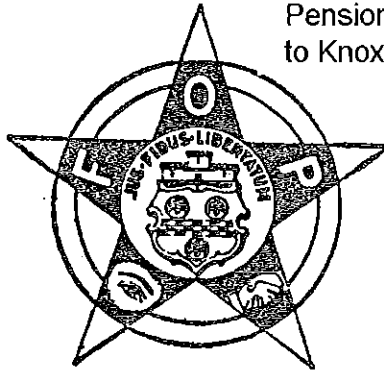


**VOLUNTEER LODGE
No. 2**



**801 E. 5th Avenue
Knoxville, TN 37917**

February 13, 2012

Pension Task Force
901 North Broadway
Knoxville, TN 37917

Pension Task Force Members,

I would like to take a moment and thank you for your service on this important task force and acknowledge the difficult task you have been given. I have had the opportunity to attend several meetings and listen to the presentations and ensuing discussion on this important topic. Please allow me to share my thoughts with you on the subject.

The current financial projection for the pension plan is a serious issue that requires careful analysis and review. Some factors that contributed to the current situation include: the transfer of liability for the City's unfunded pension plans to the current system, unstable market conditions in the early and late 2000's, and the absence of minimum funding policies in previous years when the plan performed well. Consideration of such factors becomes important to effectively insulate the plan going forward.

A good defined benefit pension is necessary to recruit and retain high quality public safety employees the City of Knoxville will need in the future. The cost for recruiting and training these employees is substantially higher than traditional employees and preventable turnover has real monetary and operational costs. Without a competitive pension plan, our valuable human capital would be vulnerable to other agencies that realize the high quality of our employees and the worth of their training.

For these reasons, I believe great care should be exercised when making recommendations to modify the pension plan. If changes are needed, they should be modest and designed to correct the known historical problems that contributed to our current situation. Any changes considered should be evaluated for their financial impact and tied to meeting the new "Expected Rate of Return" of 7.375% decided by the Pension Board. To drastically alter the design of the plan would create another large "unfunded liability" as current participants reach retirement age and no new workers enter the plan to offset those costs.

Respectfully submitted,

Mark A. Taylor, President
FRATERNAL ORDER of POLICE
Volunteer Lodge #2