



Knox County Retirement

EMPLOYEE

**RETIREMENT & ASSET
ACCUMULATION
PROGRAM**

Knox County Retirement

ASSET ACCUMULATION PROGRAM

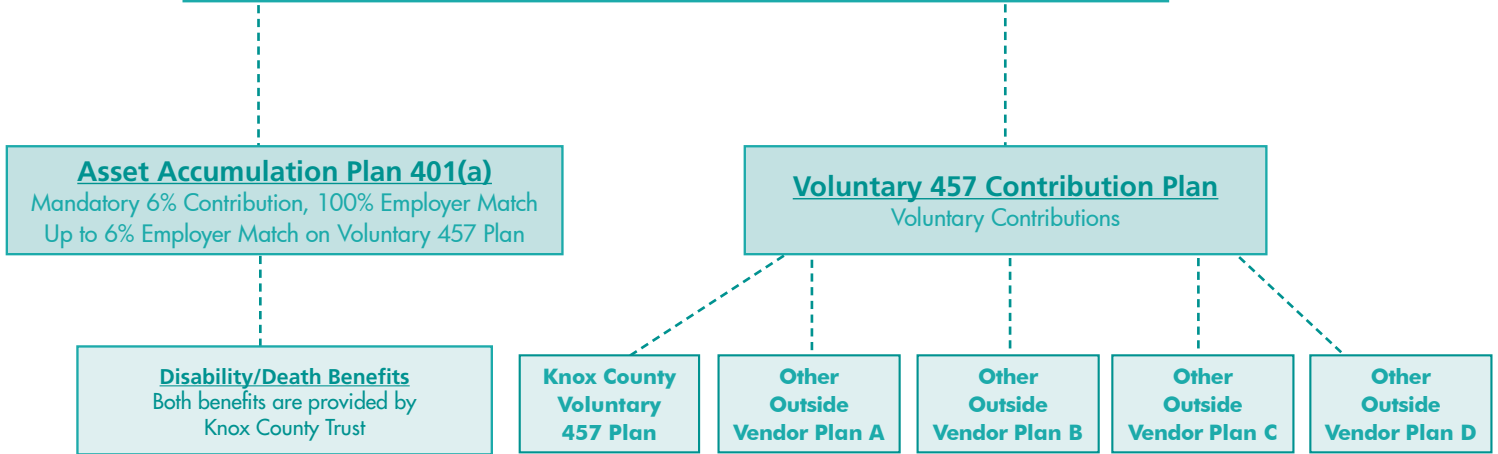


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INTRODUCTION

Security, peace of mind, a comfortable retirement – these goals are shared by virtually everyone. The Knox County Employee Retirement and Asset Accumulation Program, operating under the rules of Section 401(a) and Section 457(a)-(e) of the Internal Revenue Code are designed to assist you in meeting these goals. These two components are intended to operate together as a single, coordinated retirement arrangement and will thus be referred to as “the Program” throughout this brochure unless otherwise specified.

Under the Program, the money deducted from your paycheck is put into the designated plan account.

In addition, your employer will make a simultaneous matching contribution. This means your employer matches some or all of your own contributions thus increasing your savings even more. To reward employees with longer service, the rate at which the employer matches increases as your term of employment lengthens.

You choose, from a group of investment options, where you want your contributions invested. Your investment earnings accumulate tax-free until withdrawn.

This brochure describes the principal Program features and provides helpful information to assist you in planning and saving for retirement, maximizing the employer’s contribution to your retirement, and choosing the investment options that are right for you. Contact the Knox County Retirement & Pension Board Office for information about the investment options available to you.

It is up to you to take control of your financial future. The Knox County Employee Retirement and Asset Accumulation Program is an easy and effective way to help you save for a financially strong retirement.

Please Note:

This summary highlights the provisions of the Asset Accumulation Plan and Deferred Compensation Plan, which are in written Plan and Trust Agreements. It is not meant to interpret, extend or change either Plan in any way. Accordingly, the actual and complete provisions of the Plans can only be determined accurately by consulting the Plan and Trust Agreements themselves. Copies of the Plan and Trust Agreements are on file at the Knox County Retirement & Pension Board Office and may be read at any reasonable time. In the event of any discrepancy between this guide and the actual provisions of either Plan, the Plan documents shall govern.

This summary is not intended as legal, tax or as investment advice. Consult a qualified professional about legal, tax or investment questions.

Consider this...



The Program is a three-way partnership between you, your employer and the Federal Government.

Uncle Sam. The Federal Government allows the Program to offer tax incentives, which makes saving for retirement easier. This means the rules governing the Program permit you to deposit your money into the Program before you pay any income taxes on it. This Program operates under the rules of Sections 401(a) and 457 of the Internal Revenue Code.

Your Employer. Knox County designed the Program provisions and established the Program as a benefit for its employees. Your employer will also make a simultaneous matching contribution on behalf of each participant.

You. You determine how much you want to contribute in addition to the mandatory 6% and where your contributions are to be invested. The mandatory 6% is automatically invested in the *Asset Accumulation Plan*, any additional contributions are invested in the *Knox County Voluntary 457 Plan* or one of the Knox County Retirement & Pension Board-approved 457 plans.

How Your Account Can Grow: An Example

Example below assumes a \$20,000 starting salary, 3% annual salary increases and 5% investment return.

Service at Retirement	Compensation	Account Balance under Current Contribution Structure*
15	\$31,159	\$109,402
20	\$36,122	\$177,909
30	\$48,545	\$397,883
40	\$65,241	\$793,370
Note: The Retirement System does not guarantee the rate of return on investments. These assumptions are for illustrative purposes only.		*Assumes 6% mandatory and 6% voluntary pre-income tax contributions for all years of service, plus additional employer match on voluntary plan contributions.

JOINING THE PROGRAM

Eligibility and Participation

You will become a participant in the *Asset Accumulation Plan* automatically as of the date your employment begins if you are:

- Employed by Knox County Government or Knox County Schools as a classified employee.
- Regularly scheduled to work 18.5 hours or more per week.
- Hired or rehired after October 1, 1991.

You are also an eligible participant if you were a participant in the Knox County Closed Defined Benefit Pension Plan and previously elected to transfer to this Program in accordance with the provisions of the Retirement System.

You are *not* eligible for the Program if you are:

- A certificated employee (teacher) covered by the provisions of the City of Knoxville Pension Plan.
- An employee participating in the Tennessee Consolidated Retirement System.
- A temporary and/or seasonal employee.
- A reserve officer of the Sheriff's Office.
- An employee who elected to stay in the Knox County Closed Defined Benefit Pension Plan; except that, effective July 1, 2008, such an employee is eligible to participate in the Asset Accumulation Program for the limited purpose of making voluntary pre-income tax contributions and, based on years of service, receiving an employer match, not to exceed a total of 3% of compensation.
- A Sworn Officer regularly employed by the Sheriff's office who participates in the Uniformed Officers Pension Plan.

Any voluntary contributions or rollover contributions made by Sworn Officers to the Program prior to July 1, 2007, shall remain on deposit in the Program and subject to the terms of the Program. An Officer who was a participant in the Program prior to June 1, 2007, who elected to remain in the Program, rather than to transfer to the Uniformed Officers Pension Plan, shall continue as a participant for the duration of his or her County employment.

Military Credited Service

If you are currently enrolled in the Asset Accumulation Program, you may now be eligible for Military Credited Service.

If you have worked for Knox County and/or Knox County Schools at least 5 years and are fully vested, you may receive up to 3 years of prior Military Service Credit at no cost to you.

Leave of Absence for Military Service

If you are subsequently employed by the County or Knox County Schools in a Program eligible position, and granted a leave of absence for military service, your Service includes the

time spent in military service, subject to the following conditions in accordance with applicable federal and state law:

- A maximum of five years will be counted for regular enlistment or other voluntary service. No limit applies to involuntary military service due to conscription or mandatory re-enlistment.
- When you return to work, you may elect to make up the employee contributions you would have made during your military service, based on your rate of pay on the date your leave for military service started. These makeup contributions must be made within a time period equal to lesser of three times the length of your immediate past period of military service or five years. To the extent you actually make up those employee contributions, the Employer will make up the Employer matching contributions you would have accumulated, but for your military service.

