

KNOX COUNTY RETIREMENT AND PENSION BOARD

February 25, 2019

The Knox County Retirement and Pension Board met in regular session on Monday, February 25, 2019, at 3:00 P.M. in the County Commission Conference Room 640, City-County Building, Knoxville, Tennessee.

The following members were present: Chairman Chris Caldwell, Proxy for Mayor Jacobs, Commissioner Hugh Nystrom, Vice Chairman, Ms. Tracy Foster, Secretary, Commissioner Randy Smith, Commissioner Larsen Jay, Commissioner Brad Anders, Ms. Jennifer Hemmelgarn, Mr. Garrett Raiden and Mr. Zack Webb.

Also present at the meeting were:

USI Consulting Group: Mr. Bob Cross, Mr. Adam Davies, and Ms. Brenda Fiddler

Legal Counsel: Mr. Bill Mason, Ms. Stephanie Coleman, and Mr. John Owings

Retirement Staff: Ms. Jennifer Schroeder, Ms. Terri Chase, Mr. Zack Cole, Ms. Mitzi Stooksbury and Ms. Savannah Russell

Others in attendance: Mr. Nick McBride, Register of Deeds

IN RE: CALL TO ORDER

Chairman Caldwell presided and called the meeting to order.

IN RE: AMENDMENTS TO AGENDA

Ms. Schroeder stated there were some revisions to the draft of the January Board minutes which had been circulated with the meeting agenda. A revised copy was presented to the board members for approval.

IN RE: APPROVAL OF MINUTES OF JANUARY 28, 2019

Chairman Caldwell presented the minutes for January 28, 2019. Commissioner Jay made a motion to approve the minutes for January 28, 2019. The motion was seconded by Commissioner Anders and approved.

IN RE: APPLICATIONS FOR RETIREMENT – DEFINED BENEFIT PLAN AND AUTHORIZATION OF LUMP SUM BENEFIT AND CREDITED SERVICE BENEFIT BASED ON COMPLETED YEARS OF SERVICE

The following applications for retirement, 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> |
|----------------------|--------------------------|--------------------------------|------------------------------|
| Dennis R. Jean | Schools | 33 years 9 months | April 1, 2019 |
| Michael E. Hill | Schools | 31 years 9 months | April 1, 2019 |
| Katherine W. Tinnell | Schools | 44 years 5 months | March 1, 2019 |

A motion was made by Commissioner Nystrom to approve the applications for retirement under the Defined Benefit 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 the Trustee, State Street Bank, to make payment of the credited service benefit and lump sum benefit. The motion was seconded by Mr. Webb and approved.

IN RE: APPLICATIONS 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> |
|--------------------|-------------------|-------------------------|-----------------------|
| Jeanette L. Harris | Sheriff | 29 years 7 months | March 1, 2019 |

A motion was made by Commissioner Anders to approve the application for retirement under the Uniformed Officers Pension Plan as presented and to authorize Trustee, State Street Bank, to make payment of the monthly benefits. The motion was seconded by Mr. Webb and approved.

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 Defined Contribution Plan, were presented for consideration:

| <u>NAME</u> | <u>DEPARTMENT</u> | <u>CREDITED SERVICE</u> | <u>EFFECTIVE DATE</u> |
|-------------------|-------------------|-------------------------|-----------------------|
| Rodney Allen | Parks & Rec | 13 years 1 month | March 1, 2019 |
| Sandra Ammons | Schools | 31 years 8 months | March 1, 2019 |
| Sonia Cox | Schools | 11 years 4 months | March 1, 2019 |
| Edward Cunningham | Schools | 7 years 7 months | March 1, 2019 |
| George Gorghis | JuvSvcs | 20 years 1 month | March 1, 2019 |
| Brenda Graham | Schools | 11 years 10 months | March 1, 2019 |
| Marcus Hill | JuvSvcs | 5 years 0 months | March 1, 2019 |
| Sara Hodge | Schools | 11 years 10 months | March 1, 2019 |
| Becky Milov | Schools | 21 years 2 months | March 1, 2019 |
| Martha Wilds | Schools | 5 years 2 months | March 1, 2019 |

A motion was made by Commissioner Jay to approve the applications for retirement under the Defined Contribution 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 the Trustee, State Street Bank, to make payment of the credited service benefit. The motion was seconded by Ms. Hemmelgarn and approved.

