

KNOX COUNTY RETIREMENT AND PENSION BOARD

OCTOBER 20, 2014

The Knox County Retirement and Pension Board met in regular session on Monday, October 20, 2014, at 12:30 P.M. in the County Commission Conference Room 640, City County Building, Knoxville, Tennessee. Chairman Rick Trott, presided and called the meeting to order.

The following members were present: Mr. Rick Trott, Chairman, Mr. Nick McBride, Vice Chairman, Ms. Robin Moody, Secretary, Commissioner Ed Brantley, Commissioner Richard Briggs, Commissioner Sam McKenzie, Commissioner Jeff Ownby, Mr. Chris Caldwell, representing Mayor Tim Burchett. Also present at the meeting were: Mr. William Mason, Senator Doug Overbey, Mr. John Owings, Legal Counsel, Mrs. Carissa Dunaway, USICG, Mr. David Buuck, Chief Deputy Knox County Law Director, Mr. John Sutton, Pugh & Co, Mr. Mike Steely, The Knoxville Focus, Mr. Gerald Witt, Knoxville News Sentinel and Retirement staff, Mrs. Kim Bennett, Mrs. Terri Chase, and Mrs. Janet Rowan.

IN RE: APPROVAL OF MINUTES OF PREVIOUS MEETING

Consideration of approval of the minutes of the previous meeting of September 22, 2014 was presented. A motion was made by Mr. Chris Caldwell that the minutes be approved as presented. The motion was seconded by Commissioner McKenzie and unanimously carried.

IN RE: APPLICATION FOR DISABILITY BENEFITS FOR JAMES E ALLISON, A PARTICIPANT IN THE EMPLOYEE DISABILITY BENEFIT PLAN.

The application of **JAMES E ALLISON**, employee of Schools, and a participant in the Employee Disability Benefit Plan, for disability benefits was presented. Mr. Allison has 11 years of credited service. Notification was received from UNUM dated October 9, 2014, recommending approval of a disability benefit for Mr. Allison.

After discussion, a motion was made by Mr. McBride to accept the recommendation of UNUM and approve the request of Mr. Allison for disability benefits as presented and authorize the Directed Custodian, Wells Fargo Bank, to make disposition of the benefits in accordance with the terms of the that Plan upon certification from USI. The motion was seconded by Commissioner Ownby and approved.

IN RE: APPLICATIONS FOR RETIREMENT AS PROVIDED IN THE DEFINED CONTRIBUTION PLAN

The following applications for 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>
Nancy Mohrlyn	Schools	10 years 2 months	October 1, 2014
Lynda F Tipton	Schools	22 years	October 1, 2014
Barbara A Brown	Schools	22 years 8 months	November 1, 2014
Sonya Cook	Health	11 years 11 months	November 1, 2014
Rex Delph	Schools	28 years	November 1, 2014
Katherine M Douglas	Law Library	38 years 3 months	November 1, 2014
Penn Grove	Health	7 years 9 months	November 1, 2014
Sandra Murray	Comm Svcs	11 years 10 months	November 1, 2014

After review, a motion was made by Mr. Caldwell to approve the applications for retirement under the Defined Contribution Plan as presented and authorize the Directed Custodian, Wells Fargo Bank, to make disposition of the benefits upon certification from USI. The motion was seconded by Commissioner Ownby and unanimously approved.

IN RE: CONSIDERATION OF ISSUANCE OF DEATH BENEFIT CERTIFICATES ON COMPLETED YEARS OF SERVICE

The request for issuance of certificates of death benefits as provided for in the Plan, based upon completed years of credited service at the date of termination or retirement, for the following participants was presented for consideration:

CERTIFICATES:

Barbara A Brown Sandra Murray

ACTUARIAL VALUE:

Nancy Mohrlyn Lynda F Tipton

Sonya Cook Rex Delph

Katherine M Douglas Penn Grove

After review, a motion was made by Mr. McBride to approve the requests as presented as provided by the Plan. The motion was seconded by Commissioner Ownby and unanimously approved.

