

KNOX COUNTY RETIREMENT AND PENSION BOARD

March 29, 2021

The Knox County Retirement and Pension Board met in an electronic session on Monday, March 29, 2021, at 3:00 P.M. via electronic means and broadcast live at: <https://knoxcounty.zoom.us/99144359381> (by phone: 1-646-558-8656, Meeting ID 991 4435 9381, passcode KnoxCounty).

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, Mr. Ralph Lehman and Ms. Brenda Trollope

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

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

Others in attendance: Mr. Allen Sheets, Nationwide, Mr. Jacob Haskew, IT, Mr. Nick McBride, Register of Deeds, Ms. Cindy Pionke, Human Resources, Mr. Mike Steely, Knox Focus, and Mr. Kevin Hodgson.

IN RE: CALL TO ORDER

Chairman Caldwell presided and called the meeting to order.

IN RE: DETERMINATION OF ELECTRONIC MEETING

Chairman Caldwell read the official public notice for holding this electronic meeting, then asked for a motion determining the necessity of such meeting.

"A determination is needed by the Board regarding electronic meetings pursuant to the Governor's Executive Order No. 16, executed on March 20, 2020, and recommendations from the Tennessee Comptroller of the Treasury, issued on March 20, 2020, and other applicable laws in effect. The Governor's Order allows government agencies to amend or rescind portions of the Tennessee Open Meetings Act regarding electronic meetings in lieu of in-person attendance and participation. The Comptroller's Office recommends that boards make a determination regarding the necessity of electronic meetings for continued function of government agencies and to protect public health, safety, and welfare during the outbreak of COVID-19. Such determination is to be placed on the record in the Board's minutes. May I have a motion for this determination and to record this determination in the Board's minutes?"

Commissioner Busler made a motion to approve the electronic meeting. The motion was seconded by Commissioner Jay. A roll call vote was taken. All members present voted in favor. The motion passed unanimously.

IN RE: AMENDMENTS TO AGENDA

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

IN RE: APPROVAL OF MINUTES OF FEBRUARY 22, 2021

Chairman Caldwell presented the minutes for the board meeting held on February 22, 2021. Commissioner Jay made a motion to approve the minutes for February 22, 2021, as written. The motion was seconded by Commissioner Smith. A roll call vote was taken. 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>
Evelyn Jack	Schools	18 years 11 months	April 1, 2021
Judith Lewis	Schools	5 years 4 months	April 1, 2021
Brenda Osborne	Schools	14 years 7 months	April 1, 2021
Marcia Seymour	Schools	33 years 9 months	April 1, 2021
Terry Walton	Schools	20 years 5 months	April 1, 2021

A motion was made by Ms. Samar 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. Mullinax. A roll call vote was taken. All members present voted in favor. The motion passed unanimously.

IN RE: REPORT OF EXECUTIVE DIRECTOR

- **Budget FY22** – Ms. Schroeder presented the proposed budget for FY 2022. The major account changes were reviewed and discussed with the Board.

A motion was made by Commissioner Jay to approve the FY 2022 proposed budget with the following modification: line item 530700 Communications and IT Related budget will remain at \$55,480 instead of being increased to \$202,480. The motion was seconded by Mr. Mullinax. A roll call vote was taken. 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.

Commissioner Smith inquired about the Federated rate, and Mr. Lehman provided information about the Federated Hermes Obligation Fund as well as the new reporting system that provides two measures: an absolute return rate and the relative ranking of the fund within its respective universe. Commissioner Smith inquired about changes in fund balance. Mr. Cross

responded that the specific fund asked about is used for cash within the portfolio, but probably represented movement of money not loss.

IN RE: REPORT OF LEGAL COUNSEL

Mr. Owings had no report.

Mr. Mason had no report.

IN RE: REPORT OF ACTUARY

Mr. Cross presented the valuation update for the defined benefit plans, Closed DB, Teacher's, UOPP and Disability Plans, including assets, liabilities and actuarially determined contribution as of January 1, 2021 for each Plan, as shown in the attached presentation. The four valuation reports will be provided, and the Board will be asked to accept them and approve the FY 2022 contributions to those Plans at the April meeting.

