

KNOX COUNTY RETIREMENT AND PENSION BOARD

July 24, 2023

The Knox County Retirement and Pension Board met in regular session on Monday, July 24, 2023, 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 Terry Hill, Mr. Chris Simons, Mr. Jim Snowden, Mr. Zac Fullerton and Mr. Matthew Schlosshan. Commissioner Richie Beeler, Secretary and Commissioner Kyle Ward were absent.

Also present at the meeting were:

USI Consulting Group: Mr. Bob Cross, Ms. Brenda Trollope, and Mr. Ralph Lehman

Legal Counsel: Ms. Ashley Trotto, Mr. Bill Mason, Mr. John Owings and Ms. Sarah Jarrard

Retirement Staff: Ms. Jennifer Schroeder, Ms. Savannah Russell, Ms. Terri Chase Mr. Zack Cole and Ms. Faith Sullivan

IN RE: CALL TO ORDER

Chairman Caldwell presided and called the meeting to order.

IN RE: AMENDMENTS TO AGENDA

Chairman Caldwell reported there were amendments to the agenda: adding additional names to the retiree list.

IN RE: APPROVAL OF MINUTES OF SPECIAL CALLED BOARD MEETING JUNE 21, 2023

Commissioner Caldwell presented the minutes for the special called board meeting held on June 21, 2023. Commissioner Jay made a motion to approve the minutes for June 21, 2023, as written. The motion was seconded by Mr. Snowden. All members present voted in favor. The motion passed unanimously.

IN RE: APPROVAL OF MINUTES OF BOARD MEETING JUNE 26, 2023

Commissioner Caldwell presented the minutes for the board meeting held on June 26, 2023. Commissioner Jay made a motion to approve the minutes for June 26, 2023, as written. The motion was seconded by Mr. Snowden. All members present voted in favor. The motion passed unanimously.

IN RE: APPROVAL OF MINUTES OF SPECIAL CALLED BOARD MEETING JUNE 29, 2023

Commissioner Caldwell presented the minutes for the special called board meeting held on June 29, 2023. Commissioner Jay made a motion to approve the minutes for June 29, 2023, 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 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>
Hanan Ayesh	Schools	7	Years	4	Months	August 1, 2023
Jacqueline Barnard	Schools	9	Years	1	Month	August 1, 2023
Colleen Boehr	Schools	21	Years	3	Months	August 1, 2023
William Burkhardt Jr.	Sheriff	29	Years	3	Months	August 1, 2023
Lytania Cason	Schools	8	Years	5	Months	August 1, 2023
Deborah Chandler	Schools	36	Years	7	Months	August 1, 2023
Thomas Clifford	Schools	5	Years	10	Months	August 1, 2023
Sueann Collins	Schools	25	Years	6	Months	August 1, 2023
Pauline Cowan	Schools	18	Years	0	Months	August 1, 2023
Roberta Davis	Schools	17	Years	11	Months	August 1, 2023
Erma Doolin	Schools	14	Years	7	Months	August 1, 2023
Tresa Haun	Schools	36	Years	0	Months	August 1, 2023
Donna Hill	MPC	31	Years	6	Months	August 1, 2023
Jessica Holman	Schools	8	Years	0	Months	August 1, 2023
Jan Huffaker	Schools	33	Years	0	Months	August 1, 2023
Cindy Lindsey	Schools	36	Years	1	Month	August 1, 2023
Kelly Phillips	Schools	18	Years	10	Months	August 1, 2023
Frances Preyer	Schools	10	Years	11	Months	August 1, 2023
Diane Simpson	Schools	21	Years	4	Months	August 1, 2023
Betty Jackson-Smith	Schools	22	Years	0	Months	August 1, 2023
Deborah Struble	Schools	19	Years	0	Months	August 1, 2023
Theresa Vandergriff	Schools	29	Years	0	Months	August 1, 2023
Fred Wade	Schools	8	Years	0	Months	August 1, 2023
Lizabeth Wheeler	Schools	39	Years	0	Months	August 1, 2023
Teresa Wilburn	Schools	27	Years	0	Months	August 1, 2023

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

IN RE: REPORT OF EXECUTIVE DIRECTOR

USI Meeting Update – Ms. Schroeder reminded the Board that USI recently merged with Findley and has updated its Connecticut-based Manger Team and processing team for Knox County. She reported that she recently had a positive meeting with the upper management team The local Team in Knoxville is

unchanged. Ms. Schroeder will meet weekly with the USI team. Ms. Schroeder added one goal is to apply more electronic functionality with less manual intervention.

