Knox County Sheriff’s Total Accumulation 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.
Knox County Sheriff’s Total Accumulation Plan

<table>
<thead>
<tr>
<th>Participation Requirement</th>
<th>STAR</th>
<th>457(b)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mandatory</td>
<td>Voluntary</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Participant Contribution</th>
<th>Mandatory 6%</th>
<th>Up to IRS Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer Contribution</td>
<td>6% Match</td>
<td>Not eligible</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment</th>
<th>Participant Directed</th>
<th>Participant Directed</th>
</tr>
</thead>
</table>

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Vesting

<table>
<thead>
<tr>
<th>Years of Employment</th>
<th>% Matching Contribution Vested</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1</td>
<td>0%</td>
</tr>
<tr>
<td>1</td>
<td>20%</td>
</tr>
<tr>
<td>2</td>
<td>40%</td>
</tr>
<tr>
<td>3</td>
<td>60%</td>
</tr>
<tr>
<td>4</td>
<td>80%</td>
</tr>
<tr>
<td>5 or more</td>
<td>100%</td>
</tr>
</tbody>
</table>

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Knox County 457 Contribution Schedule

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

- **457 (b) Limits**
  - 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
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%  
  $3,000

Total: $4,800
## 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></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. Information is for illustrative purposes only. Past performance is not indicative of future results. Actual returns may be more or less than this example.
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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.

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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

Here for you and your Nest Egg!

Knox County Retirement & Pension Board

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Understanding Your Statement

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

For illustrative purposes only. Screen shots of pages available on the website www.usig.com.
Your Online Account

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Your Online Account

Welcome to the Knox County Retirement & Pension Board modeling website. This site will allow you to review your current plan data, complete a distribution application, and model your retirement benefits.

Username
Password

Remember Username
Login

For illustrative purposes only. Screen shots of pages available on the website www.usicg.com.

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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](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)