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 MAR 2021 (Legal Invoices are approved for the previous Months Expense)	Fiscal 21 YTD Approved Invoices 02/28/2021	MAR Invoices For Approval	Fiscal 21 YTD Approved Invoices 03/31/2021	FY 21 Budget vs. Actual 3/31/2021
BENXL Invoice #		\$0.00		Budget \$50,000.00
TOTAL BENXL	\$0.00	\$0.00	\$0.00	Expenses \$0.00 Remaining Budget \$50,000.00
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #		\$0.00		\$2,000.00 Rec'd from Particip \$1,000.00
TOTAL KENNERLY, MONTGOMERY & FINLEY, P.C.	\$1,000.00	\$0.00	\$1,000.00	Expenses \$1,000.00 Remaining Budget \$2,000.00
Owings, Wilson & Coleman Invoice # Invoice # Invoice # 9942M Knox County vs. Etters *** TOTAL OWINGS, WILSON & COLEMAN		\$0.00 \$0.00 \$906.75 \$906.75		Budget \$52,000.00 Expense -\$88,791.65 Remaining Budget -\$36,791.65
USI CONSULTING GROUP Invoice # Invoice # 90049204 TOTAL USI CONSULTING GROUP		\$0.00 \$31,728.75 \$31,728.75		Budget \$475,000.00 Expense -\$366,310.47 Remaining Budget \$108,689.53
Invoices for MAR 2021	\$423,466.62	\$32,635.60	\$456,102.12	
*** Retainer not included in approved billings for the Board			Fiscal 21 YTD	
Owings, Wilson & Coleman Retainer	\$4,000 per month		\$36,000.00	
Kennerly Montgomery Retainer	\$12,000 per month		\$108,000.00	
USI Quarterly Fee for DB Advisory Services	\$37,000 per quarter		\$111,000.00	
Fees Received from QDRO* Participants	\$500 (DC Fee) \$2,000 (DB Fee)		\$1,000.00 \$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 Commissioner Busler that the Board authorize the payment indicated above to be paid from the designated Retirement Plans. The motion was seconded by Ms. Samar. A roll call vote was taken. All members present voted in favor. The motion passed unanimously.

ADJOURNMENT

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

Chris Caldwell – Approved at Electronic Meeting held on 04/26/2021

MAYOR GLENN JACOBS, CHAIRMAN
BY PROXY, CHRIS CALDWELL

Randy Smith – Approved at Electronic Meeting held on 04/26/2021

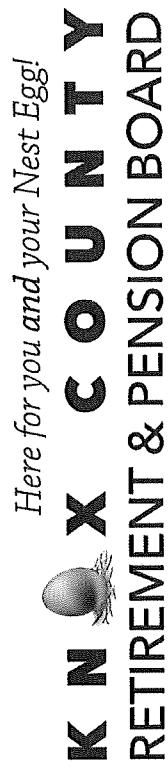
COMMISSIONER RANDY SMITH, SECRETARY

Attachments:

- 1.) USI Valuation Update
 - a. PowerPoint Overview Presentation
 - b. 3 Plan PDFs