IN RE: REPORT OF EXECUTIVE DIRECTOR

Ms. Bennett was absent. Ms. Schroeder reported on the following:

- **Letters from the State of TN regarding 3 Pension Plans** – Annually the Retirement office must report to the Comptroller’s office regarding the financials of the pension plans. Copies

of these reporting letters were included in the packets for the information of the board members. Commissioner Larsen inquired about the letters regarding threshold and the standing of the pension plan's funding. Chairman Caldwell replied there are no statutory consequences to the Closed DB funding so long as the plan is not amended to improve benefits and that with this closed plan no improvements are currently contemplated.

- **Legal Fees** – Total legal expenses for FY18 and FY19 were reflected in the Board packet regarding the UOPP lawsuit. A settlement agreement for fiduciary insurance was presented to the Board. A motion was made by Commissioner Nystrom to authorize the Executive Director to accept and sign the settlement agreement. The motion was seconded by Commissioner Anders and approved. Commissioner Smith questioned the effect on future years' premium. Mr. Cross replied it would be reasonable for the Board to expect it to increase. Ms. Schroeder added the Board approves the premiums annually, and the premiums have remained relatively constant over the past few years.
- **NCPERS Conference in May** – NCPERS conference will be in May in Austin, TX. Commissioner Smith asked about the cost of the trip. Ms. Foster stated that it varies. Ms. Schroeder said a cost estimate can be done.
- **Retirement Luncheon** – The retiree luncheon will be held on April 10, 2019, at Rothchild's.

IN RE: SECOND READING FOR AMENDMENT AND RESTATEMENT OF UNIFORMED OFFICERS PENSION PLAN (UOPP)

Chairman Caldwell presented second reading for amendment and restatement of the Uniformed Officers Pension Plan. A motion was made by Commissioner Anders to approve on second reading the amendment and restatement of the Uniformed Officers Pension Plan. The motion was seconded by Commissioner Smith and approved.

IN RE: SECOND READING FOR AMENDMENT AND RESTATEMENT OF SHERIFF'S TOTAL ACCUMULATION PLAN (STAR)

Chairman Caldwell presented second reading for amendment and restatement of the Sheriff's Total Accumulation Plan. A motion was made by Mr. Raiden to approve on second reading the amendment and restatement of the Sheriff's Total Accumulation Plan. The motion was seconded by Mr. Webb and approved.

IN RE: SECOND READING FOR AMENDMENT AND RESTATEMENT OF EMPLOYEE BENEFIT SYSTEM

Chairman Caldwell presented second reading for amendment and restatement of the Employee Benefit System. A motion was made by Commissioner Nystrom to approve on second reading the amendment and restatement of the Employee Benefit System. The motion was seconded by Mr. Webb and approved.

IN RE: SECOND READING FOR AMENDMENT AND RESTATEMENT OF EMPLOYEE DISABILITY BENEFIT PLAN

Chairman Caldwell presented second reading for amendment and restatement of the Employee Disability Benefit Plan. A motion was made by Commissioner Smith to approve on second reading the amendment and restatement of the Employee Disability Benefit Plan. The motion was seconded by Mr. Raiden and approved.

IN RE: REPORT OF INVESTMENT COMMITTEE

Mr. Webb reported on the following items:

- **Monthly Rates of Return** – Mr. Webb presented the rates of return for the Defined Contribution Plans and stated the overall rates of return are in line with the respective markets.
- **Blackout period for Investment Changes in the DC Plans, week of February 25, 2019** – Mr. Webb stated the blackout period for investment changes will be effective for the week of February 25, 2019.
- **Report from the Investment Committee meeting February 12th, 2019** – Mr. Webb said that the Committee recommends Board approval of USI's recommendation to make slight adjustments in the Closed DB, Teacher's, and UOPP asset allocations as reflected in the Board packet. Mr. Webb reported that the Committee had also discussed and recommended that USI review defined contribution plans' index funds, including ones suggested being added by a participant, and that USI review all funds offered in the defined contribution plans in the effort to reduce redundancy and possibly consolidate some of those funds. A motion was made by Commissioner Nystrom to approve the changes to the defined benefit plans asset allocations as reflected in the packet. The motion was seconded by Commissioner Smith and approved. In discussion, the Board asked USI for options on defined contribution funds. Commissioner Larsen inquired if the task was within scope of the Board's agreement with USI. Mr. Cross responded that the evaluation of those funds is covered by the terms of agreement with the Board. A motion was made by Commissioner Nystrom to direct USI to review the defined contribution plan index and other fund options and make appropriate recommendations to the board. The motion was seconded by Mr. Raiden and approved.

