

KNOX COUNTY RETIREMENT AND PENSION BOARD

January 24, 2022

The Knox County Retirement and Pension Board met in special-called session on Monday, January 24, 2022, at 2:00 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, Mr. Chris Simons, Ms. Janet Samar and Mr. Jim Snowden.

Also present at the meeting were:

USI Consulting Group: Mr. Bob Cross

Legal Counsel: Ms. Ashley Trotto and Ms. Stephanie Coleman

Retirement Staff: Ms. Jennifer Schroeder, Mr. Zack Cole and Ms. Savannah Russell

Nationwide: Mr. Allen Sheets, Mr. Nicholas Ziegenbusch and Mr. Don Regan via Zoom

Others in Attendance: Mr. Ed Shouse, Trustee

IN RE: CALL TO ORDER

Chairman Caldwell presided and called the meeting to order.

IN RE: NATIONWIDE AND SMART ALLIANCE FIDUCIARY SERVICES

Ms. Schroeder opened the meeting by reviewing the prior Investment Committee meeting which pertained to the Nationwide Smart Alliance offering and the changes Nationwide proposed at the meeting on November 9, 2021. Commissioner Smith asked if Ms. Schroeder could recap what has led to these new changes being proposed by Nationwide. Ms. Schroeder explained that during the August Investment Committee meeting The Committee had asked Nationwide to meet some criteria that the Committee felt Nationwide were not meeting. Ms. Schroeder explained that after this meeting Nationwide proposed these changes in order to act as a co-fiduciary alongside the Board for the Nationwide 457 Plan. Commissioner Smith reviewed that the Nationwide Fixed account is a set 3.5% fixed rate; Mr. Ziegenbusch added that while 3.5% is currently the minimum return for that account, the Fixed Account is not necessarily set and is not tied to a specific fund with Nationwide, but that the fund is reviewed periodically by Nationwide to make sure it is achieving the fixed rate of return inside their general account. Ms. Schroeder explained that the changes being proposed are, in part, to level out the fees paid by the variable account participants, because currently the fixed account participants are not paying a fee. Under the proposed structure, a fee of 61 basis points would be charged to all participants, including those in the fixed account. Variable account participants would also pay the fees associated with the individual investments they have selected.

Commissioner Smith summarized the questions at hand, stating that the Board's decision is whether to adopt Nationwide's Smart Alliance product thereby changing the investment line up and investment pricing and fees. Commissioner Jay asked how the Retirement Board communicates these changes plainly to an employee participating in the Nationwide accounts. Mr. Ziegenbusch explained that Nationwide would facilitate communication to participants centered around the idea that the change is being made to streamline the portfolio and to level out the fees paid by all participants in the Nationwide Variable

and Fixed Accounts. Ms. Trotto explained that the with the change the participants who have not seen any fees, those invested solely in the fixed account, will begin to see a sixty-one-basis points fee on their investments. Mr. Ziegenbusch explained that this would be a flat fee which would be overall less than the lineup Knox County has now in its current plan lineup. Commissioner Smith asked how long the sixty-one basis points would last. Mr. Ziegenbusch explained that it would depend on the contract between Knox County and Nationwide.

Mr. Regan explained that currently Nationwide does not expect an increase of the 61-basis point fee. Commissioner Jay asked if Nationwide was meeting the criteria that was discussed at the August Investment Committee meeting. Ms. Schroeder explained that currently the broad issues are not fully resolved but there has been better communication between the Retirement office and Nationwide representatives. Mr. Kyle Ward asked how many months into Nationwide's 12-month probationary we are at. Ms. Schroeder explained that we are currently only 3 to 4 months into this process. Ms. Trotto noted that under the Smart Alliance program, the Board would still have final decision-making authority for the lineup which would require regular communication about proposed fund changes from Nationwide to the Board in a timely manner before the Board has to make decisions. She asked Mr. Ziegenbusch if he could speak to that communication process. Mr. Ziegenbusch explained that Nationwide would at minimum review the assets annually but would prefer a quarterly meeting with the Board on the lineup and that Mr. Ziegenbusch himself would be our representative who would be at each meeting to discuss any proposed fund changes or issues within the Nationwide Fund lineup.


Commissioner Jay asked if Mr. Caldwell had an opinion on the matter at hand. Mr. Caldwell explained that there seem to be advantages either way. Commissioner Jay explained that he is thinking of participants further down the line that the current Investment Committee and Board members will not be seeing or helping. Ms. Schroeder explained that Mr. Ziegenbusch's description of the Smart Alliance communication process is how the Board expects the relationship to work now. Ms. Schroeder explained that even if Nationwide is a co-fiduciary any proposed fund changes still need to be made in a timely manner. Commissioner Snowden asked how many participants are in the fixed account currently. Mr. Regan stated he has asked for that information and will get it sent to Ms. Schroeder with the Retirement office ASAP.

Commissioner Jay asked if this is a decision that needs to be made today or if this is something that the Board has time to decide on. He stated that he would prefer to understand the contract before accepting the changes to the Nationwide Smart Alliance. Ms. Schroeder explained that there is not a rush on the decision. However, there are pending fund changes that have been pending since June of 2021, so postponing the decision could lead to further delays. Commissioner Jay explained that he would feel more comfortable once Nationwide commits to a term for the proposed fee rate before a proper decision could be made. Mr. Kyle Ward and Commissioner Smith echoed this statement. Mr. Ziegenbusch explained that Nationwide wants to work with Knox County and wants to this relationship to work. Mr. Ward explained that he wants to see the feeling towards Nationwide change and that their holding up their end of the bargain


with respect to communication and other requirements of the 12-month probationary period. Commissioner Jay explained that his preference would be to review this data next month with a contract proposal with the details pertaining to what the vote is on. Ms. Trotto suggested that the Board ask Nationwide to provide a comparison of the current fund lineup, including the proposed fund changes from last June, and the Smart Alliance lineup to see what the differences are. Commissioner Smith agreed that would be helpful and made the request. Mr. Ziegenbusch stated Nationwide could get this information sent to Knox County. Ms. Schroeder explained that the February Board meeting is Tuesday, February 22, 2022, and asked that the information be provided by Wednesday, February 16, 2022. Mr. Ziegenbusch stated that they will get the details to Ms. Schroeder in the Retirement Office. Commissioner Busler asked why it has taken since June 2021 to make fund changes while we are now in January 2022, and Commissioner Ward echoed his concerns. Ms. Schroeder explained that Nationwide had not yet provided the Board with the information it needs to make a determination on the proposed fund changes and that Nationwide is scheduled to provide that information at the next Investment Committee meeting. Ms. Schroeder summarized that the items the Board needs by February 16, 2022 are a draft contract for Smart Alliance and a comparison showing differences between the proposed Smart Alliance fund lineup and the current fund line up assuming the proposed fund changes from June 2021 are accepted.

ADJOURNMENT

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



MAYOR GLENN JACOBS, CHAIRMAN
BY PROXY, CHRIS CALDWELL



COMMISSIONER RANDY SMITH, SECRETARY

Attachments:

- 1.) Nationwide Smart Alliance