Fraud Cases – Ms. Schroeder filed a second Police Report on July 7, 2023. The retirement office received an email from a Retiree with a form to take a partial lump sum distribution. During the office's verification process, it was concluded the Retiree did not fill out the application. The retirement office also received a request from a school retiree requesting an application for a partial lump sum. In both cases, it was caught and reported to County IT and Knox County Sheriff's Office. The County IT team accessed the emails and did not see a breach on the County's side. The police report was filed to enable the Sheriff Office with their search warrant process.

Because of these incidents, partial lump sum or direct deposit change forms are no longer accessible from the Web Site. The Retirement office will also require verification of signatures.

Ms. Schroeder met with her office to ensure all employees are taking the appropriate precautionary steps. Any suspicious forms or signature are brought to Ms. Schroeder.

Fiduciary Insurance Renewal- Ms. Schroeder noted the application is complete and will be sent after Legal review. Ms. Schroeder hopes to have the final cost for approval next month.

Open Enrollment for Retiree Medical and Dental- Ms. Schroeder and Mr. Cole met with the County Benefits team to coordinate the Retiree Medical and Dental open enrollment period to occur the same time as the County. Upon the County updating the information, including a few benefit changes, it will be adapted to the Retirees for mailing in September.

UOPP Communication due to Plan Amendment- An updated communication process and SPD for the recent UOPP amendment will be available soon. Upon review by legal and USI, the communication will be provided to each officer. Ms. Schroeder is working with Ms. Allison Rogers and Mr. Schlosshan to coordinate that process and complete within the next month.

ReedGroup Update- Ms. Schroeder reminded the Board of ReedGroup's merger with Alight. Ms. Schroeder suggested that ReedGroup present to the Disability Committee, in person, its annual report and provide an update regarding the merger. Ms. Schroeder and Commissioner Jay will schedule the meeting.

Secure 2.0 Update- Ms. Schroeder would like to schedule a Document Committee meeting in September to discuss Secure 2.0. There are mandatory and voluntary changes that have an impact on retirement plans.

STAR Amendment- Ms. Schroeder discussed changing the vesting in STAR from 10 to 5 years. Ms. Schroeder stated plans are usually amended once a year, typically falling on January 1. Ms. Schroeder stated the goal is to amend the plans for Secure 2.0 and STAR enhancements at the same time.

IN RE: REPORT OF DOCUMENT COMMITTEE FROM JULY 18, 2023

Mr. Snowden reminded the Board of the three military service appeals that were considered by the Committee in two separate meetings in May and July. Mr. Snowden summarized the Committee's written recommendation (attached to these minutes), concluding the recommendation of the Document Committee was to deny each of the appeals. As a separate non-fiduciary action, the Committee, felt it was appropriate to recommend that the Board authorize the preparation of a no-cost amendment to open a final 30-day window for officers to purchase prior military service at its actuarial value Mr. Snowden stated the Committee decided it would be best if the opportunity took place in the first quarter of 2024. Mr. Schlosshan expressed his agreement with allowing officers a final opportunity to purchase prior military service, however, he asked the Board to consider allowing them to purchase at the 2016 cost (option 2 on the Military Time Calculation attached to these minutes). Mr. Schlosshan explained each officer was given three sets of numbers that presented the cost to purchase their prior military service. Option 2 is the 2016 date, which would split the cost between the county and the officers. Option 3 , which was recommended by the Committee, would result in no cost to the county. Mr. Schlosshan questioned if it would be reasonable to expect officers to pay the cost in option 3. Commissioner Jay asked if option 2 gave a discount to the officers. Mr. Schlosshan confirmed and stated the cost to officers would be lower in option 2 than option 3.

Commissioner Caldwell clarified that the purchase of prior military service would allow an officer to retire earlier. Commissioner Caldwell emphasized the recent UOPP amendment regarding the financial soundness of the plan and stated his support of option 3. Commissioner Caldwell believed it was not in the Board's best interest to go back to commission to request additional funding.

Commissioner Jay mentioned that the Board usually does not make exceptions when no errors have been made. Commissioner Jay expressed his support of the recommendation of the Document Committee.

A motion was made by Mr. Snowden to approve the recommendation of the Committee and deny Officer May's appeal. The motion was seconded by Mr. Fullerton. The motion passed.

A motion was made by Mr. Snowden to approve the recommendation of the Committee and deny Officer Kitts' appeal. The motion was seconded by Mr. Fullerton. The motion passed.

