

KNOX COUNTY RETIREMENT AND PENSION BOARD

March 28, 2022

The Knox County Retirement and Pension Board met in regular session on Monday, March 28, 2022, at 3:00 P.M. in Room 640, City-County Building, Knoxville, Tennessee.

The following members were present: Chairman Chris Caldwell, Proxy for Mayor Jacobs, Commissioner Larsen Jay, Vice Chairman, Commissioner Randy Smith, Secretary, Commissioner Charles Busler, Commissioner Kyle Ward, Mr. Chris Simons, Ms. Janet Samar, Mr. Jim Snowden and Mr. Kevin Clark.

Also present at the meeting were:

USI Consulting Group: Mr. Bob Cross, Ms. Brenda Trollope and Mr. Ralph Leeman

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

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

Others in Attendance: Mr. Allen Sheets, Nationwide, Mr. Scott Bolton, Schools, Mr. Ed Shouse, Trustee, and Mr. Nick McBride, Register of Deeds

IN RE: CALL TO ORDER

Chairman Caldwell presided and called the meeting to order.

IN RE: AMENDMENTS TO AGENDA

Chairman Caldwell reported that there were no amendments to the agenda.

IN RE: APPROVAL OF MINUTES OF FEBRUARY 22, 2022

Chairman Caldwell presented the minutes for the board meeting held on February 22, 2022. Commissioner Busler made a motion to approve the minutes for February 22, 2022, as written. The motion was seconded by Ms. Samar. All members present voted in favor. The motion passed unanimously.

IN RE: APPLICATIONS FOR DISABILITY BENEFIT – EMPLOYEE DISABILITY PLAN

The following applications for disability were presented for consideration:

<u>NAME</u>	<u>DEPARTMENT</u>	<u>DATE OF RECOMMENDATION FROM REEDGROUP</u>
Christie Fields	Health	February 25, 2022

A motion was made by Ms. Samar to approve the applications for disability. The motion was seconded by Commissioner Jay. All members present voted in favor. The motion passed unanimously.

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>
James Childs	CommSvcs	25 years 4 months	April 1, 2022

Kimberly Hurst	Schools	16 years	5 months	April 1, 2022
Jeff Johnston	CommSvcs	18 years	1 month	April 1, 2022
Steven Lis	Schools	12 years	6 months	April 1, 2022
Sharon McGuire	Schools	8 years	7 months	April 1, 2022
Mickey Rauhuff	EPW	19 years	8 months	April 1, 2022
Rex Sexton	Health	13 years	3 months	April 1, 2022
Danette Snyder	PD	9 years	11 months	April 1, 2022

A motion was made by Mr. Simons to approve the applications for retirement under the Defined Contribution Plan as presented and to authorize the Directed Custodian, Charles Schwab, 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 Busler. All members present voted in favor. The motion passed unanimously.

IN RE: APPLICATIONS FOR RETIREMENT – UNIFORMED OFFICERS PENSION PLAN

The following applications for retirement, as provided in the Uniformed Officers Pension Plan, were presented for consideration:

<u>NAME</u>	<u>DEPARTMENT</u>	<u>CREDITED SERVICE</u>	<u>EFFECTIVE DATE</u>
Harold Slate II	Sheriff	15 years 4 months	April 1, 2022

A motion was made by Ms. Samar to approve the application for retirement under the Uniformed Officers Pension Plan as presented and to authorize Trustee, State Street Bank, to make payment of the monthly benefits. The motion was seconded by Commissioner Jay. All members present voted in favor. The motion passed unanimously.

IN RE: REPORT FROM KNOX COUNTY SCHOOL STAFF ON PROPOSED CLASSIFIED EMPLOYEES TRANSFER TO TCRS – SCOTT BOLTON

Mr. Bolton summarized the proposed transfer of classified Schools employees from KCRS to TCRS. He stated that current classified Schools employees would have the option to voluntarily transfer from the Knox County Asset plan to TCRS and that classified employees hired on or after July 1, 2022 would be automatically enrolled into TCRS. He noted the significant demand for certified teachers and the goal of creating teachers by streamlining interns or classified teachers to become certified. With new hires automatically going to TCRS, they would not lose credited service from either plan when they become certified. There are approximately 10,000 full and part-time employees with the schools. 5,200 are enrolled in TCRS and 2,500 are enrolled in the Knox County Asset plan.

