

**KNOX COUNTY RETIREMENT SYSTEM  
ASSET ACCUMULATION AND DEFERRED COMPENSATION PLAN**

**PARTIAL LUMP SUM DISTRIBUTION PROCEDURE**

**WHEREAS**, the KNOX COUNTY PENSION BOARD (the "Board") administers the KNOX COUNTY RETIREMENT SYSTEM ASSET ACCUMULATION and DEFERRED COMPENSATION PLANS (the "Plan" or "Plans"); and

**WHEREAS**, the Plans each permit a Retiree to elect to receive, from time to time, a portion of his or her remaining Individual Account in a lump sum payment in accordance with a Partial Lump Sum Distribution Procedure ("Procedure"); and

**NOW THEREFORE**, effective July 1, 2017, the Board hereby establishes this Procedure; for purposes of the Internal Revenue Code of 1986 (the "Code"), and the Regulations thereunder, this Procedure is intended to form a part of and be incorporated in, the provisions of the Plan:

**Section 1: ESTABLISHMENT OF PROCEDURE**

(a) The Plan Administrator hereby establishes the Procedure and shall establish such recordkeeping and accounting procedures as are necessary to carry out, within the scope of fiduciary obligations to the Plan's Participants and beneficiaries, the purposes of the Procedure.

(b) The Plan Administrator shall establish and amend from time to time such rules and procedures as are necessary or appropriate to effect the ongoing administration of the Procedure. The Plan Administrator shall prescribe such forms from time to time as may be necessary or appropriate for the Procedure.

(c) The Executive Director is hereby delegated authority and shall act as the Plan Administrator for this Procedure.

(d) Unless otherwise defined herein, any capitalized terms in this Procedure shall have the same meanings assigned to those terms by the Plan.

**Section 2: ELIGIBLE PARTICIPANTS**

(a) Participants who are Retirees as of the date of the distribution election shall be eligible to receive a partial lump sum distribution under this Procedure.

(b) In the event a Retiree dies, his or her Beneficiary shall be eligible to receive a partial lump sum distribution under this Procedure.

(c) Participants who Terminate employment shall not be eligible to receive a partial lump sum distribution.

(d) A Reemployed Retiree shall not be eligible to receive a partial lump sum distribution during his or her period of reemployment.

**Section 3: ELECTION PROCEDURES**

(a) To elect a partial lump sum distribution, a Retiree or Beneficiary must complete and return to the Retirement Office a revised *Application for Retirement*, indicating his or her election in Part III. Each application shall specify the amount of the partial lump sum distribution requested.

(b) If the Plan Administrator determines that all other requirements of this Procedure have been satisfied, the Retiree or his or her Beneficiary will receive the partial lump sum distribution as soon as administratively feasible in accordance with the Administrator's regular payment procedure. If the Plan cannot make the distribution within three (3) weeks, the Plan Administrator will advise the Retiree or Beneficiary of the delay, of the reason for the delay and of the date by which the Plan expects to make payment.

**Section 4: PLAN LEVEL LIMITATIONS**

(a) Minimum Distribution. The minimum partial lump sum distribution available under the Plan shall be \$5,000.

(b) Maximum Distribution. There shall be no maximum partial lump sum distribution, except that a Retiree or Beneficiary shall not elect to receive an amount in excess of his or her remaining Individual Account balance.

(c) Timing. Only one (1) partial lump sum distribution per calendar quarter shall be permitted under this Procedure.

**Section 5: EFFECT ON INSTALLMENT PAYMENT ELECTION**

(a) A Retiree's or Beneficiary's periodic installment payments shall continue, as elected, in the month of the partial lump sum distribution and thereafter until his or her Individual Account is depleted.

(b) Such installment payments shall be recalculated in December of each year, based on the Participant's Individual Account balance as of the last business day of November, to take account of any partial lump sum distribution(s) received during that year. The recalculated payments shall be effective January 1 of the following year. Exhibit A, attached hereto, provides examples showing the effect a partial lump sum distribution may have on a Retiree's or Beneficiary's future installment payments.

**Section 6: MISCELLANEOUS**

(a) The Board reserves the right to modify, amend or terminate this Procedure at any time. The Plan Administrator shall have the power to suspend the eligibility of a Retiree where pending qualified domestic relations orders or similar occurrences make such action necessary or appropriate to protect the interests of the Plan and Retirement System.