Knox County Retirement & Pension Board



Valuation Updates

March 2021



KNOX COUNTY RETIREMENT & PENSION BOARD

Defined Benefit Plans

- Actuarial Projections

CONTRIBUTION AMOUNTS AND FUNDED STATUS



CONSULTING GROUP

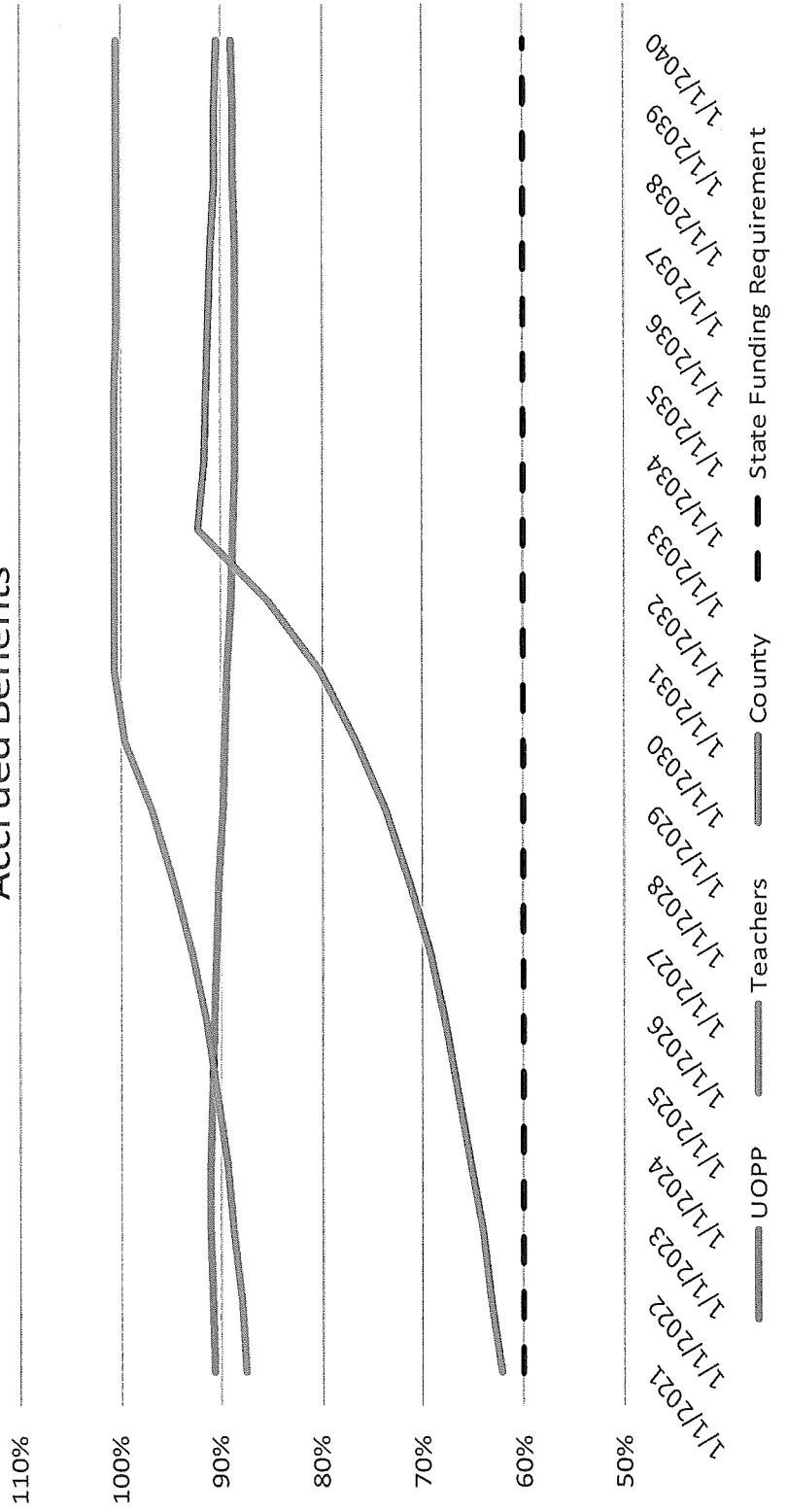
2021 Assets, Liabilities & Contribution Requirements (Defined Benefit and Disability Only)	County (Closed)	Board of Education (Closed)	UOPP (Closed)	Disability (Open)
	1/1/2021	1/1/2021	1/1/2021	1/1/2021
Present Value of Future Benefits	\$66,406,851	\$61,226,557	\$298,164,009	\$5,146,905
Market Value of Assets	\$42,299,819	\$53,510,614	\$213,008,456	\$1,989,782
Accrued Liability	\$64,801,388	\$61,226,577	\$250,709,116	N/A
Funded Percent of Accrued Liability	65.3%	87.4%	85.0%	N/A
Expected Employee Contributions	\$57,976	\$0	\$1,295,106	N/A
County Fiscal Year Recommended Contribution				
Current Year	\$3,220,457	\$1,200,000	\$7,480,882	\$528,630
Prior Year	\$3,533,514	\$1,200,000	\$7,355,887	\$556,125
Net Pension (OPEB) Liability*	\$24,525,000	\$8,066,000	\$70,267,000	\$1,783,000
GASB Funding Ratio*	62.1%	86.6%	75.4%	49.7%
GASB Expense				
Current Year**	\$1,968,000	(\$409,000)	\$12,085,000	\$1,130,000
Prior Year	\$3,956,454	\$2,030,464	\$17,300,939	\$1,420,374