The additional prior Military Service Credit and Leave of Absence Military Service Credit will allow participants to be eligible sooner for the employer's voluntary match for 10 years and 15 years of service, as well as increase the Retirement Death Benefit.

Important Information: It is important to know that the prior Military Credited Service you are applying for through the Knox County Retirement & Pension Board Office can not be used to receive Military Credited Service through a branch of the Military. Time used toward Military Retirement cannot be used for credit at Knox County.

You may not use duplicate months of credited service for both Military and Employment credited service.

To receive Military Credit please contact the Knox County Retirement & Pension Board Office for the appropriate form. Upon completion of the required form, please return to the Knox County Retirement & Pension Board Office along with a copy of your DD-214.

Enrollment Process Mandatory 401(a) Plan

You will be asked to complete enrollment forms upon employment. All participants must fill out the Asset Accumulation Program Enrollment Form. Those who wish to make a voluntary contribution above the mandatory pre-income tax contribution of 6% must fill out the 457 Enrollment/Change Form.

After careful review of this brochure, when completing the Asset Accumulation Program Enrollment Form, be sure to:

- Indicate how you would like your account(s) invested.
- Name a beneficiary. See *Choosing a Beneficiary*.

Voluntary 457 Plan

If you are enrolling in the Asset Accumulation Program 457 Plan you will need to complete the 457 Enrollment/Change Form and be sure to:

- Indicate the additional percentage (above the mandatory 6%) of your pay you want directed into your account on a pre-income tax basis, beside the plan of your choice. The mandatory 6% should **not** be included on your form. You will only be able to contribute to one Knox County Retirement & Pension Board-approved 457 plan at a time.
- If you are enrolling in a plan other than the *Knox County Voluntary 457 Plan*, please contact the plan provider to complete the additional forms necessary for plan enrollment.

Choosing a Beneficiary

As a participant, you will need to complete a Beneficiary Designation Form indicating who is to receive your account balance in the event of your death.

If Married. Your spouse is automatically your sole primary beneficiary. To designate someone in addition to or other than your spouse, you must obtain your spouse's written consent to your designation and your spouse's signature must be witnessed by a Program representative or Notary Public. Any changes will be effective on the date a new, signed Beneficiary Designation Form, with your spouse's consent, is filed with the Knox County Retirement & Pension Board Office.

If Single. You can designate anyone to be your beneficiary. You may change your beneficiary(ies) at any time. The change takes effect on the date you file a new, signed Beneficiary Designation Form with the Knox County Retirement & Pension Board Office.

If Divorced. If you named your spouse as your beneficiary and you are divorced after June 30, 2007, the designation of your ex-spouse as beneficiary will be automatically revoked. You may designate your ex-spouse or anyone else you wish as your beneficiary by filing a new Beneficiary Designation Form with the Knox County Retirement & Pension Board Office after the date of your divorce.

A beneficiary designation of your spouse is not automatically revoked by your divorce prior to July 1, 2007. If your divorce occurred prior to July 1, 2007 and you intend to name someone other than your spouse, you must file a new Beneficiary Designation Form with the Knox County Retirement & Pension Board Office.

457 Plan Catch-Up Contributions

If you are age 50 or older in the current calendar year and are interested in making catch up contributions, please contact the Knox County Retirement & Pension Board Office for detailed information. The annual maximum catch up amount is determined by the IRS.

Contribution Amounts

Participation in the *Asset Accumulation Plan* is mandatory for those employees who are eligible.

- Mandatory pre-income tax contribution is 6% of your pay; the employer matches this percentage dollar for dollar.
- Voluntary *pre-income tax* contributions to your 457 plan can be made up to a dollar limit set by the IRS. Please contact the Knox County Retirement & Pension Board Office for detailed information. Your employer matches your contributions, once you have at least five years of County service (see chart on the following page).

All pre-income tax contributions are subject to FICA tax when deducted.

Note: Other Knox County Retirement & Pension Board-approved 457 plans are offered to County employees and you may participate in them on a voluntary basis. Please be aware that you can enroll in only **one 457 plan at a time**.

Your employer must distribute to you any excess voluntary pre-income tax contributions you make above the IRS limits to the 457 Plan for any year, along with allocable net income, gain or loss.

Convenient Savings

- Contributions are deducted from your paycheck automatically each pay period over the Program Year.
- Your pre-July 1, 2007, after-tax contributions to the *Asset Accumulation Plan* will not be subject to taxation upon distribution after you leave County employment; *earnings* on those amounts are subject to tax.

Program Year

The Program Year runs from January 1 through December 31.

Changing Your Contributions

You must contribute 6% of your pay into the *Asset Accumulation Plan*, however, you may change or stop your additional voluntary 457 plan contributions at any time. In order to facilitate a change or stop, you must submit the 457 Plan Enrollment/Change Form and select the Stop Deductions or Change Deduction option. Your enrollment/change will take place the month following the receipt of your form.

Changing Your 457 Plan Provider

You may change your 457 plan provider at any time by filling out the 457 Enrollment/Change Form and submitting it to the Knox County Retirement & Pension Board Office. Changes will be effective in the next calendar month. If you are enrolling in a plan other than the *Knox County Voluntary 457 Plan*, please contact the plan provider to complete the additional forms necessary for plan enrollment.

CONTRIBUTIONS (CONT.)

Note: Knox County Government Employees - Your enrollment/change will take place the month following the receipt of your form.

Knox County School Employees - Your changes can only be made from September 1st-June 5th for employees working on a 200 day or less contract. Employees working on a 221 day contract may make changes August 1st-June 5th. Changes will be effective in the next calendar month.

Matching Contributions

Your employer will make a matching contribution to individuals enrolled in the Asset Accumulation Program, provided you choose a Knox County Retirement & Pension Board-approved plan. Those Asset Accumulation Program participants who are not yet eligible for the match are still able to contribute to any of the Program's plans.

Years of County Service	Maximum Employer Match as % of Compensation
Less than 5 years	0%
More than 5 but less than 10 years	up to 2%
More than 10 but less than 15 years	up to 4%
15 years or more	up to 6%
Closed DB participants capped at a 3% match, effective 7-1-2008	

*457 plan Matching Schedule
(Closed DB participants please refer to your SPD for your 457 plan match)*

Your employer will match 100% of the mandatory 6% of your contributions you contribute to the *Asset Accumulation Plan*. Your employer's matching contribution will be made on a regular basis.

Voluntary pre-income tax contributions to the 457 plan are matched dollar-for-dollar by your employer and are deposited in your *Asset Accumulation Plan*, up to a maximum percentage of your compensation, based on your years of employment service (see chart above).

You receive credit for a month's Service for each month you work for or are paid by your employer in a position covered by the *Asset Accumulation Plan* or the *Closed Defined Benefit Pension Plan*.

Rollover Contributions

You may be able to transfer, or "roll over", a distribution from your previous employer's plan to this Program provided the previous plan was qualified under IRC section §401(a), 401(k), 403(b) or 457(b). You may also rollover a distribution from an IRA as long as the amounts deposited into the IRA come from a 401(a), 401(k), 403(b) or 457(b) plan only. The following amounts may not be rolled over:

- Required minimum distributions due to your age (70-1/2 or older)
- Part of a series of substantially equal periodic payments paid over 10 or more years, your lifetime (or life expectancy or over the lifetimes or life expectancies of you and your beneficiary)

Rollover contributions may be made directly from another eligible plan to this Program, or you may receive the distribution directly from your prior plan and then roll it over to this Program. You must roll any distributions paid directly to you within 60 days of the date you receive the distribution. If you don't roll it over within 60 days, your distribution will be considered taxable income and may be subject to a penalty depending on your age, type of plan, and circumstances. If you are contributing to a 457 provider other than the *Knox County Voluntary 457 Plan*, other rollover conditions may apply. Contact your 457 provider for information.

Limited Circumstances Allowing In-Service Distributions

Generally you are not entitled to withdraw your Program account balance while you remain a County or Schools employee. Effective March 1, 2011, the Program permits you to apply to the Knox County Pension & Retirement Board to withdraw or rollover your vested Asset Accumulation Plan account in a single lump-sum, while you remain a County or Schools employee, in two limited circumstances.

