

KNOX COUNTY RETIREMENT AND PENSION BOARD

October 24, 2022

The Knox County Retirement and Pension Board met in regular session on Monday, October 24, 2022, 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. Chris Simons, Mr. Kevin Clark and Mr. Jim Snowden. Ms. Janet Samar was absent.

Also present at the meeting were:

USI Consulting Group: Mr. Bob Cross, Mr. Ralph Leeman and Mr. Edward Bronkhorst

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

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

Nationwide: Mr. Jeff Jameson via phone

IN RE: CALL TO ORDER

Chairman Caldwell presided and called the meeting to order.

IN RE: AMENDMENTS TO AGENDA

Chairman Caldwell reported that there were no amendments to the agenda.

IN RE: APPROVAL OF MINUTES OF SEPTEMBER 26, 2022

Chairman Caldwell presented the minutes for the board meeting held on September 26, 2022. Commissioner Jay made a motion to approve the minutes for September 26, 2022, as written. The motion was seconded by Mr. Snowden. 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>
Theresa Troutman	Schools	33 years 11 months	November 1, 2022

A motion was made by Mr. Snowden 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 Mr. Simons. 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>
Felicia Bailey	Schools	19 years	1 month	November 1, 2022
Patti Bowman	ChanCrt	17 years	1 month	November 1, 2022
Debbie Brown	Schools	10 years	6 months	November 1, 2022
Angela Hunter	Schools	13 years	11 months	November 1, 2022
Rhonda Kinsey	Schools	25 years	10 months	November 1, 2022
Paul Lacy	Schools	32 years	3 months	November 1, 2022
Roy Sims	Parks&Rec	10 years	4 months	November 1, 2022

A motion was made by Commissioner Hill to approve the applications for retirement under the Defined Contribution Plan as presented and to authorize the Directed Custodian, Charles Schwab, to make disposition of the benefits upon certification from USI and to authorize the Trustee, State Street Bank, to make payment of the credited service benefit. The motion was seconded by Mr. Simons. All members present voted in favor. The motion passed unanimously.

IN RE: REPORT OF EXECUTIVE DIRECTOR

- **Update on Schools Communication for Classified Employees in the Asset Plan** – Ms. Schroeder stated that communication pieces have been finalized in coordination with Schools and TCRS and will be sent to current classified employees in the Asset plan. The presentation and any other information will be put on the retirement website. The first group meeting will be held Tuesday, October 25, 2022 in the Great Room at the Sarah Simpson building. One-on-one meetings can be requested by the employees with representatives from the retirement office, Schools, USI and TCRS. All current Schools employees in the Asset plan will need to make an irrevocable election to either stay in the Asset plan or move to TCRS by January 31, 2023. Elections will be effective July 1, 2023.
- **Update on Audit with Pugh and Company** – Ms. Schroeder gave an update on the current audit being performed by Pugh and Company. Ms. Schroeder is meeting with the auditors the first week of November to review the draft financials. This audit is still in process and updates will be provided as soon as available.
- **USI Website Enhancements** – Ms. Schroeder reported on the USI website enhancements. With the Schools conversion approaching, USI has added a retirement calculator feature for participants to get a projected estimate and see if they are on track for retirement.
- **Plan Summaries FY23 1Q** – Ms. Schroeder presented the first quarter plan summaries.
- **ReedGroup Administrative Fee Update** – Ms. Schroeder provided an update on the new flat fee structure proposed by ReedGroup. This has been in discussion with the Board the last several months. There will be a \$950 one-time claim fee for every new claim and \$25 monthly continuance fee for every participant on disability. There are approximately 54 active disability participants. The total expected disability plan savings with ReedGroup is \$79,000 annually. A motion was made by Commissioner Jay

to approve the new ReedGroup flat fee structure and to authorize Ms. Schroeder to execute any required documentation, including the proposed amendment to the current service agreement. The motion was seconded by Mr. Simons. All members present voted in favor. The motion passed unanimously.

