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TO: KNOX COUNTY COMMISSIONERS

FROM: RICHARD B. ARMSTRONG, JR. 
KNOX COUNTY LAW DIRECTOR

DATE: MARCH 19, 2018

RE: OUTSIDE COUNSEL FOR KNOX COUNTY RETIREES

In order to answer questions you may have concerning the proposed resolution to outside counsel for Knox County retirees, I first need to inform you of a critical funding issue of the Pension and Retirement Board. In 2007, the Knox County taxpayers approved a retirement program for retired Knox County Sheriff uniformed officers. The program was modeled after that of the City of Knoxville Police department and the United States military in which a 30 year veteran receives 75 percent of their monthly salary for life. The rest of Knox County and City of Knoxville employees do not receive this same benefit.

For reasons unknown, the Pension Office Staff, upon advice of its highly paid outside counsel, calculated benefits between 85 percent and 95 percent of monthly salary. These calculations are contrary to that which the taxpayers had approved. This increased the actuarial liability and potential tax burden to the taxpayers of Knox County for approximately 600 uniformed officers. These increases have never been submitted to Commission as required by the plan.

The Law Director did not become aware of this improper payout until a lawsuit was filed against the Pension Board by a Sheriff's Office retiree who had been awarded by the Board approximately 89.6 percent of his monthly salary retirement check, but who wanted 98 percent of his monthly salary as a benefit. His argument was that the higher calculation had been used by the Board in the past.

The Law Director assumed defense of that lawsuit and immediately became aware that the Pension Board had been routinely awarding additional retirement income over and above the taxpayer-approved calculation based upon the officers' average monthly salary.