- If you are ineligible to participate in both the Asset Accumulation Plan and the Medical Expense Retirement Plan, and you are eligible for another State or County qualified retirement plan (e.g., Tennessee Consolidated Retirement System or Uniformed Officers Pension Plan); OR
- If you are ineligible to participate in both the Asset Accumulation Plan and the Medical Expense Retirement Plan, and have been ineligible for at least six continuous months.

In either case, you must also take an in-service distribution of your entire Medical Expense Retirement Plan account at the same time.

If you opt to take an in-service distribution, you will forfeit any unvested portion of your Employer contribution account in the Asset Accumulation Plan. Also, if you subsequently become eligible to participate again in the Asset Accumulation Plan, your prior County service will not count for vesting purposes or for determining the Employer match on voluntary contributions.

You may elect to roll over an in-service distribution to another eligible retirement plan or an IRA in accordance with applicable IRS rules. If you do not roll over part of the in-service distribution to another plan or IRA, that amount is subject to income tax and withholding when paid. If you are not 59-1/2 at the time of the distribution, the distribution will also be subject to the 10% additional tax on early distributions, unless another exception applies.

These in-service distribution rules do not apply to the 457 plan.

Hardship Withdrawals

Should you experience a financial hardship, you may qualify for a hardship withdrawal from your 457 plan. The 457 plan's emergency withdrawal provision is for "unforeseeable emergencies" defined as "...a severe financial hardship to a participant resulting from a sudden and unexpected illness or accident of the participant or of a dependent (as defined in Section 152(a) of the Internal Revenue Code) of the participant, loss of the participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the participant."

An unforeseen emergency is not mismanagement of credit cards, or other credit devices, payment of school tuition, payment of federal, state, or local income taxes, divorce settlements, down payment for a home, purchase or replacement of a major appliance, auto payment or repair. (The preceding examples by no means represent a complete list of non-emergencies.)

If you are contributing to a 457 provider other than the *Knox County Voluntary 457 Plan*, contact your 457 provider for information about the availability of hardship withdrawals, if any.

Only employee contributions plus earnings to the 457 plan may be available for hardship withdrawals.



Your mandatory and additional, voluntary pre-income tax contributions and any earnings on your contributions will not be subject to income tax until your account is distributed to you.

Participating in the Program gives you certain tax advantages.

Pre-income Tax Savings

The first 6% of your pay that you are required to contribute to the Program is deducted from your paycheck before you pay income taxes. Therefore, the taxable amount of your pay has been reduced by the 6% contribution to the Program.

Your additional, voluntary contributions to the Program are also made on a pre-income tax basis. Therefore, to the extent you elect to contribute to the Program, the taxable amount of your pay will be reduced.

Account Earnings

The fund earnings in your account grow on a tax-deferred basis. This means taxes you would normally pay are postponed until you receive payment from your account, and investment returns on your Plan account grow tax-free as long as they remain in the Plan.

Tax Savings: An Example

This example assumes you earn \$15,000 per year.

The following illustrates how you can save additional income taxes by deferring contributions and taking advantage of the additional employer match on voluntary pre-income tax contributions. Keep in mind that this example shows the tax savings only on the mandatory 6% contribution to the *Asset Accumulation Plan*. If you contribute pre-income tax, and if you are eligible for an additional employer match based on your years of County service, your savings could be much more.

	<i>Asset Accumulation Plan</i>	Ordinary Savings
6% Savings	\$900	\$900
Taxes*	N/A	-\$135
Net Savings	\$900	\$765
Employer Match	\$900	N/A
Total Savings	\$1,800	\$765
Annual Retirement Tax Savings Advantage	\$1,035	

*Assume a federal income tax rate of 15% for a \$15,000 income.

Tax Savings: An Example

This example assumes you earn \$15,000 per year and have five years of County service

The following illustrates how you can save additional income taxes by deferring contributions into the Program and taking advantage of the *Knox County Voluntary 457 Plan*.

	<i>Asset Accumulation Program</i>	Ordinary Savings
6% Mandatory Contribution & 2% Voluntary Contribution	\$1,200	\$1,200
(Taxes*)	N/A	-\$180
Net Savings	\$1,200	\$1,020
Employer Match	\$1,200	N/A
Total Savings	\$2,400	\$1,020
Annual Retirement Tax Savings Advantage	\$1,380	

Rollovers

Distributions from the Program may be eligible for rollover. This means when you leave County employment, you may rollover or transfer your retirement savings in the Program to an individual retirement account (IRA) or another employer’s qualified plan or eligible 457 plan, and continue to defer the income tax on your balance. The Knox County Retirement & Pension Board Office or your other 457 plan provider will provide more information on your choices when you terminate employment.

Vesting

You are always vested in your contributions to the Program. This means you “own” all of your contributions from the date of investment. However, amounts you owe the County at the time you terminate employment may be offset against benefits payable from the Asset Accumulation Plan. In addition, any County elected official or employee who is convicted of a felony in the discharge of County governmental duties will forfeit any benefits under the Asset Accumulation Plan. If you are convicted in a criminal proceeding, or a judgment is rendered against you in a civil proceeding, for knowingly and willfully making a false statement, or falsifying or permitting the falsification of any record of that Plan, in an attempt to defraud the Board, you shall forfeit all amounts, rights and benefits to which you would otherwise be entitled from that Plan. This forfeiture does not apply to your contributions to the Program.

You become vested in your employer’s contributions based on the vesting schedule outlined below:

Years of Employment	% Matching Contributions Vested
Less than 1	0%
1	20%
2	40%
3	60%
4	80%
5 or more	100%

Sample Account Growth According to the Vesting Schedule

Using the sample annual contribution of \$900, here is an example of how your account could grow throughout the vesting period. After five years of service, you are 100% vested in all of the matching contributions to your account.

Year	Your Annual Deposit	Employer Annual Deposit	Annual Inv't Gain*	Account Balance	Vested Bal. Total	Your Vested Balance	Employer Vested Balance	Percent Vested
1	\$900	\$900	\$50	\$1,850	\$1,110	\$925	\$185	20%
2	\$900	\$900	\$161	\$3,811	\$2,668	\$1,905	\$762	40%
3	\$900	\$900	\$279	\$5,890	\$4,172	\$2,945	\$1,767	60%
4	\$900	\$900	\$404	\$8,094	\$7,285	\$4,047	\$3,238	80%
5	\$900	\$900	\$536	\$10,430	\$10,430	\$5,215	\$5,215	100%

*Assumes 6% investment return and contributions are made equally throughout the year.

KNOX COUNTY RETIREMENT & PENSION BOARD INVESTMENT OPTIONS

The Knox County Retirement & Pension Board has carefully selected a variety of investment options that offer you a range of risk levels and potential rates of return. The same investment options apply to both the *Asset Accumulation Plan* and the *Knox County Voluntary 457 Plan*. You will be able to direct your contributions among various individual funds and blended investment options. Refer to the glossary of terms on page 15 for important definitions as you review this section.

Note: If you are enrolling in a 457 plan other than the *Knox County Voluntary 457 Plan*, please contact your plan provider for a fund line up.

Pre-Blended “Investment Style” Options

The following investment options have been pre-blended to assist you in achieving your investment objectives. The terms “stock” and “equities” are used interchangeably and refer to stock securities issued by domestic and foreign companies. Refer to the Investment Fund piece (available at the Knox County Retirement & Pension Board Office) for more information on the funds invested under each option.

Fixed Investment Style

100% Fixed Income

The fixed investment style portfolio is comprised of several underlying fixed income mutual funds with a primary focus on preservation of principal. This portfolio is designed for investors seeking stable current income. The targeted asset allocation in this portfolio will be 100% in fixed income securities.

Conservative Investment Style

20% Equity/80% Fixed Income

The conservative investment style portfolio is comprised of several underlying fixed income and equity mutual funds. This fund is designed for investors seeking stable current income with the potential for capital appreciation. The targeted asset allocation in this fund will be 80% in fixed income instruments with 20% exposure to the equities. The equity exposure will be in companies that maintain a record of stable dividends, but will provide an opportunity for modest capital appreciation.

