KNOX COUNTY RETIREMENT AND PENSION BOARD
April 22, 2019

The Knox County Retirement and Pension Board met in regular session on Monday, April 22, 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. Gabe Mullinax and Ms. Janet Samar.

Also present at the meeting were:
USI Consulting Group: Mr. Bob Cross, Mr. Ralph Leeman, and Ms. Brenda Fiddler
Legal Counsel: Mr. Bill Mason, Ms. Stephanie Coleman and Mr. John Owings
Retirement Staff: Ms. Kim Bennett, Ms. Jennifer Schroeder, Ms. Debbie Slagle, Ms. Mitzi Stocksbury, Ms. Nyla Breshears and Ms. Savannah Russell
Others in attendance: Ms. Krysta Baig, Benefits

IN RE: CALL TO ORDER
Chairman Chris Caldwell presided and called the meeting to order.

IN RE: AMENDMENTS TO AGENDA
Ms. Bennett stated there were some revisions to the meeting agenda. A revised copy was presented to the board members.

IN RE: DISCUSSION OF CHANGE IN PENSION BOARD MEETING TIME
The new board meeting schedule time was moved to 2:30 p.m.

IN RE: APPROVAL OF MINUTES OF MARCH 25, 2019
Chairman Chris Caldwell presented the minutes for March 25, 2019. Commissioner Anders made a motion to approve the minutes for March 25, 2019, as written. The motion was seconded by Commissioner Jay 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:

<table>
<thead>
<tr>
<th>NAME</th>
<th>DEPARTMENT</th>
<th>CREDITED SERVICE</th>
<th>EFFECTIVE DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anthony Strickland</td>
<td>Sheriff</td>
<td>25 years 0 months</td>
<td>May 1, 2019</td>
</tr>
</tbody>
</table>

A motion was made by Commissioner Nystrom 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. Mullinax 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:

<table>
<thead>
<tr>
<th>NAME</th>
<th>DEPARTMENT</th>
<th>CREDITED SERVICE</th>
<th>EFFECTIVE DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Floyd Archer</td>
<td>Parks &amp; Rec</td>
<td>21 years 9 months</td>
<td>May 1, 2019</td>
</tr>
<tr>
<td>Michael Cogburn</td>
<td>EPW</td>
<td>42 years 11 months</td>
<td>June 1, 2019</td>
</tr>
<tr>
<td>Roy Haun</td>
<td>Parks &amp; Rec</td>
<td>36 years 0 months</td>
<td>May 1, 2019</td>
</tr>
<tr>
<td>Parnick Shelton</td>
<td>EPW</td>
<td>26 years 9 months</td>
<td>May 1, 2019</td>
</tr>
<tr>
<td>William Sullivan</td>
<td>Cnty Clk</td>
<td>8 years 0 months</td>
<td>May 1, 2019</td>
</tr>
<tr>
<td>Jackie Yearwood</td>
<td>Sheriff</td>
<td>18 years 2 months</td>
<td>May 1, 2019</td>
</tr>
</tbody>
</table>

A motion was made by Commissioner Anders 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 reported that the retiree luncheon was held on April 10, 2019, at Rothchild’s.

**IN RE: PROPOSED OPERATING BUDGET FY 20**

Ms. Bennett presented the proposed FY 20 operating budget. The budget was reviewed by the board. A motion was made by Ms. Foster to approve and finalize the proposed operating budget. The motion was seconded by Commissioner Nystrom and approved.

