Knox County Retirement & Pension Board
Asset Accumulation Plan, Deferred Compensation, Medical Expense Retirement Plan

Presented by:
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USI Consulting Group
2023
Agenda

- Your Plan
- Benefits of Retirement Savings
- Understanding Your Account Statements
- Website Demonstration
- Contact Information
- Questions

The information provided in this presentation is an overview of your Plan’s features and benefits. The Summary Plan Description (“SPD”) provides greater detail and other important information concerning your participation in the plan. Keep in mind that if there is a discrepancy between this and the information in the SPD, the SPD will govern.

This presentation has been prepared for general educational purposes only and is not designed to be a comprehensive analysis of any topic discussed herein. It should not be relied upon as the only source of information, and is not intended to represent advice or a recommendation specific to your situation. Prior to action, we recommend that you seek independent advice specific to your situation from a qualified legal/tax/investment professional. Investors should consider their financial situation, time horizon and risk tolerance before making an investment decision.
## Vesting

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>401 (a) Vesting %</th>
<th>457 (b) and MERP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>20%</td>
<td>100% Immediate Vesting</td>
</tr>
<tr>
<td>2</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>60%</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>80%</td>
<td></td>
</tr>
<tr>
<td>5 or more</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

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## Knox County Plans

<table>
<thead>
<tr>
<th>Participation Requirement</th>
<th>Asset Accumulation 401 (a)</th>
<th>Deferred Compensation Plan 457 (b)</th>
<th>Medical Expense Retirement Plan MERP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mandatory</strong></td>
<td><strong>Mandatory 6%</strong></td>
<td><strong>Up to IRS Limits</strong></td>
<td><strong>Voluntary</strong></td>
</tr>
<tr>
<td><strong>Participant Contribution</strong></td>
<td><strong>Mandatory 6%</strong></td>
<td><strong>Up to IRS Limits</strong></td>
<td><strong>Voluntary</strong></td>
</tr>
<tr>
<td><strong>Employer Contribution</strong></td>
<td><strong>6% Match</strong></td>
<td><strong>Maximum of 6% based on participant contribution amount and years of service</strong></td>
<td><strong>50% of participant contribution up to a maximum annual match of $416</strong></td>
</tr>
<tr>
<td><strong>Investment</strong></td>
<td><strong>Participant Directed</strong></td>
<td><strong>Participant Directed</strong></td>
<td><strong>Participant Directed</strong></td>
</tr>
</tbody>
</table>

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# Knox County 457 (b) Matching Schedule

<table>
<thead>
<tr>
<th>Years of County Service</th>
<th>Maximum Employer Match as % of Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 years</td>
<td>0%</td>
</tr>
<tr>
<td>At Least 5 but less than 10 years</td>
<td>Up to 2%</td>
</tr>
<tr>
<td>At Least 10 but less than 15 years</td>
<td>Up to 4%</td>
</tr>
<tr>
<td>15 years or more</td>
<td>Up to 6%</td>
</tr>
</tbody>
</table>

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Knox County 457 (b) Contribution Schedule

As a participant in the 401 (a) Plan, you are eligible to contribute to one of the 457 (b) vendors approved by the Knox County Retirement & Pension Board. You may contribute an additional percentage of pay on a pre-tax basis. You may only contribute to one 457 (b) at a time.
Your Retirement Savings Plan: Plan Limits

- **Employee Contributions - 457 (b)**
  - Defer any whole % of your eligible compensation, up to the IRS maximum:
    - $22,500 for 2023
    - Age 50+ catch-up contribution = additional $7,500 for 2023

- **Employer Contributions – 401 (a)**
  - Currently 100% of your contributions up to a maximum of 6% of eligible compensation

- All Employer 457 match contributions are deposited into the 401(a) plan
Your 401 (a) Retirement Savings Plan: Example

- **Example:** 35-year-old employee who makes $30,000 a year:
  - Mandatory Employee Contribution: 6% $1,800
  - County Base Contribution Match: 6% $1,800

$3,600
Your 457 (b) Retirement Savings Plan: Example

**Example:** 35-year-old employee who makes $30,000 a year:

<table>
<thead>
<tr>
<th>Years of County Service</th>
<th>457 Match</th>
<th>Employee</th>
<th>Employer</th>
<th>Total 457(b)</th>
<th>With 401(a) &amp; 457</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 5, less than 10</td>
<td>2%</td>
<td>$600</td>
<td>$600</td>
<td>$1,200</td>
<td>$4,800</td>
</tr>
<tr>
<td>10 – 15</td>
<td>4%</td>
<td>$1,200</td>
<td>$1,200</td>
<td>$2,400</td>
<td>$6,000</td>
</tr>
<tr>
<td>15 and above</td>
<td>6%</td>
<td>$1,800</td>
<td>$1,800</td>
<td>$3,600</td>
<td>$7,200</td>
</tr>
</tbody>
</table>
Knox County 401 (a) Plan