IN RE: REPORT OF EXECUTIVE DIRECTOR

Mrs. Bennett stated the State Street Bank trust agreement amendment and related contracts are being worked with the Trustee and its counsel and status will be reported at the November Board Meeting.

Mrs. Bennett stated open enrollment meetings for retiree medical and dental insurance have been set and mailings have been completed by Humana. Mrs. Bennett also stated staff is attending the active open enrollment meetings for the life insurance. The deadline for both enrollments is November 14, 2014.

Mrs. Bennett deferred to Mr. Bill Mason regarding the payment process for operating expenses stating although the Board is careful to maintain its independence from the County and the Retirement Board reimburses the County for any expense payments that are made on the Board's behalf. Mr. Mason stated there is a Memorandum of Understanding between the County and Retirement Board that defines payment arrangements, budget processing, and County services and charges for the Board and Pension Office operations. He stated several years ago the Retirement Board decided to have several classes of operating expenses paid by State Street Bank, the Defined Benefit Plans Trustee. In talking with State Street Bank, the last few weeks, there have been administrative issues with the Trustee, and issues with IRS requirements about establishing a pooled account to pay expenses from the DB plans and from the Disability Plan. In discussions between the Executive Director and the County Finance Director, the suggestion was made it would be more economical, efficient, and within financial controls to have the County again write checks for the Board's expenses as in the past. The County has offered to advance the funds for expense payments, and to then invoice the Retirement Board for reimbursement, without an administrative charge. Mr. Mason stated the MOU would need to be adjusted to reflect this change. He

pointed out the differences from the stand point of the Board's independence and the savings and efficiencies to be gained, as well as the IRS and State Street operational issues that could be avoided.

After review, a motion was made by Mr. McBride to approve the payment of operating expenses by County Finance on the basis stated, subject to a suitable amendment to the MOU. The motion was seconded by Commissioner McKenzie and unanimously approved. Ms. Bennett and Mr. Owings will work together to propose the MOU amendment.

IN RE: ADOPTION OF 2015 BOARD AND INVESTMENT COMMITTEE MEETING SCHEDULE

Mrs. Bennett presented the 2015 Board and Investment Committee Meeting Schedule for 2015.

After discussion, a motion was made by Mr. McBride to adopt the 2015 Board and Investment Committee Meeting Schedule. The motion was seconded by Commissioner Brantley and unanimously approved.

The 2015 Meeting Schedule, as approved, is as follows:

Meetings listed below are held at the City-County Building, Room #640.

**2015
KNOX COUNTY
RETIREMENT & PENSION BOARD**

Meetings listed below are held at the City-County Building, Room #640.

BOARD MEETING SCHEDULE		
DAY	DATE	TIME
Monday	January 26th	9:00 a.m.
Monday	February 23rd	9:00 a.m.
Monday	March 23rd	9:00 a.m.
Monday	April 27th	9:00 a.m.
Tuesday	May 26th	9:00 a.m.
Monday	June 22nd	9:00 a.m.
Monday	July 27th	9:00 a.m.
Monday	August 24th	9:00 a.m.
Monday	September 28th	9:00 a.m.
Monday	October 26th	9:00 a.m.
Monday	November 16th	9:00 a.m.
Monday	December 21st	9:00 a.m.

INVESTMENT COMMITTEE MEETINGS		
DAY	DATE	TIME
Wednesday	February 18th	1:00 p.m.
Tuesday	May 19th	1:00 p.m.
Tuesday	August 18th	1:00 p.m.
Tuesday	November 10th	1:00 p.m.

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IN RE: PUBLIC HEARING AND FIRST READING OF AMENDMENT NO. 5 TO THE 2014 RESTATEMENT OF THE KNOX COUNTY EMPLOYEE BENEFIT SYSTEM.