**IN RE: PROPOSED RESOLUTION FOR AMENDMENTS ON THE SUNSET PROVISIONS**

Ms. Bennett stated that the document committee would meet on May 13, 2019, for review of the proposed amendments to extend certain plan provisions scheduled to sunset this year. Three items are set to sunset on December 31, 2019, if amendments are not made to extend them: The MERP 50% Employer match, the STAR 2% Employer Supplemental Contribution and the 2% Employer Contribution to STAR or the Asset Plan for participants receiving disability benefits. Commissioner Smith questioned the procedure in which the resolution and public notices are done. Mr. Mason explained that approval of public notice by the Board was appropriate before the amendments were considered by the document committee. Commissioner Jay asked if these amendments just to extended benefits already in place instead of creating new benefits. Ms. Bennett reported that the committee meeting was to evaluate the proposal to continue operating the plans, as currently written and administered, and the board’s vote today would be to publicly notice the review and potential adoption of the proposed amendments to the Asset, STAR and Disability plans, as required by the terms of those plans. Mr. Cross explained the plans had been in effect for a reasonable amount of time to say they proved themselves to be efficient and are projected to remain effective if the sunset dates are extended. A motion was made by Commissioner Nystrom to approve the resolution to publicly notice the proposed amendments to extend the sunset dates in anticipation of the document committee’s meeting. The motion was seconded by Ms. Hemmelgarn and approved.
IN RE: AUDIT LETTER FOR FY 19 AUDIT FROM PUGH & CO

Chairman Caldwell presented the letter from Pugh & Co to the board to inform it of commencement of the audit for fiscal year 2019.

IN RE: DISABILITY COMMITTEE

- **Recommendation Procedure** – Chairman of the disability committee, Commissioner Jay, reviewed the recommended procedure for the suspension/termination of disability benefits and medical and/or dental coverage for non-responsiveness to annual disability recertification requests. A summary of the procedure was provided to the Board. Ms. Bennett stated that the committee worked with the Knox County benefit department, responsible for the administration of medical benefits, to ensure compliance with their documents and procedures in drafting the language for the suspension/termination procedure. A motion was made by Commissioner Anders to approve the recommended procedure. The motion was seconded by Commissioner Smith and approved.

- **Next meeting in July 2019** – Commissioner Jay reported the next disability meeting will be held in July.

IN RE: REPORT OF INVESTMENT COMMITTEE

Commissioner Nystrom reported on the following items:

- **Monthly Rates of Return** – Commissioner Nystrom presented the rates of return for the Defined Contribution Plans and stated the overall rates of return are in line with the respective markets.

- **Quarterly meeting May 14, 2019 at 1:30** – Commissioner Nystrom reported the next investment committee meeting will be held on May 14, 2019, at 1:30 p.m.

IN RE: REPORT OF LEGAL COUNSEL

Mr. Owings had no report and asked for an executive session with the Board, to follow completion of the rest of the items on today’s agenda, to advise on threatened litigation.

Mr. Mason had no report.

IN RE: REPORT OF ACTUARY

Mr. Cross reported on the following items:

- **UOPP Updated Funding Policy** – Mr. Cross presented and recommended the board’s approval for an updated funding policy for UOPP, a copy of which was provided to the board. Commissioner Anders questioned the effect on the county. Mr. Cross stated that UOPP will continue to be conservative in the funding of the plan. A motion was made by Commissioner Smith to approve the updated UOPP funding policy. The motion was seconded by Commissioner Jay and approved.

- **Final Valuation Results** – Mr. Cross reviewed the final valuation results for the Closed Defined Benefit Plan, UOPP, the Teacher’s Plan, and the Disability Plan. A motion was made by Commissioner Anders to accept the final valuation results. The motion was seconded by Commissioner Nystrom and approved.
**Invesco Fund Change** – Mr. Cross reported that Invesco has acquired Oppenheimer. Thus far, there has been no change in management or individuals, but this could result in changes before year end. USI will continue to monitor appropriately.

