is a good opportunity for Knox County as a whole and it addressed the Committee's concern regarding under performance issues. Mr. Cross stated that the 18 Asset categories allow for diversification and has an up capture of 102%+ and a down capture of 95% with a 95% confidence rating. Mr. Brantley made a motion to accept USI's proposal of moving investments to the mutual funds as presented by USI Consulting. The motion was seconded by Mr. Schoonmaker and approved unanimously.

Ms. Bennett handed out copies of the new Investment Policy Statements (IPS) for the Defined Benefit Plan, Teachers Plan and Uniformed Officers Pension Plan (UOPP). A motion was made by Commissioner Thomas to accept the IPS for the Defined Benefit Plan as presented. The motion was seconded by Mr. Webb and approved unanimously. A motion was made by Commissioner Thomas to accept the IPS for the Teachers Plan as presented. The motion was seconded by Commissioner Brantley and approved unanimously. A motion was made by Commissioner Thomas to accept the IPS for UOPP as presented. The motion was seconded by Mr. Webb and approved unanimously.

IN RE: REPORT OF LEGAL COUNSEL

Ms. Coleman reported that she and Mr. Owings edited the proposed contract from Reed Group and revised it to be consistent with Tennessee Law. The revised contract was sent back to Reed Group for approval. Ms. Coleman reported that a meeting with Mr. Charles Burks is scheduled for today with the intention of filing a notice of appearance in the lawsuit pending in Chancery Court.

Mr. Burks did not have any additional information to add to Ms. Coleman's report.

Mr. Mason had no report.

IN RE: REPORT OF ACTUARY

Mr. Cross stated that he estimates the actuarial calculations to be significant for Mr. Gentry and the 3 other employees requesting calculations of prior service and didn't feel comfortable charging the \$500 fee announced earlier in the meeting in these circumstances. Mr. Cross offered as a one-time waiver to calculate the cost of prior service at no charge to the four employees.

IN RE: APPROVAL OF PAYMENT – STATEMENT OF ACCOUNT

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 Ms. Bennett:

Invoices for JANUARY 2018	Fiscal YTD Approved Invoices 12/31/2017	JAN Invoice For Approval	Fiscal YTD Approved Invoices 01/31/2018
BENXL Invoice #		\$0.00	
TOTAL BENXL	\$25,800.00	\$0.00	\$25,800.00
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #204654 - QDRO*		\$0.00	
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #		\$0.00	
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #		\$0.00	
***TOTAL KENNERLY, MONTGOMERY & FINLEY, P.C.	\$1,000.00	\$0.00	\$1,000.00
Owings, Wilson & Coleman Invoice # 9909M - 12/31/2017		\$9,894.25	
*** TOTAL OWINGS, WILSON & COLEMAN	\$7,706.25	\$9,894.25	\$17,600.50
JUSTICE, NOEL & BURKS Invoice #		\$0.00	
TOTAL JUSTICE, NOEL & BURKS	\$17,310.00	\$0.00	\$17,310.00
USI CONSULTING GROUP Invoice # 90019220		\$19,467.25	
USI CONSULTING GROUP Invoice # 90018849		\$37,000.00	
TOTAL USI CONSULTING GROUP	\$216,484.05	\$56,467.25	\$272,951.30
Invoices for JANUARY 2018	\$268,300.30	\$66,361.50	\$334,661.80
*** Retainer not included in approved billings for the Board			Fiscal YTD
Owings, Wilson & Coleman Retainer	\$4,000 per month		\$30,000
Kennerly Montgomery Retainer	\$12,000 per month		\$84,000
Court Reporter			\$3,580
Fees Received from QDRO Participants	\$500 (DC Fee)		\$1,000
	\$2,000 (DB Fee)		\$0
*QDRO fee is Paid to Retirement Office which off sets the legal fee			

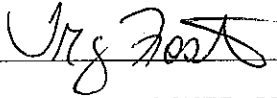
After review of the statement of accounts and invoices, a motion was made by Commissioner Brantley that the Board authorize the payment indicated above to be paid from the designated Retirement Plans. The motion was seconded by Commissioner Thomas and unanimously approved.

ADJOURNMENT

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

A handwritten signature in cursive script, appearing to read "Chris Caldwell", written above a horizontal line.

MAYOR TIM BURCHETT, CHAIRMAN
BY PROXY, CHRIS CALDWELL

A handwritten signature in cursive script, appearing to read "Tracy Foster", written above a horizontal line.