* Estimated



FUNDED PERCENT OF ACCRUED LIABILITY

Market Value of Assets as a Percentage of the Present Value of Accrued Benefits



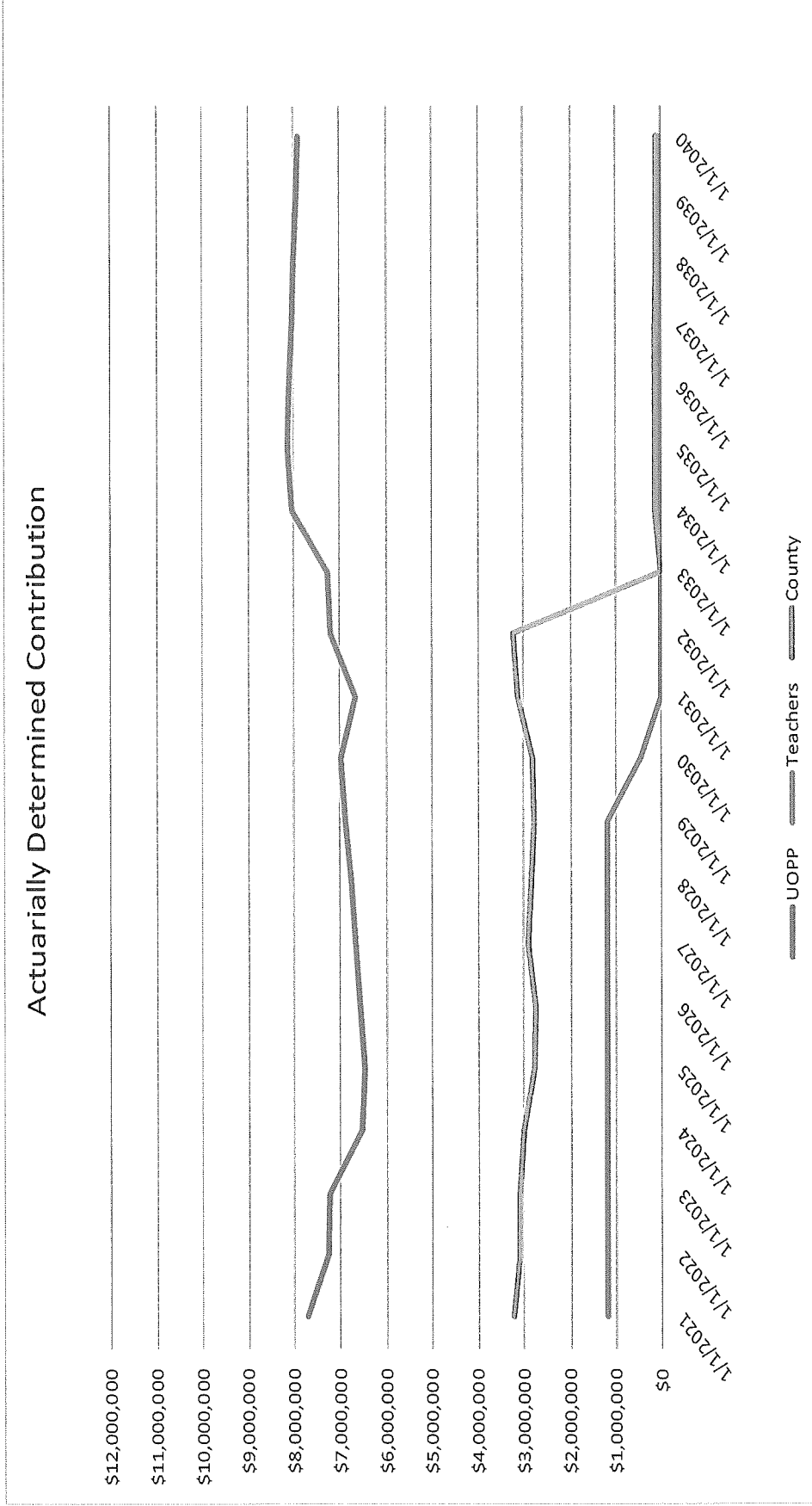
Variations in Funding Levels are attributable to amortization schedules, retirements and demographic events

Projections are based on starting asset value as of 1/1/2021.

Please refer to the 1/1/2021 actuarial valuation reports for a summary of plan provisions, assumptions, and ASOP 51 risk disclosure. These projections assume that experience will meet assumptions.



