

KNOX COUNTY RETIREMENT AND PENSION BOARD

August 23, 2021

The Knox County Retirement and Pension Board met in regular session on Monday, August 23, 2021, 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 Randy Smith, Secretary, Commissioner Charles Busler, Commissioner Kyle Ward, Ms. Janet Samar, Mr. Gabe Mullinax, Mr. Jim Snowden and Mr. Chris Simons.

Also present at the meeting were:

USI Consulting Group: Mr. Bob Cross and Mr. Ralph Lehman

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

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

Others in attendance: Mr. Allen Sheets, Nationwide, Mr. Don Regan, Nationwide, and Mr. Nick McBride, Register of Deeds

IN RE: CALL TO ORDER

Chairman Caldwell presided and called the meeting to order.

IN RE: AMENDMENTS TO AGENDA

Chairman Caldwell reported there were no amendments to the agenda.

IN RE: APPROVAL OF MINUTES OF JULY 26, 2021

Chairman Caldwell presented the minutes for the board meeting held on July 26, 2021. Commissioner Busler made a motion to approve the minutes for July 26, 2021, as written. The motion was seconded by Ms. Samar. 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>
Roy Arthur	EPW	18 years	1 month	September 1, 2021
Sandra Garner	Schools	22 years	1 month	September 1, 2021
Kay Good	Schools	29 years	6 months	September 1, 2021
Harvey Halcott	JuvSvcs	9 years	11 months	September 1, 2021
Kelly Rowan	Schools	16 years	1 month	September 1, 2021

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 Mr. Simons. All members present voted in favor. The motion passed unanimously.

IN RE: APPLICATION FOR RETIREMENT – UNIFORMED OFFICERS PENSION PLAN

The following applications for retirement, as provided in the Uniformed Officers Pension Plan, was presented for consideration:

<u>NAME</u>	<u>DEPARTMENT</u>	<u>CREDITED SERVICE</u>	<u>EFFECTIVE DATE</u>
Brian Dow	Sheriff	28 years 11 months	September 1, 2021
Jeannie Laycock (Survivor Timothy Laycock)	Sheriff	34 years 7 months	September 1, 2021
Claude Rose	Sheriff	25 years 8 months	September 1, 2021

A motion was made by Mr. Mullinax to approve the applications for retirement under the Uniformed Officers Pension Plan as presented and to authorize the Trustee, State Street Bank, to make payment of the monthly benefits. The motion was seconded by Commissioner Jay. All members present voted in favor. The motion passed unanimously.

IN RE: REPORT OF EXECUTIVE DIRECTOR

- **Disability/ReedGroup Update** – Ms. Schroeder reported that there were no recommendations this month but to expect recommendations in the following months. There was a quarterly report received and reviewed by legal and USI and will be reviewed by the disability committee. In the report, there were no unusual findings. There will be another quarterly report and that is when the disability committee will schedule a meeting. Mr. Cross reviewed statistics of the disability plan.
- **Fiduciary Insurance Renewal** – Ms. Schroeder stated the application for fiduciary insurance was submitted on July 14, 2021. The renewal contract was attached in the board packet. There was an increase in cost of \$2,137 due to the increase in Assets. Previous contract was \$62,065 and current contract will cost \$64,202. In the approved budget for FY2022, the fiduciary insurance was budgeted at \$65,000. The current contract will expire August 31, 2021. A motion was made by Mr. Mullinax to approve the fiduciary insurance renewal contract. The motion was seconded by Ms. Samar. All members present voted in favor. The motion passed unanimously.
- **USIRA-TI Trust Agreements for DB and UOPP** – Ms. Schroeder reported back in 2019 the Board approved the switch to TI Trust to handle the rollovers. At that time, Ms. Schroeder signed contracts with TI Trust for the Defined Contribution Plans. To complete our records, Ms. Schroeder will now be signing the same contracts for the Defined Benefit Plans. To have a rollover, the account must be under \$5,000, be nonvested and not be active for a period of time. That criterion applies to some accounts in the DB and UOPP plans. Ms. Schroeder detailed the statistics of those accounts:

	UOPP	DB
# Accounts Non-Vested	22	10
Non-Vested Balance Range	\$20.00 to \$4,011.66	\$24.00 to \$492.00

Ms. Schroeder explained 6 accounts are greater than \$5,000 and cannot be rolled over. These accounts will stay with Knox County until the participants elect a lump sum. Letters have been sent out to these participants regarding this subject. If there is no response in 60 days, these accounts will be rolled over into an USIRA.

IN RE: REPORT OF DOCUMENT COMMITTEE

Ms. Samar reviewed the recommendations from the document committee. Recommended changes include MERP enhancement, system document restatement, amendment of the loan programs and change to the administrative process for minor/incompetent beneficiaries. Attached is a summary of those recommendations.