Eligibility

• Participation is a required condition of employment for all members of the eligible class.
• You are a member of the eligible class if you are designated by Knox County or Knox County Schools (hired prior to July 1, 2022) as a regularly scheduled (at least) 18 ½ hour per week employee status A-1, A-2 or equivalent
• You are also in the eligible class if you were a participant in the Closed Defined Benefit Plan and previously elected to transfer to this Plan in accordance with the provisions of the Retirement System

Exclusions

• Hired or rehired on or after July 1, 2022, by Knox County Schools
• A certificated employee (teacher) covered by the provisions of the City of Knoxville Pension Plan
• An employee participating in the Tennessee Consolidated Retirement System
• Also excludes, temporary, seasonal employees, reserve officer of the Sheriffs Office
• An employee who stayed in the Knox County closed DB Plan with certain exceptions
• A Knox County School substitute or timecard employee
• A Sworn Officer regularly employed by the Sheriffs Office who participates in the UOPP or STAR
• A reemployed retired UOPP officer

Enrollment

Automatically enrolled upon meeting eligibility in the Plan

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Knox County 401 (a) Plan

Retirement Eligibility

- **Normal Retirement** - Age 65 with a minimum completion of 5 years of service
- **Early Retirement** - Age 55 with a minimum completion of five years of service
- **Delayed Retirement** - The first of any month following your Normal Retirement
- **Longevity Retirement** - At or after age 50 when the sum of your age plus years of service is equal to or exceeds age 70

Retirement Payment Options

- **Standard Form of Payment** - Installments over a period equal to life expectancy
- **Fixed Period Installments** - Specified period of years
- **Fixed Payment Installments** - Specified equal payments
- **Modified Lump Sum** - 25% of your account balance in a lump sum with the balance as any other option indicated in the plan
- **Lump Sum** - Account balance paid in full, subject to 20% federal income tax with holding

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Your Retirement Savings Plan

Eligibility
Completed 90 days of continuous service

Entry Date
First day of the month following eligibility

Enrollment
Indicate your contribution % and choose your investments

Beneficiary
Indicate your designated beneficiary(s)

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Benefits of Tax Deferred Saving in a 401(a)

<table>
<thead>
<tr>
<th>RETIREMENT SAVINGS</th>
<th>Without your contribution into plan</th>
<th>With your contribution into plan</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Pay</td>
<td>$30,000</td>
<td>$30,000</td>
<td></td>
</tr>
<tr>
<td>6% 401(a) Deferral</td>
<td>$0</td>
<td>-$1,800</td>
<td></td>
</tr>
<tr>
<td>Taxable Pay</td>
<td>$30,000</td>
<td>$28,200</td>
<td></td>
</tr>
<tr>
<td>Federal Income Tax*</td>
<td>-$4,500</td>
<td>-$4,230</td>
<td></td>
</tr>
<tr>
<td>FICA (7.65%)</td>
<td>-$2,295</td>
<td>-$2,295</td>
<td></td>
</tr>
<tr>
<td><strong>Net Take Home Pay</strong></td>
<td><strong>$23,205</strong></td>
<td><strong>$21,675</strong></td>
<td>$270</td>
</tr>
<tr>
<td>6% Regular Retirement Savings</td>
<td>-$1,800</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Disposable Income</td>
<td>$21,405</td>
<td>$21,675</td>
<td>$270</td>
</tr>
<tr>
<td>Employer Match</td>
<td>$0</td>
<td>$3,600</td>
<td></td>
</tr>
<tr>
<td>Retirement Savings</td>
<td>$1,800</td>
<td>$5,400</td>
<td>$3600</td>
</tr>
</tbody>
</table>

*Example assumes 15% Federal Income tax rate.

**Before any medical, dental insurance or other benefits related deductions.

See how saving in a 401(a) plan will provide you with $270 worth of spending money throughout the year!
Long-Term Compounding

$1,800 invested every year for 30 years with no additional contributions or withdrawals.

Graph assumes a 7% annual return.