Moderate Investment Style

40% Equity/60% Fixed Income

The moderate investment style portfolio is comprised of several underlying funds with primary focus on a current income with some opportunity for capital appreciation. The targeted asset allocation in this fund will be 60% in fixed income securities with 40% exposure to the equities. The fixed income exposure will be in stable value funds, corporate and government bonds

with a moderate degree of income. The equity exposure will be in domestic and foreign companies with consistent earnings potential.

Balanced Investment Style

60% Equity/40% Fixed Income

The balanced investment style portfolio is comprised of several underlying mutual funds with a focus on balancing current income with the opportunity for capital appreciation. The targeted asset allocation in this fund will be 40% in fixed income securities with 60% exposure to the equities. The fixed income exposure will be in corporate bonds with a high degree of income. The equity exposure will be in domestic and foreign companies with consistent earnings growth.

Aggressive Investment Style

80% Equity/20% Fixed Income

The aggressive investment style portfolio is comprised of several underlying mutual funds with a focus on capital appreciation. The targeted asset allocation in this fund will be 20% in fixed income securities with 80% exposure to the equities. The fixed income exposure will be in corporate bonds with a high degree of income.

The equity exposure will be in domestic, foreign and emerging markets. These companies will tend to exhibit higher degrees of expected earnings growth, but will likely have a high variability of returns.

Ultra Aggressive Investment Style

100% Equity

The ultra aggressive investment style portfolio is primarily comprised of several underlying equity mutual funds with aggressive investment styles. The targeted asset allocation in this fund will be 100% exposure to the equities. The primary focus of this fund will be on growth of capital. The underlying mutual funds will tend to invest in companies with little or no dividend payments and, therefore; will produce little current income. The equity exposure will be in domestic, foreign and emerging markets. These companies will tend to exhibit higher degrees of expected earnings growth, but will likely have a high variability of returns.

Blend Your Own Investment Options

You may mix any of the individual fund options in any manner you choose and change that mix by calling the toll-free number (see page 9) or accessing the Internet at www.usicg.com (see page 9). For a brief description of each individual fund option, refer to the Investment Fund piece (available at the Knox County Retirement & Pension Board Office).

Fixed

Conservative

Moderate

Balanced

Aggressive

Ultra
Aggressive

Eligible retired or disabled Public Safety Officers may elect to direct tax-free distributions from the Program to pay Health Insurance Premiums. You are an eligible Public Safety Officer if you are:

- A Knox County Retired or Disabled Public Safety Officer as determined by the Pension Reform Act of 2006, and
- Receiving a monthly retirement or disability check from the Knox County Retirement & Pension Board and/or currently paying your medical insurance premiums with the MERP account, and
- Enrolled in a medical insurance plan currently offered through the Knox County Retirement & Pension Board.

For this purpose, a Public Safety Officer means an individual, as certified by the County, serving in an official capacity on the date of retirement or disability retirement, with or without compensation, as a law enforcement officer, as a firefighter, as a chaplain, or as a member of a rescue squad or ambulance.

If you are an eligible retired Public Safety Officer and continue County health insurance after retirement, you may elect to reduce your federal taxable income from the Program by up to \$3,000 per year for retiree health insurance premiums for you and your spouse and dependents. You make this annual election on your IRS Form 1040, in accordance with applicable IRS guidance.

Ordinarily, monthly benefit distributions from the Program are subject to income tax when paid. See *Tax Implications of Distributions* on page 11. However, if you are a Knox County Retired or Disabled Public Safety Officer as determined by the Pension Reform Act of 2006, and receiving a monthly retirement or disability check from the Knox County Retirement & Pension Board and/or currently paying your medical insurance premiums with the MERP account, and enrolled in a medical insurance plan currently offered through the Knox County Retirement & Pension Board, deductions from Program distributions to pay County-sponsored health insurance premiums during retirement, up to \$3,000 per year, are income tax-free. You make this annual election on your IRS Form 1040, in accordance with applicable IRS guidance.

Important Information Regarding Investments

Trading Restrictions & Redemption Fees

The Knox County Employee Retirement & Asset Accumulation Program offers a number of investment options from which to choose. Some of those have implemented trading restrictions and/or redemption fees. Other funds may implement this in the future.

- *Trading Restrictions* – If you sell a certain amount of shares, you will not be able to purchase shares in the same fund for a designated period of time as determined by the Fund company
- *Redemption Fees* – A mutual fund company may charge a redemption fee if you sell shares within a certain period as determined by the mutual fund company. For example, if you sell shares held less than 60 days, 90 days or one year.

Blackout Periods

From time to time, the Knox County Retirement & Pension Board reviews the investments offered under the Program and, when necessary, will make changes to the investment mix. When a change is made, there is typically a “black out” period in which you may not access your account while the systems are being updated. You will receive an announcement of any blackout periods before they happen.

Deciding where to invest your contributions can be a challenge. Understanding some “basics about investing” may help you determine where your dollars should be allocated. The key is to select an investment mix that best fits your retirement financial goals.

Weighing Risk & Return

In general, the higher an investment’s earnings potential, the higher its risk. Lower risk investments usually offer lower rewards. When you weigh risk and return, keep the following in mind:

- Be aware your tolerance for risk may change as you get closer to retirement.
- When your retirement is 30 to 40 years away, you may be willing to accept the risks of having most of your savings in high risk investments. As your retirement grows closer, your tolerance for risk may be reduced.
- At this point, you should evaluate the investment options available to you through the Program to better meet your long-term objectives and select those investments that may produce more consistent returns.

Diversify Your Investment

- Generally, the best way to maximize your investment returns and reduce your risk is to diversify.
- Diversification means you are allocating your savings in different investment options.
- You can further diversify, for example, if you put your money in several funds. Gains in one asset often offset losses in others, typically resulting in a solid return over the long term.

ACCESSING YOUR ACCOUNT

As a participant in the Knox County Employee Retirement and Asset Accumulation Program, you will be able to access your account using the voice response telephone system or by logging onto the Web. You will have access to your participant account information 24 hours a day, seven days a week. From time to time the system will be unavailable due to routine maintenance. The black-out period is typically no more than three days, however, more time may be needed under certain circumstances such as changing investment funds in the Program.



Call 1-800-828-4224, or



Log on to www.usicg.com

■ Obtain Account Balance Information

This option allows you to obtain your total account balance by contribution source, investment fund and current contribution election.

■ Perform Inter-fund Transfers

This option allows you to transfer your existing accounts between the Program's individual investment fund options. Fund transfers are based on a percentage allocation.

■ Review Fund Prospectus (online)

If you are contributing to a 457 provider other than the *Knox County Voluntary 457 Plan*, you will access your 457 account through that provider. Contact your 457 provider for information.

TWO WAYS TO GET ACCOUNT INFORMATION



Voice Response System

Call 1-800-828-4224

The system will prompt you to enter your:

■ PIN

Note: The first time you log in, your PIN is the last four digits of your Social Security number.



Internet Account Access

Log on to www.usicg.com

Once you enter the website:

■ Click on "Defined Contribution/401(k)/403(b)/USIRA Participants"

■ Click on "Participant Login"

■ Enter your User ID

■ Enter your Password

Note: First time users, click on step-by-step instructions on the left side of the screen.

All information to access both the voice response system and the Internet is sent to you with your initial introduction letter upon enrollment into the Program. If you do not know your PIN or password, please contact USI Consulting Group at 865-523-8353.

Planning for Your Future

The tools you need to determine your investment mix are right at your fingertips! Log into your account on line as directed above. Click on Morningstar® Retirement ManagerSM link in the menu bar on the right side of the screen.

Morningstar Retirement ManagerSM

With Morningstar® Retirement ManagerSM, you can determine how much you need to save for retirement, get detailed investment performance information, receive valuable investment advice for your Program funds, and access useful articles and other tools to help you plan for retirement.

Plan now for your future retirement!

DISABILITY BENEFITS

Through the Knox County Retirement & Pension Board, you can receive disability benefits under the Knox County Disability Plan if you become totally and permanently disabled before age 65.