ACTUARIALY DETERMINED CONTRIBUTION (FUNDING)



Variations in Funding Levels are attributable to amortization schedules, retirements and demographic events

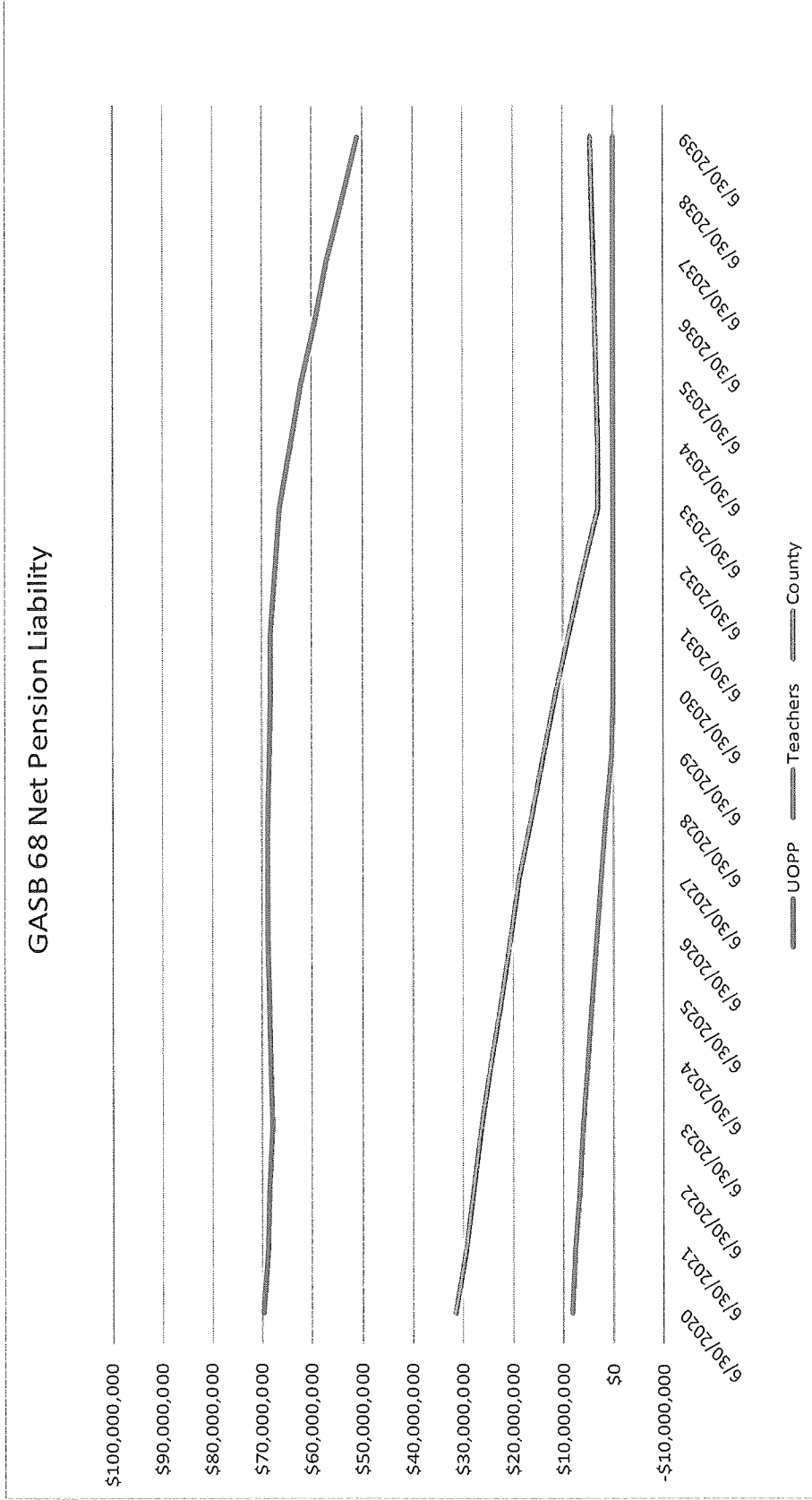
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NET PLAN LIABILITY (ACCOUNTING)



CONSULTING GROUP



GASB liabilities decline dramatically which is very significant from an accounting perspective.

