

KNOX COUNTY RETIREMENT AND PENSION BOARD

October 23, 2023

The Knox County Retirement and Pension Board met in regular session on Monday, October 23, 2023, 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 Terry Hill, Commissioner Richie Beeler, Commissioner Kyle Ward, Mr. Chris Simons, Mr. Jim Snowden and Mr. Matthew Schlosshan. Mr. Zac Fullerton was absent.

Also present at the meeting were:

USI Consulting Group: Mr. Bob Cross and Brett Bronkhorst

Legal Counsel: Mr. Bill Mason and Ms. Sarah Jarrard

Retirement Staff: Ms. Jennifer Schroeder, Ms. Savannah Russell, Ms. Nyla Breshears, Ms. Terri Chase, Mr. Zack Cole and Ms. Faith Sullivan

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 SEPTEMBER 25, 2023

Chairman Caldwell presented the minutes for the board meeting held on September 25, 2023. Mr. Simons made a motion to approve the minutes for September 25, 2023, as written. The motion was seconded by Commissioner Ward. 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>
Ljubica Grabundzija	Schools	12 years 7 months	November 1, 2023
William Griffin Jr.	Parks & Rec	19 years 8 months	November 1, 2023
Dorothy McWilliams	Health	30 years 7 months	November 1, 2023
John Narro	Health	6 years 5 months	November 1, 2023

A motion was made by Commissioner Jay 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 Mr. Schlosshan. All members present voted in favor. The motion passed unanimously.

IN RE: REPORT OF EXECUTIVE DIRECTOR

- **Board Officers-** Ms. Schroeder notified the Board that certification takes place every September for the officers of the Retirement and Pension Board. There were no changes in the Board members this year. The officers currently include Chris Caldwell, Chairman, Larsen Jay, Vice-Chairman, and Richie Beeler, Secretary. She said the Board can either choose to continue with the current officers or nominate others. Commissioner Hill made a motion to continue and recertify the current officers. The motion was seconded by Mr. Simons. The certification is from September 1 to August 30. All members present voted in favor. The motion passed.
- **Impact Statements for MERP for STAR and UOPP Officers-** Impact Statements were distributed to each Board Member. Ms. Schroeder summarized and stated the estimated cost for including STAR Participants in MERP is about \$17,100 annually. For UOPP the estimated cost is about \$19,900 annually. Mr. Cross stated the average participation rate was analyzed and those numbers were applied to STAR and UOPP. Ms. Schroeder informed the Board a decision needed to be made to decide if pending amendments would provide for both STAR and UOPP to be eligible for MERP. A motion was made by Commissioner Ward. The motion was seconded by Commissioner Beeler. All members present voted in favor. The motion passed. Mr. Schlosshan stated this money could be used as additional support for medical expenses for officers once they retire. If the amendments are adopted, and the Commission resolution is adopted, the County will match up to \$416 annually if the employee contributes \$832.
- **RFQ for Defined Contributions Services Update-** Ms. Schroeder projects to have the RFQ draft issued within the next one to two weeks. She will notify the Board when it is sent out and get with those on the evaluation team.
- **NAGDCA Annual Conference attended by Jennifer Schroeder and Chris Simons-** Ms. Schroeder and Mr. Simons attended the National Association for Governmental Defined Contribution Administrators in Seattle. Ms. Schroeder will send a helpful fee schedule review passed out at that conference to the Board that is for the member's use only.
- **Retiree Medical Eligibility-** The County is working to change the retiree medical eligibility policy. When an officer or any county employee passes away in the line of duty, the County will alter their policy and cover their surviving spouse and/or children for 36 months. In a situation like this, for retirement purposes, their spouse is treated as a retiree.
- **Communication regarding Employees that have reached their anniversary date in the 457 Plan of 5, 10, 15 years-** The Retirement office sent 600 letters out to employees that have reached their 5-, 10-, or 15-years of service date letting them know they are eligible for a 457 match from the County.
- **Quarterly Plan Summaries-** The quarterly statement that summarizes each plan was distributed to each Board Member in their Board Packet.
- **Lawsuits filed on September 25, 2023 by Officers Kitts and Stachey regarding prior military service-** Two lawsuits were filed by Officer Kitts and Stachey regarding the prior military service appeals in which the Board chose not to act. The Board chose not to grant the officers' request because

it was determined the Board followed the plan document. Regardless, the Board decided to open the military service up for a selected period. Ms. Jarrard said Officer Kitts and Stachey want the denial on the appeal overturned. Ms. Schroeder has filed with the fiduciary insurance carrier.

