

KNOX COUNTY RETIREMENT AND PENSION BOARD

January 27, 2020

The Knox County Retirement and Pension Board met in regular session on Monday, January 27, 2020, 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, Ms. Jennifer Hemmelgarn and Ms. Janet Samar. Commissioner Brad Anders and Mr. Gabe Mullinax were absent.

Also present at the meeting were:

USI Consulting Group: Mr. Bob Cross, Ms. Brenda Trollope and Mr. Michael Banks

Legal Counsel: Mr. Bill Mason, Ms. Ashley Trotto, Mr. John Owings and Ms. Sarah Jarrard

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

Others in attendance: Mr. Mike Steely, The Knoxville Focus, Mr. Ted Hotz, Pugh & Co., and Mr. Gary Mitchell, Pugh & Co.

IN RE: CALL TO ORDER

Chairman Caldwell presided and called the meeting to order.

IN RE: AMENDMENTS TO AGENDA

Ms. Schroeder stated that there were amendments to the agenda and fee schedule.

IN RE: APPROVAL OF MINUTES OF DECEMBER 16, 2019

Chairman Caldwell presented the minutes for December 16, 2019. Commissioner Jay made a motion to approve the minutes for December 16, 2019, as written. The motion was seconded by Ms. Hemmelgarn and approved.

IN RE: APPLICATION FOR RETIREMENT – DEFINED BENEFIT PLAN, LUMP SUM DISTRIBUTION AND AUTHORIZATION OF 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>
Patricia Biggs	Schools	12 years 11 months	January 1, 2020
Carol Aaron	Schools	7 years 8 months	January 1, 2020

A motion was made by Ms. Hemmelgarn 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

Commissioner Jay 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>
Beverly Campbell	Reg of Deeds	36 years	0 months	January 1, 2020
Margaret Ford	Schools	33 years	6 months	February 1, 2020
Alan Griswold	Schools	6 years	5 months	February 1, 2020
Daryl Kercinik	PBA	14 years	3 months	February 1, 2020
Lila Ludwig	Schools	32 years	7 months	February 1, 2020
Sonya Moreland	ComSvcs	21 years	5 months	February 1, 2020
Rebecca Owens	Schools	19 years	7 months	February 1, 2020
Marcia Person	Schools	13 years	4 months	February 1, 2020
Janice Rule	Schools	8 years	4 months	February 1, 2020
Danny Vandergriff	Schools	16 years	6 months	February 1, 2020

A motion was made by Ms. Hemmelgarn 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 Commissioner Nystrom and approved.

IN RE: REPORT OF FY19 AUDIT

Mr. Ted Hotz 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. Hotz presented an overview of the audit for period ending June 30, 2019. The audit report details the financial statements and notes that total plan assets are up to over \$662 million dollars in FY19, an increase of \$17 million dollars from FY18. Mr. Hotz reviewed the governance letter and recapped the audit, stating overall the procedures and numbers are good and the audit ran smoothly. There were no audit findings in FY19. Commissioner Jay made the motion to accept the FY19 audit report. The motion was seconded by Commissioner Nystrom and approved.

IN RE: REPORT OF EXECUTIVE DIRECTOR

- **Deceased Participant / Beneficiary Payment Procedure** – Ms. Schroeder reported that the office has encountered situations where participants have passed away and they are unable to locate beneficiaries, or the beneficiaries were deceased as well. Ms. Schroeder stated that the most common problem is payment of the death benefit certificate which is a benefit paid to Asset Plan

or Closed DB Plan participants retiring before 2014. This benefit has been revised and is now being paid at the time of retirement, but the office still honors death benefit certificates from prior years.

Ms. Schroeder explained that the plan document allows the office to forfeit benefits when a participant or beneficiary is lost and presented a policy extending that provision to deceased participants or beneficiaries. She explained that the benefit would be paid if an individual entitled to receive the benefit ever made a claim.

Commissioner Jay inquired if the benefit would sunset after a certain time or if the benefit would be held in perpetuity. Ms. Schroeder stated that the benefits are held in perpetuity. There was a discussion on the financial effect of the benefit. Commissioner Jay asked what problem was being solved by reallocating the liability. Ms. Schroeder explained that it is an administrative issue and the policy would permit the retirement office to close files. When the files are active the office continues searching for those beneficiaries listed on the participant's beneficiary designation form in perpetuity (the benefit is not payable to anyone else). Commissioner Jay asked if there is a suggested amount of time to look for someone. Ms. Schroeder stated that the plan document does not have a timeframe to look for a beneficiary and the office has exhausted all of their options and resources.

Commissioner Jay recommended that the policy define how long the retirement office would look for someone and a process for ensuring benefits would continue to be identifiable in case someone does show up and make a claim. Commissioner Nystrom recommended the policy mirror the way probate courts would handle these situations.

In response to Commissioner Jay's questions relating to timing and use of the term "forfeiture," Ms. Trotto explained the policy was based on IRS recommendations. The IRS does not provide a specific timeline for employers to follow. Instead, IRS guidance is drafted in terms of due diligence and it provides reasonable steps for employers to take to locate a participant or beneficiary. If an individual cannot be located after diligent effort by the employer, the IRS outlines a procedure whereby a benefit is "forfeited" but is reinstated if the individual comes forward and makes a claim for the benefit. She stated the Board has the authority and ability to set a timeline, but it is not required by the IRS.