$181,931

This information is for illustrative purposes only and does not represent an actual investment. Actual returns may be more or less than this example. Past performance is not indicative of future results.
Long-Term Compounding—With the County’s Matching Deposit

$5,400 invested every year for 30 years with no additional contributions or withdrawals.
Graph assumes a 7% annual return.

$545,795

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Start Investing Early!

- **Starting Early**
  - May allow you to make much smaller contributions over time
  - May provide you with a larger nest egg at retirement

- **Waiting** (or procrastination)
  - May require you to make unrealistically large contributions
  - May provide you with a smaller nest egg at retirement
Reaching Your Retirement Goal

- Save as much as you can, 10-15% of your salary is generally recommended
- Build a portfolio that could potentially earn an average annual return of 6-7%

Example assumes a starting balance of $3,000, savings rate of 10% of annual salary of $30,000 with a 3% annual increase and an annual return of 7%. Quoted returns are hypothetical and do not represent the return of any particular security or group of securities. Calculations provided by http://money.msn.com/retirement/retirement-calculator.aspx.
Numbers are based on gross annual income.
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Long Term Compounding with County’s Match

$5,400 invested every year for 30 years with no additional contributions or withdrawals. Graph assumes a 7% annual return.

Information is for illustrative purposes only. Past performance is not indicative of future results. Actual returns may be more or less than this example.
The Cost of Waiting

- Lisa and David both invested $1,000 a year.
- Lisa contributed for 10 years, starting at age 25, while David contributed for 30 years starting at age 35.
- By starting earlier, Lisa ended up with over $35,000 more than David and contributed $20,000 less!

Assumes 8% return. Quoted returns are hypothetical and do not represent the return of any particular security or group of securities.

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Utilizing Your Retirement Tools
Knox County Retirement & Pension Board

- General Plan Information
- Change withholding amounts
- Address changes
- Investment Information
- Life Event Changes
- Beneficiary Updates

(865) 215-2323
Room 371
City-County Building
Understanding Your Statement

- Starting balance
- Contributions
- Gains & losses
- Ending balance
- Rate of return
Accessing your Online Account – www.usicg.com
For illustrative purposes only.
Your Online Account

YOUR PORTFOLIO

INVESTMENTS | AMOUNT | PERCENT
--- | --- | ---
Balanced Investment Style | $14,836.55 | 91.32%
Moderate Investment Style | $656.50 | 4.04%
Ultra Aggressive Invest Style | $606.09 | 3.73%
Conservative Investment Style | $147.23 | 0.91%
TOTAL | $16,246.37 | 100%

Here's what's new
- BOOK MARKETING
- New Statement
  - 01/30/2023
- Your Contributions
  - Amount: $93.85
  - 04/29/2023
- Employer Contributions
  - Amount: $93.85

Manage Your Portfolio

Your Account
- $16.2k Current Balance

Investment Elections
- 100.00%
  - Balanced Investment Style

Video Learning Center
- Watch and Learn

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Your Online Account

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Your Connections with USICG

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7 days/week
1-877-220-8997

Direct Access
www.usicg.com
Forms Code: Knox

Professional Service Team
Monday-Friday
8am to 5pm ET
1-866-305-8846
Plan Code: 524
Appendix: Asset Class Definitions

ASSET CLASSES
There are three basic investment categories or asset classes: Equity Investments, Fixed Income Investments, and Cash Equivalents.

Equity Investments involve the direct or indirect ownership (e.g., through mutual funds or other types of pooled portfolios) of company stock. Owning stock in a corporation is represented by holding share certificates that are a claim on a corporation’s earnings and assets; therefore, stockholders are owners of the corporation. Equity investments have historically had the highest return potential, but also the greatest level of risk amongst the asset classes.

Fixed Income Investments are a type of investment that pays a fixed rate of return. Typically, this category refers to bonds issued by governments or corporations. Bonds are essentially loans made by investors to issuers (i.e., the investor is a creditor and the issuing government/corporation is a debtor). The issuer is obligated to pay a fixed rate of interest periodically and to repay the principal amount of the loan at maturity. Bonds are generally less volatile than stocks, but offer more modest returns.

Cash Equivalents involve investments that are highly liquid and the safest asset category (e.g., stable value funds, money market mutual funds). In general the chances of losing money on an investment in this category is extremely low; however, the potential returns are also the lowest of the three major investment categories. The principal concern for those who invest in cash equivalents is inflation risk. Meaning that these lower returns, over time, will not keep pace with the rising cost of goods and services.