- **Nationwide Communications for Fund Changes** – Ms. Schroeder reminded the Board of the new Smart Alliance fund line-up which was approved by the Board a few months ago. The effective date for the fund changes will be December 16, 2022 and will be communicated with all Nationwide participants. Mr. Jameson stated that the goal is to provide communication to participants on November 7, 2022. Ms. Schroeder stated that Nationwide's draft communication materials are being reviewed.

IN RE: REPORT OF DOCUMENT COMMITTEE

- **Document Committee Summary from October 18, 2022** – Ms. Schroeder reported on the document committee meeting held on October 18, 2022 and summarized the committee's Recommendation which is attached hereto and incorporated by this reference. She noted that the committee's recommendation includes the amendment and restatement of the System, STAR and UOPP, effective January 1, 2023. Proposed changes include increasing RMD age from 70 ½ to 72, as required by the SECURE Act; limiting distribution options in the DC plans for spousal beneficiaries to fixed amount installments, lump sum, or rollover; adding a monthly installment option to MERP; and certain other housekeeping items. Ms. Schroeder also reviewed some situations discussed with the committee related to participant requests to revoke irrevocable elections or to extend clearly communicated deadlines. As examples, she reviewed two recent requests for extensions of the deadline to purchase prior military service and the request to revoke an irrevocable election to decline participation in the Retiree medical plan. Ms. Schroeder noted the committee's recommendation that she continue to deny these requests. A motion was made by Commissioner Hill to approve the document committee's recommendations, as written. The motion was seconded by Mr. Clark. All members present voted in favor. The motion passed unanimously.
- **Amendment and Restatement Resolution** – Ms. Schroeder presented the amendment and restatement resolution, authorizing legal counsel to draft the plan amendments and restatements. USI has provided an impact statement stating there is no cost associated to the plan. These plan amendments will be effective January 1, 2023, with first and second readings scheduled for November and December, respectively. A motion was made by Mr. Snowden to approve the amendment and restatement resolution, as drafted. The motion was seconded by Commissioner Hill. All members present voted in favor. The motion passed unanimously.

IN RE: REPORT OF INVESTMENT COMMITTEE

- **Investment Committee Summary and Recommendations from October 6, 2022** – Mr. Simons reported on the investment committee meeting held on October 6, 2022. Mr. Simons reviewed the committee's Recommendation which is attached hereto and incorporated by this reference. After discussion, a motion was made by Mr. Simons to accept the committee's recommendation to adopt the

proposed fund line-up and asset allocation for the Disability Plan, including the use of I-shares; the associated amendment and restatement of the Disability Plan IPS; the reduction in the assumed rate of return for the Disability Plan from 7% to 6.5%; and the increase in USI's Disability Plan recordkeeping fee. The motion was seconded by Commissioner Beeler. All members present voted in favor. The motion passed unanimously. After additional discussion, a motion was made by Mr. Simons to accept the proposed change to I-shares for DC plans, transitioning from revenue sharing to a fee levelization model with a 20 bps wrap fee for stand-alone funds and a 25 bps wrap fee for the portfolios (each to be capped at \$200 annually), effective July 1, 2023; changing the default DC plan investment from the balanced portfolio to T. Rowe target date funds; and amending and restating the DC plan investment policy statements to incorporate the change in default investment. The motion was seconded by Mr. Snowden. All members present voted in favor. The motion 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

Ms. Coleman reported that the class action lawsuit that the Board entered into as a representative plaintiff has gone into mediation, which is progress. There is a meeting October 25, 2022 with the class action counsel regarding litigation.

Ms. Jarrard explained that there should be an order issued on the Ethers case with respect to our request for appeal.

Mr. Mason had no report.

IN RE: REPORT OF ACTUARY

Mr. Cross reported the experience studies will be presented November 8th at investment committee meeting and invited all Board members to attend.