Ms. Schroeder stated there have been requests for Retirement seminars. In response, the Retirement office will hold two Retirement readiness seminars November 3rd in the small assembly room. One at 10 am and the other at 1 pm. The Retirement office will notify employees of the seminar. USI will also be present at the seminars.

IN RE: REPORT OF DISABILITY COMMITTEE

The Disability Committee met on September 26, 2023, with Reed Group/Alight, who gave a presentation over our services with them.

IN RE: REPORT OF INVESTMENT COMMITTEE

- **Annual Due Diligence Meeting, September 19, 2023-** The annual due diligence meeting was held on September 19, 2023.
- **Monthly Rates of Return** – Mr. Simons 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.

IN RE: REPORT OF LEGAL COUNSEL

- **Owings, Wilson, & Coleman**– Ms. Jarrard had no report.
- **Kennerly, Montgomery** – Mr. Mason reminded the Board of the first and second reading of the plan amendments in the November and December meetings. Commission will need to act in the December meeting. A public notice has been issued for the meetings.

IN RE: REPORT OF ACTUARY BOB CROSS

- 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 OCT 2023 For FY 24 (Legal Invoices are approved for the previous Months Expense)	Fiscal 24 YTD Approved 9/30/2023	Invoices For Approval	Fiscal 24 YTD Approved 10/31/2023	FY 24 Budget vs. Actual 10/31/2023
BENXL Invoice # 103021				Budget \$50,000.00
TOTAL BENXL	\$19,200.00	\$0.00	\$19,200.00	Expenses -\$19,200.00 Remaining Budget \$30,800.00
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice # 232007 Invoice #		\$0.00		QDRO* \$2,000.00 Rec'd from Participant -\$1,000.00 Expenses \$500.00
*TOTAL KENNERLY, MONTGOMERY & FINLEY, P.C.	\$500.00	\$0.00	\$500.00	\$2,500.00
Owings, Wilson & Coleman Invoice # 9993M Rathbone Invoice # 9942M Etters Invoice # 9012M Stachey Invoice # 9011M Kitts *** TOTAL OWINGS, WILSON & COLEMAN	\$10,960.35	\$380.22 \$0.00 \$1,387.50 \$1,387.50 \$3,155.22	\$14,115.57	Budget \$125,000.00 Expense -\$14,115.57 Remaining Budget \$110,884.43
USI CONSULTING GROUP Invoice # 90086569 Invoice # Invoice # TOTAL USI CONSULTING GROUP	\$54,104.00	\$52,704.50 \$0.00 \$0.00 \$52,704.50	\$106,808.50	Budget \$475,000.00 Expense -\$106,808.50 Remaining Budget \$368,191.50
Invoices for OCT 2023 For FY 24	\$84,764.35	\$55,859.72	\$140,624.07	

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

		Fiscal 24 YTD
Owings, Wilson & Coleman Retainer	\$4,000 per month	\$20,000.00
Kennerly Montgomery Retainer	\$12,000 per month	\$60,000.00
USI Quarterly Fee for DB Advisory Services	\$37,000 per quarter	\$37,000.00
Fees Received from QDRO* Participants	\$500 (DC Fee)	-\$1,000.00
	\$2,000 (DB & UOPP Fee)	\$0.00

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

IN RE: PUBLIC COMMENT

There was no public comment.

ADOURNMENT

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



MAYOR GLENN JACOBS, CHAIRMAN
BY PROXY, CHRIS CALDWELL



COMMISSIONER RICHIE BEELER, SECRETARY

Attachments:

1. Impact Statement
2. Plan Summaries



USI Consulting Group
900 S Gay Street
Suites 1796
Knoxville, TN 37902
www.usicg.com
Tel: 865.523.8353

October 8th, 2023

Ms. Jennifer Schroeder, Executive Director
Knox County Retirement and Pension Board
City County Building, Room 371
400 S. Main Street
Knoxville, TN 37902

RE: Amendment to Permit UOPP Participants to Participate in MERP

Dear Jennifer:

USI Consulting Group ("USICG") has been requested to provide an Actuarial Impact Statement regarding an Amendment to the provisions of the Medical Expense Retirement Plan ("MERP").