A motion was made by Mr. Snowden to approve the recommendation of the Committee and deny Officer Stachey's appeal. The motion was seconded by Mr. Fullerton. The motion passed.

A motion was made by Mr. Snowden for authorization of a no cost amendment to UOPP providing a final 30-day window during the first quarter of 2024 for active officers to apply to purchase prior military service credit, active or reserve, as its actuarial value as determined by the Board in consultation with the actuary. The motion was seconded by Mr. Simons. The motion passed.

Ms. Schroeder mentioned the UOPP amendment will likely occur in January 1, 2024, along with the other plan amendments (e.g., Secure Act 2.0 changes). After approval of the amendment, the retirement office will be able to determine the specific 30-day window.

Commissioner Caldwell suggested that the Board consider allowing a third party to make recommendations in particularly difficult matters such as these.

IN RE: REPORT OF INVESTMENT COMMITTEE

- **Monthly Rates of Return** – Mr. Simons presented the rates of return for the Defined Contribution and Defined Benefit Plans and stated the overall rates of return are in line with respective markets.

IN RE: REPORT OF LEGAL COUNSEL

- **Owings, Wilson & Coleman**- Mr. Owings had no report.
- **Kennerly, Montgomery** - Mr. Mason had no report.

IN RE: REPORT OF ACTUARY BOB CROSS

Mr. Cross reported the Uniform Officers Pension Plan has earned almost \$7 million and Teachers/Defined Benefit plan earned almost \$1 million.

IN RE: APPROVAL FOR PAYMENT- STATEMENT OF ACCOUNT

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

Invoices for JULY 2023 For FY 23 (Legal Invoices are approved for the previous Months Expense)	Fiscal 23 YTD Approved 6/30/2023	Invoices For Approval	Fiscal 23 YTD Approved 6/30/2023	FY 23 Budget vs. Actual 6/30/2023
BENXL Invoice #				Budget \$50,000.00
TOTAL BENXL	\$12,000.00	\$0.00	\$12,000.00	Expenses -\$12,000.00 Remaining Budget \$38,000.00
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #		\$0.00		QDRO* \$2,000.00
Invoice #		\$0.00		Rec'd from Particip \$4,000.00
TOTAL KENNERLY, MONTGOMERY & FINLEY, P.C.	\$2,900.00	\$0.00	\$2,900.00	Expenses \$2,900.00 -\$4,900.00
Owings, Wilson & Coleman Invoice # 9993M Rathbone		\$1,800.00		Budget \$125,000.00
Invoice # 9942M Etters		\$1,800.26		
Invoice #		\$0.00		Expense -\$79,726.70
*** TOTAL OWINGS, WILSON & COLEMAN	\$76,126.44	\$3,600.26	\$79,726.70	Remaining Budget \$45,273.30
USI CONSULTING GROUP Invoice # 90082981		\$11,498.75		Budget \$475,000.00
Invoice #		\$0.00		Expense -\$281,936.50
Invoice #		\$0.00		Remaining Budget \$193,063.50
TOTAL USI CONSULTING GROUP	\$270,437.75	\$11,498.75	\$281,936.50	
Invoices for JULY 2023 For FY 23	\$361,464.19	\$15,099.01	\$376,563.20	
*** Retainer not included in approved billings for the Board			Fiscal 22 YTD	
Owings, Wilson & Coleman Retainer	\$4,000 per month		\$48,000.00	
Kennerly Montgomery Retainer	\$12,000 per month		\$144,000.00	
USI Quarterly Fee for DB Advisory Services	\$37,000 per quarter		\$148,000.00	
Fees Received from QDRO* Participants	\$500 (DC Fee)		\$0.00	
	\$2,000 (DB & UOPP Fee)		\$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 Mr. Snowden that the Board authorize the payment indicated above to be paid from the designated Retirement Plans. The motion was seconded by Commissioner Jay. All members present voted in favor. The motion passed unanimously.

**Document Committee
Summary and Recommendations**

Military Service Appeals:

Officers May, Kfits, and Stachey ("Officers") each contacted the Retirement Office to inquire about eligibility for prior military service credit. Ms. Schroeder explained that the Officers had each missed the plan-specific deadline for applying for such credit. All three (3) Officers requested an exception to those deadlines. Consistent with past practice, as unanimously confirmed by the Board, Ms. Schroeder denied their requests and the Officers timely appealed to the Board, by way of the Document Committee.