Commissioner Jay asked if the transfer to TCRS is at the discretion of the Retirement Board or if Mr. Bolton's presentation is solely informational. Mr. Mason advised that, as the Plans are currently written, employees participating in TCRS are not eligible to participate in any KCRS plan; also, that current Schools employees would have the option to stay in the KCRS or to be covered by TCRS going forward. He said the only reason the Board would have to act in connection with the proposal would be if the Board wished to follow KCS staff recommendation to specifically exclude KCS employees hired

after June 30, 2022, so that food service and other part time employees who would be eligible for TCRS -- but who would have the right to opt out of TCRS – would be excluded from KCRS.

Current Knox County Asset Plan participants would have until January 31, 2023 to elect to go into TCRS or continue with their current plan. All new hires after July 1, 2022, would be auto enrolled into TCRS. The proposal would need to be approved by the School Board and County Commission to become effective.

IN RE: REPORT OF EXECUTIVE DIRECTOR

- **Pugh and Company Audit Contract** – Ms. Schroeder informed the Board that the Pugh and Company audit contract was attached in the Board packet and remains subject to legal review. A motion was made by Commissioner Busler to approve the Pugh and Company audit contract subject to legal review. The motion was seconded by Ms. Samar. All members present voted in favor. The motion passed unanimously.
- **Lump Sum Procedure** – Ms. Schroeder reviewed the lump sum procedure included in the Board packet. After discussion, a motion was made by Commissioner Smith to approve the lump sum procedure and to authorize the Executive Director to amend the procedure from time to time, as necessary or appropriate. The revised lump sum procedure is attached to these minutes. The motion was seconded by Mr. Simons. All members present voted in favor. The motion passed unanimously.
- **Budget FY23** – Ms. Schroeder presented the proposed FY23 budget. A motion was made by Commissioner Ward to approve the proposed FY23 budget. The motion was seconded by Mr. Snowden. All members present voted in favor. The motion passed unanimously.

IN RE: REPORT OF INVESTMENT COMMITTEE

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

Mr. Cross reported that the markets are down overall 4% to 4.5%.

IN RE: REPORT OF LEGAL COUNSEL

Mr. Owings had no report.

Mr. Mason noted the passing of Capt. Richard Trott, the long serving Chair of the Pension Board; and Chair Caldwell directed that it be so recorded in the minutes.

IN RE: REPORT OF ACTUARY

Mr. Cross had no report.

IN RE: APPROVAL OF PAYMENT – STATEMENT OF ACCOUNTS

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 MAR 2022 For FY 22 (Legal Invoices are approved for the previous Months Expense)	Fiscal 22 YTD Approved Invoices 02/28/2022	MAR Invoices For Approval	Fiscal 22 YTD Approved 3/31/2022	FY 22 Budget vs. Actual 3/31/2022
BENXL Invoice #		\$0.00		Budget \$50,000.00 From FY21 \$50,000.00 Expenses \$0.00 Remaining Budget \$100,000.00
TOTAL BENXL	\$0.00	\$0.00	\$0.00	
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice # 225243		\$500.00		QDRO* \$2,000.00 Rec'd from Participa \$2,550.00 Expenses \$1,800.00 Remaining Budget \$2,750.00
TOTAL KENNERLY, MONTGOMERY & FINLEY, P.C.	\$1,300.00	\$500.00	\$1,800.00	
Owings, Wilson & Coleman Invoice #		\$0.00		Budget \$100,000.00
Invoice #		\$0.00		
Invoice # 9942M Knox County vs. Etters		\$1,487.50		Expense -\$45,920.38
*** TOTAL OWINGS, WILSON & COLEMAN	\$44,432.88	\$1,487.50	\$45,920.38	Remaining Budget \$54,079.62
USI CONSULTING GROUP Invoice # 90063364		\$60,852.75		Budget \$475,000.00
Invoice # 90064043		\$7,761.75		Expense -\$150,476.00
TOTAL USI CONSULTING GROUP	\$81,861.50	\$68,614.50	\$150,476.00	Remaining Budget \$324,524.00
Invoices for MAR 2022 For FY 22	\$127,594.38	\$70,602.00	\$198,196.38	

***** Retainer not included in approved billings for the Board**

		Fiscal 22 YTD
Owings, Wilson & Coleman Retainer	\$4,000 per month	\$36,000.00
Kennerly Montgomery Retainer	\$12,000 per month	\$108,000.00
USI Quarterly Fee for DB Advisory Services	\$37,000 per quarter	\$111,000.00
Fees Received from QDRO* Participants	\$500 (DC Fee)	\$550.00
	\$2,000 (DB & UOPP Fee)	\$2,000.00

*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 Ms. Samar that the Board authorize the payment indicated above to be paid from the designated Retirement Plans. The motion was seconded by Mr. Simons. All members present voted in favor. The motion passed unanimously.

