

KNOX COUNTY RETIREMENT AND PENSION BOARD

August 26, 2024

The Knox County Retirement and Pension Board met in regular session on Monday, August 26, 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 Richie Beeler, Secretary, Commissioner Kyle Ward, Commissioner Terry Hill, Mr. Jim Snowden, Mr. Zac Fullerton, Mr. Matthew Schlosshan and Mr. Chris Simons.

Also present at the meeting were:

USI Consulting Group: Mr. Bob Cross, Mr. Brett Bronkhorst and Ms. Jennifer Reynolds

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

Retirement Staff: Ms. Jennifer Schroeder, Ms. Savannah Russell, 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 JULY 22, 2024

Chairman Caldwell presented the minutes for the Board meeting held on July 22, 2024. Commissioner Jay made a motion to approve the minutes for July 22, 2024, as written. The motion was seconded by Commissioner Ward. All members present voted in favor. The motion passed unanimously.

IN RE: APPLICATION FOR RETIREMENT – DEFINED BENEFIT PLAN, LUMP SUM DISTRIBUTION AND AUTHORIZATION OF CREDITED SERVICE BENEFIT BASED ON COMPLETED YEARS OF SERVICE

The following applications for retirement, the lump sum benefit, and the credited service benefit based upon completed years of credited service at the date of retirement, as provided in the Defined Benefit Plan, were presented for consideration:

<u>NAME</u>	<u>DEPARTMENT</u>	<u>CREDITED SERVICE</u>	<u>EFFECTIVE DATE</u>
Benjamin Love	Schools	36 years 2 Months	September 1, 2024

A motion was made by Commissioner Jay to approve the applications for retirement under the Defined Benefit 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 and lump sum benefit. 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>
Lynne Butler	JuvSvcs	7 years	4 months	September 1, 2024
Mona Clowers	Schools	9 years	10 months	September 1, 2024
John Hastings	Schools	20 years	7 months	September 1, 2024
Marilyn Jones	CommSvcs	26 years	8 months	September 1, 2024
Anita Long	PropA	32 years	11 months	September 1, 2024
John Mann	CoClk	30 years	1 months	September 1, 2024
Debra McFarland	Schools	18 years	4 months	September 1, 2024
Stephanie McPherson	Schools	14 years	1 month	September 1, 2024
Betty Miller	Schools	31 years	7 months	September 1, 2024
Calvin Province Jr.	Schools	25 years	6 months	September 1, 2024
Maude Riffey	PBA	8 years	3 months	September 1, 2024
Kathy Saunders	EPW	23 years	8 months	September 1, 2024
Alice Sims	Schools	35 years	1 month	September 1, 2024
Cynthia Wilson	Sheriff	20 years	3 months	September 1, 2024

A motion was made by Commissioner Beeler 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 Ward. 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>
Charles Bowers Jr.	Sheriff	37 years	8 months	September 1, 2024
Elizabeth Parrott	Sheriff	26 years	9 months	September 1, 2024
Winston Ragon	Sheriff	25 years	0 months	September 1, 2024
Eric Kern	Sheriff	25 years	0 months	September 1, 2024

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

IN RE: REPORT OF EXECUTIVE DIRECTOR

- **Plan Summaries** – Ms. Schroeder directed the Board to the updated plan summaries for June 30, 2024.
- **RFQ Legal Update**– Ms. Schroeder reminded the Board of the legal RFQ. The recommendation of the committee was to continue to retain both Kennerly Montgomery and OWC. Ms. Schroeder informed the Board the next steps are to see if any changes or further recommendations should be made. The final awards will be made following contract and pricing negotiations.
- **Audit Update** – The audit has concluded. There are no current findings.
- **Final FY 2024** – The final budget was included in the Board packet. There was a savings of approximately \$241,000.
- **Fiduciary Insurance Renewal** - Ms. Schroeder informed the Board the fiduciary insurance expires as the end of August 2024. The renewal is at the cost of \$65,274, resulting in a slight increase of \$493. A motion was made by Commissioner Jay to approve the renewal at the new cost. The motion was seconded by Mr. Snowden
- **Document Committee Meeting on September 13, 2024 at 2pm** - Ms. Schroeder reminded the Board of the upcoming Document Committee meeting to discuss potential amendments to the Plans, including changes related to the Secure Act and the addition of a Roth option to the 457 plan.
- **Dental Insurance** - Ms. Schroeder notified the Board of the dental insurance renewal with an overall increase of 2.2%.

