

KNOX COUNTY RETIREMENT AND PENSION BOARD

September 27, 2021

The Knox County Retirement and Pension Board met in regular session on Monday, September 27, 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, Mr. Gabe Mullinax, Mr. Jim Snowden and Mr. Chris Simons. Commissioner Kyle Ward and Ms. Janet Samar were absent.

Also present at the meeting were:

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

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

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

Others in attendance: Mr. Allen Sheets, Nationwide, and Mr. Don Regan, Nationwide (by phone)

IN RE: CALL TO ORDER

Chairman Caldwell presided and called the meeting to order.

IN RE: AMENDMENTS TO AGENDA

Chairman Caldwell reported an amended agenda had been provided prior to the meeting.

IN RE: APPROVAL OF MINUTES OF AUGUST 23, 2021

Chairman Caldwell presented the minutes for the board meeting held on August 23, 2021. Commissioner Busler made a motion to approve the minutes for August 23, 2021, as written. The motion was seconded by Mr. Mullinax. All members present voted in favor. The motion passed unanimously.

IN RE: APPLICATIONS FOR DISABILITY BENEFIT – EMPLOYEE DISABILITY PLAN

The following applications for disability were presented for consideration:

<u>NAME</u>	<u>DEPARTMENT</u>	<u>DATE OF RECOMMENDATION FROM REEDGROUP</u>
Deborah Underwood	Schools	August 31, 2021
Steve Klement	Sheriff	September 22, 2021

A motion was made by Commissioner Jay to approve the applications for disability. The motion was seconded by Mr. Mullinax. 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>
Billy Bettis	Schools	24 years	9 months	October 1, 2021
Lisa Burns	Schools	10 years	2 months	October 1, 2021
Douglas Dillingham	Schools	20 years	1 month	September 1, 2021
Christine Dumais	Sess Crt	11 years	7 months	October 1, 2021
Steven Farris	Schools	25 years	2 months	October 1, 2021
Kathy Ledford	Schools	20 years	0 months	October 1, 2021
Bambi Lowe	Health	21 years	5 months	October 1, 2021
Kathy Marshall	Schools	12 years	10 months	October 1, 2021
James Pemberton	Sheriff	18 years	3 months	October 1, 2021
Deidre Wrinkle	Schools	15 years	11 months	October 1, 2021

A motion was made by Mr. Simons 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

- **Audit Update** – Ms. Schroeder reported the onsite work is complete. The draft report will be available in November and the Board will review the final report at the December meeting.
- **NAGDCA Annual Conference Update** – Ms. Schroeder reported on the NADGCA conference. She summarized some highlights of the meeting, including a discussion of the number of investment options in plans; use of webinars and “Lunch & Learns” for education and retiree meetings; proposed and pending legislation; and increased retirement rates post-COVID.
- **Bluefin Update** – Ms. Schroeder reported on the weekly meetings with Bluefin. Ms. Schroeder has been in contact with BenXL to inform them that we will no longer need their services in the next 6 to 9 months. The data files from the BenXL server have been transferred and reviewed in the weekly meetings with Bluefin.
- **Beneficiary Update** – Ms. Schroeder reported the change in beneficiary forms, to require selection of a designated payee for minor/incompetent beneficiaries will take place in October. Letters and revised forms will go out by October 1st.
- **Plan Amendments** - An email will go out to the Board members to review the redlined version of the proposed plan amendments prior to the October board meeting.
- **Final Budget FY21** – Ms. Schroeder reminded the Board of its approval to allocate \$50,000 from FY21 (BenXL line item) to FY22 for the Bluefin initial cost. She reported a savings of \$94,000 for the fiscal year. Ms. Schroeder asked if the members had any questions regarding to any line item on the budget summary sheet. There were none.

- **Nationwide Letter** – Ms. Schroeder reported the 12-month probation letter and conditions were sent to Nationwide on September 23rd and received acknowledgement on September 27th. A copy of that letter is attached to these minutes.
- **Open Enrollment** – Ms. Schroeder reported open enrollment for retiree medical and dental will open October 18th and end November 12th. The retirement office mimics the dates of open enrollment for the County.

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.

IN RE: REPORT OF LEGAL COUNSEL

Mr. Owings reported on the UOPP litigation. Chancellor Weaver is back on the bench following an accident he had in April. Mr. Owings expects the lawsuit to become more active in the next several months.

Mr. Mason had no report.

IN RE: REPORT OF ACTUARY

Mr. Cross reported on the 2021 assets, liabilities and contribution requirements for the defined benefit plans. As shown in the attached summary, Mr. Cross reviewed year over year comparison of net pension liability, funding ratios, and GASB expense. Mr. Cross also reported on the due diligence investment manager meetings occurring October 19th through October 20th.

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 SEPT 2021 For FY 22 (Legal Invoices are approved for the previous Months Expense)	Fiscal 22 YTD Approved Invoices 08/31/2021	SEPT Invoices For Approval	Fiscal 22 YTD Approved 9/30/2021	FY 22 Budget vs. Actual 9/30/2021
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 Participa \$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 #		\$0.00		Budget \$100,000.00
Invoice # 9947M Glenn		\$0.00		
Invoice # 9942M Knox County vs. Etters	\$0.00	\$3,725.00		Expense -\$4,390.00
*** TOTAL OWINGS, WILSON & COLEMAN	\$665.00	\$3,725.00	\$4,390.00	Remaining Budget \$95,610.00
USI CONSULTING GROUP Invoice # 90056519		\$32,193.25		Budget \$475,000.00
Invoice #		\$0.00		Expense -\$53,632.50
TOTAL USI CONSULTING GROUP	\$21,439.25	\$32,193.25	\$53,632.50	Remaining Budget \$421,367.50
Invoices for SEPT 2021 For FY 22	\$22,104.25	\$35,918.25	\$58,022.50	

