

**KNOX COUNTY RETIREMENT AND PENSION BOARD**

**July 22, 2024**

The Knox County Retirement and Pension Board met in regular session on Monday, July 22, 2024, 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 Kyle Ward, Commissioner Terry Hill, Mr. Jim Snowden, Mr. Zac Fullerton, and Mr. Chris Simons. Commissioner Richie Beeler, Secretary, and Mr. Matthew Schlosshan were absent.

Also present at the meeting were:

USI Consulting Group: Mr. Bob Cross, Mr. Ralph Lehman and Ms. Jennifer Reynolds

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

Retirement Staff: Ms. Jennifer Schroeder, Ms. Nyla Breshears, 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 there were no amendments to the agenda.

**IN RE: APPROVAL OF MINUTES OF JUNE 24, 2024**

Chairman Caldwell presented the minutes for the Board meeting held on June 24, 2024. Commissioner Ward made a motion to approve the minutes for June 24, 2024, as written. The motion was seconded by Commissioner Jay. All members present voted in favor. The motion passed unanimously.

**IN RE: APPLICATION FOR DISABILITY BENEFIT – EMPLOYEE DISABILITY PLAN**

The following applications for disability were presented for consideration:

<b><u>NAME</u></b>	<b><u>DEPARTMENT</u></b>	<b><u>DATE OF RECOMMENDATION FROM REEDGROUP</u></b>
<b>Lisa Jarrell</b>	<b>Sheriff</b>	<b>June 26, 2024</b>

Commissioner Jay presented Reed Group's recommendation to approve Ms. Jarrell. Commissioner Ward made a motion to approve the claim based on Reed Group's recommendation. 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:

<b><u>NAME</u></b>	<b><u>DEPARTMENT</u></b>	<b><u>CREDITED SERVICE</u></b>	<b><u>EFFECTIVE DATE</u></b>
<b>Kristina Bailey</b>	<b>Schools</b>	<b>13 years 0 months</b>	<b>August 1, 2024</b>
<b>Gina Barbra</b>	<b>Schools</b>	<b>46 years 0 months</b>	<b>August 1, 2024</b>

Kathy Bennett	Schools	24 years	11 months	August 1, 2024
Carolyn Buckner	Schools	10 years	9 months	August 1, 2024
Linda Caldwell	Health	20 years	8 months	August 1, 2024
John Cate	JuvSvcs	12 years	7 months	August 1, 2024
Deborah Chambers	Schools	28 years	10 months	August 1, 2024
Moyah Dalton	Schools	17 years	0 months	August 1, 2024
Gail Fox	Schools	18 years	3 months	August 1, 2024
Janet French	Schools	27 years	0 months	August 1, 2024
Dana Green	Schools	10 years	0 months	August 1, 2024
Samuel Gregg	Schools	9 years	10 months	August 1, 2024
Gwendolyn Headrick	Schools	20 years	0 months	August 1, 2024
Thomas Humphries	CommSvcs	12 years	1 month	August 1, 2024
Patricia Jackson	Schools	27 years	0 months	August 1, 2024
Sally Jentzsch	Schools	10 years	10 months	August 1, 2024
Becky Key	Schools	32 years	10 months	August 1, 2024
Barbara McPhetridge	Schools	21 years	0 months	August 1, 2024
Patricia Raines	Schools	15 years	0 months	August 1, 2024
Lisa Smith	Schools	37 years	0 months	August 1, 2024
James Strickland	Schools	16 years	7 months	August 1, 2024
Cynthia Tinnel	Schools	10 years	0 months	August 1, 2024
Jane Toppins	Schools	27 years	0 months	August 1, 2024
Susan Whitaker	Schools	25 years	0 months	August 1, 2024
Brenda Winnett	Schools	29 years	0 months	August 1, 2024

A motion was made by Commissioner Ward 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. Simons. All members present voted in favor. The motion passed unanimously.

**IN RE: REPORT OF DISABILITY COMMITTEE**

Commissioner Jay summarized the information discussed at the previous Disability Committee meeting. Commissioner Jay stated the original recommendation from the Committee was to waive two-thirds of the discussed employee overpayment. Following the Committee meeting, Ms. Schroeder relayed the recommendation to the affected Participant who asked that the full amount of the overpayment be waived. After further consideration of the facts and circumstances of this unique case, including the relative economic hardship to the Participant, Commissioner Jay made a motion to take no action on the Disability Committee's written recommendation and instead waive the entire amount. The motion was seconded by Commissioner Ward and approved.

**IN RE: REPORT OF EXECUTIVE DIRECTOR**

Ms. Schroeder reported the Allianz settlement has been received. The amount received for all plans totaled over \$3.8 million. The checks will be sent to State Street to be deposited into a Trust. Mr. Cross added that the settlement received will be considered a GASB asset. In response to Commissioner Jay's question Ms. Coleman stated that the Board's legal fees were covered by class counsel and that there was no direct cost to the Board.