A motion was made by Commissioner Jay that the policy be revised to incorporate the comments raised during the discussion and that the document committee review and propose their recommendation to the Board. The motion was seconded by Ms. Hemmelgarn and approved.

- **Retiree Luncheon** – Ms. Schroeder reported the retiree luncheon will be held on April 7th, 2020.
- **DB/UOPP Benefit Statement** – Ms. Schroeder reported on the proposed benefit statements for UOPP and DB plan. The statements would outline the participant's hire date, years of service, benefit amount as of January 2020 and the approximate benefit at retirement. Commissioner Smith asked if the information was available online. Ms. Schroeder responded that it is not and the only

way to get that information currently is to request it through the retirement office. Commissioner Jay asked the estimated cost for the statements. Mr. Cross responded that it would be approximately \$4,500 for each plan, per year. Ms. Hemmelgarn inquired why this process was stopped in prior years. Ms. Schroeder stated that it was difficult to relay the life insurance information because of the complexity and reminded the Board that life insurance is no longer administered by the retirement office. There was discussion on the timing to send the statements.

A motion was made by Commissioner Jay that the DB and UOPP statement of benefits be sent out with the timing being at the discretion of the administrative team but excluding the month of April. The motion was seconded by Commissioner Nystrom and approved.

- **Summary Plan** – Ms. Schroeder handed out an updated plan summary page.
- **Retirement Office Location** – Ms. Schroeder reported that Mr. Owings had reviewed the TVA tower contracts in light of the possible relocation of the retirement office. Mr. Owings reported a summary of the TVA contract and stated that he found no unconstitutional language associated with the contract. Commissioner Jay recommended a cost structure be presented to the Board.

IN RE: REPORT OF INVESTMENT COMMITTEE

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

IN RE: REPORT OF LEGAL COUNSEL

Mr. Owings reported the Knox County Retirement and Pension Board's Motion to Intervene in the Ethers case was heard in Chancery court on December 19, 2019 and was granted. A Motion to Dismiss was then filed for the Board on January 21, 2020. The respondent, Ethers and others, have up to 30 days to respond. A hearing will be set in Chancery court on the Motion to Dismiss. The hearing date has not been set but the expected date is to be in March.

Ms. Jarrard reported on the Glenn bankruptcy case. The Knox County Retirement and Pension Board was listed as a creditor of Glenn's bankruptcy estate. The hearing where Mr. Glenn gave testimony of his assets to the trustee was held on January 23, 2020. General counsel Owings, Wilson and Coleman has objected to Glenn's bankruptcy plan for the Board. A hearing will be held on February 5, 2020. An additional motion will be filed related to the objections to the plan. Counsel expects additional court dates in the future related to this matter.

Mr. Mason reported that the UOPP provision permitting retired Officers to continue receiving monthly UOPP benefits during reemployment will sunset on June 30, 2020, unless extended by the Board. Mr. Mason also reported on the SECURE Act, passed into law at the end of the last calendar year. He stated that the Act amended various internal revenue code sections applicable to the retirement System. He specifically noted that the beginning age for minimum required distributions has been increased from 70 ½ to age 72, effective January 1, 2020. Mr. Mason stated that he would bring additional information regarding next action steps on both topics, including a proposed timeline, to the March meeting.

IN RE: REPORT OF ACTUARY

Mr. Cross had no report.

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:

Invoices for JAN 2020 (Legal Invoices are approved for the previous Months Expense)	Fiscal 20 YTD Approved Invoices 12/31/2019	JAN Invoice For Approval	Fiscal 20 YTD Approved Invoices 01/31/2020	FY 20 Budget vs. Actual 1/31/2020
BENXL Invoice #		\$0.00		Budget \$50,000.00
TOTAL BENXL	\$6,000.00	\$0.00	\$6,000.00	Expenses -\$6,000.00 Remaining Budget \$44,000.00
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #				\$0.00
TOTAL KENNERLY, MONTGOMERY & FINLEY, P.C.	\$0.00	\$0.00	\$0.00	\$0.00
Owings, Wilson & Coleman Invoice #		\$0.00		Budget \$25,000.00
Invoice # 9942M Knox County vs. Etters		\$24,961.41		Expense -\$54,315.30
*** TOTAL OWINGS, WILSON & COLEMAN	\$29,353.89	\$24,961.41	\$54,315.30	Remaining Budget -\$29,315.30
USI CONSULTING GROUP Invoice #		\$0.00		Budget \$475,000.00
Invoice # 90034266		\$48,893.00		Expense -\$239,009.68
TOTAL USI CONSULTING GROUP	\$190,116.68	\$48,893.00	\$239,009.68	Remaining Budget \$235,990.32
Invoices for JAN 2020	\$225,470.57	\$73,854.41	\$299,324.98	
*** Retainer not included in approved billings for the Board			Fiscal 20 YTD	
Owings, Wilson & Coleman Retainer	\$4,000 per month		\$28,000.00	
Kennerly Montgomery Retainer	\$12,000 per month		\$84,000.00	
USI Quarterly Fee for DB Advisory Services	\$37,000 per quarter		\$74,000.00	
Fees Received from QDRO* Participants	\$500 (DC Fee)		\$2,000.00	
	\$2,000 (DB Fee)		\$0.00	

*QDRO fee is Paid to Retirement Office which offsets the legal fee

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

ADJOURNMENT

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



MAYOR GLENN JACOBS, CHAIRMAN
BY PROXY, CHRIS CALDWELL



MS. TRACY FOSTER, SECRETARY