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

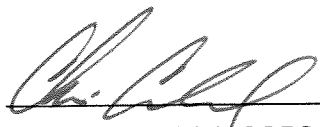
		Fiscal 22 YTD
Owings, Wilson & Coleman Retainer	\$4,000 per month	\$12,000.00
Kennerly Montgomery Retainer	\$12,000 per month	\$36,000.00
USI Quarterly Fee for DB Advisory Services	\$37,000 per quarter	\$37,000.00
Fees Received from QDRO* Participants	\$500 (DC Fee)	\$0.00
	\$2,000 (DB & UOPP Fee)	\$0.00

*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: Nationwide letter

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RETIREMENT & PENSION BOARD

September 23, 2021

Nationwide Retirement Solutions
Mr. Donald Regan
regand2@nationwide.com

Re: Knox County Retirement and Pension Board

Mr. Don Regan:

The Knox County Retirement and Pension Board ("Board") is an independent entity which manages the retirement, pension, disability, and medical expense plans and benefits for the employees of Knox County, Tennessee. It handles the benefits for over twelve thousand participants, manages those benefits for the active employees for twelve distinct employers, and serves a fiduciary for over \$800,000,000 in plan assets. One of the most important responsibilities of this Board is to carefully review potential investment options, of which there are almost infinite possibilities, and make a healthy, robust selection of investment vehicles for use by the participants in the defined contribution plans managed by the Board. Criteria for selection include not only the inherent characteristics of available funds, but also the quality of the service provider who offers them.

Nationwide has served as an investment option for defined contribution plan participants for many years. As of late, however, the quality of service provided by Nationwide has dwindled. Our Board has been subjected to numerous Nationwide representatives, each claiming ignorance of what has passed before. Advance communication regarding proposed fund changes has been all but nonexistent, and attendance and participation at Board meetings has been spotty at best.

As a result of numerous issues with Nationwide's responsiveness and performance, the Board directed me to review and report on Nationwide's status to date and to monitor performance over the next twelve (12) months, to determine if a continued relationship with Nationwide as a service provider would be in the best interest of the plans and their participants. During the Board meeting wherein I made my initial report, several action items were identified as absolutely mandatory in order for Nationwide to maintain its status as a service provider to the Board. Those items are as follows:

Communication

The Board's Investment Committee meets 4 times per year, the 2nd Tuesday of the 2nd month of each quarter.

- A. Nationwide will provide the investment performance book and the quarterly summary report (electronically and 15 hard copies) for the preceding quarter to the Board no later than the 1st Wednesday of the 2nd month of each quarter.

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- B. Nationwide will provide, in the summary, or in the investment performance book, or separately, the written basis for its conclusion on any investment fund that is designated on-watch or for-discussion.
- C. Nationwide will have an investment representative in attendance by phone or in person at each meeting.
- D. Nationwide's representative will address each investment fund that is designated on-watch or for-discussion and answer any questions from the Committee or staff.
- E. If Nationwide wishes to make any presentation or request any Board action (including any proposal for a fund change), Nationwide will contact the Board and provide the written presentation or request for action and its justification, no later than the 1st Monday of the 2nd month of any quarter.
- F. Don Regan will contact Jennifer Schroeder directly by phone and email to inform her in advance of significant changes in the Nationwide 457 program (e.g., replacement of Nationwide account representatives, investment managers, product offerings or closings, and the like).

Investment Advice

- A. Nationwide will review the Board's investment lineup. In writing in advance (on the schedule stated above) and by its representative at the November 2021 Investment Committee meeting, Nationwide will inform the Committee of each current fund that has been replaced in the Nationwide 457 investment line-up, either for performance or cost reasons, including the justification for the change and Nationwide's advice to the Board.
- B. Going forward, each time Nationwide recommends a fund change in the Nationwide line-up or otherwise affecting the line-up, in writing in advance (on the schedule stated above) and by its representative at the next Investment Committee meeting, Nationwide will inform the Investment Committee of the recommended fund change, including the justification for the change and Nationwide's advice to the Board.
- C. No later than October 31, 2021, Nationwide will review with Board staff the funds in the Nationwide investment line-up, the justification for each fund and investment category, and any suggestions for reducing the number of choices offered.
- D. As agreed with Board staff, Nationwide will present its written (on the schedule stated above) and oral report to the Investment Committee on reducing the number of funds and simplifying the investment line-up, either at the November 2021 or February 2022 meetings.

Fees

- A. No later than October 31, 2021, Nationwide will review with Board staff the fees charged for funds in the Nationwide line-up, the justification for those fees, and any available alternatives or fee reductions available.

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- B. As agreed with Board staff, Nationwide will present its written (on the schedule stated above) and oral report to the Investment Committee on fees, either at the November 2021 or February 2022 meetings.

Any questions or clarifications requested by Nationwide concerning the list of requirements above should be directed to the executive director of the Board as soon as possible. Failure to comply with these requirements over the next twelve (12) months will subject Nationwide to dismissal as a service provider of the Board. Notwithstanding the above, Nationwide continues to be subject to the provisions of the *Designated 457(b) Provider Acceptance Agreement* between Nationwide and the Board and the Board's *Criteria for Additional 457(b) Plan Providers*, requiring that Nationwide maintain at least 50 active participants in its 457 Plan.

Sincerely,



Jennifer Schroeder
Executive Director