Mr. Mason presented Amendment No. 5 to the 2014 Restatement of the Knox County Employee Benefit System to the Board for consideration. Mr. Mason reviewed the amendment, effective January 1, 2014. Mr. Mason said the amendment is a technical amendment which clarifies the benefit limitations and adjustments under Code 415. Mr. Mason advised the Board that corrective contributions and distributions are being processed for an employee for the short plan year as a result of IRS testing for the Defined Contribution Plans. Mr. Mason recommended adopting the amendment on First Reading.

Chairman Trott asked if anyone was present to speak at the public hearing. No one was recognized by the Chairman.

After discussion by the Board Members, a motion was made by Mr. Caldwell to approve Amendment No. 5 to the 2014 Restatement of the Knox County Employee Benefit System on First Reading. The motion was seconded by Commissioner Ownby and approved.

Amendment No. 5 is as follows:

**Notice of 5th Amendment to the 2014 Restatement of the
Knox County Employee Benefit System**

**A RESOLUTION OF
THE KNOX COUNTY RETIREMENT AND PENSION BOARD**

WHEREAS, Knox County Government has adopted the Knox County Employee Benefit System, as amended and restated in its entirety effective January 1, 2014 (the "System"); and,

WHEREAS, pursuant to Section VIII-1.20 of the System, the Knox County Retirement and Pension Board (the "Board") has the right at any time to modify, alter or amend the System, in whole or in part, by instrument in writing duly executed; and the Actuary has determined that this Amendment will have no measurable net cost to the County; and,

WHEREAS, the Board has considered, with advice of counsel, the August 25, 2014, recommendation of the IRS to further amend the System, specifically the Closed Defined Benefit Plan, to include a provision related to benefit limitations and adjustments under Internal Revenue Code ("Code") Section 415; and,

WHEREAS, the Board has complied with the provisions of Section VIII-1.20.

NOW THEREFORE BE IT RESOLVED that the System shall be and is hereby amended, effective January 1, 2014, as follows:

1. **Article III, Section 3.13(b)(2)** is amended by designating the second paragraph thereof as Subsection (i), replacing the reference in the second paragraph to "Section III-3.13(b)" with "Section III-3.13(b)(2)(i)", redesignating the third and fourth paragraphs as Subsections (A) and (B) respectively, and by adding the following new subsection (ii) between newly designated Subsection 3.13(b)(2)(i)(B) and Subsection 3.13(b)(2)(iii):

(ii) The Straight Life Annuity that is actuarially equivalent to the Participant's form of benefit shall be determined under this paragraph if the form of the Participant's benefit is other than a benefit form described in Section III-3.13(b)(2)(i) above. In this case, the actuarially equivalent Straight Life Annuity shall be determined as follows:

For Limitation Years beginning after 2005, the actuarially equivalent Straight Life Annuity is equal to the greatest of (I) the annual amount of the Straight Life Annuity commencing at the same Annuity Starting Date that has the same actuarial present value as the Participant's form of benefit, computed using the interest rate and mortality table (or other tabular factor) specified in the Plan for adjusting benefits in the same form; (II) the annual amount of the Straight Life Annuity commencing at the same Annuity Starting Date that has the same actuarial present value as the Participant's form of benefit, computed using a 5.5 percent interest rate assumption and the applicable mortality table defined in the Plan; and (III) the annual amount of the Straight Life Annuity commencing at the same Annuity Starting Date that has the same actuarial present value as the Participant's form of benefit, computed using the applicable interest rate and applicable mortality table defined in the Plan, divided by 1.05.

IN RE: PUBLIC HEARING AND FIRST READING OF AMENDMENT NO. 6 TO THE 2014 RESTATEMENT OF THE KNOX COUNTY EMPLOYEE BENEFIT SYSTEM.

Mr. Mason presented Amendment No. 6 to the 2014 Restatement of the Knox County Employee Benefit System to the Board for consideration. Mr. Mason reviewed the amendment, effective January 1, 2014. Mr. Mason said the amendment is a technical amendment which clarifies the benefit limitations and adjustments under Code 415. Mr. Mason recommended adopting the amendment on First Reading.

Chairman Trott asked if anyone was present to speak at the public hearing. No one was recognized by the Chairman.