ADJOURNMENT

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



MAYOR GLENN JACOBS, CHAIRMAN
BY PROXY, CHRIS CALDWELL



COMMISSIONER RANDY SMITH, SECRETARY

Attachments:

- 1.) TCRS Schools
- 2.) Lump Sum Procedure

**Knox County Schools Classified Employees Proposed Transfer to TCRS
Summary and Legal Comments**

Proposal: Knox County Schools ("KCS") classified employees ("KCS Employees") hired on or after July 1, 2022 would be eligible to participate in the Tennessee Consolidated Retirement System ("TCRS") rather than the Knox County Retirement System ("KCRS"). Current KCS Employees would be required to make an election to remain in KCRS or to transfer to TCRS. No KCS employees hired on or after July 1, 2022 would participate in KCRS. There are currently ~2,500 KCS Employees.

Considerations:

- Employees participating in TCRS are not permitted to participate in any KCRS plan (including MERP, 457, and Disability);
- KCS staff recommends KCRS amend Plans to exclude KCS employees hired on or after July 1, 2022; this would involve Pension Board action this spring;
- Commission action, if any, would come by way of KCS, not Pension Board;
- Defer to USI on cost impacts, if any, on KCRS if KCS decides to participate in TCRS;
- Current KCS Employees must be offered the choice to stay in KCRS or transfer to TCRS; this is a TCRS requirement; it also creates a fiduciary exposure for KCS/KCRS to make sure comparison information about KCRS is presented accurately and objectively;
- Current KCS Employees who elect to transfer to TCRS would be 100% vested in KCRS balances;
- No participant funds would be required to be transferred from KCRS Plans to TCRS. However, KCS Employees who elect to transfer to TCRS may rollover KCRS account balances;
- A KCS Employee who transfers to TCRS would be permitted to leave his/her account balance, if any, in the KCRS Plan and would continue to have the right to direct investments;
- Participants who transfer to TCRS have the right to withdraw Asset Plan and MERP account balances (not 457 Plan). Unless rolled over, such withdrawal is subject to tax and may be subject to additional 10% excise tax for early withdrawal;
- Participants who transfer to TCRS must start over on TCRS vesting schedule (5 years); no past service credit is available for purchase;
- No one in Closed DB or Teacher's plan would be eligible to transfer to TCRS;
- Depending on current KCS Employee decisions to transfer, this transition may affect KCRS election procedures/Board allocations in the long term;
- Other County offices cannot elect TCRS coverage, unless Commission elects TCRS for all County employees.

Benefit Comparison (Refer to Plan documents for full details)	
KCRS Asset Plan – DC only	TCRS Hybrid Plan – DB/DC
6% mandatory Employee Contribution	<u>DB</u> : 5% mandatory Employee Contribution <u>DC</u> : auto-enrolled at 2% Employee Contribution but may opt out
6% Employer Matching Contribution	<u>DB</u> : 4% Employer Contribution <u>DC</u> : 5% Employer Contribution
5-year step vesting (20% per year)	<u>DB</u> : 5-year cliff vesting <u>DC</u> : Immediately 100% vested
Benefit = account balance	<u>DB</u> : 1% x highest 60 consecutive months' salary x years of service <u>DC</u> : account balance

Knox County Retirement System (KCRS)

Lump Sum Payment Procedure

As stated in the existing KCRS Plan documents, Compensation shall not include a lump sum payment of any kind. *System § I-1.23(j); UOPP § 1.19(i); Disability Plan § 1.14(j); and STAR § 1.15(i).*

For purposes of applying this procedure, a payment will be treated as a “lump sum payment” if the following conditions are met:

- The payment is not based on performance;
- The payment is not based on longevity;
- The payment is not characterized as a bonus;
- The payment is not Post-Severance Compensation;
- The payment is not a cash-out of unused accrued time off;
- The payment is made in one lump sum and not at any other interval;
- The payment is not part of a series of payments or intended to be paid on a regular basis; and
- With respect to Officers, the payment is made in accordance with the Merit System

The Employer shall create and implement separate payroll codes to classify payments as “lump sum payments” in accordance with these procedures. KCRS may rely on the Employer’s designation of a payment as a “lump sum payment” and shall have no duty or responsibility to verify such designation.

Treatment of lump sum payments as “non-pensionable” pursuant to this procedure does not affect taxability or withholding. Treatment of lump sum payments for other county benefit plans, leave or pay practices, or for any other purpose shall be governed by those other plans and/or associated governing documents.

KCRS, via the Board or its Executive Director, reserves the right to modify or revoke this procedure at any time in its sole discretion.

Approved at Board Meeting on March 28, 2022