**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. Bennett:

**FEE SCHEDULE**

<table>
<thead>
<tr>
<th>Invoices for APR 2019</th>
<th>Fiscal 19 YTD Approved Invoices 03/31/2019</th>
<th>FEB Invoice For Approval</th>
<th>Fiscal 19 YTD Approved Invoices 04/30/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>BENXL</td>
<td></td>
<td>$0.00</td>
<td></td>
</tr>
<tr>
<td>Invoice #</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL BENXL</strong></td>
<td>$7,200.00</td>
<td>$0.00</td>
<td>$7,200.00</td>
</tr>
<tr>
<td>KENNERLY, MONTGOMERY &amp; FINLEY, P.C.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invoice #</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL KENNERLY, MONTGOMERY &amp; FINLEY, P.C.</strong></td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Owings, Wilson &amp; Coleman</td>
<td></td>
<td>$0.00</td>
<td></td>
</tr>
<tr>
<td>Invoice #</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL OWINGS, WILSON &amp; COLEMAN</strong></td>
<td>$254,918.41</td>
<td>$0.00</td>
<td>$254,918.41</td>
</tr>
<tr>
<td>JUSTICE, NOEL &amp; BURKS</td>
<td></td>
<td>$0.00</td>
<td></td>
</tr>
<tr>
<td>Invoice #</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL JUSTICE, NOEL &amp; BURKS</strong></td>
<td>$46,013.23</td>
<td>$0.00</td>
<td>$46,013.23</td>
</tr>
<tr>
<td>LEWIS THOMASON (Mary Ann Stackhouse)</td>
<td></td>
<td>$0.00</td>
<td></td>
</tr>
<tr>
<td>Invoices # 341804</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL LEWIS THOMASON</strong></td>
<td>$41,200.00</td>
<td>$0.00</td>
<td>$41,200.00</td>
</tr>
<tr>
<td>USI CONSULTING GROUP</td>
<td></td>
<td>$31,461.25</td>
<td>$0.00</td>
</tr>
<tr>
<td>Invoice # 0020240</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL USI CONSULTING GROUP</strong></td>
<td>$414,680.27</td>
<td>$31,461.25</td>
<td>$446,161.52</td>
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<tr>
<td>Invoices for APR 2019</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>REIMBURSEMENT FROM FIDUCIARY INSURANCE</td>
<td></td>
<td>$31,461.25</td>
<td>$796,182.16</td>
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<tr>
<td><strong>YTD TOTAL</strong></td>
<td>$453,639.48</td>
<td>$31,461.25</td>
<td>$827,622.66</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Owings, Wilson &amp; Coleman Retainer</th>
<th>$4,000 per month</th>
<th>$40,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kennedy Montgomery Retainer</td>
<td>$12,000 per month</td>
<td>$120,000.00</td>
</tr>
<tr>
<td>USI Quarterly Fee for DIF Advisory Services</td>
<td>$37,000 per quarter</td>
<td>$111,000.00</td>
</tr>
<tr>
<td>Court Reporter for Hearings</td>
<td>$1,503.20</td>
<td>$1,503.20</td>
</tr>
<tr>
<td>Fees Received from QDRO Participants</td>
<td>$500 (DC Fee)</td>
<td>$1,000.00</td>
</tr>
<tr>
<td></td>
<td>$2,000 (DB Fee)</td>
<td>$2,000.00</td>
</tr>
</tbody>
</table>

*QDRO fee is paid to Retirement Office which offset the legal fee

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

Commissioner Jay requested an additional column to be added to compare the actual cost to the current year budget amount.
ADJOURNMENT

After the executive session, Chairman Caldwell asked if there was a motion to adjourn. Commissioner Nystrom made a motion to adjourn, which was seconded by Commissioner Jay, and the meeting was adjourned.

MAYOR GLENN JACOBS, CHAIRMAN
BY PROXY, CHRIS CALDWELL

MS. TRACY FOSTER, SECRETARY
Vice Chairman Hugh Nystrom

Attachments:
1. UOPP Funding Policy
Knox County Employee Benefit System
Uniformed Officers Pension Plan
Funding Policy

Purpose and Scope

This document establishes the principal elements and parameters of an actuarial Funding Policy for the Uniformed Officers Pension Plan ("UOPP") within the Knox County Employee Benefit System ("System"). To accommodate that need for reasonable flexibility and yet also provide substantive guidance, the Funding Policy outlines various policy elements, structures, and parameters. The Knox County Pension & Retirement Board ("Retirement Board") shall utilize the Funding Policy for purposes of requesting the actuarial computation of the funding deposit to be made by Knox County ("County") to the UOPP.

While the selection of actuarial assumptions is an essential part of the actuarial process for UOPP, the selection of actuarial assumptions is outside the scope of the Funding Policy statement.