Ms. Schroeder informed the Board that Commission approval would be needed for MERP enhancement since it affects the County budget. Enhancing the MERP plan would increase the employer match to 50% to the first \$832 contributed by an employee in a calendar year. In addition to the match enhancement, Ms. Schroeder proposed that MERP be amended to remove severity and medical certification requirements from its in-service distribution provision. In response to Commissioner Jay's questions, Ms. Schroeder gave a few examples of in-service distribution requests and reviewed the current procedure for authorization of the same. In response to Commissioner Jay's comments, Ms. Trotto informed the Board that the requested motion would allow a redlined draft of the proposed amendments to be made and circulated for the Board's review prior to first reading. A motion was made by Ms. Samar to approve the preparation of the MERP amendment recommended by the document committee. The motion was seconded by Mr. Mullinax. All members present voted in favor. The motion passed unanimously.

Ms. Schroeder reviewed the system document restatement changes needed. This is to include the incorporation of the CARES Act amendments adopted by the Board in March 2020, incorporate MERP enhancement, simplify Closed DB Plan distribution options, and make other housekeeping changes. A motion was made by Ms. Samar to approve the preparation of the system document restatement recommended by the document committee. The motion was seconded by Commissioner Jay. All members present voted in favor. The motion passed unanimously.

Ms. Schroeder reviewed the proposed changes to the loan programs. This will remove the 12-month waiting period between loans, adopt default rules following a Participant's leave of absence, and include the school's employees as eligible for loans. Ms. Schroeder confirmed that one loan will be allowed at a time. Ms. Schroeder reviewed the current process following a Participant's leave of absence and the proposed change to that process intended to increase efficiency and shift the burden of communication to the Participant. Commissioner Jay asked why school's employees were not currently eligible for loans. Ms. Schroeder stated in the past they were not included due to the complexity of pay cycles and contracted

days, but that Schools and USI now have processes to account for those complexities. She noted that under the new leave of absence procedures, a school's employee that does not work year-round would be required to contact USI to make up any missed payments (e.g., over the Summer months). Mr. Cross stated that if an employee were to default on a loan in the past that they would not be eligible for a new loan in the future. A motion was made by Ms. Samar to approve the preparation of the loan program amendment recommended by the document committee. The motion was seconded by Commissioner Smith. All members present voted in favor. The motion passed unanimously.

Ms. Schroeder reviewed the proposed changes to be made to the administrative process where a minor/incompetent beneficiary is involved. Currently, in accordance with the Plan, any benefit payable to a minor or incompetent beneficiary is paid out to any responsible person(s). The revised beneficiary designation form would require a Participant to designate a preferred payee on behalf of the minor and/or incompetent beneficiary(s). A motion was made by Ms. Samar to approve the proposed revision of the beneficiary designation forms, as recommended by the document committee. The motion was seconded by Commissioner Jay. All members present voted in favor. The motion passed unanimously.

IN RE: REPORT OF INVESTMENT COMMITTEE

- **Monthly Rates of Return** – Commissioner Smith 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.
- **Investment Committee Update** – Commissioner Smith reported on the investment committee meeting, which report required no board action at this meeting.

Nationwide Discussion – Ms. Schroeder reviewed with the Board the pros and cons of Nationwide as a 457 vendor. She reported that Mr. Donald Reagan, the new Nationwide account manager, requested a meeting with Ms. Schroeder the morning of August 23rd to review Knox County's account and history. There were several issues addressed during the meeting, including investment materials not being received in a timely manner, Nationwide's failure to follow fund change procedures, general communication failures, lack of co-fiduciary status, and expense ratios. Ms. Schroeder indicated that the communication issues can be worked on, and she would be willing to work with Nationwide in order to resolve those issues. There was discussion about continuing with Nationwide. Commissioner Smith and Commissioner Ward suggested reaching out to the 79 active participants and get input about their satisfaction with Nationwide. Mr. McBride spoke to the Board about the positive attributes of Nationwide particularly about the yield percentage in the now closed fixed fund.

After further discussion, a motion was made by Commissioner Jay to create a list of expectations that Nationwide will be required to meet over the next 12 months. The motion was seconded by Commissioner Ward. All members present voted in favor. The motion passed unanimously.

IN RE: REPORT OF LEGAL COUNSEL

Ms. Coleman had no report.

Mr. Mason had no report.

IN RE: REPORT OF ACTUARY

Mr. Cross had no report.