After discussion by the Board Members, a motion was made by Mr. McBride to approve Amendment No. 6 to the 2014 Restatement of the Knox County Employee Benefit System on First Reading. The motion was seconded by Commissioner Ownby and approved.

Amendment No. 6 is as follows:

Notice of 6th Amendment to the 2014 Restatement of the Knox County Employee Benefit System

**A RESOLUTION OF
THE KNOX COUNTY RETIREMENT AND PENSION BOARD**

WHEREAS, Knox County Government has adopted the Knox County Employee Benefit System, as amended and restated in its entirety effective January 1, 2014 (the "System"); and,

WHEREAS, pursuant to Section VIII-1.20 of the System, the Knox County Retirement and Pension Board (the "Board") has the right at any time to modify, alter or amend the System, in whole or in part, by instrument in writing duly executed; and the Actuary has determined that this Amendment will have no measurable net cost to the County; and,

WHEREAS, the Board has considered, with advice of counsel, the August 25, 2014, recommendation of the IRS to further amend the System, specifically the Teachers Plan, to include a provision related to benefit limitations and adjustments under Internal Revenue Code ("Code") Section 415; and,

WHEREAS, the Board has complied with the provisions of Section VIII-1.20.

NOW THEREFORE BE IT RESOLVED that the System shall be and is hereby amended, effective January 1, 2014, as follows:

1. **Article IX, Section 1.10(b)(2)** is amended by designating the second paragraph thereof as Subsection (i), replacing the reference in the second paragraph to "Section IX-1.10(b)" with "Section IX-1.10(b)(2)(i)", redesignating the third and fourth paragraphs as Subsections (A) and (B) respectively, and by adding the following new subsection (ii) between newly redesignated Subsection 1.10(b)(2)(i)(B) and Subsection 1.10(b)(2)(iii):

(ii) The Straight Life Annuity that is actuarially equivalent to the Participant's form of benefit shall be determined under this paragraph if the form of the Participant's benefit is other than a benefit form described in Section IX-1.10(b)(2)(i) above. In this case, the actuarially equivalent Straight Life Annuity shall be determined as follows:

For Limitation Years beginning after 2005, the actuarially equivalent Straight Life Annuity is equal to the greatest of (I) the annual amount of the Straight Life Annuity commencing at the same Annuity Starting Date that has the same actuarial present value as the Participant's form of benefit, computed using the interest rate and mortality table (or other tabular factor) specified in the Plan for adjusting benefits in the same form; (II) the annual amount of the Straight Life Annuity commencing at the same Annuity Starting Date that has the same actuarial present value

as the Participant's form of benefit, computed using a 5.5 percent interest rate assumption and the applicable mortality table defined in the Plan; and (III) the annual amount of the Straight Life Annuity commencing at the same Annuity Starting Date that has the same actuarial present value as the Participant's form of benefit, computed using the applicable interest rate and applicable mortality table defined in the Plan, divided by 1.05.

IN RE: PUBLIC HEARING AND FIRST READING OF AMENDMENT NO. 3 TO THE 2014 RESTATEMENT OF THE KNOX COUNTY UNIFORMED OFFICERS PENSION PLAN.

Mr. Mason presented Amendment No. 3 to the 2014 Restatement of the Knox County Uniformed Officers Pension Plan to the Board for consideration. Mr. Mason reviewed the amendment, effective January 1, 2014. Mr. Mason said the amendment is a technical amendment which clarifies the benefit limitations and adjustments under Code 415. Mr. Mason recommended adopting the amendment on First Reading.

Chairman Trott asked if anyone was present to speak at the public hearing. No one was recognized by the Chairman.

After discussion by the Board Members, a motion was made by Commissioner McKenzie to approve Amendment No. 3 to the 2014 Restatement of the Knox County Uniformed Officers Pension Plan on First Reading. The motion was seconded by Commissioner Brantley and approved.