Specifically, such Amendment would permit actively employed Participants in the Uniformed Officers Pension Plan ("UOPP") to participate in MERP. Voluntary after-tax contributions to MERP by actively employed Participants of UOPP will be matched one-half by the County up to a maximum County deposit of \$416 annually. The Amendment will be effective January 1, 2024.

To determine the cost, USICG reviewed MERP participation and match information from Participants in the Asset Accumulation Plan during 2022. Participants in the Asset Accumulation Plan may voluntarily participate in MERP. Based on that analysis, the County's estimated first year cost for the above Amendment is slightly less than \$17,100.

Note that the increase in County contribution is dependent on many factors including rates of termination of employment, the number of individuals contributing to MERP, the level of such contributions and the rate of salary increases. Notwithstanding, the cost determination above can be utilized as the basis for determining the actuarial Impact to the County of the referenced Amendment to MERP.

Sincerely,

USI CONSULTING GROUP

Bob Cross, ASA, FCA, MAAA
President, Central and Southern Regions



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October 8th, 2023

Ms. Jennifer Schroeder, Executive Director
Knox County Retirement and Pension Board
City County Building, Room 371
400 S. Main Street
Knoxville, TN 37902

RE: Amendment to Permit Star Participants to Participate in MERP.

Dear Jennifer:

USI Consulting Group ("USICG") has been requested to provide an Actuarial Impact Statement regarding an Amendment to the provisions of the Medical Expense Retirement Plan ("MERP").

Specifically, such Amendment would permit actively employed Participants in the Sheriff's Total Accumulation Retirement Plan ("STAR") to participate in MERP. Voluntary after-tax contributions to MERP by actively employed Participants of STAR will be matched one-half by the County up to a maximum County deposit of \$416 annually. The Amendment will be effective January 1, 2024.

To determine the cost, USICG reviewed MERP participation and match information from Participants in the Asset Accumulation Plan during 2022. Participants in the Asset Accumulation Plan may voluntarily participate in MERP. Based on that analysis, the County's estimated first year cost for the above Amendment is slightly less than \$19,900.

Note that the increase in County contribution is dependent on many factors including rates of termination of employment, the number of individuals contributing to MERP, the level of such contributions and the rate of salary increases. Notwithstanding, the cost determination above can be utilized as the basis for determining the actuarial impact to the County of the referenced Amendment to MERP.

Sincerely,

USI CONSULTING GROUP

Bob Cross, ASA, FCA, MAAA
President, Central and Southern Regions

**Knox County Retirement and Pension Board
Plan Summaries**

Asset Accumulation Plan

- Defined Contribution Plan opened in 1991
- 401(a) plan – like 401(k) but for governments
- Covers County and classified Schools employees
- Mandatory 6% employee contributions (pre-tax)
- County matches 6% employee contribution
- Employee manages investments based on line-up selected on advice of USICG
- Quarterly statements and online account access
- County contributions vest 20% per year, 100% after 5 years
- Employee contributions always 100% vested
- Loans permitted

Assets (equal to liabilities)	\$373,485,040
FY 2024 County contribution	\$2,810,625
Q3 2023 County contributions	\$2,810,625
Active Participants	3,958
Retired/Termed/Beneficiaries	1,870

Deferred Compensation Plan (457 Plan)

- Defined Contribution Plan added in 2007 for additional voluntary pre-tax savings
- Employee manages investments based on line-up selected on advice from USICG
- Employee may elect to contribute to Nationwide or Knoxville Teacher’s Federal Credit Union 457 plans
- Quarterly statements and online account access
- County match to the Asset Accumulation Plan based on credited service: up to 2% for 5-10 years; 4% for 10-15 years; 6% for 15+ years
- Employee contributions always 100% vested
- Unforeseeable emergency distributions permitted

Assets (equal to liabilities)	\$33,784,180
FY 2024 County contribution	\$0
Q3 2023 County contributions	\$0
Active Participants	904
Retired/Termed/Beneficiaries	280

Medical Expense Retirement Plan (MERP)