You may be eligible to receive a disability benefit subject to applicable requirements of the Plan provided you:

- Have completed five years of credited service, or
- Have five or more years of credited service as a Knox County Officer prior to transferring to other County employment without a break in service, or
- Become disabled as a result of an act required to perform your job duties (on-the-job injury).

In all cases, you must exhaust all employer-provided sick time and vacation leave as well.

Disability shall not include any physical or mental condition which results directly from:

- Injury intentionally self-inflicted.
- Injury or disease for which military services or Veteran's Administration have paid retirement benefits.
- Injury or disease suffered or contracted prior to the date the participant was last hired as an employee.
- Injury sustained during the commission of a criminal act resulting in a conviction and punishable by confinement for a term of more than one year or infliction of the death penalty.

Unless you are simultaneously an active Participant in both the Program and the Uniformed Officers Pension Plan, you will not be entitled to Disability Benefits under both the Program and the Uniformed Officers Pension Plan.

If you remain disabled and continue receiving disability payments, you will also be eligible to receive the full value of your account balance from the Asset Accumulation Program at age 65 or your early retirement date. However, disability benefits will cease if any of the following events should occur:

- You reach age 65,
- You are no longer disabled,
- Upon withdrawal of your Asset Accumulation Program.

Benefit Amount

The disability benefit amount you may receive is 50% of your average earnings over the highest five years at the date of disability.

If you have one or more dependent children, your benefit is 60%.

After disability benefits have been payable for one full calendar year, your benefit will be increased annually thereafter at a rate of 3% of the initial gross benefit.

Your Disability benefit is subject to offset or reduction in various situations, but it will not be less than \$150 a month.

Disability benefit payments are reduced by the amount of benefits you may be receiving through Social Security Disability benefits, Workers Compensation benefits or other sources of earned income.

If you are disabled, you must apply for Social Security Disability benefits; the Retirement Office has an arrangement with UNUM to assist you with your Social Security Disability application. UNUM will contact you after you have been approved for disability to assist you with that process. Social Security Disability benefits are often paid retroactively, sometimes for many months. If you receive a retroactive Social Security Disability benefit covering a period during which you also received a County benefit, you are obligated to repay the offset immediately from the proceeds of the Social Security Disability benefit. Please be careful not to spend retroactive Social Security Disability amounts prior to re-paying any offset due the Pension Board.

The Knox County Retirement & Pension Board periodically requires reports from disabled participants, to obtain current medical and earnings information and to verify continuing eligibility.

You are entitled to payment of your account in accordance with a Program-permitted payment form. You may retire from employment with the County if you meet the requirements for one of the following retirement dates:

NORMAL RETIREMENT. At age 65 or over and completion of five years of service

EARLY RETIREMENT. At age 55 or over and completion of five years of service

DELAYED RETIREMENT. At the first of any month following your Normal Retirement

LONGEVITY RETIREMENT. At age 50 and the sum of your age plus years of service equal or exceeds 70

Payment of your vested account balance will begin as soon as administratively possible after your retirement date. However, you may elect to defer payment until any time prior to age 70 1/2. Your payments would then begin no later than April 1 following the year in which you reach age 70 1/2 (or your termination of County employment, if later).

Note: If you die while employed at the County, your account automatically becomes fully vested and payable to your beneficiary.

Generally you are not entitled to withdraw your Program account balance while you remain a County or Schools employee except for limited in-service distributions as noted on page 4.

If you are contributing to a 457 provider other than the *Knox County Voluntary 457 Plan*, other distribution provisions may apply. Contact your 457 provider for information.

Tax Implications of Distributions

Taxable distributions from the Program are subject to ordinary income taxes in the year you receive the distributions (excluding any portion comprised of pre-July 1, 2007, after-tax contributions). Additionally, an early distribution penalty of 10% will be applied to the taxable portion of your distribution from the *Asset Accumulation Plan* (401(a) plan). This penalty does not apply if:

- Payment is for reason of separation from service after age 55, death or disability.
- Payment is paid in the form of a life annuity.
- Payment is rolled over to an IRA or another eligible plan.
- You are at least 59 1/2 years of age at time of distribution.

Note: Penalty is determined at tax time and not at the time of distribution. Early distributions of your additional, voluntary 457 plan contributions and earnings are not subject to the 10% penalty.

Caution: Suppose you are under age 55 but have enough service to retire under the longevity retirement provisions. Under these IRS rules, if you take a longevity retirement and elect to commence a distribution from the Asset Accumulation Plan before you reach age 59-1/2, you will be subject to the 10% additional tax, unless you elect installment payments over your life expectancy.

See pages 13 and 14 for distribution options available under the Program.

Retirement Payment Options

The standard form of payment under the Program provides for installments over a period equal to your life expectancy or the joint life expectancies of you and your beneficiary. Payments will continue until your account is fully distributed. Payments will be readjusted annually based on your November 30th account balance.

Payments are subject to minimum required distribution rules of the Internal Revenue Code. If your vested account balance in the Program does not exceed \$5,000 at the time of your retirement, you will automatically receive a single lump sum payment.

If you are contributing to a 457 provider other than the *Knox County Voluntary 457 Plan*, other payment options may be available. Contact your 457 provider for information.

Optional Forms of Payment

All payment options must meet IRS rules on minimum required distributions that generally mandate that distributions begin by April 15 of the year following your attainment of age 70-1/2 (or your retirement from the County, if later). You may choose one of the following Optional Forms of payment instead of the standard form:

Adjusted Form Installments

The Adjusted Form option is the same as the Standard Form, however for the period you receive installment payments, 3% annual interest on your account will be assumed. Payments will continue until your account is fully distributed. Your monthly earnings amount will be determined based on an equal monthly distribution of your combined positive earnings for the previous 12 months. Payments will be readjusted annually based on the same method.

Fixed Payment Installments

You may elect to receive your account balance in specified equal payments as long as there is a balance in your account, provided that the minimum period is the lesser of 10 years or the period equal to your life expectancy or the joint life expectancies of you and your beneficiary. Payments will continue until your account is fully distributed.

Modified Cash Refund

You may elect to receive up to 25% of your account balance in a lump sum payment at the time of your retirement, with the balance paid under any other payment option. Your monthly earnings amount will be determined based on an equal monthly distribution of your combined positive earnings for the previous 12 months.

Earnings Withdrawal Only

You may elect to withdraw only the investment earnings from your account without reducing the principal balance in your

account. Your monthly earnings amount will be determined based on an equal monthly distribution of your combined positive earnings for the previous 12 months. Payments will be readjusted annually based on your November 30th account balance.

Annuity Option

You may elect to purchase an annuity from a life insurance company. This payment is the only option that will guarantee payments for as long as you live. Payments cease in accordance with the terms of the annuity that you purchase.

Lump Sum Option

You may elect a lump sum payment from your account payable directly to you.

Rollover to Another Eligible Plan

You may elect to roll your account balance to an employer's eligible plan, individual retirement account such as USIRA, or an individual retirement plan.

One-Time Election Change

If you elect an installment form of payment, you may be permitted to make a one-time change to your election after your payments have started, subject to certain requirements and restrictions. All such requests are subject to the approval of the Knox County Retirement & Pension Board and all determinations will be made in a uniform and nondiscriminatory manner. Please contact the Knox County Retirement & Pension Board Office for further information.

Re-employment Following Retirement

There are limitations on your ability to return to work after you retire. You should consider these rules with your supervisor before you retire.

You may not enter into an agreement or arrangement, verbal or written, express or implied, at the time of your retirement, to return to work.

Once you retire, you may not be re-employed by Knox County Schools or Knox County Government for at least 90 days from the date of your retirement.

If you return to work with Knox County Schools or Knox County Government after retirement, any benefit being paid to you under the Program will stop. If you are re-employed in an eligible position, you will contribute to the Asset Accumulation Plan and be eligible for the Employer match. In that case, when you retire again, you will make a new election about distributions from the Program.

There is one exception to the general rule that Asset Accumulation Plan benefits stop when you return to work after retirement – if the official or department head applies to the Pension Board in advance, you may be allowed to return to work, not to exceed 720 hours in any calendar year, so long as you have

a skill needed on a temporary basis, where similar skills are not available on the labor market. If you return to work under this exception, you will not accrue additional Asset Accumulation Plan benefits while you work.

