



**Knox
County
Retirement**

KNOX COUNTY

Medical Expense Retirement Plan

For Participants of Asset Accumulation and Closed Defined Benefit Plans



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Please Note: This summary highlights the provisions of the Plan which are 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 itself. A copy of the Plan and Trust Agreement is on file at the Knox County Pension Office and may be read at any reasonable time. In the event of any discrepancy between this guide and the actual provisions of the Plan, the Plan shall govern. The Plan may be amended or terminated in accordance with its terms and applicable provisions of the Knox County Retirement System.

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INTRODUCTION

Over the recent years, we have seen dramatic and continued increases in the cost of health care. For anyone retiring now, the cost is much more than it was when he/she started their career with Knox County or Knox County Schools. Even if retirement is a few years away, you should consider the fact that you will pay more during retirement for health care benefits.

For that reason, the Retirement & Pension Board developed an additional retirement savings plan to help defray your health care costs at retirement. This Plan is referred to as the **Medical Expense Retirement Plan** and includes an additional feature at retirement—a Medical Premium Bonus.

Pre-Retirement

Set aside money on an after-tax basis to help pay for out-of-pocket medical expenses and medical insurance premiums during your retirement years.

Post-Retirement

Use the money you set aside during your working years to pay out-of-pocket medical expenses and/or medical insurance premiums.

In addition, the Retirement Board pays a medical premium bonus to help further subsidize medical costs in retirement.

This bonus is an annual distribution payable to you or to an IRA.

Because this Plan is designed to help you pay for medical expenses and insurance premiums at retirement, you can use your Retirement and Asset Accumulation Program (or Closed Defined Benefit Plan) money as it was intended—to enjoy your retirement years.

This brochure describes the Medical Expense Retirement Plan and the Medical Premium Bonus, and how each component works. Remember, it is up to you to take control of your financial future.

MEDICAL EXPENSE RETIREMENT PLAN

Eligibility and Participation

Any employee who is eligible for or participating in either the “Closed Plan” (Defined Benefit) or the Employee Retirement and Asset Accumulation Program (Defined Contribution) may join the Medical Expense Retirement Plan. Sworn officers who remain in the Employee Retirement & Asset Accumulation Program after July 1, 2007 may participate or continue to participate in the Medical Expense Retirement Plan going forward.

Note: Officers employed prior to June 1, 2007, who elect to participate in the Uniformed Officers Pension Plan, will not be eligible to participate in the Medical Expense Retirement Plan as of July 1, 2007. Such Officers will continue to hold accounts according to the terms of this Plan (i.e., pre-July 1, 2007 employee contributions and any investment earnings attributable to those employee contributions). Those Officers will not be entitled to Pension Board contributions or earnings, and they will not be eligible for a medical expense bonus payment.

Participation in the Plan is voluntary. It is up to you to decide if you want to join the Plan.

Enrollment

You will need to complete an enrollment form in order to participate. Enrollment forms are available at the Retirement Office or on the Knox County Retirement Website:

www.knoxcounty.org/retirement

When completing the form, be sure to indicate the amount you would like to contribute per pay period.

Once you’ve completed the form, sign, date and return it to the Retirement Office for processing.

Plan Year

The Plan Year runs from July 1st to June 30th.

Your Contributions

The Retirement & Pension Board has established certain minimum and maximum contribution allowances subject to the Pension Board match. The chart on the next page outlines the minimum and maximum contributions per pay period. *Note:* The Maximum per pay period contributions shown reflect deductions for a full year. If you are hired during the year and wish to contribute the maximum Subject to Match, your deduction will be higher per pay period (\$416 per year).

MEDICAL EXPENSE RETIREMENT PLAN

Payroll Frequency	Minimum Per Pay Contribution	Maximum Contribution Subject to Match
Bi-Weekly	\$8.00	\$16.00
Semi-Monthly	\$8.68	\$17.36
Monthly	\$17.34	\$34.68

You can, however, contribute more than the maximum subject to Match. Keep in mind that any contributions you make to the Medical Expense Retirement Plan are made on an after-tax basis.

Changing Your Contributions

You may change your contribution election by completing an Enrollment/Change Form available from the Retirement Office. After the Retirement & Pension Board receives your Enrollment/Change Form, payroll deduction changes will take effect as soon as administratively feasible.