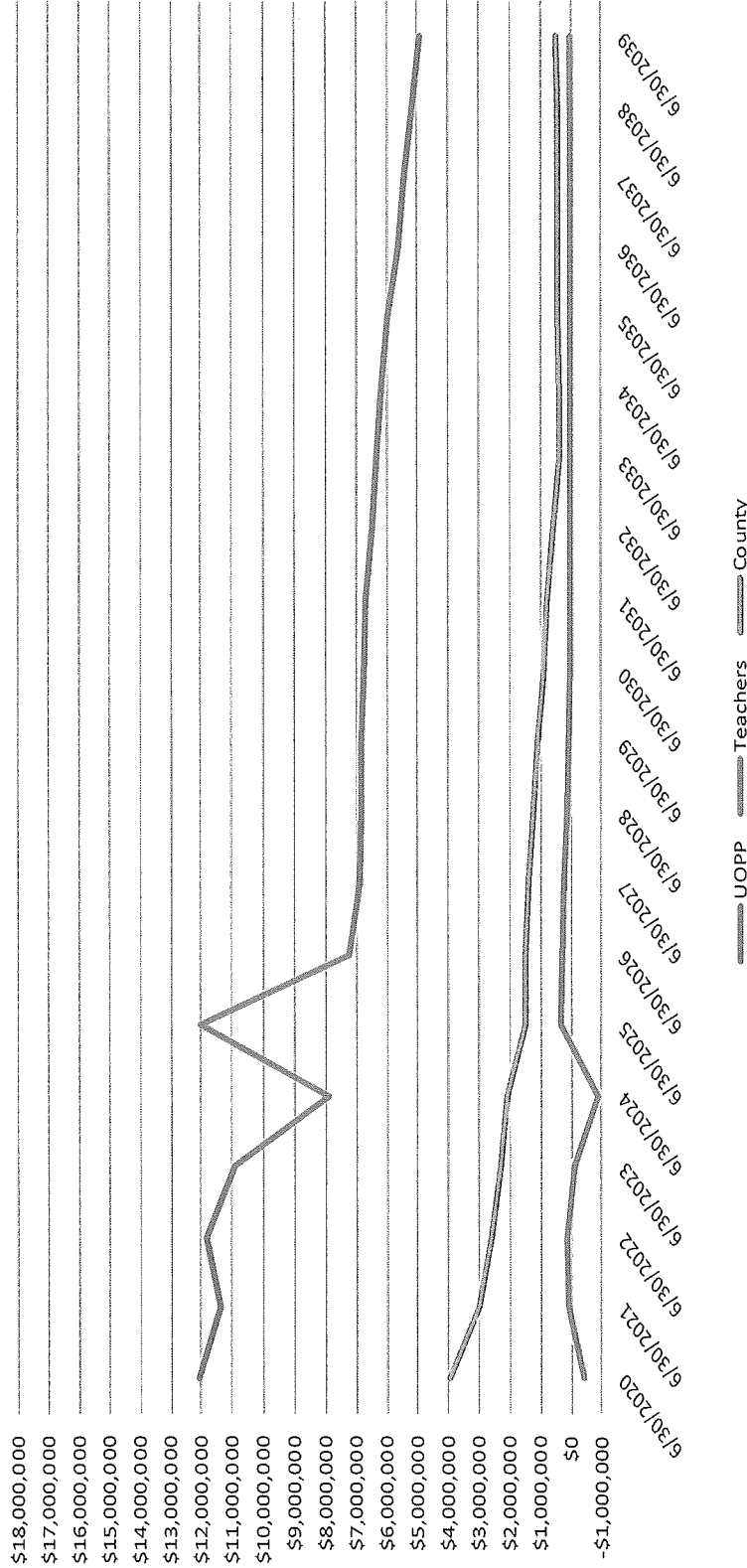
Projections are based on starting asset value as of 1/1/2021.

The 6/30/2021 GASB reports have not yet been completed. Please refer to the 1/1/2021 actuarial valuation reports for a summary of plan provisions, assumptions. These projections assume that experience will meet assumptions.

GASB 68 EXPENSE (ACCOUNTING)



GASB 68 Expense



The volatility in the plan's expenses are due to demographics and projections of participants retirements and mortality. GASB expense numbers continue to decline significantly over time, absent future experience losses or plan benefit and/or assumption changes.

Projections are based on starting asset value as of 1/1/2021.

The 6/30/2021 GASB reports have not yet been completed. Please refer to the 1/1/2021 actuarial valuation reports for a summary of plan provisions, assumptions. These projections assume that experience will meet assumptions.