Amendment No.3 is as follows:

Notice of 3rd Amendment to the 2014 Restatement of the Knox County Uniformed Officers Pension Plan

**A RESOLUTION OF
THE KNOX COUNTY RETIREMENT AND PENSION BOARD**

WHEREAS, Knox County Government has adopted the Knox County Uniformed Officers Pension Plan, as amended and restated in its entirety effective January 1, 2014 ("UOPP"); and,

WHEREAS, pursuant to Article VII, Section 7.05 of the Knox County Charter (the "Charter") and Section 7.1 of UOPP, the Knox County Retirement and Pension Board (the "Board") has the right at any time to modify, alter or amend UOPP, in whole or in part, by instrument in writing duly executed; so long as such amendment is consistent with the terms of Section 7.05 of the Charter; and the Actuary has determined that this Amendment will have no measurable net cost to the County; and,

WHEREAS, the Board has considered, with advice of counsel, the August 25, 2014, recommendation of the IRS to further amend UOPP to include a provision related to benefit limitations and adjustments under Internal Revenue Code ("Code") Section 415; and,

WHEREAS, the Board has complied with the provisions of Section 7.1.

NOW THEREFORE BE IT RESOLVED that UOPP shall be and is hereby amended, effective January 1, 2014, as follows:

1. **Article VI, Section 6.02(b)** is amended by designating the second paragraph thereof as Subsection (1), replacing the reference in the second paragraph to "Section VI-6.02" with "Section VI-6.02(b)(1)", redesignating the third and fourth paragraphs as Subsections (A) and (B) respectively, and by adding the following new Subsection (2) between Subsection 6.02(b)(1)(B) and Subsection 6.02(b)(3):

(2) The Straight Life Annuity that is actuarially equivalent to the Participant's form of benefit shall be determined under this paragraph if the form of the Participant's benefit is other than a benefit

form described in Section IV-6.02(b)(1) above. In this case, the actuarially equivalent Straight Life Annuity shall be determined as follows:

For Limitation Years beginning after 2005, the actuarially equivalent Straight Life Annuity is equal to the greatest of (I) the annual amount of the Straight Life Annuity commencing at the same Annuity Starting Date that has the same actuarial present value as the Participant's form of benefit, computed using the interest rate and mortality table (or other tabular factor) specified in the Plan for adjusting benefits in the same form; (II) the annual amount of the Straight Life Annuity commencing at the same Annuity Starting Date that has the same actuarial present value as the Participant's form of benefit, computed using a 5.5 percent interest rate assumption and the applicable mortality table defined in the Plan; and (III) the annual amount of the Straight Life Annuity commencing at the same Annuity Starting Date that has the same actuarial present value as the Participant's form of benefit, computed using the applicable interest rate and applicable mortality table defined in the Plan, divided by 1.05.

IN RE: PUBLIC HEARING AND FIRST READING OF AMENDMENT NO. 3 TO THE 2014 RESTATEMENT OF THE KNOX COUNTY EMPLOYEE DISABILITY BENEFIT PLAN.

Mr. Mason presented Amendment No. 3 to the 2014 Restatement of the Knox County Employee Disability Benefit Plan to the Board for consideration. Mr. Mason reviewed the amendment, effective January 1, 2014. Mr. Mason said the amendment adds two standard provisions, recurrent disability and temporary layoffs. Mr. Mason recommended adopting the amendment on First Reading.

Chairman Trott asked if anyone was present to speak at the public hearing. No one was recognized by the Chairman.

After discussion by the Board Members, a motion was made by Commissioner Ownby to approve Amendment No. 3 to the 2014 Restatement of the Knox County Employee Disability Benefit Plan on First Reading. The motion was seconded by Mr. McBride and approved.