Matching Contributions

The Retirement & Pension Board will match 25% of your contributions to the Medical Expense Retirement Plan up to a maximum matching contribution of \$104 per calendar year. *Note:* Although the Retirement & Pension Board is committed to providing the benefits under this Plan through 2009, it reserves the right to make changes based on the financial status of the Plan and benefits can be terminated accordingly.

Vesting

You are always 100% vested in your contributions and the Retirement & Pension Board's matching contributions. You are also vested in any investment earnings on all contributions made to your account.

How Your Account Is Invested

The Pension Board determines the investment mix in the Plan. Your contributions will be invested as follows:

- Ultra Conservative Investment Style 25%
- Conservative Investment Style 38%
- Moderate Investment Style 37%

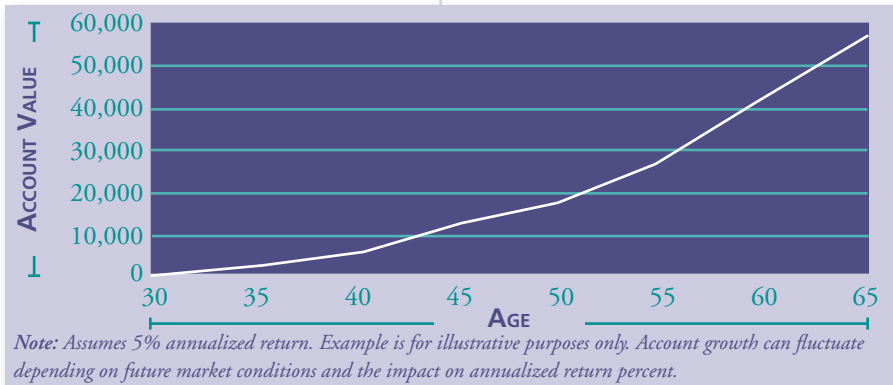
These are the same investment styles used in the Asset Accumulation Program. Investment performance for this mix is projected at a 5% annualized return, however, the Retirement & Pension Board CANNOT guarantee future investment performance.

Note: you cannot direct your contributions to any other investment funds.

MEDICAL EXPENSE RETIREMENT PLAN

How Your Money Grows Over Time

Let's assume you are age 30 and your contribution and the Retirement & Pension Board match combined is \$520 annually. Here's a look at how your money would grow until age 65.



Eligible Medical Claims

As indicated earlier, the purpose of contributing to this Plan is to help pay for certain medical expenses after you retire. Eligible expenses include:

- Uninsured medical and prescription drug costs
- Uninsured eye exams and glasses
- Uninsured dental care
- Medical insurance premiums
- Nursing home or long term care expenses

By paying for these expenses through this Plan, you preserve your retirement savings for other retirement expenses such as pursuing your favorite hobby or traveling, as well as day to day living expenses.

You may request reimbursement for incurred expenses on a quarterly basis according to the chart on the next page.

MEDICAL EXPENSE RETIREMENT PLAN

Normal Quarterly Reimbursement Schedule

Deadline for Claim Submission	Payment Date	Minimum Eligible Disbursement
Last business day of September	15 business days from end of quarter	Lesser of \$250 or account balance
Last business day of December	15 business days from end of quarter	Lesser of \$250 or account balance
Last business day of March	15 business days from end of quarter	Lesser of \$250 or account balance
Last business day of June	15 business days from end of quarter	Lesser of \$250 or account balance

Note: With the exception of your after-tax contribution, all other distributions are considered taxable income, however, all distributions will be reported on a 1099-R at year end.

Active employees may be eligible for a severe medical hardship distribution. This distribution may be requested at any time. In the event of a hardship distribution, payment will be made to you as soon as reasonably possible. The minimum amount you may request for a medical hardship distribution is \$500 or your account balance, whichever is less.

Account Statements

As a retiree, you will receive a statement of your account semi-annually (two times per year). All other participants with account balances will receive one annual statement.

MEDICAL EXPENSE RETIREMENT PLAN

Account Distributions

If You Terminate employment...

And your account balance is less than \$5,000, you may:

1. Receive 100% distribution.

And your account balance is more than \$5,000, you may:

1. Remain in the Plan subject to IRS minimum distribution requirements,
2. Roll it over to another qualified employer plan or IRA, or
3. Take a full distribution, which may be subject to IRS penalty.

If You Retire Prior to age 59 1/2, you may...