IN RE: APPROVAL OF PAYMENT – STATEMENT OF ACCOUNTS

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

Invoices for AUG 2021 For FY 22 (Legal Invoices are approved for the previous Months Expense)	Fiscal 22 YTD Approved Invoices 07/31/2021	AUG Invoices For Approval	Fiscal 22 YTD Approved 8/31/2021	FY 22 Budget vs. Actual 8/30/2021
BENXL Invoice #		\$0.00		Budget \$50,000.00 From FY21 \$50,000.00 Expenses \$0.00 Remaining Budget \$100,000.00
TOTAL BENXL	\$0.00	\$0.00	\$0.00	
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #		\$0.00		QDRO* \$2,000.00 Rec'd from Particips \$0.00 Expenses \$0.00 Remaining Budget \$2,000.00
TOTAL KENNERLY, MONTGOMERY & FINLEY, P.C.	\$0.00	\$0.00	\$0.00	
Owings, Wilson & Coleman Invoice # Invoice # 9947M Glenn Invoice # 9942M Knox County vs. Etters *** TOTAL OWINGS, WILSON & COLEMAN		\$0.00 \$0.00 \$665.00 \$0.00		Budget \$100,000.00 Expense -\$665.00 Remaining Budget \$99,335.00
USI CONSULTING GROUP Invoice # 90055991 Invoice #		\$21,439.25 \$0.00		Budget \$475,000.00 Expense -\$21,439.25 Remaining Budget \$453,560.75
TOTAL USI CONSULTING GROUP	\$0.00	\$21,439.25	\$21,439.25	
Invoices for AUG 2021 For FY 22	\$0.00	\$22,104.25	\$22,104.25	
*** Retainer not included in approved billings for the Board			Fiscal 22 YTD	
Owings, Wilson & Coleman Retainer	\$4,000 per month		\$8,000.00	
Kennerly Montgomery Retainer	\$12,000 per month		\$24,000.00	
USI Quarterly Fee for DB Advisory Services	\$37,000 per quarter		\$37,000.00	
Fees Received from QDRO* Participants	\$500 (DC Fee) \$2,000 (DB & UOPP Fee)		\$0.00 \$0.00	

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


After review of the statement of accounts and invoices, a motion was made by Mr. Mullinax 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.

ADJOURNMENT

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



MAYOR GLENN JACOBS, CHAIRMAN
BY PROXY, CHRIS CALDWELL



COMMISSIONER RANDY SMITH, SECRETARY

Attached: Document Committee Recommendations

Document Committee Recommendations

Summary of Proposed Amendments to the System Document and Certain Administrative Procedures

1. MERP Enhancement

- a. Increase maximum employer matching contribution to 50% of the first \$832 contributed by participants;
- b. Revise in-service medical hardship provision to remove severity and medical certification requirements;
- c. Remove certain obsolete provisions.

2. System Document Restatement

- a. Restate document in its entirety to incorporate CARES Act amendments adopted by the Board in March 2020, to incorporate the MERP Enhancement amendment, and to make certain other housekeeping revisions (e.g., consistent use of defined terms);
- b. Simplification of Closed DB Plan Distribution Options
 - i. Remove rarely used Social Security and Employee Contribution Refund distribution options.

3. Loan Programs (Asset Plan and STAR)

- a. Amend the Loan Programs to make the following changes:
 - i. Remove the 12-month waiting period between loans;
 - ii. Adopt a default rule for repayment of loans following a participant's leave of absence; and
 - iii. Revise to make Schools employees eligible for loans.

4. Minor/Incompetent Beneficiaries

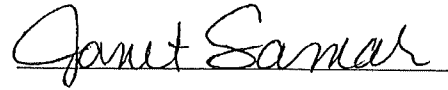
- a. Revise beneficiary designation forms for all plans to encourage participants to name a preferred payee for minor/incompetent beneficiaries.

Because the MERP enhancement will increase the funding and/or financial obligations of the County, Commission approval of that amendment is required.

Recommendations: The Document Committee recommends that the Board adopt:

1. A resolution at the August meeting to authorize preparation of the proposed amendment to MERP to incorporate the changes summarized in Section 1 above, to be considered on two readings at the September and October Board meetings, following public notice, to be effective January 1, 2022.
2. A resolution at the August meeting to authorize preparation of the proposed amendment and restatement of the System document to incorporate the changes summarized in Section 2 above, to be considered on two readings at the September and October Board meetings, following public notice, to be effective January 1, 2022.
3. Amendments to the Loan Programs to incorporate the changes summarized in Section 2 above, to be effective as soon as administratively feasible.

4. Revision of beneficiary designation forms to incorporate the change summarized in Section 3 above, to be effective immediately.

A handwritten signature in cursive script that reads "Janet Samar". The signature is written in black ink and is positioned above a horizontal line.

Janet Samar, Chair