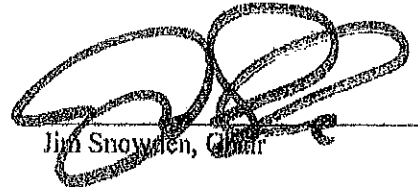
As background, UOPP participants are eligible for up to four (4) years of prior military service credit upon application within 6-months of the participant's first anniversary and payment of the actuarial value of the service. Participants hired prior to June 1, 2007 were eligible for up to three (3) years of prior military service at no cost. None of these Officers were hired prior to that date. Due to previously ambiguous communication about the availability of prior military service for reserve time, UOPP officers were given a special opportunity to purchase prior reserve service in 2016. Officer May had reserve service but did not respond to the 2016 letter.

The Document Committee met on May 16, 2023. Following significant discussion, the Committee voted to recommend that the Board approve a final limited opportunity for UOPP officers to apply for up to four (4) years of prior military service credit. The Committee deferred further action, including formal recommendation to the Board, pending receipt of additional information regarding the appropriate cost of such service.

The Document Committee met again on July 18, 2023, and on recommendation of legal counsel, voted to recommend that the Board deny the Officers' appeals, consistent with its prior decision not to allow 2nd (or 3rd) bites at the apple, there being no evidence of an error by the Retirement Office or other necessary justification to grant an exception. However, after significant discussion, the Committee also voted to recommend that the Board authorize an amendment to UOPP to allow all active UOPP officers a final limited opportunity to apply to purchase up to four (4) years of prior military service credit at its current actuarial value.

Recommendations: The Document Committee recommends that the Board take the following actions:

1. Deny Officer May's appeal based on the reasoning described above;
2. Deny Officer Kfits' appeal based on the reasoning described above;
3. Deny Officer Stachey's appeal based on the reasoning described above; and
4. Authorize preparation of a no-cost amendment to UOPP providing for a final 30-day window in the first quarter of 2024 for active officers to apply to purchase prior military service credit (active or reserve) at its actuarial value, as determined by the Board in consultation with the actuary.


Jim Snowden, Chair

Military Time Calculation

	<u>May</u>	<u>Kitts</u>	<u>Stachey</u>
Info Hire Date in UOPP	11/3/2008	9/13/2010	4/26/2010
Break in Service (months)	0	0	17
Rehire Date in UOPP	-	-	1/2/2012
Credited Service Date for UOPP	11/1/2008	9/1/2010	9/1/2011
Reserve Service	Yes	No	No
Acknowledged Receipt of 2016 Letter	No	Yes	No

	1 year after credited service date	11/1/2009	9/1/2011	9/1/2012
	Average Monthly Earnings	\$2,286.25	\$2,347.37	\$2,260.43
	Present Value of 3 Years	\$6,306.00	\$5,938.00	\$6,863.00
#1	Accumulated to 5/1/2023 @ 7.5%	\$16,740.00	\$13,806.00	\$14,843.00
	Present Value of 4 Years	\$9,256.00	-	-
	Accumulated to 5/1/2023 @ 7.5%	\$24,572.00	-	-

	Reserve Time Correction	8/1/2016	8/1/2016	8/1/2016
	Average Monthly Earnings	\$3,027.49	\$3,187.18	\$3,095.64
	Present Value of 3 Years	\$25,386.00	\$21,415.00	\$20,811.00
#2	Accumulated to 5/1/2023 @ 7.0%	\$40,080.00	\$33,811.00	\$32,857.00
	Present Value of 4 Years	\$36,343.00	-	-
	Accumulated to 5/1/2023 @ 7.0%	\$57,379.00	-	-
	County 's Cost	\$42,273.00	\$38,921.00	\$27,901.00

	Current Date Used: 5/1/2023	5/1/2023	5/1/2023	5/1/2023
	Average Monthly Earnings	\$4,545.95	\$4,844.55	\$4,355.53
#3	Present Value of 3 Years	\$82,353.00	\$72,732.00	\$60,758.00
	Present Value of 4 Years	\$117,014.00	-	-

Pension Office has not yet verified from Officers' DD-214's any of their actual eligible prior military service; final computations are subject to that verification

\$109,095.00

IN RE: PUBLIC COMMENT

There was no public comment.

ADJOURNMENT

Chairman Caldwell asked if there was a motion to adjourn. Mr. Snowden made a motion to adjourn. The motion was seconded by Commissioner Hill. The meeting was adjourned.



MAYOR GLENN JACOBS, CHAIRMAN
BY PROXY, CHRIS CALDWELL



COMMISSIONER RICHIE BEELER, SECRETARY

Attachments:

1. Document Committee Recommendation
2. Military Time Calculation