IN RE: PENSION BOARD ELECTION FOR COUNTY AND SCHOOL SEAT

- **Results of Board Election** – The participants elected Ms. Janet Samar, Schools, and Lieutenant Gabe Mullinax, County to fill the two seats at issue. In discussion of the election results, the organizational structure of how the Board is made up pursuant to the Charter was evaluated. Mr. Owings advised regarding the process of reorganizing the Board and compliance with the Charter. Commissioner Nystrom stated the consensus of the Board that the Executive Director call a workshop on this topic to be scheduled in July for further discussion and consideration.

IN RE: REPORT OF LEGAL COUNSEL

Mr. Owings had no report.

Mr. Mason had no report.

IN RE: REPORT OF ACTUARY

Mr. Cross asked about the annual investment due diligence meeting and stated that, in light of comments and board feedback, USI would schedule it in Knoxville. Commissioner Nystrom suggested that some Board member training on investment, fiduciary, and other related topics could be scheduled into that event.

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, audits and recommended for payment by Ms. Schroeder:

FEE SCHEDULE

| Invoices for FEB 2019 (Legal Invoices are approved for the previous Months Expense) | Fiscal 19 YTD Approved Invoices 01/31/2019 | FEB Invoice For Approval | Fiscal 19 YTD Approved Invoices 02/28/2019 |
|--|---|-----------------------------|---|
| BENXL Invoice # 102945 | | \$3,200.00 | |
| TOTAL BENXL | \$0.00 | \$3,200.00 | \$3,200.00 |
| KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice # | | | |
| ***TOTAL KENNERLY, MONTGOMERY & FINLEY, P.C. | \$0.00 | \$0.00 | \$0.00 |
| Owings, Wilson & Coleman Invoice # | | \$0.00 | |
| *** TOTAL OWINGS, WILSON & COLEMAN | \$254,918.41 | \$0.00 | \$254,918.41 |
| JUSTICE, NOEL & BURKS Invoice # | | \$0.00 | |
| TOTAL JUSTICE, NOEL & BURKS | \$46,813.23 | \$0.00 | \$46,813.23 |
| LEWIS THOMASON (Mary Ann Stackhouse) Invoice # 341604 | | \$0.00 | |
| TOTAL LEWIS THOMASON | \$41,280.00 | \$0.00 | \$41,280.00 |
| USI CONSULTING GROUP Invoice # 90027482 Invoice # 90026574 | | \$73,220.50 \$41,359.80 | |
| TOTAL USI CONSULTING GROUP | \$284,867.67 | \$114,580.10 | \$399,437.77 |
| Invoices for FEB 2019 | \$583,639.46 | \$117,780.10 | \$746,469.41 |

| | | |
|---|------------------------------------|----------------------|
| *** Retainer not included in approved billings for the Board | | Fiscal 19 YTD |
| Owings, Wilson & Coleman Retainer | \$4,000 per month | \$32,000.00 |
| Kennerly Montgomery Retainer | \$12,000 per month | \$96,000.00 |
| USI Quarterly Fee | \$37,000 per quarter | \$74,000.00 |
| Court Reporter for Hearings | | \$1,603.20 |
| Fees Received from QDRO Participants | \$500 (DC Fee) \$2,000 (DB Fee) | \$1,600.00 \$0.00 |
| *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 Mr. Raiden that the Board authorize the payment indicated above to be paid from the designated Retirement Plans. The motion was seconded by Commissioner Anders and approved.

IN RE: RECOGNITION OF SERVICE FOR GARRETT RAIDEN AND ZACK WEBB

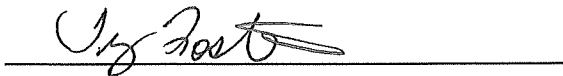
Mr. Garrett Raiden and Mr. Zack Webb were recognized for their service to the Retirement Board.

ADJOURNMENT

Chairman Caldwell asked if there was a motion to adjourn. Commissioner Nystrom made a motion to adjourn, which was seconded by Mr. Raiden, and the meeting was adjourned.

 - Acting chair for meeting.