Amendment No.3 is as follows:

**Notice of 3rd Amendment to the
Knox County Employee Disability Benefit Plan**

**A RESOLUTION OF
THE KNOX COUNTY RETIREMENT AND PENSION BOARD**

WHEREAS, Knox County Government has adopted the Knox County Employee Disability Benefits Plan, effective January 1, 2014 (the "Disability Plan"); and,

WHEREAS, pursuant to Section 7.20 of the Disability Plan, the Knox county Retirement and Pension Board (the "Board") has the right at any time to modify, alter or amend the Disability Plan, in whole or in part, by instrument in writing duly executed; and the Actuary has determined that this Amendment will have no measurable net cost to the County; and,

WHEREAS, the Board wishes to amend the Disability Plan to extend coverage to employees subject to a temporary layoff; and to provide that a recurrent disability will be treated as part of a prior claim if the disability occurred within three months from the end of the prior claim; and,

WHEREAS, the Board has complied with the provisions of Section 7.20.

NOW THEREFORE BE IT RESOLVED that the Disability Plan shall be and is hereby amended, effective January 1, 2014, as follows:

1. **Article I** is amended by adding the following new subsection 1.64-1:

1.64-1 "Recurrent Disability" shall mean a subsequent Disability which is related to, or due to the same cause(s) of, a prior Disability for which a Disability Benefit was payable.

2. **Article I** is amended by adding the following new subsection 1.74-1:

1.74-1 "Temporary Layoff" shall mean an involuntary cessation of active service as an Employee for a period of time that has been specified, in writing, by the Employer and agreed to by the Participant in advance. A Temporary Layoff does not include a disciplinary suspension, military leave, Leave of Absence, or leave permitted by the Family and Medical Leave Act.

3. **Article III** is amended by adding the following new Section 3.05:

3.05 Temporary Layoff

A Participant subject to Temporary Layoff will continue to participate in the Plan through the end of the month in which the Temporary Layoff began.

4. **Article V** is amended by adding the following new Section 5.12:

5.12 Recurrent Disability

A Participant's Recurrent Disability shall be treated as a continuation of a prior Disability if the Participant has been continuously covered by the Plan as a Participant or Disabled Participant from the prior Disability Date through the Disability Date of the Recurrent Disability and the Recurrent Disability Date occurs within six (6) months from the last calendar month for which the prior Disability Benefit was paid. The Board shall recalculate a Disabled Participant's Disability Benefit payable after a Recurrent Disability to take account of any increase in Compensation prior to the Recurrent Disability Date.

IN RE: RECOMMENDATION FOR MANDATORY INVESTMENT AND RETIREMENT EDUCATION COMMITTEE

Mrs. Bennett stated USI Consulting Group has a draft employee investment and retirement education presentation completed for review. She stated the Committee will schedule a meeting the week of October 27th to review and discuss the presentation. Mrs. Bennett stated she hopes to complete a trial run in November with the goal of beginning presentation to all County and Fee Offices in the first quarter 2015.

IN RE: REPORT OF LEGAL COUNSEL

Mr. Owings stated he has the audit letter for Pugh & Co. for response.

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

IN RE: REPORT OF ACTUARY

In Mr. Cross's absence, Mrs. Dunaway stated there was no business to report.

IN RE: REPORT OF INVESTMENT COMMITTEE

Mr. McBride reviewed the rates of return as of September 30, 2014, that were previously distributed to the Board Members.

Mr. McBride stated the next Investment Committee Meeting is November 12th at 1:00 p.m.

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 of approval of payment, as in accordance with agreements and audited and recommended for payment by Mrs. Bennett:

INVOICES FOR OCTOBER 2014

KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #189717	\$11,557.00
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #189719	\$2,284.00
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #189720	\$133.50
USI CONSULTING GROUP Invoice #90003389	\$22,333.50
TOTAL FOR OCTOBER 2014	\$36,308.00

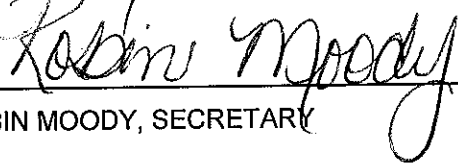
After review of the statement of accounts and invoices, motion was made by Mr. Caldwell that the Board authorize the payment indicated above to be paid from the designated State Street funds. The motion was seconded by Mr. McBride and unanimously approved.

IN RE: ADJOURNMENT

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



RICK TROTT, CHAIRMAN



ROBIN MOODY, SECRETARY