If you have questions about re-employment after retirement, please ask at the Pension Office.

Survivor Benefits

Your Asset Accumulation account becomes payable to your designated beneficiary upon your death. If you die while an employee, your account will become fully vested. Your beneficiary can exercise one of the three following distribution options:

- Continue distribution in effect at the time of your death (for those who retired prior to death).
- Elect a lump sum payment.
- Rollover (to the extent allowed by the Internal Revenue Code).

Unless you are simultaneously an active Participant in both the Program and the Uniformed Officers Pension Plan at the time of your death, your survivors will not be entitled to Death Benefits under both the Program and the Uniformed Officers Pension Plan.

Death Certificate

If you are fully vested and die after retirement, your beneficiary may receive a lump sum payment of \$300 multiplied by your number of completed whole years of service or you may elect to receive the actuarial equivalent at the date of retirement.

Your beneficiary should contact the Knox County Retirement & Pension Board Office for further information. If you are contributing to a 457 provider other than the *Knox County Voluntary 457 Plan*, please contact your 457 provider for information about designating a beneficiary and death benefits that are available.

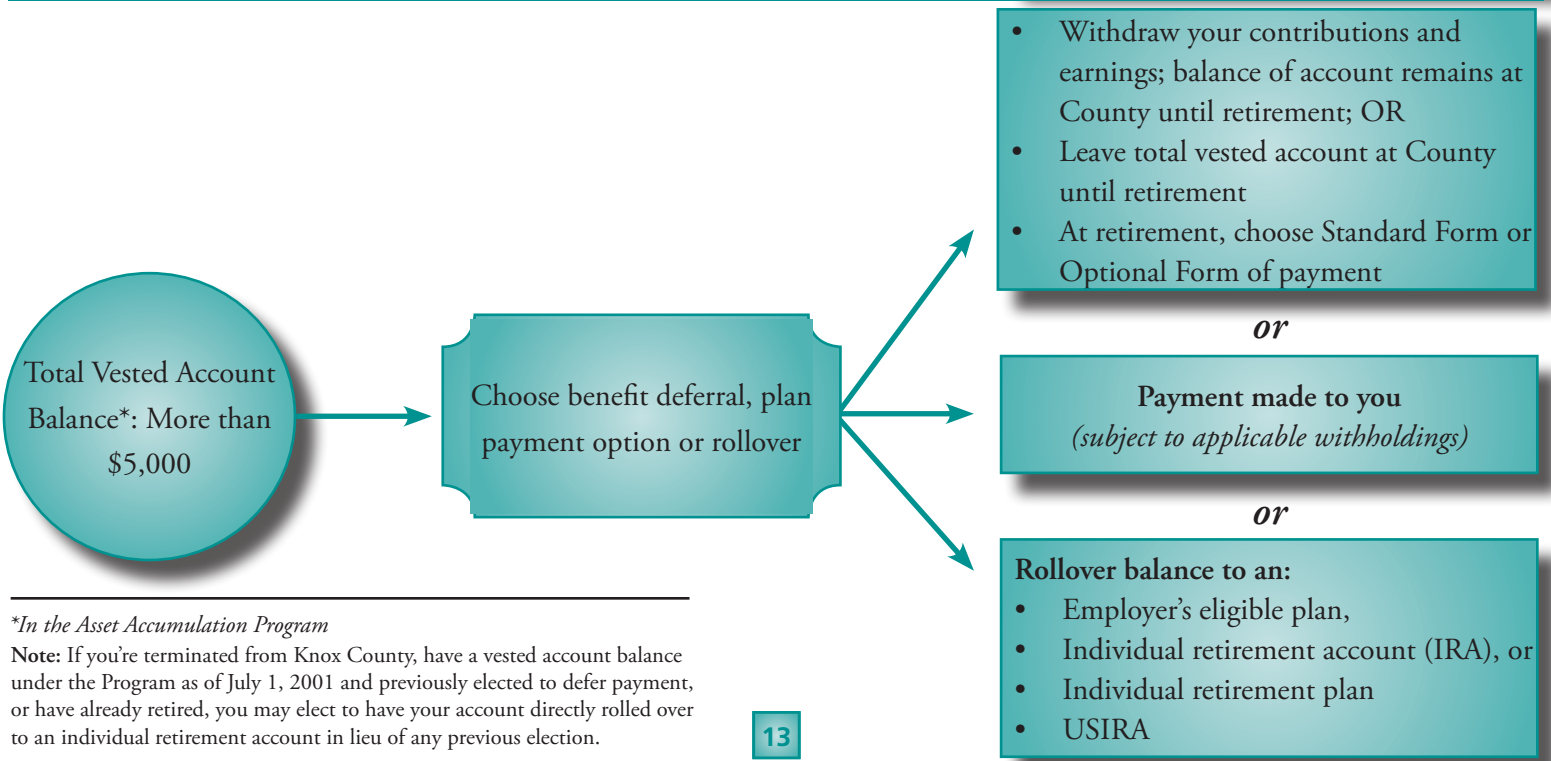
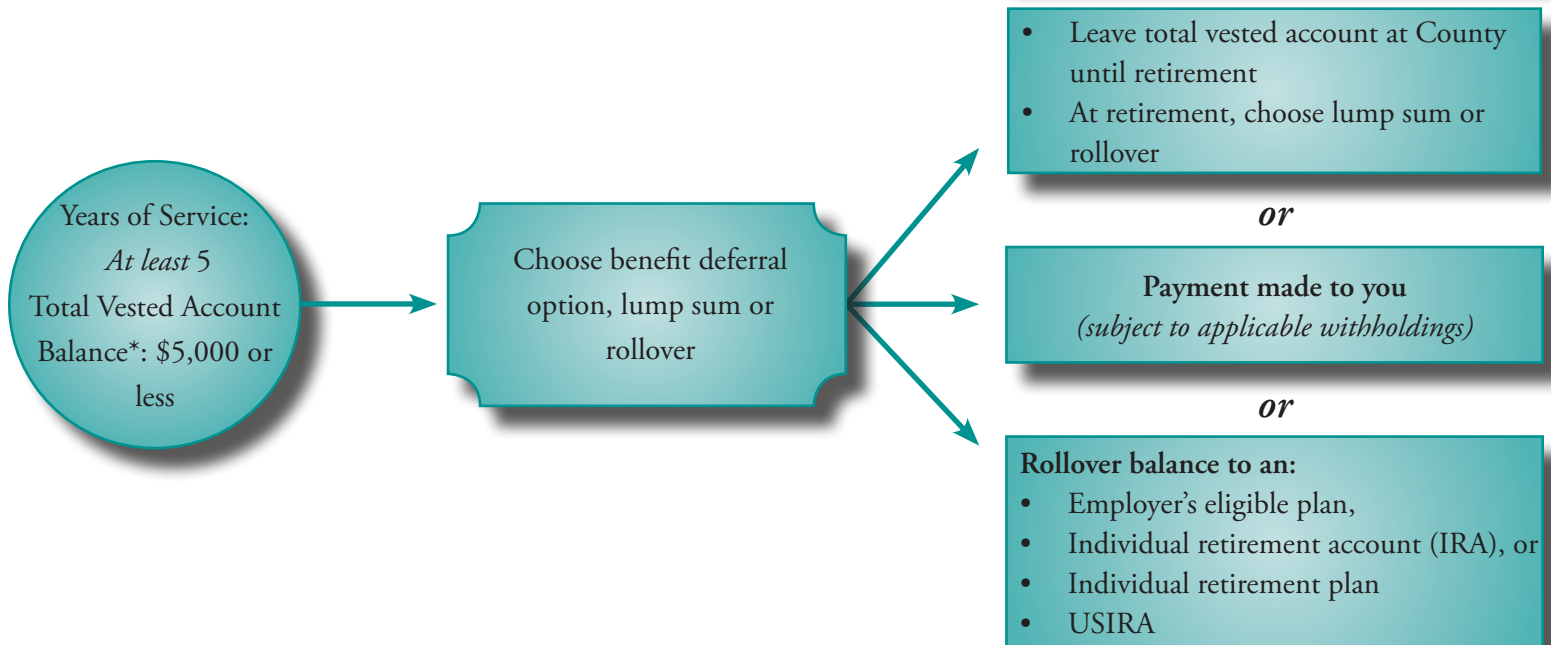
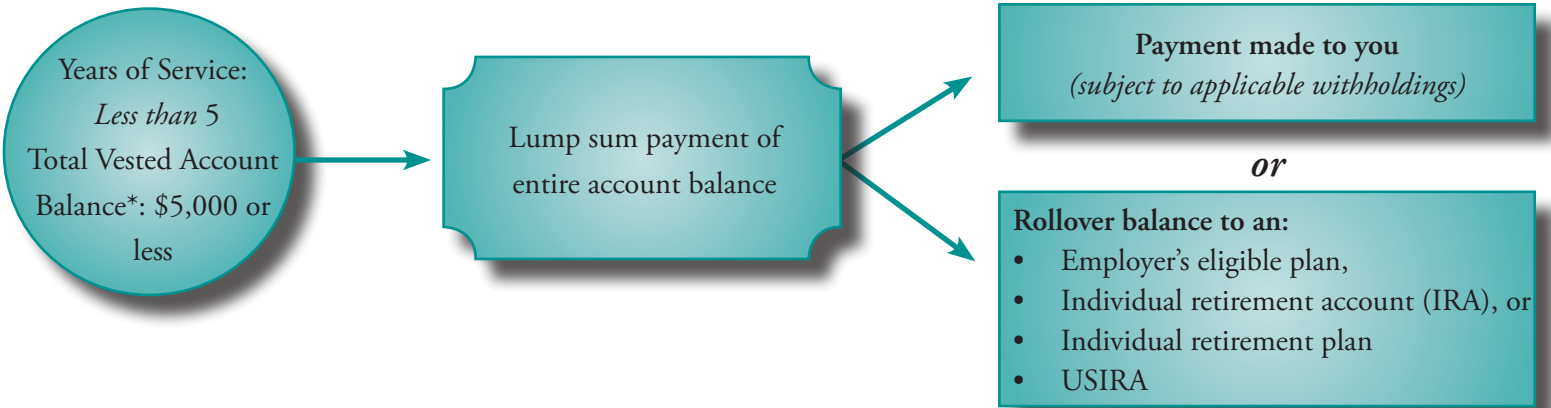
Qualified Domestic Relations Order (QDRO)