- Defined Contribution Plan intended to assist with post-retirement medical expenses
- 401(a) plan – like 401(k) but for governments
- Employee voluntary contributions (post-tax)
- Employee manages investments based on line-up selected on advice of USICG
- Quarterly statements and online account access
- County match of 50% up to a maximum of \$416 per year
- Employee/County contributions always 100% vested
- In service distributions permitted for severe medical hardship
- Not available for UOPP or STAR participants

Assets (equal to liabilities)	\$5,808,303
FY 2024 County contribution	\$87,094
Q3 2023 County contributions	\$87,094
Active participants	747
Retired/Termed/Beneficiaries	322

Sheriff’s Total Accumulation Retirement Plan (STAR)

- Defined Contribution Plan opened 1/1/2014
- 401(a) plan – like 401(k) but for governments
- Covers Officers (positions designated as law enforcement or corrections by Merit System) hired on or after 1/1/2014
- Mandatory 6% employee contributions (pre-tax)
- County contributes 6% base with 10-year vesting *
- Employee contributions always 100% vested
- Employee invests employee and base contributions based on line-up selected on advice of USI; Board invests supplemental contribution on advice of USICG
- Quarterly statements and online account access
- Loans permitted

Assets (equal to liabilities)	\$12,261,279
FY 2024 County contribution	\$247,059
Q3 2023 County contributions	\$247,059
Active Participants	372
Retired/Termed/Beneficiaries	156

*change effective 7/1/2022

Disability Plan

- Covers all County employees except those in TCRS
- Disability recommended by independent entity based on physician statement
- Non-Officer must be permanently incapable of substantial gainful employment; Officer must be permanently incapable of being an Officer
- In line benefits immediately, must have 5 years of service to be eligible for disability unless it was in-line duty disability
- Provides 60% monthly benefit until Social Security Normal Retirement Age

Market Value Assets (9/30/2023)	\$2,927,166
Actuarial Liability (1/1/2023)	\$3,510,393
FY 2024 County contribution	\$1,275,357
Q3 2023 County contributions	\$810,962
Total Active Participants	4,681
Less than 5 years of svc	1,658
Receiving Disability	36

Uniformed Officer's Plan (UOPP)

- Defined Benefit plan opened in 7/1/2007 and closed 12/31/2013
- Provides lifetime benefits
- Covers Officers (positions designated as law enforcement or corrections by Merit System) hired prior to 2014
- Mandatory 6% employee contribution (pre-tax) up to 30 years of service
- Employee contributions always 100% vested
- Vested in all other benefits after 5 years of service
- County funds remainder of the Plan
- Board invests funds based on advice from USICG

Funded Status	63.3%
Market Value of Assets	\$200,253,982
Actuarial Liability	\$224,025,966
FY 2023 County contribution	\$10,484,432
Active Participants	342
Retired/Termed/Beneficiaries	329

Closed Defined Benefit Plan

- Defined Benefit Plan closed in 1991
- Provides lifetime benefits
- Mandatory 5% employee contributions (pre-tax)
- County funds remainder of the Plan; Schools funds its employee portion
- Board invests funds based on advice from USICG
- Provides ancillary death benefits for Asset Accum Plan participants

Funded Status	57.4%
Market Value of Assets	\$34,535,727
Actuarial Liability	\$60,213,153
FY 2023 County contribution	\$3,326,825
Active Participants	25
Retired/Termed/Beneficiaries	544

Teacher's Plan

- Closed Defined Benefit Plan - County assumed portion of City A Teacher's plan when County and City School systems consolidated on 7/1/1987
- Provides lifetime benefits
- Mandatory 5% employee contribution (pre-tax)
- School Board funds remainder of the Plan
- Pension Board invests funds based on USICG advice
- Board Approved Annual Deposit of \$1.5M

Funded Status	71.9%
Market Value Assets	\$42,141,915
Actuarial Liability	\$58,586,427
FY 2023 County contribution	\$1,500,000
Active Participants	0
Retired/Termed/Beneficiaries	359

Tennessee Consolidated Retirement System (TCRS)

County Contribution (only for a few elected officials and DA employees)	\$140,512.61
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This is a summary; for details and important qualifications, please refer to the plan documents, actuarial statements, and audited financials available from the Pension Office – Executive Director, Jennifer Schroeder

Jennifer.schroeder@knoxcounty.org; (865) 215-2938