MS. TRACY FOSTER, SECRETARY

Stoney Gentry

Pre-Trial Release Officer

January 22, 2018

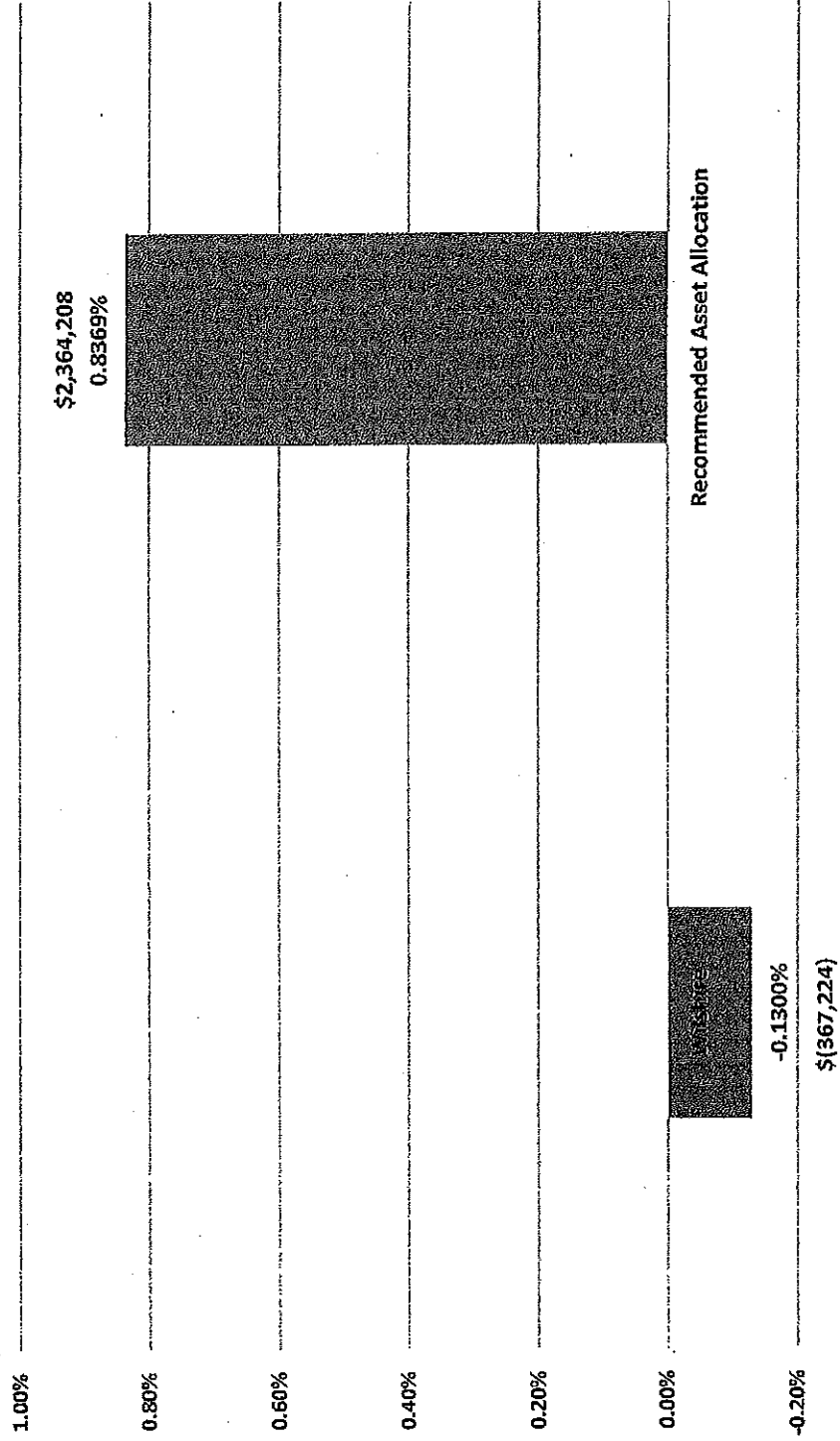
- Requesting the opportunity to purchase our time accrued with Knox County under the Mayor's Office.
- On September 1, 2009, Pre-Trial Release Services was moved under the Knox County Sheriff's Office from the Mayor's Office.
- This pertains to four (4) employees with the Pre-Trial Release Department of the Knox County Sheriff's Office.
- Todd Cook, Renee Russell, and David Whaley accrued approximately 6 years and Stoney Gentry accrued approximately 12 years under the Mayor's Office with Knox County.
- The Pre-Trial Release Services employees had no choice in the move.
- The job responsibilities and duties have not changed.



CONSULTING GROUP

HISTORICAL INVESTMENT MANAGEMENT PERFORMANCE

Contribution to Portfolio Return from Investment Managers



*The performance data contained herein represents past performance, which does not guarantee future results.