Source: https://www.investor.gov/introduction-investing
Appendix: Investment Category Definitions

**Capitalization**

**Large Cap:** Companies whose share price multiplied by the number of shares outstanding typically exceeds $10 billion.

**Mid Cap:** Companies whose share price multiplied by the number of shares outstanding typically falls in the range of $2 billion to $10 billion.

**Small Cap:** Companies whose share price multiplied by the number of shares outstanding typically is less than $2 billion.

**Investment Style**

**Value:** An investment style that invests in the stocks of companies that are considered undervalued relative to a major unmanaged stock index based on statistics such as price-to-current-earnings, book value, asset value or other factors.

**Growth:** An investment style that invests in stocks of companies with long-term earnings expected to grow significantly faster than the earnings of the stocks represented in a major unmanaged index. These funds will normally have an above average price-to-earnings ratio, price-to-book ratios, and three-year earnings growth figure compared to the universe of funds.

**Blend:** An investment style that invests in a combination of Growth and Value oriented stocks.

**Sector/Specialty:** These portfolios may focus investments on certain economic sectors, thereby increasing vulnerability to any single economic, political or regulatory development. This may result in greater price volatility.

**Real Estate:** There are special risks associated with an investment in real estate, including credit risk, interest rate fluctuations and the impact of varied economic conditions.

**Global/World:** These types of funds invest primarily outside the United States but may invest some of their assets within the United States.

**Diversified Emerging Markets:** These portfolios will have at least 50% of assets in stocks invested in emerging markets.

**Foreign/International:** These funds typically will invest in foreign securities, and will not generally invest within the United States.

**Conservative Allocation:** A fund that invests in both stocks and bonds and maintains a relatively smaller position in stocks. The funds typically have 20% - 50% of assets in equities and 50% - 80% of assets in fixed income and cash.

**Moderate Allocation:** A fund that invests in both stocks and bonds and maintains a higher position in stocks. The funds typically have 50% - 70% of assets in equities and the remainder in fixed income and cash.

**Target Date Funds:** Target Date Funds are subject to the risks associated with their underlying funds, and are multi-fund portfolios that adjust their asset allocation to become more conservative as the target date approaches.

**Source:** Morningstar Category Classification Definitions & Investment Definitions. [https://www.usiadvisorsinc.com](https://www.usiadvisorsinc.com)
Appendix: Investment Category Definitions

**Stable Value**: Stable-value portfolios seek to provide income while preventing price fluctuations. The most common stable-value portfolios invest in a diversified portfolio of bonds and enter into wrapper agreements with financial companies to guarantee against fluctuations in their share prices. These wrapper agreements typically provide price stability on a day-to-day basis, thereby insulating each portfolio’s net asset value from interest-rate volatility. Therefore, the duration for each of these funds is essentially zero.

**Ultrashort Bond**: Used for funds with an average duration or an average effective maturity of less than one year. This category includes general and government-bond funds, and excludes any international, convertible, multisector, and high-yield bond funds.

**Short-Term Bond**: Short-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and have durations of one to 3.5 years (or, if duration is unavailable, average effective maturities of 1 to 4 years). These portfolios are attractive to fairly conservative investors, because they are less sensitive to interest rates than portfolios with longer durations.

**Intermediate-Term Bond**: Intermediate-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and have durations of 3.5 to 6 years (or, if duration is unavailable, average effective maturities of 4 to 10 years). These portfolios are less sensitive to interest rates, and therefore less volatile, than portfolios that have longer durations.

**Long-Term Bond**: Long-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and have durations of more than six years (or, if duration is unavailable, average effective maturities greater than 10 years). Due to their long durations, these portfolios are exposed to greater interest rate risk.

**High-Yield Bond**: High-yield bond portfolios concentrate on lower-quality bonds, which are riskier than those of higher-quality companies. These portfolios generally offer higher yields than other types of portfolios, but they are also more vulnerable to economic and credit risk. These portfolios primarily invest in U.S. debt securities where at least 65% or more of bond assets are not rated or are rated by a major agency such as Standard and Poor’s or Moody’s at the level of BB (considered speculative for taxable bonds) and below.

**Multisector Bond**: Used for funds that seek income by diversifying their assets among several fixed-income sectors, usually U.S. government obligations, foreign bonds, and high-yield domestic debt securities.

**Bank Loan**: A fund that invests primarily in floating-rate bank loans instead of bonds. In exchange for their credit risk, they offer high interest payments that typically float above a common short-term benchmark.

Source: Morningstar Category Classification Definitions & Investment Definitions. [https://www.usiadvisorsinc.com](https://www.usiadvisorsinc.com)