IN RE: REPORT OF INVESTMENT COMMITTEE

- **Summary of Investment Committee Meeting on August 13, 2024** – Mr. Simons summarized the changes proposed by USI at the quarterly Investment Committee meeting, including various fund and allocation changes affecting the core line-up and portfolios. He also summarized the Committee's recommendation that the Board continue to absorb the \$60 per year installment payment fee that USI charges to participants who retire from the Asset Plan or STAR on or after August 1, 2023. Mr. Simons made a motion to approve the Investment Committee recommendation as set out in the attached *Investment Committee Summary and Recommendations*. The motion was seconded by Commissioner Jay and passed unanimously.
- **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 reported that OWC has filed a motion to dismiss in the Ragon litigation and was informed that Knox County intends to join in that motion.
- **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 AUG 2024 For FY 25 (Legal Invoices are approved for the previous Months Expense)	Fiscal 25 YTD Approved 7/31/2024	Invoices For Approval	Fiscal 25 YTD Approved 8/31/2024	FY 25 Budget vs. Actual 8/31/2024
BENXL Invoice # 103038		\$5,200.00		Budget \$50,000.00
TOTAL BENXL	\$0.00	\$5,200.00	\$5,200.00	Expenses -\$5,200.00 Remaining Budget \$44,800.00
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice # 237304 (J.G.) Invoice #		\$500.00 \$0.00		QDRO* \$2,000.00 Rec'd from Participant -\$500.00 Expenses \$500.00
TOTAL KENNERLY, MONTGOMERY & FINLEY, P.C.	\$0.00	\$500.00	\$500.00	\$2,000.00
Owings, Wilson & Coleman Invoice # 9038M Ragon Invoice # 9942M Etters Invoice # 9012M Stachey Invoice # 9011M Kilts		\$11,628.44 \$525.00 \$260.00 \$345.00		Budget \$100,000.00
*** TOTAL OWINGS, WILSON & COLEMAN	\$0.00	\$12,758.44	\$12,758.44	Expense -\$12,758.44 Remaining Budget \$87,241.56
USI CONSULTING GROUP Invoice # 90099460 Invoice # 90099778 Invoice #		\$590.00 \$16,200.00 \$0.00		Budget \$475,000.00 Expense -\$16,790.00
TOTAL USI CONSULTING GROUP	\$0.00	\$16,790.00	\$16,790.00	Remaining Budget \$458,210.00
Invoices for AUG 2024 For FY 25	\$0.00	\$35,248.44	\$35,248.44	

*** Retainer not included in approved billings for the Board		Fiscal 25 YTD
Owings, Wilson & Coleman Retainer	\$4,000 per month	\$8,000.00
Kennerly Montgomery Retainer	\$12,000 per month	\$24,000.00
USI Quarterly Fee for DB Advisory Services	\$37,000 per quarter	\$37,000.00
USI Disability Plan - Admin Fee	\$3,250 per quarter	\$3,750.00
Fees Received from QDRO* Participants	\$500 (DC Fee) \$2,000 (DB & UOPP Fee)	-\$500.00 \$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 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: RECOGNITION OF OUTGOING BOARD MEMBERS

- **Commissioner Richie Beeler** – Commissioner Beeler was presented with a plaque for his service to the Board.
- **Commissioner Kyle Ward** – Commissioner Ward was presented with a plaque for his service to the Board.

IN RE: APPOINTMENT OF NOMINATING COMMITTEE

Chairman Caldwell recommended that Commissioner Jay, Mr. Simons, and Mr. Schlosshan serve as the Nominating Committee to make a nomination for Board Officers (Chair, Vice Chair, and Secretary). Mr. Schroeder further explained the Nominating Committee will come back with a recommendation at the September Board meeting and will open the floor to further nomination and vote. Ms. Schroeder highlighted the convenience of having a Secretary in the building for signing documents.

IN RE: PUBLIC COMMENT

There was no public comment.