MAYOR GLENN JACOBS, CHAIRMAN
BY PROXY, CHRIS CALDWELL



MS. TRACY FOSTER, SECRETARY

Attachments:

1. Fiduciary Insurance Claim Release

SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release (the "Agreement") between Federal Insurance Company ("the Insurer") and Knox County Retirement & Pension Board, ("the Insured"). The Insured and the Insurer are referred to collectively herein as the "Parties".

RECITALS

WHEREAS, the Insurer issued to the Insured Labor Management Trust Fiduciary Liability Policy Number 8236-9726 effective for the period September 1, 2016 through September 1, 2017 (the "Policy"). The Policy has a limit of liability of Ten Million Dollars (\$10,000,000), subject to a Fifty Thousand Dollar (\$50,000) Deductible Amount;

WHEREAS, the Insured sought coverage under the Policy for the matter styled Gregory A. Gass vs. Knox County Retirement & Pension Board filed in Knox County, Tennessee, Case Number 193413-2, and subsequent, related filings ("the Submission");

WHEREAS, the Insurer raised certain coverage issues and defenses under the Policy with respect to coverage for the Submission, and reserved all of its rights and defenses under the Policy and available at law with respect to any coverage afforded for the Submission under the Policy;

WHEREAS, the Insurer and the Insured each mutually reserved all of their rights and defenses under the Policy and available at law with respect to coverage for the Submission;

WHEREAS, in order to resolve the coverage dispute between the Parties, the Insurer has agreed to reimburse to the Insured the sum of Three Hundred Sixty Two Thousand Eight Hundred Fifty Seven Dollars and Thirteen Cents (\$362,857.13) ("Settlement Amount");

WHEREAS, the Parties desire to compromise, settle and resolve all current and future disputes, claims, actions, suits, demands, and causes of action as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the Parties agree as follows:

1. In consideration for the release set forth in Paragraph 2 below, the Insurer agrees to pay the Settlement Amount to the Insured by check within twenty [20] business days of the Effective Date of this Agreement in full and final settlement, release, waiver, accord and satisfaction of any and all obligations that Insurer has, had, or may hereafter have with respect to the Submission.

2. In consideration of the Insurer's payment under Paragraph 1 of this Agreement, the Insured, on its own behalf and on behalf of its respective affiliates, parent corporations, and direct and indirect subsidiaries, divisions, joint ventures (but only to the extent of such Insured's interest in such joint venture), and all of its respective past, present and future agents, representatives, directors, officers, trustees, employees, attorneys, shareholders, members, partners, predecessors, successors, heirs, executors, administrators, principals, assigns, insurers, and all other Insureds under the Policy (the "Insured Parties"), hereby release and forever discharge the Insurer and its affiliates, parent corporation, and direct and indirect subsidiaries, divisions, joint ventures (but only to the extent of such Insurer's interest in such joint venture), and all of their respective past, present and future agents, representatives, directors, officers, trustees, employees, attorneys, shareholders, members, partners, predecessors, successors, heirs, executors, administrators, principals, assigns, insurers and reinsurers (the "Insurer Parties") from any and all actual or potential actions, causes of action, suits, claims, debts, duties, premiums, contracts, controversies, agreements, costs, attorneys' fees, expenses, damages, awards, judgments, settlements, and demands whatsoever, in law or in equity, now existing or hereafter arising, whether contractual, compensatory, extra-contractual, reverse bad faith, punitive, exemplary, statutory, in tort or otherwise, whether known or unknown, suspected or unsuspected, asserted or unasserted (the "Released Claims") that the Insured Parties had, have, or may have in the future against the Insurer Parties based upon, arising from or in consequence of any facts, circumstances, situations, events, transactions, or causes asserted in:

- (i) the Submission;
- (ii) Submission-related defense expenses;
- (iii) the Settlement Amount;
- (iv) any fact, circumstance, situation, transaction or event or series of facts, circumstances, situations, transactions or events alleged in or underlying the Submission; and

- (v) the Insurer Parties' investigation, evaluation or claim handling based upon, arising out of, or related to the Submission, including but not limited to any claims alleging any "bad faith," breach of any oral or written promise or breach of any duty grounded in law, in equity, or in contract.

3. The Settlement Amount made the by Insurer in accordance with Paragraph 1 of this Agreement, shall reduce the applicable Limit of Liability under the Policy by the amount of such Settlement Amount.