IN RE: APPROVAL OF PAYMENT – STATEMENT OF ACCOUNTS

The following statement of accounts for professional services was presented for consideration and approval of payment, in accordance with agreements, audits and recommended for payment by Ms. Schroeder:

Invoices for oct 2022 For FY 23 (Legal Invoices are approved for the previous Months Expense)	Fiscal 23 YTD Approved Invoices 09/30/2022	OCT Invoices For Approval	Fiscal 23 YTD Approved 10/31/2022	FY 23 Budget vs. Actual 10/31/2022
BENXL Invoice # TOTAL BENXL	 \$0.00	 \$0.00 \$0.00	 \$0.00	Budget \$50,000.00 From FY21 \$50,000.00 Expenses \$0.00 Remaining Budget \$100,000.00
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice # 227540 TOTAL KENNERLY, MONTGOMERY & FINLEY, P.C.	 \$800.00	 \$0.00 \$0.00	 \$800.00	QDRO* \$2,000.00 Rec'd from Participle \$4,000.00 Expenses \$800.00 Remaining Budget -\$2,800.00
Owings, Wilson & Coleman Invoice # Invoice # Invoice # 9942M Knox County vs. Eiters *** TOTAL OWINGS, WILSON & COLEMAN	 \$855.00	 \$0.00 \$0.00 \$3,169.25 \$3,169.25	 \$4,024.25	Budget \$125,000.00 Expense -\$4,024.25 Remaining Budget \$120,975.75
USI CONSULTING GROUP Invoice # 90072100 Invoice # 90072099 TOTAL USI CONSULTING GROUP	 \$80,972.00	 \$1,000.00 \$13,440.25 \$14,440.25	 \$95,412.25	Budget \$475,000.00 Expense -\$95,412.25 Remaining Budget \$379,587.75
Invoices for oct 2022 For FY 23	\$82,627.00	\$17,609.50	\$100,236.50	

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

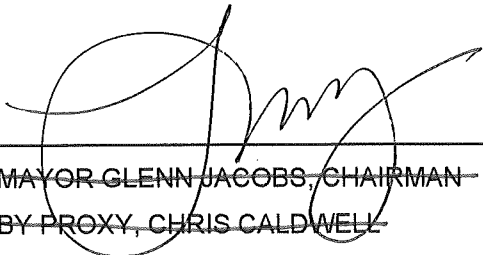
		<u>Fiscal 22 YTD</u>
Owings, Wilson & Coleman Retainer	\$4,000 per month	\$16,000.00
Kennerly Montgomery Retainer	\$12,000 per month	\$48,000.00
USI Quarterly Fee for DB Advisory Services	\$37,000 per quarter	\$37,000.00
Fees Received from QDRO* Participants	\$500 (DC Fee) \$2,000 (DB & UCPP Fee)	\$0.00 \$4,000.00

*QDRO fee is Paid to Retirement Office which offsets the legal fee

After review of the statement of accounts and invoices, a motion was made by Commissioner Jay that the Board authorize the payment indicated above to be paid from the designated Retirement Plans. The motion was seconded by Mr. Snowden. All members present voted in favor. The motion passed unanimously.

ADJOURNMENT

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



~~MAYOR GLENN JACOBS, CHAIRMAN~~ Larsen Jay
~~BY PROXY, CHRIS CALDWELL~~ Vice-Chairman



COMMISSIONER RICHIE BEELER, SECRETARY

Attachments:

- 1.) Document Committee Recommendation
- 2.) Investment Committee Recommendation
- 3.) Resolution for Amendments