Under Tennessee law, the Program may be required to recognize your obligations incurred as a result of court ordered child support, if the order complies with Internal Revenue Code §414(p). Knox County is subject to the requirements of Tennessee law.

The Tennessee Code does not permit the *Asset Accumulation Plan* to recognize QDROs, except orders for child support entered in accordance with applicable law.

DISTRIBUTION OPTIONS

If You Leave Knox County Employment Before Retirement Eligibility The following distribution options are available to you:

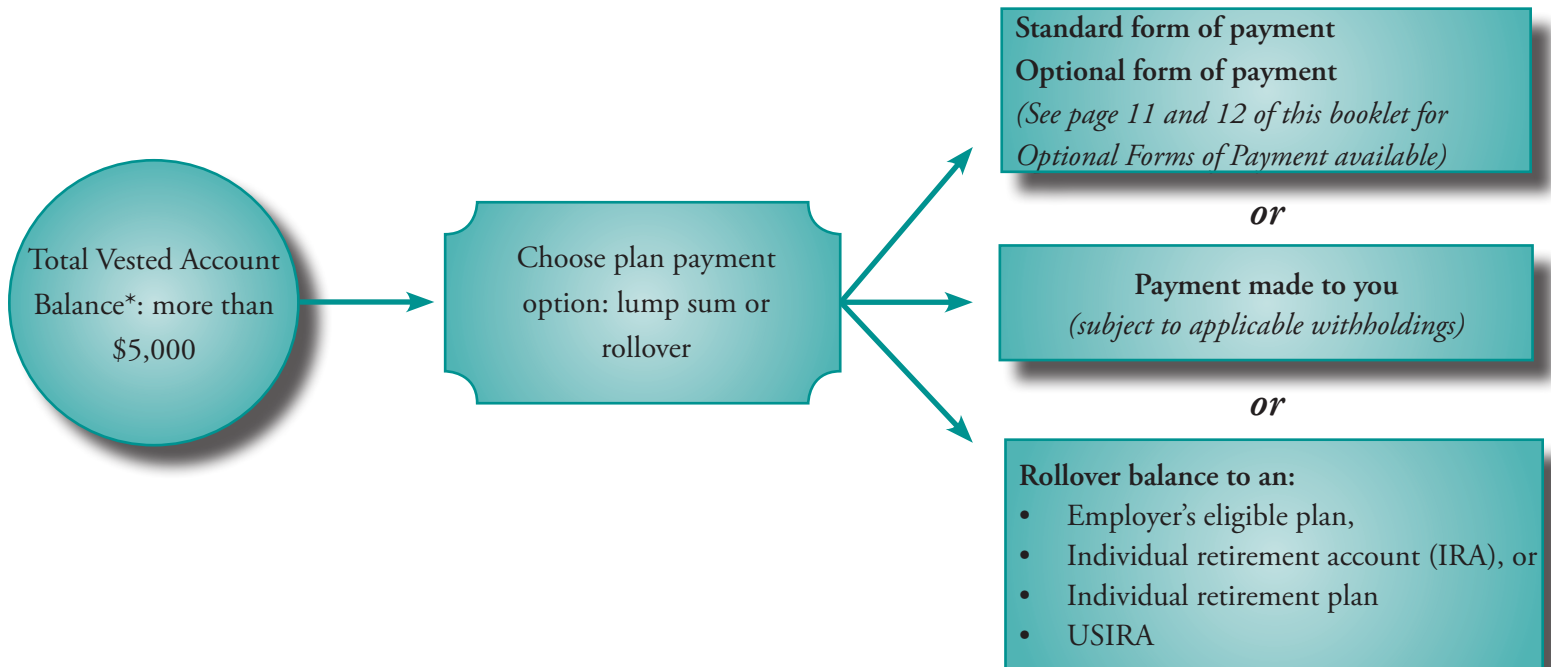
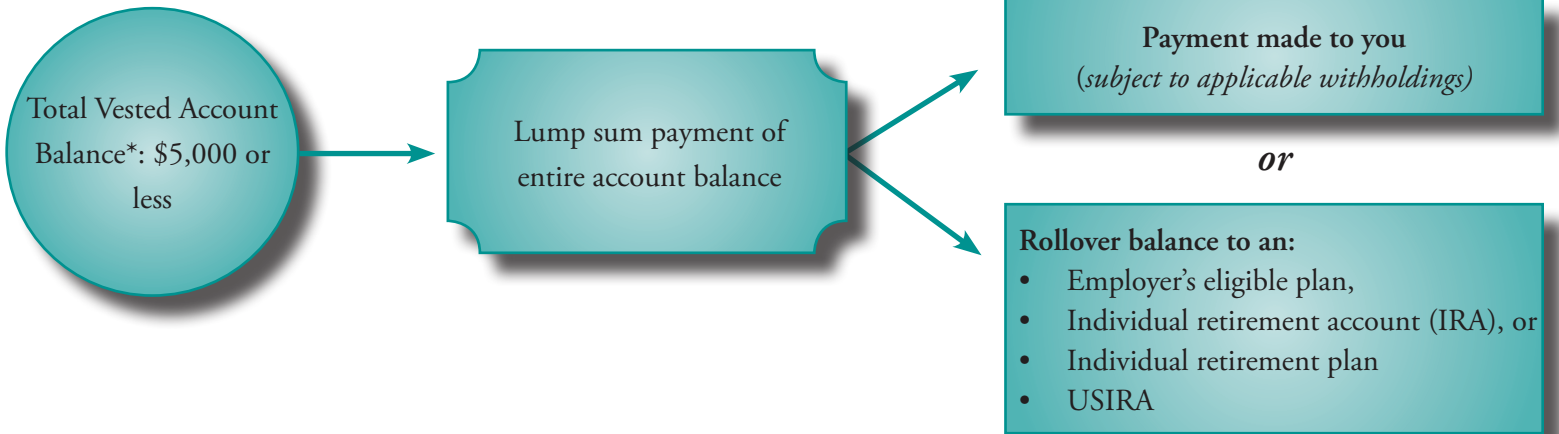


**In the Asset Accumulation Program*

Note: If you're terminated from Knox County, have a vested account balance under the Program as of July 1, 2001 and previously elected to defer payment, or have already retired, you may elect to have your account directly rolled over to an individual retirement account in lieu of any previous election.