1. Remain in the Plan subject to IRS minimum distribution requirements,
2. Equalize quarterly installments over a five-year period or your life expectancy, whichever is less. During the equalized installments, retirees may also file claims for reimbursement of medical expenses as incurred. Any claim reimbursements from your account will reduce your account balance, thus shortening the payout period,
3. Pay Knox County-sponsored medical insurance premiums, and file claims for reimbursement of medical expenses as incurred,
4. Roll it over to another qualified employer plan or IRA, or

5. Take a full distribution, which may be subject to IRS penalty (if withdrawn prior to age 59 1/2, unless you separated from County service after age 55, or unless the distribution does not exceed your deductible medical expenses under IRS rules).

If You Retire after age 59 1/2, you may...

1. Remain in the Plan subject to IRS minimum distribution requirements,
2. Equalize quarterly installments over a five-year period. See #2 above for more information about the quarterly installment option,
3. Pay Knox County-sponsored medical insurance premiums, and file claims for reimbursement of medical expenses as incurred,
4. Roll it over to another qualified employer plan or IRA, or
5. Take a full distribution; no IRS penalty applies.

If You Die...

Your beneficiary(ies) will receive 100% distribution or are eligible for rollover.

If You Are an Active Employee...

Severe Medical Hardship withdrawals only (e.g., unreimbursed medical expenses for a catastrophic and debilitating injury or illness of you, your spouse or your dependent)

Note: Disability participants will be treated the same as retired participants.

All distributions will be subject to taxation on the taxable portion.

MEDICAL EXPENSE RETIREMENT PLAN

Taxes on Your Distributions

Because your contributions to this program are invested on an after-tax basis, contribution withdrawals will not be taxed. Investment earnings and Retirement & Pension Board matching contributions are tax-deferred and will be taxed upon distribution.

Federal law requires the Retirement & Pension Board to withhold 20% for income tax purposes on all taxable distributions (i.e., payment of insurance premiums, reimbursement of medical expenses, etc.) from your tax-deferred investments. Your own individual tax situation and liability may vary. Consult your tax advisor to clarify your alternatives.

Note: Whether you terminate or retire before age 55 you may be subject to an IRS penalty if you then take a distribution from the plan. Under IRS rules, you may not be subject to this additional 10% tax if the taxable portion of the distribution does not exceed your deductible medical expenses.

Health Insurance Distributions

If you leave County employment as a Public Safety Officer for disability or normal retirement, and you are entitled to continue health insurance through the Retirement Office, you may elect to direct the Plan to pay up to \$3,000 per year from benefits otherwise payable to you to cover retiree health insurance premiums for you and your spouse and dependents. The retiree health insurance premiums you direct the Plan to pay on your behalf are not subject to federal income tax. Under this special exception in the tax law that became effective January 1, 2007, Public Safety Officers include individuals certified by the County as law enforcement officers, firefighters, chaplains, or members of rescue squads or ambulance. Ask at the Retirement Office for information and the form to make this annual election.

MEDICAL EXPENSE RETIREMENT PLAN

Beneficiary Designation

Your beneficiary is your spouse, unless your spouse consents to the designation of another Beneficiary. If you are not married, or if your spouse consents, you may designate a Beneficiary of any benefit payable by the Plan at your death using a form available from the Retirement Office. You may change your Beneficiary designation in the same manner, at any time.

If you are divorced on or after July 1, 2007, any designation of your former spouse as Beneficiary is revoked automatically as of the date of your divorce. You may again designate your ex-spouse as your Beneficiary by filing a new, signed Beneficiary designation form with the Retirement Office after the date of your divorce. If you are divorced prior to July 1, 2007, a Beneficiary designation of your ex-spouse is not revoked automatically.

If you are single and do not have a valid Beneficiary designation on file at the time of your death, or if your Beneficiary does not survive you, any benefits will be paid to your estate.

Qualified Domestic Relations Order (QDRO)

Under Tennessee law, the Plan 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 Plan to recognize QDROs, except orders for child support entered in accordance with applicable law.

MEDICAL PREMIUM • BONUS

Eligibility and Participation

In order to receive a bonus, you must be retired under the Closed Defined Benefit Plan or Asset Accumulation Program. To be eligible for the full amount of the bonus, you must be retired as of January 1 of the year in which the bonus is distributed.