- **Update on RFQ Legal Services** – Ms. Schroeder informed the Board the RFQ closed the previous week with two bidders. The evaluation team has received communication from procurement to evaluate. Ms. Schroeder expects to have an update at the next Board meeting.
- **Document Committee will need to meet to discuss Roth Option, MERP Match, Annual Disability Contribution to participants and SECURE ACT** – Ms. Schroeder gave notice to the Board a Document Committee meeting will need to be held. She anticipated it to take place around the end of August or September. Mr. Ward reminded Ms. Schroeder of the Commission transition, effective September 1st.
- **MERP Handout** – A copy of the MERP handout, a plan summary, was emailed to all active employees. Mr. Fullerton asked if renaming the Plan would be beneficial. The legal team confirmed that a name change is possible but would require appropriate consideration and documentation. Ms. Schroeder will add the possibility of a name change to the Document Committee Agenda.
- **Fee for ASSET and STAR Retirement Installments** - Ms. Schroeder reported that she will discuss the fee for Asset and STAR retirement installments with the investment committee and come back to the Board with a recommendation. Ms. Schroeder also spoke on the fiduciary insurance renewal. She will be working through the application once she is informed of the cost.

**IN RE: REPORT OF INVESTMENT COMMITTEE**

- **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. Coleman updated the Board on the Ragon case. The deadline to file a motion to dismiss the case is August 22, 2024. Ms. Coleman stated they are pursuing a motion to dismiss based on a lack of standing. She added they had a chance to meet with the County Law Director. The Mayor has obtained Counsel and they've filed a motion to dismiss on his behalf. Ms. Coleman commented on the Stachey and Kitts cases which relate to credit for prior military service. Those cases have been moved into the same court and complaints have been answered. The plaintiffs' counsel has not filed the documentation required for next steps. Ms. Coleman stated they will be filing a motion for summary judgment to dismiss the case. In response to Commissioner Hill's questions, Ms. Coleman described the standing issue in Ragon and compared the current circumstances to a class action lawsuit.
- **Kennerly, Montgomery** – There was no report

**IN RE: REPORT OF ACTUARY**

There was 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 JULY 2024 For FY 24 (Legal Invoices are approved for the previous Months Expense)	Fiscal 24 YTD Approved 6/30/2024	Invoices For Approval	Fiscal 24 YTD Approved 6/30/2024	FY 24 Budget vs. Actual 6/30/2024
<b>BENXL</b>				Budget \$50,000.00
Invoice # 103038		\$0.00		Expenses \$19,200.00
<b>TOTAL BENXL</b>	\$19,200.00	\$0.00	\$19,200.00	Remaining Budget \$30,800.00
<b>KENNERLY, MONTGOMERY &amp; FINLEY, P.C.</b>				QDRO* \$2,000.00
Invoice #		\$0.00		Rec'd from Participant -\$3,000.00
Invoice #		\$0.00		Expenses \$1,800.00
<b>TOTAL KENNERLY, MONTGOMERY &amp; FINLEY, P.C.</b>	\$1,800.00	\$0.00	\$1,800.00	\$3,200.00
<b>Owings, Wilson &amp; Coleman</b>				Budget \$125,000.00
Invoice # 9038M Ragon		\$2,822.00		
Invoice # 9942M Etters		\$4,817.25		
Invoice # 9012M Stachey		\$0.00		
Invoice # 9011M Kirts		\$0.00		Expense \$56,047.37
<b>*** TOTAL OWINGS, WILSON &amp; COLEMAN</b>	\$48,408.12	\$7,639.25	\$56,047.37	Remaining Budget \$68,952.63
<b>USI CONSULTING GROUP</b>				Budget \$475,000.00
Invoice # 90097594		\$15,620.00		Expense \$293,691.25
Invoice #		\$0.00		
Invoice #		\$0.00		
<b>TOTAL USI CONSULTING GROUP</b>	\$278,071.25	\$15,620.00	\$293,691.25	Remaining Budget \$181,308.75
<b>Invoices for JULY 2024 For FY 24</b>	<b>\$347,479.37</b>	<b>\$23,259.25</b>	<b>\$370,738.62</b>	
<b>*** Retainer not included in approved billings for the Board</b>			<b>Fiscal 24 YTD</b>	
Owings, Wilson & Coleman Retainer	\$4,000 per month		\$48,000.00	
Kennerly Montgomery Retainer	\$12,000 per month		\$144,000.00	
USI Quarterly Fee for DB Advisory Services	\$37,000 per quarter		\$148,000.00	
Fees Received from QDRO* Participants	\$500 (DC Fee)		-\$1,000.00	
	\$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 Commissioner Jay that the Board authorize the payment indicated above to be paid from the designated Retirement Plans. The motion was seconded by Commissioner Ward. All members present voted in favor. The motion passed unanimously.

**IN RE: PUBLIC COMMENT**

There was no public comment.