4. In the event that, notwithstanding the releases set forth in paragraph 2 above, the Insured or any other party asserts a claim or demand or commences legal action or other proceeding against the Insurer with regard to the Submission or the Settlement Amount, the Insured shall take all steps necessary to forthwith secure the dismissal of the same, with prejudice, and shall indemnify the Insurer for all costs, expenses, attorneys' fees, judgments, settlements, and/or damages that are incurred or suffered by the Insurer in connection with the same.

5. With respect to the releases provided in paragraph 2 of this Agreement, the Parties specifically acknowledge that they may have sustained damages, losses, fees, costs or expenses that are presently unknown and unsuspected, and that such damages, losses, fees, costs or expenses as the party may have sustained might give rise to additional damages, losses, fees, costs or expenses in the future. Nevertheless, each of the Parties acknowledges that this Agreement has been negotiated and agreed upon in light of such possible damages, losses, fees, costs and expenses.

6. This Agreement represents a compromise of disputed claims, including good faith coverage issues, and payment hereunder shall not be construed as an admission of coverage on the part of the Insurer Parties or an admission of fault, liability or wrongdoing of any kind whatsoever on the part of any of the Insured Parties.

7. The Parties represent and warrant that there has been no, and agree that there will be no, assignment or other transfer of any interest in any claim released and discharged pursuant to this Agreement.

8. In the event any of the provisions of this Agreement are deemed to be invalid and unenforceable, those provisions shall be severed from the remainder of this Agreement only if and to the extent agreed upon by the Parties in writing.

9. Each Party to this Agreement understands, acknowledges and agrees that this Agreement sets forth the entire agreement between the Parties with regard

to the subject matter of this Agreement and supersedes all prior agreements and understandings of the Parties and that this Agreement shall not be altered, amended, modified, or otherwise changed in any respect whatsoever except by a duly executed writing by all of the Parties.

10. This Agreement shall not be construed in favor of any particular Party to the Agreement but shall be construed as if it were drafted by all Parties to the Agreement.

11. Each Party to this Agreement understands, acknowledges and agrees that a breach of a provision in this Agreement may be waived only by a writing signed by all of the Parties. Waiver of any one breach shall not be deemed to constitute a waiver of any other breach of the same or any other provision.

12. Each Party to this Agreement understands, acknowledges and agrees that if any fact now believed to be true is found hereafter to be other than, or different from, that which is now believed, each Party expressly assumes the risk of such difference in fact and agrees that this Agreement shall and will remain effective notwithstanding any such difference in fact.

13. This Agreement shall be binding upon and inure to the benefit of the Insured Parties and Insurer Parties provided, however, that no person other than the Insured Parties and Insurer Parties shall have any rights under this Agreement as third-party beneficiaries or otherwise.

14. The Parties hereby acknowledge that they have been represented and advised by counsel in connection with the execution of this Agreement.

15. Each of the undersigned individuals executing this Agreement on behalf of his or her respective Party represents and warrants that he or she is authorized to enter into and execute this Agreement on behalf of such Party, that any necessary corporate resolutions or other consents have been passed and/or obtained, and that this Agreement will be binding on the Party on whose behalf it is executed. Each of the Parties further represents and warrants that it, through its authorized representative, has read and is fully aware of the contents of this Agreement and its legal effect, has full capacity and authority to execute and deliver this Agreement, and to perform or cause to be performed all respective obligations and duties hereunder without the necessity of any further act or consent of any other party. This Agreement constitutes valid and binding obligations on all of the Parties, fully enforceable in accordance with its terms.

16. The Parties agree that this Agreement may be executed in one or more counterparts, and in both original form and one or more photocopies, each of which shall be deemed to be an original, but all of which shall be deemed to be and constitute one and the same instrument.

17. This Agreement will be executed on behalf of each Party by the Party's attorney or other representative with the same force and effect as if the Party had personally executed the Agreement. Each person signing this Agreement warrants and represents that he or she has read this Agreement and has the necessary authority to execute the Agreement individually and on behalf of his or her respective principals, if any.

18. All disputes regarding the interpretation or enforcement of this Agreement shall be governed by the substantive laws of the State of Tennessee.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties have set their hands as of the date(s) set forth below.

On behalf of the INSURED

Date: March 4, 2019 Kany County Retirement & Pension Board
By: Kim Bennett
Its: Executive Director

On behalf of the INSURER

Date: March 4, 2019 Federal Insurance Company
By: Melissa Haman
Its: Executive Claim Director