Document Committee Recommendations

Summary of Proposed Amendments to the System, STAR, and UOPP Documents

1. **System Restatement**
 - a. Increase RMD commencement age to 72 in accordance with the SECURE Act.
 - b. Simplify administration by limiting distribution options for Spousal Beneficiaries under the Asset Plan, 457 Plan, and MERP to the following: (1) fixed dollar installments; (2) lump sum distribution; or (3) direct rollover.
 - c. Simplify administration by including a monthly distribution option in MERP.
 - d. Make certain housekeeping changes (e.g., correct erroneous references and make certain conforming changes to keep defined contribution plans consistent).
2. **STAR Restatement**
 - a. Increase RMD commencement age to 72 in accordance with the SECURE Act.
 - b. Simplify administration by limiting Spousal Beneficiary distribution options to the following: (1) fixed dollar installments; (2) lump sum distribution; or (3) direct rollover.
 - c. Make certain housekeeping changes (e.g., correct erroneous references and make certain conforming changes to keep defined contribution plans consistent).
3. **UOPP Restatement**
 - a. Increase RMD commencement age to 72 in accordance with the SECURE Act.

Recommendations: The Document Committee recommends that the Board consider and approve:

1. A resolution at the October meeting to authorize preparation of the proposed amendment and restatement of the System document to incorporate the changes summarized in Section 1 above, to be considered on two readings at the November and December Board meetings, following public notice, to be effective January 1, 2023.
2. A resolution at the October meeting to authorize preparation of the proposed amendment and restatement of the STAR document to incorporate the changes summarized in Section 2 above, to be considered on two readings at the November and December Board meetings, following public notice, to be effective January 1, 2023.
3. A resolution at the October meeting to authorize preparation of the proposed amendment and restatement of the UOPP document to incorporate the changes summarized in Section 3 above, to be considered on two readings at the November and December Board meetings, following public notice, to be effective January 1, 2023.
4. Revision of distribution election forms to incorporate the changes summarized in Sections 1 and 2 above.
5. Executive Director's consistent practice of denying Participant requests for exceptions to one-time elections and/or deadlines (second bites at the apple).


Janet Samar, Chair

**Investment Committee
Summary and Recommendations**

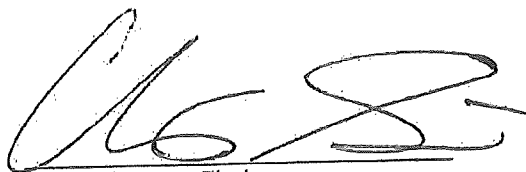
A special called meeting of the Investment Committee took place on October 6, 2022, to consider the following topics:

Disability Plan Investment: USI proposed a revised fund lineup, including a transition to I-shares, and asset allocation for the Disability Plan resulting, in part, from the pending segregation of Disability Plan assets from other System assets, which were previously comingled for investment purposes. USI proposed the amendment and restatement of the Disability Plan Investment Policy Statement (IPS) to make conforming changes, including adjustment of the strategic asset allocations and allowable ranges, addition of performance benchmarks, and other housekeeping changes. Additionally, USI proposed a reduction in the current assumed rate of return from 7% to 6.5% and an increase in its annual administrative fee from \$12,000 to \$15,000.

DC Plan Investment: USI proposed a transition from the current revenue sharing arrangement for recordkeeping and consulting fees to a fee levelization model, utilizing I-shares with an applicable wrap fee. USI also proposed a change to the DC plan default investment from the balanced portfolio to the age-appropriate T. Rowe Price target date fund. USI confirmed that each of these proposals is consistent with best practice and evolving industry standards.

Recommendations: The Investment Committee recommends that the Board approve the following:

1. Proposed Disability Plan fund line-up and asset allocation, including use of I-shares, as described in the attached presentation, to be implemented in accordance with USI's regular schedules and procedures;
2. Proposed amended and restated Disability Plan IPS, as described above and in the attached redline draft, to be effective upon approval;
3. Reduction in the Disability Plan assumed rate of return from 7% to 6.5%, effective January 1, 2023;
4. Increase in USI's annual Disability Plan recordkeeping fee from \$12,000 to \$15,000, effective for 2023;
5. The proposed transition from revenue sharing to a fee levelization model, employing I-shares with a 20 bps wrap fee for all DC plan stand-alone funds, to be effective July 1, 2023;
6. The proposed transition from revenue sharing to a fee levelization model, employing I-shares with a 25 bps wrap fee for all DC plan portfolios, to be effective July 1, 2023;
7. The change in DC plan default investment from the balanced portfolio to the age-appropriate T. Rowe Price target date fund, effective July 1, 2023.