DISTRIBUTION OPTIONS

If You Retire at Normal, Early, Delayed or Longevity Retirement
The following distribution options are available to you at retirement:



*In the Asset Accumulation Program

GLOSSARY OF TERMS



ASSET ACCUMULATION PLAN. The Knox County Retirement & Asset Accumulation Plan, a Section 401(a) tax-qualified retirement plan. The Asset Accumulation Plan is funded by both employee and employer contributions.

ASSET ACCUMULATION PROGRAM. The Knox County Employee Retirement and Asset Accumulation Program, is a retirement program consisting of the *Asset Accumulation Plan* and *Knox County Voluntary 457 Plan*.

BENEFICIARY. The person who will receive your money in the event of your death while you are a Program participant.

BOND. The debt instrument of a corporation or government entity that promises to pay you a specified amount of interest for a specified time period, with principal to be repaid upon maturity. Investment risk is low to moderate for government bonds and moderate to high for corporate bonds.

CLOSED DEFINED BENEFIT PENSION PLAN. The Knox County Closed Defined Benefit Pension Plan, a tax qualified plan. A participant covered by the Closed Defined Benefit Plan is eligible to participate in this Plan only to the extent of the additional County match on the participant's voluntary pre-income tax 457 plan deferrals under the Enhanced Asset Accumulation Program.

COMMON STOCK/EQUITIES. Securities that represent an ownership interest and give you voting rights in the issuing corporation. Your risk with common stock is moderate to high.

CONTRIBUTION. The amount of money you or your employer invest in the Program.

DIVERSIFICATION. Investing in different companies in various industries or in several different types of investment vehicles to spread risk.

DIVIDENDS. Payments made by a corporation to its shareholders. The amount you will receive is based on the number of shares you own.

DOMESTIC EQUITIES. Securities invested primarily in common stock of companies based in the United States.

EARLY RETIREMENT. If you retire on or after the first day of the month coinciding with or following the later of the date you reach age 55 or complete five years of employment, but prior to your normal retirement date.

EMERGING MARKET EQUITIES. Securities invested primarily in common stock of companies conducting the majority of their business in emerging countries.

FIXED-INCOME SECURITIES. Debt securities that pay a specified rate of interest and mature at a specific date.

FOREIGN STOCK/EQUITIES. Securities invested primarily in common stock of companies located internationally.

GROWTH STOCK. The stock of a firm generally growing faster than the economy and showing every indication of considerable further expansion. The risk with growth stock tends to be high.

LIMITED IN-SERVICE DISTRIBUTION. The payment of the entire balance of your Asset Accumulation Plan account while you remain an employee of the county or schools but are no longer eligible to participate in the Asset Accumulation Plan. The limited conditions under which in-service distributions are payable are described in this brochure (on page 4).

INVESTMENT STYLE. Describes the investment style or valuation of the securities that are purchased for the mutual fund.

- *Value Investment Style:* Equities purchased are believed by the fund manager to be undervalued in price but will eventually be recognized by the market. Tends to pay a dividend.
- *Growth Investment Style:* Equities purchased are believed to have the potential to increase earnings faster than the rest of the market. Pays little or no dividends.
- *Blend Investment Style:* Equities purchased are a combination of growth and value stocks.

KNOX COUNTY VOLUNTARY 457 PLAN. The *Knox County Voluntary 457 Plan*, a Section 457(b) eligible retirement plan. The *Knox County Voluntary 457 Plan* is funded only with employee contributions.

LONGEVITY RETIREMENT. You retire on or after the first day of any month coinciding with or following the date that the sum of your attained age and years of service equals or exceeds 70, provided that you have attained at least age 50.

MATURITY OR DURATION. Indicates how long until the bond and all its interest payments will be repaid.

- *Short:* Maturity or duration is less than 3.5 years
- *Long:* Maturity is greater than 5 years
- *Moderate:* Maturity is more than 3.5 years but less than 5 years

MUTUAL FUNDS. An investment company that pools and manages the funds of many investors with common financial goals and objectives.

NORMAL RETIREMENT. You retire any time on or after the first day of the month coinciding with or following the date you reach age 65 and complete five years of employment, whichever is later.

GLOSSARY OF TERMS (CONT.)

POOLED STABLE VALUE FUNDS. Contract providing for fixed stream of income credited to the account based on the terms of the contract. Contract terms state interest rate for a set period of time.

PRE-INCOME TAX CONTRIBUTIONS. Pre-income tax contributions are deducted from your pay before federal income taxes, as well as most state and local taxes are withheld. When you use pre-income tax dollars to contribute to the Program, your taxable income is reduced and you pay less taxes.

PROSPECTUS. Printed material offering a security for sale, which provides full disclosure of pertinent information regarding the issue.

RETURN. The profit you earn through investing.

RISK. The chance that the value of an investment could decline in the marketplace.

SECURITIES. Assets such as stocks, bonds, etc., which allow you to participate in earnings, distribution of property or other assets of the corporation issuing the security.

UNIFORMED OFFICERS PENSION PLAN. The Knox County Retirement System Uniformed Officers Pension Plan, a tax qualified plan. Officers covered by the Uniformed Officers Pension Plan are not eligible to participate in this Program with respect to their service and compensation as Officers.

USIRA. USIRA is an individual retirement account (IRA) administered by USI Consulting Group, which provides you with the ability to rollover your distribution when you exit the Program. If your vested account balance is \$5,000 or less, and you do not return a completed and signed Payment Request Form electing either to receive or to roll over the distribution within 60 days, then in accordance with the Program's automatic rollover rules, your distribution will be automatically rolled over to an USIRA Account. You may elect this option as your IRA regardless of your account balance.

VESTED BALANCE. The amount of your account that you "own".

YEAR OF SERVICE. Twelve months of County employment while you were eligible to participate in the Asset Accumulation Program. Months do not have to be consecutive. You may also receive credit for your military service prior to County employment and military service that interrupts your County employment, in accordance with the terms of the Plan and applicable law.

Program Name

Knox County Employee Retirement and Asset Accumulation Program

The programs are components of the Knox County Employee Benefit System. The provisions of the *Asset Accumulation Plan* were originally effective October 1, 1991. The *Knox County Voluntary 457 Plan* was established effective July 1, 2007.

Program Year

January 1 through December 31

Employer

Knox County
City/County Building
400 Main Street
Knoxville, TN 37902

EIN: 62-6007979

Program Administrator

Knox County Retirement & Pension Board
City/County Building - Room 371
400 Main Street
Knoxville, TN 37902
(865) 215-2323

The Program Administrator keeps the records for the Program and is responsible for the administration of the Program. The Program Administrator has discretionary authority to construe the terms of the Program and make determinations on questions that may affect your eligibility for benefits. The Program Administrator will also answer any questions you may have about the Program.

Trustee

Wells Fargo Bank, N.A.
1525 West W. T. Harris Blvd.
Charlotte, NC 28288-1176

Agent for Service of Legal Process

Robertson, Overbey, Wilson & Beeler
Richard Beeler
703 Riverview Tower
900 South Gay Street
Knoxville, TN 37902-1823

Program Record-keeper

USI Consulting Group
95 Glastonbury Boulevard
Glastonbury, CT 06033

Participants receive quarterly statements of their Program account, mailed to the last known home address, and including balance and transaction information on both the *Asset Accumulation Plan* and the *Knox County Voluntary 457 Plan*.

PIN or Password Reset

USI Consulting Group
95 Glastonbury Boulevard
Glastonbury, CT 06033
865-523-8353

Knox County Retirement & Pension Board

City-County Building, RM 371
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knoxcounty.retirement@knoxcounty.org

March 2011