General Policy Objectives

1. The principal goal of the Funding Policy is to assure that future County and employee contributions and current Plan assets should be sufficient to provide for all benefits expected to be paid to current active, inactive and retired members, and their beneficiaries. Contributions should include the cost of current service plus a series of amortization payments or credits to fully fund or recognize any unfunded or overfunded past service costs.

2. The Retirement Board shall request the County annually to contribute at least the minimum actuarially determined contribution, calculated in accordance with the standards of practice established by the Actuarial Standards Board of the American Academy of Actuaries.

3. The Funding Policy seeks a reasonable allocation of the cost benefits and the required funding to the years of service. This includes the goal that annual contributions should, to the extent reasonably possible, maintain a close relationship to the expected and actual cost of each year of service.

4. The Funding Policy seeks to manage and control future County contribution volatility to the extent reasonably possible, consistent with other goals.

5. The Funding Policy supports the general public policy objectives of accountability and transparency.
Principal Elements of the Funding Policy

1. An actuarial cost method, which allocates the total present value of future benefits to each year (Normal Cost) as well as determining the liability of all past years (Actuarial Accrued Liability "AAL").
2. An asset smoothing method, which reduces the effect of short term market volatility while still tracking the overall movement of the market value of plan assets.
3. An amortization policy, which determines the length of time and the structure of the increase or decrease in County contributions required to systematically fund the Unfunded Actuarial Accrued Liability or ("UAAL") and any gains or losses impacting the UAAL.

Actuarial Cost Method

1. Each participant’s benefits should be funded under a reasonable allocation method by the expected retirement date, assuming all assumptions are true.
2. Pay-related benefit costs should reflect anticipated pay at the anticipated decrement.
3. The expected cost of each year of service (generally known as the normal cost or service cost) for each active member should be reasonably related to the expected cost of that member’s benefit.
4. The normal cost should emerge as a level percentage of member compensation.
5. No gains or losses should occur if all assumptions are met, except for investment gains and losses deferred under an asset smoothing method.
6. The cost method should allow for a comparison between plan assets and the accumulated value of past normal costs for current participants, the AAL.

The actuarial cost method utilized for the U OPP will be Individual Entry Age Normal cost method.

Asset Smoothing Method

1. The Funding Policy should specify all components of the asset smoothing method.
   a. Amount of return subject to deferred recognition (smoothing)
   b. The smoothing period
   c. The range constraints on smoothed value ("market value corridor"), if any
   d. The method of recognizing deferred amounts: fixed or rolling smoothing periods
2. The asset smoothing method should be unbiased relative to market
   a. The same smoothing periods should be used for gains and losses
   b. Any "market value corridors" should be symmetrical around market value
3. The asset smoothing method should not be selectively reset at market value only when market value is greater than actuarial value.
4. The policy parameters should reflect empirical experience from historical market volatility.
The asset smoothing method utilized for the U OPP shall be that investment gains or losses will be recognized over (5) years, providing that the actuarial value of assets shall not be greater than 120% of market value, nor less than 80% of market value.

Amortization Policy

1. Variations in contribution requirements from funding the normal cost will generally arise from gains or losses, method or assumptions changes, or benefit changes and will emerge as a UAAL.

2. The amortization policy should reflect explicit consideration of these different sources of change in the UAAL:
   a. Experience gains and losses
   b. Changes in assumptions and methods
   c. Benefit or plan changes

3. The amortization policy should support the general policy of objectives of accountability and transparency. This leads to a preference for:
   a. Amortization policies that reflect a history of the sources and treatment of UAAL
   b. Amortization policies that provide for a full amortization date for UAAL

The amortization policy for the U OPP shall be that the UAAL, as of January 1, 2019 and any changes thereafter under 2 (b) and 2 (c) above, shall be amortized over a fixed period of 25 years beginning January 1, 2019. The amortization period for experience gains and losses under 2(a) above shall be 10 years from the date of the actuarial valuation.

Effective Date

The Funding Policy shall be effective for the Plan Year beginning January 1, 2019 and the County’s fiscal year beginning July 1, 2019.

Amendment

The Retirement Board shall have the sole responsibility for establishing and modifying the Funding Policy for U OPP.

Accepted by:

[Signature]
(Name)

4/22/19
(Date)