Chris Simons, Chair

A RESOLUTION OF THE KNOX COUNTY RETIREMENT AND PENSION BOARD TO AMEND AND RESTATE THE KNOX COUNTY RETIREMENT SYSTEM ("SYSTEM"), SHERIFF'S TOTAL ACCUMULATION RETIREMENT PLAN ("STAR"), AND THE UNIFORMED OFFICERS PENSION PLAN ("UOPP") (COLLECTIVELY THE "PLANS")

Authorization for Proposed Amendment and Restatement of the Plans to Increase RMD Commencement Age in Accordance with the Secure Act and to Revise Distribution Options

WHEREAS, as provided in the Knox County Charter, Knox County Government has adopted the Plans, as subsequently amended;

WHEREAS, the System includes the Asset Accumulation Plan ("Asset Plan"), Medical Expense Retirement Plan ("MERP"), and the Deferred Compensation Plan ("457 Plan");

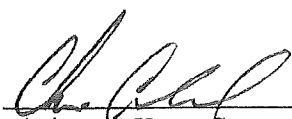
WHEREAS, the Knox County Retirement and Pension Board (the "Board") has the right at any time to modify, alter or amend the Plans, in whole or in part, by instrument in writing duly executed, in accordance with the provisions of the Knox County Charter and the Plans, with approval by the Knox County Commission where any such amendment would increase the funding or financial obligations of the County;

WHEREAS, the Board wishes to amend and restate the Plans by: (1) increasing the RMD commencement age to 72 in accordance with the Secure Act; (2) limiting distribution options of Spouse Beneficiaries in the Asset Plan, MERP, 457 Plan, and STAR to fixed dollar installments, lump sum, or direct rollover; (3) including a monthly distribution option in MERP; and (3) making certain other confirming, clarifying and housekeeping amendments to the Plans;

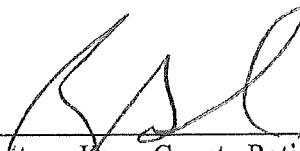
WHEREAS, having considered the effect of the proposed amendments to the Plans and the Actuary's advice that such proposed amendments will have no adverse actuarial impact on the County or Plans, the Board concludes that the proposed amendments will not increase the funding or financial obligations of the County within the meaning of Knox County Charter Section 7.04E; and

NOW THEREFORE BE IT RESOLVED that the Board hereby authorizes and directs the Executive Director, in coordination with the Document Committee and counsel, to prepare proposed amendments and restatements of the System, STAR, and UOPP documents to accomplish the foregoing purposes, the proposed amended and restated documents to be considered by the Board, after appropriate public notice, for adoption on two readings at regularly scheduled Board meetings.

WE HEREBY CERTIFY that the foregoing Resolution was duly adopted pursuant to the provisions of the Charter and the Plans on October 24, 2022.



Chairman, Knox County Retirement &
Pension Board



Secretary, Knox County Retirement &
Pension Board

10/26/22

Date

10/26/22

Date



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

October 24, 2022

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

Dear Ms. Schroeder:

Per the request of the Retirement and Pension Board, USI Consulting Group has evaluated the actuarial impacts of the following Restatement provisions:

- For the System, STAR and UOPP increasing the Required Minimum Distribution (RMD) age to 72 in accordance with the SECURE Act,
- Simplifying MERP administration by including a monthly distribution option, or
- Simplifying Asset, 457, and STAR administration by limiting Spousal Beneficiary distribution options.

The above-listed provisions through a Plan Amendment will not have an adverse actuarial impact to the System or the Plans.

Sincerely,

USI CONSULTING GROUP

A handwritten signature in black ink, appearing to read "Bob Cross", is written over a horizontal line.

Bob Cross, ASA, FCA, MAAA
President, Central Region