(b) In the event any person to which this Procedure applies receives a distribution that should not have been paid by the Plan, the recipient is designated a constructive trustee for the amount received and shall immediately return such amount to the Plan Administrator. Notwithstanding the foregoing, the Plan Administrator specifically reserves the right to seek the recovery of any amounts paid by the Plan in error to any person.

(c) Nothing in this Procedure shall be interpreted or construed to modify or amend the Plan. In all cases, the terms of the Plan shall determine any party's eligibility for benefits and the amount of such benefits. The benefits payable are governed by the Plan, which is subject to modification, amendment or termination at any time. All benefit payments are subject to the actual terms and conditions of the Plans in effect when a party applies for benefits.

(d) This Procedure shall be interpreted and applied consistent with provisions of the Plan and the Internal Revenue Code and applicable regulations.

IN WITNESS WHEREOF, this Partial Lump Sum Distribution Procedure has been executed this 24 day of May, 2017.

**KNOX COUNTY RETIREMENT SYSTEM**

By: Kim Bennett  
Its: Executive Director

**Exhibit A**

**Fixed Period Installment Example:**

Retiree: Sally Smith  
Age: 62  
Plan: Asset Accumulation  
Account Balance: \$240,000  
Benefit Election: Monthly Installments over 10 Years  
Retirement Date: January 1, 2018

Benefit Year (Jan. – Dec.)	Monthly Benefit	Partial Lump Sum Distribution (prior to December 1)	Annual Distribution	Remaining Balance	Benefit Years Remaining
2018	\$2,000	\$0	\$24,000	\$216,000	9
2019	\$2,000	\$10,000	\$34,000	\$182,000	8
2020	\$1,895.83	\$5,000	\$27,750	\$154,250	7
2021	\$1,836.31	\$5,000	\$27,035.71	\$127,214.29	6
2022	\$1,766.87	\$0	\$21,202.38	\$106,011.91	5
2023	\$1,766.87	\$0	\$21,202.38	\$84,809.53	4
2024	\$1,766.87	\$10,000	\$31,202.38	\$53,607.15	3
2025	\$1,489.09	\$0	\$17,869.05	\$35,738.10	2
2026	\$1,489.09	\$0	\$17,869.05	\$17,869.05	1
2027	\$1,489.09	\$0	\$17,869.05	\$0	0

For purposes of this example, 0% earnings were assumed. Earnings and/or losses affect the annual recalculation of a Retiree's or Beneficiary's regular installment payment. Earnings are not guaranteed.

Recalculations are performed in December for the next calendar year based on account balances as of the last business day in November. Partial lump sum distributions received in December are accounted for in the following year. For example, if Sally took a partial lump sum distribution in December 2019, the distribution will first affect her monthly benefit in January 2021.

Fixed Payment Installment Example:

Retiree: Joe Johnson  
Age: 65  
Plan: Deferred Compensation (457)  
Account Balance: \$50,000  
Benefit Election: Monthly Installments of \$250  
Retirement Date: January 1, 2018

Benefit Year (Jan. – Dec.)	Monthly Benefit	Partial Lump Sum Distribution	Annual Distribution	Remaining Balance	Benefit Years Remaining
2018	\$250	\$0	\$3,000	\$47,000	15 + 8 months
2019	\$250	\$5,000	\$8,000	\$39,000	13
2020	\$250	\$5,000	\$8,000	\$31,000	10 + 4 months
2021	\$250	\$0	\$3,000	\$28,000	9 + 4 months
2022	\$250	\$10,000	\$13,000	\$15,000	5
2023	\$250	\$0	\$3,000	\$12,000	4
2024	\$250	\$0	\$3,000	\$9,000	3
2025	\$250	\$0	\$3,000	\$6,000	2
2026	\$250	\$0	\$3,000	\$3,000	1
2027	\$250	\$0	\$3,000	\$0	0

For purposes of this example, 0% earnings were assumed. Earnings and/or losses affect the duration of a Retiree's or Beneficiary's regular installment payment and partial lump sum distributions reduce that duration. Earnings are not guaranteed.