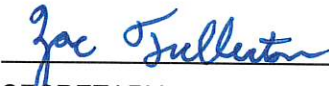
ADJOURNMENT

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



MAYOR GLENN JACOBS, CHAIRMAN

BY PROXY, CHRIS CALDWELL



SECRETARY

1. Plan Summaries
2. Investment Committee Recommendation

**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 (hired prior to 07/01/2023)
- 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)	\$424,850,709
FY 2023 County contribution	\$12,873,048
Q2 2024 County contributions	\$3,397,901
Active Participants	3,832
Retired/Termed/Beneficiaries	1,708

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
- Quarterly statements and online account access
- County match to the Asset Accumulation Plan and STAR based on credited service: up to 2% for 5-10 years; 4% for 10-15 years; 6% for 15+ years
- UOPP eligible to contribute, but no County Match
- Employee contributions always 100% vested
- Unforeseeable emergency distributions permitted

Assets (equal to liabilities)	\$40,980,106
FY 2023 County contribution	\$0
Q2 2024 County contributions	\$0
Active Participants	994
Retired/Termed/Beneficiaries	242

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

Assets (equal to liabilities)	\$6,751,983
FY 2023 County contribution	\$182,763
Q2 2024 County contributions	\$53,277
Active participants	788
Retired/Termed/Beneficiaries	226

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 matches 6% employee contribution
- County contributions vest 20% per year, 100% after 5 years
- Employee contributions always 100% vested
- Employee manages investments based on line-up selected on advice of USICG i
- Quarterly statements and online account access
- Loans permitted

Assets (equal to liabilities)	\$14,696,303
FY 2023 County contribution	\$2,506,945
Q2 2024 County contributions	\$371,250
Active Participants	454
Retired/Termed/Beneficiaries	88

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 (6/30/2024)	\$2,705,336
Actuarial Liability (1/1/2024)	\$3,780,776
FY 2024 County contribution	\$1,340,667
Q2 2024 County contributions	\$0
Total Active Participants	4,471
Less than 5 years of svc	1,516
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	64.9%
Market Value of Assets	\$220,253,173
Actuarial Liability	\$339,424,663
FY 2024 County contribution	\$11,866,543
Active Participants	314
Retired/Termed/Beneficiaries	355

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	\$35,361,838
Actuarial Liability	\$61,602,408
FY 2024 County contribution	\$3,698,941
Active Participants	21
Retired/Termed/Beneficiaries	505

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	68.7%
Market Value Assets	\$41,862,347
Actuarial Liability	\$60,966,765
FY 2024 County contribution	\$1,686,109
Active Participants	0
Retired/Termed/Beneficiaries	347

Tennessee Consolidated Retirement System (TCRS)

County Contribution (only for a few elected officials and DA employees)	\$368,872
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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

**Investment Committee
Summary and Recommendations**

Investment Recommendations:

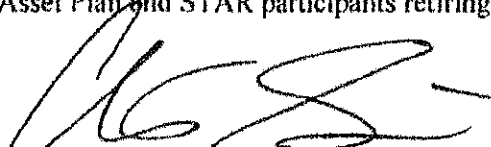
USI proposed the following changes applicable to the Defined Contribution plans:

1. **Core Line Up:** various fund and allocation changes as described in the attached *Knox County Retirement & Pension Board – DC Supplemental Report*, including the following:
 - a. Replacement of MFS Value R6 with Putnam Large Cap Value R6
 - b. Replacement of Invesco Real Estate R6 with Cohen & Steers Realty Shares Z
 - c. Addition of Vanguard Small Cap Index Adm
 - d. Addition of the following T. Rowe Price Target Date fund vintages: 2010, 2015, 2025, 2035, 2045, 2055, and 2065
 - e. Addition of PIMCO International Bond (USD-Hdg)
2. **Ultra Aggressive Portfolio:** various allocation changes as described in the attached *Knox County Retirement & Pension Board – DC Supplemental Report*.
3. **Aggressive Portfolio:** various fund and allocation changes as described in the attached *Knox County Retirement & Pension Board – DC Supplemental Report*, including the following:
 - a. Addition of Voya Multi-Manager International Sm Cp I
 - b. Replacement of Invesco EQV Emerging Markets All Cap R6 with Goldman Sachs Em Mkts Eq Insights R6
4. **Balanced Portfolio:** various fund and allocation changes as described in the attached *Knox County Retirement & Pension Board – DC Supplemental Report*, including the following:
 - a. Replacement of Pioneer Equity Income K with JHancock Disciplined Value R6

Installment Fee for Asset and STAR Participants:

Ms. Schroeder reminded the Committee that the Board agreed to absorb the \$60 per year installment payment fee USI charges to participants who retire from the Asset Plan or STAR on or after August 1, 2023. Following discussion, the Committee agreed to recommend that the Board continue absorbing these fees unless and until it determines otherwise.

Recommendation: The Investment Committee recommends that the Board consider and approve: (1) the fund and allocation changes for the DC plans described in items 1-4 above; (2) the continued absorption of the installment payment fee charged to Asset Plan and STAR participants retiring on or after August 1, 2023.


Chris Simons, Chairman