If you retire *during* the year, you will not receive a bonus for the current year. You will be eligible the first of the following year. Bonuses will not be prorated for partial year of retirement.

Premium Bonus Amount

Effective with the 2005 Calendar Year, the Retirement & Pension Board will pay an annual premium bonus of \$120* payable in the first quarter of each year. The bonus amount will continue to be \$120 for the next three years (through Calendar Year 2009**). In 2009, the Retirement & Pension Board will review the Plan and make adjustments or commitments for future years.

**Beneficiary(ies) are not eligible for the premium bonus.*

***Although the Retirement & Pension Board is committed to providing the benefits under this plan through 2009, we reserve the right to make changes based on the financial status of the Plan and the Plan can be terminated accordingly.*

Premium Bonus Election

In the fourth quarter, you will receive a form regarding the Medical Premium Bonus for the upcoming year. You will need to decide whether you would like your bonus payable to yourself or to an IRA. If you do not make an election, your bonus will be payable to you in the first quarter of the calendar year provided you were a retiree as of January 1 in the current year.

For More Information

If you have any questions about the **Medical Expense Retirement Plan** or the **Medical Premium Bonus** component to the Plan, please contact the Retirement Office at:

Knox County Retirement & Pension Board
City-County Building, Room 371
400 Main Street
Knoxville, TN 37902-2409
865-215-2323 (phone)
865-215-2421 (fax)
knoxcounty.retirement@knoxcounty.org

ACCESSING YOUR ACCOUNT

You can access your account balance in the Medical Expense Retirement Plan by telephone or the Internet.

INTERNET

Log on to:

www.usicg.com

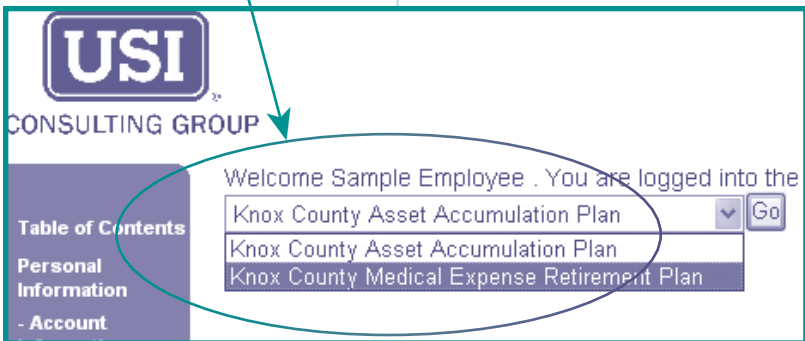
Click on “Defined Contribution/401(k)/USIRA Participants” for account access. Then enter your user name and password. If you don’t have your user name and password, contact USI Consulting Group at (865) 523-8353.

TELEPHONE

Dial: 1-800-828-4224

Listen for the voice prompts to select the Medical Expense Retirement Plan.

Once you log in, you will need to select the plan you wish to access from the pull down menu under “Welcome...”. If you don’t switch to the Medical Expense Retirement Plan, you will go into your Asset Accumulation Program automatically.



The screenshot shows the USI Consulting Group website interface. At the top left is the USI logo. Below it, the text "CONSULTING GROUP" is visible. A navigation menu on the left includes "Table of Contents", "Personal Information", and "- Account". The main content area displays a welcome message: "Welcome Sample Employee . You are logged into the". Below this message is a dropdown menu with three options: "Knox County Asset Accumulation Plan", "Knox County Asset Accumulation Plan", and "Knox County Medical Expense Retirement Plan". The third option is highlighted. To the right of the dropdown menu is a "Go" button. A red arrow points from the text above to the dropdown menu, and a red oval highlights the dropdown menu options.

ADMINISTRATIVE INFORMATION

Plan Name

Knox County Medical Expense Retirement Plan

The Plan is a component of the Knox County Employee Benefit System. The provisions of the Plan were originally effective May 26, 1998.

Plan Year

July 1 through June 30

Employer

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

EIN: 62-6007979

Plan Administrator

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

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

Plan Recordkeeper

USI Consulting Group
95 Glastonbury Boulevard
Glastonbury, CT 06033

Participants receive annual statements and retirees receive semi-annual statements of their Plan accounts, mailed to last known home address, and including balance and transaction information on the Plan.



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City-County Building, RM 371

400 Main Street

Knoxville, TN 37902-2409

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July 2007