**ADJOURNMENT**

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



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MAYOR GLENN JACOBS, CHAIRMAN  
BY PROXY, CHRIS CALDWELL



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COMMISSIONER RICHIE BEELER, SECRETARY

1. MERP Handout

# Medical Expense Retirement Plan

Here for you and your Nest Egg!  
**KNOX COUNTY**  
 RETIREMENT & PENSION BOARD

Full Summary Plan Description (SPD) available on Knox County Retirement website.

400 Main Street, Rm 371  
 Knoxville, TN 37902  
 865.215.2323  
 retirement@knoxcounty.org  
 www.knoxcounty.org/retirement

## BASICS OF MERP

- ✓ VOLUNTARY 401(a) plan
- ✓ Always 100% vested
- ✓ Employer match starting 1<sup>st</sup> contribution
  - 50% match up to \$416
- ✓ Participant controls investing

## CONTRIBUTIONS

- ✓ **POST-TAX:** Employees contribute after-tax funds
- ✓ **PRE-TAX:** Employer match & any gains on the account

## How can I enroll or change my contribution amount?

Forms are available on the Knox County Retirement website or by emailing the Retirement Office. Forms must be returned to the Retirement Office.

## I want to monitor my MERP account. How can I do that?

You can monitor your MERP account on the USI website. See "How to Access Your Account Online" on the Knox County Retirement website.

## Can I change my investments?

Investments can be changed via the USI website. Investment lineups and rates of return are posted on the Knox County Retirement website. If you do not elect to direct the investment of your MERP account, it will automatically be invested in the age-appropriate T. Rowe Price Target Date Fund.

## Can MERP only be used for medical expenses?

If you are an active employee, you can take a hardship distribution for medical expenses. If you leave employment, you can take a distribution and use the funds for any reason.

## MATCHING

- ✓ Contribute \$832 in a calendar year, get matched a maximum of \$416

### PAID BI-WEEKLY?

To maximize the employer match over an entire calendar year, you should contribute at least \$32.00 per paycheck.

*\*Must contribute a minimum of \$8.00.*

### PAID MONTHLY?

To maximize the employer match over an entire calendar year, you should contribute at least \$69.34 per paycheck.

*\*Must contribute a minimum of \$17.34.*

## IRS CONTRIBUTION LIMIT

Though you only need to contribute \$832 in a calendar year to receive the maximum match, you are able to contribute up to the annual IRS contribution limit. IRS limits are posted on the Retirement website.

## HARDSHIP DISTRIBUTIONS

- ✓ In-service distributions for medical bills relating to employee, spouse, or dependents
- ✓ Employee self-certified distribution

*Participant will not be able to contribute for 6 months after a hardship distribution.*

## TERMINATING EMPLOYMENT - DISTRIBUTIONS & ROLLOVERS

When you leave employment, you have the option to take a distribution and/or rollover the funds to an IRA or another Employer's plan. Distributions/rollovers are generally processed 2 to 3 weeks following your last pay and with receipt of completed application.

### Distributions:

- 20% federal tax withheld on only the pre-tax amount before disbursement.
- If you are under 59 ½, you may be subject to a 10% "early withdraw" penalty.
- You will receive a 1099 at the end of the year in which you took the distribution in order to file your taxes. The 1099 will be sent by January 31<sup>st</sup> the following year.
- Distributions are processed as a direct deposit.

*Example: The total MERP balance is \$10,000. \$6,000 pre-tax (ER contributions + gains) & \$4,000 post-tax (EE contributions). If you were to take a full distribution of the MERP account, tax would be withheld from the pre-tax portion (\$6,000 x 20% = \$1,200). The total direct deposit would be \$8,800 (\$10,000 - \$1,200).*

### Rollovers:

- If completed timely, there are no tax implications when you rollover to a qualified retirement account (ex. Current employer retirement account, IRA, etc.)
- Rollover checks are sent to the participant. Participant is responsible for getting the rollover check to the new employer or IRA institution within 60 days.
- Some IRAs & Employer Plans do not accept post-tax funds. If that is the case, you have the option to rollover the pre-tax portion and take a distribution of the post-tax portion.

## OPTIONS AT RETIREMENT

At retirement, you have the same options as if you were terminating your employment (see above). You also have the option to take installments of \$250 or greater on a monthly, quarterly, or annual basis.

**Please contact the Knox County Retirement Office 60 to 90 days before retirement.**

**Please Note:** This summary highlights the provisions of the Medical Expense Retirement Plan (MERP) which is in a written Plan and Trust Agreement. It is not meant to interpret, extend or change the Plan in any way. Accordingly, the actual and complete provisions of the Plan can only be determined accurately by consulting the Plan and Trust Agreement. Copies of the Plan document are available online at [www.knoxcounty.org/retirement](http://www.knoxcounty.org/retirement) and at the Retirement Office. In the event of any discrepancy between this summary and the actual provisions of the Plan, the Plan document shall govern. This summary is not intended as legal, tax or investment advice. Consult a qualified professional about legal, tax or investment questions.

**Amendment and Termination:** Although the Knox County Retirement & Pension Board (Board) intends to maintain the Plan indefinitely, it reserves the right to amend or terminate the Plan and Trust in accordance with their provisions and applicable law at any time.