

KNOX COUNTY RETIREMENT AND PENSION BOARD

March 27, 2023

The Knox County Retirement and Pension Board met in regular session on Monday, March 27, 2023, at 3:00 P.M. in Room 640, City-County Building, Knoxville, Tennessee.

The following members were present: Commissioner Larsen Jay, Vice Chairman, Commissioner Richie Beeler, Secretary, Commissioner Kyle Ward, Commissioner Terry Hill, Mr. Chris Simons, Mr. Zac Fullerton, Mr. Jim Snowden and Mr. Matthew Schlosshan. Chairman Chris Caldwell, Proxy for Mayor Jacobs, was absent.

Also present at the meeting were:

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

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

Retirement Staff: Ms. Jennifer Schroeder, Ms. Savannah Russell, Ms. Nyla Breshears, Mr. Zack Cole and Ms. Terri Chase

Others in Attendance: Mr. Kerry Williams, candidate for City Mayor

IN RE: CALL TO ORDER

Commissioner Jay presided and called the meeting to order.

IN RE: SWEARING IN OF NEW BOARD MEMBERS

Legal counsel, Ms. Stephanie Coleman, swore in the following new Board members: Mr. Zac Fullerton and Mr. Matthew Schlosshan.

IN RE: CHAIRMAN APPOINTMENT OF COMMITTEES

Commissioner Jay announced Mr. Caldwell's committee appointments as follows:

- **Disability Committee:** Commissioner Larsen Jay, Chairman of Disability Committee, Commissioner Terry Hill, Mr. Zac Fullerton, Mr. Matthew Schlosshan and Mr. Chris Simons.
- **Document Committee:** Mr. Jim Snowden, Chairman of Document Committee, Mr. Chris Caldwell, Commissioner Kyle Ward, Mr. Zac Fullerton and Mr. Matthew Schlosshan
- **Investment and Actuarial Committee:** Mr. Chris Simons, Chairman of Investment Committee, Mr. Chris Caldwell, Commissioner Larsen Jay, Commissioner Richie Beeler, and Mr. Jim Snowden.

IN RE: AMENDMENTS TO AGENDA

Commissioner Jay reported that there were amendments to the agenda.

IN RE: APPROVAL OF MINUTES OF FEBRUARY 21, 2023

Commissioner Jay presented the minutes for the board meeting held on February 21, 2023. Commissioner Ward made a motion to approve the minutes for February 21, 2023, as written. The motion was seconded by Commissioner Beeler. 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>
Tammy Brummitt	UOPP	March 18, 2023

A motion was made by Commissioner Jay to approve the application for disability for Tammy Brummitt. The motion was seconded by Commissioner Ward. All members present voted in favor. The motion passed unanimously.

IN RE: APPLICATION FOR RETIREMENT – DEFINED BENEFIT PLAN, LUMP SUM DISTRIBUTION AND AUTHORIZATION OF CREDITED SERVICE BENEFIT BASED ON COMPLETED YEARS OF SERVICE

The following applications for retirement, the lump sum benefit, and the credited service benefit based upon completed years of credited service at the date of retirement, as provided in the Defined Benefit Plan, were presented for consideration:

<u>NAME</u>	<u>DEPARTMENT</u>	<u>CREDITED SERVICE</u>	<u>EFFECTIVE DATE</u>
Ollie Thomason	Juv Svcs	40 years 8 months	April 1, 2023

A motion was made by Commissioner Ward to approve the applications for retirement under the Defined Benefit 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 and lump sum benefit. The motion was seconded by Mr. Snowden. 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>
Sunday Cummings	Schools	18 years 8 months	April 1, 2023
Glenda Emmert	Schools	28 years 3 months	April 1, 2023
David Fleischmann	Schools	15 years 3 months	April 1, 2023
Jill Howell	Schools	15 years 6 months	April 1, 2023
Gary Jones	PropAss	10 years 6 months	April 1, 2023
Peggy Kane	CoClk	14 years 7 months	April 1, 2023
Paul Kirk	Schools	17 years 5 months	April 1, 2023
Teresa Parsons	Schools	12 years 4 months	April 1, 2023
Dollie Porter	Schools	35 years 8 months	April 1, 2023
Tammy Styles	Schools	24 years 3 months	April 1, 2023
Donna Woods	Schools	12 years 0 months	April 1, 2023

A motion was made by Commissioner Ward 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. Simons. All members present voted in favor. The motion passed unanimously.

IN RE: APPLICATIONS FOR RETIREMENT – UNIFORMED OFFICERS PENSION PLAN

The following applications for retirement, as provided in the Uniformed Officers Pension Plan, were presented for consideration:

<u>NAME</u>	<u>DEPARTMENT</u>	<u>CREDITED SERVICE</u>	<u>EFFECTIVE DATE</u>
Chris Moore	Sheriff	29 years 4 months	April 1, 2023
Terry Morrison	Sheriff	25 years 0 months	April 1, 2023
Thomas Buhl	Sheriff	25 years 0 months	April 1, 2023

A motion was made by Commissioner Ward to approve the application for retirement under the Uniformed Officers Pension Plan as presented and to authorize Trustee, State Street Bank, to make payment of the monthly benefits. The motion was seconded by Commissioner Hill. All members present voted in favor. The motion passed unanimously.

IN RE: REPORT OF EXECUTIVE DIRECTOR

- **Update on Schools Communication for Classified Employees in the Asset Plan** – Ms. Schroeder stated that the finalized communication pieces were sent to current classified employees in the Asset plan. All current Schools employees in the Asset plan were required to make an irrevocable election to either stay in the Asset plan or move to TCRS before January 31, 2023. 175 elected to transfer to TCRS out of approximately 1,800 forms received. Elections will be effective July 1, 2023.
- **Valuation Update** – Ms. Schroeder reported that the valuations are nearing completion. USI will present at the April Board meeting. This presentation will contain a snapshot of the plans along with demographics, calculations, and projections in accordance with assumptions made.
- **National Conference of Public Employee Retirement System (NCPERS)** – Ms. Schroeder reported on the annual conference that would take place on May 20th through May 24th.
- **Document Committee meeting to be scheduled in April regarding Appeal of Prior Military Service in UOPP** – Ms. Schroeder scheduled with the members of the Document Committee a meeting to hear the 3 appeals for credit for prior military service. The meeting was scheduled for May 16, 2023 at 1:30.
- **Correction of Retirement Plan – Brett Foster, Knox County Schools** – Ms. Schroeder reported on the correction process of Brett Foster. As noted in the attached *Error and Correction Summary*, Ms. Foster was a previous employee at Loudon County Schools and retained a position with TCRS retirement benefits. When she transferred to Knox County Schools in February 2012, she continued in TCRS even though she was not in an eligible position for that plan. TCRS conducted an audit that resulted in the finding of Ms. Foster’s erroneous enrollment in TCRS which required her transfer to the

Asset Plan and a correction for her missed deferral opportunity in the Asset Plan, 457 Plan, and MERP. In accordance with the applicable IRS correction procedure and the Board's consistent past practice, the correction, taking account of Schools' and Ms. Foster's TCRS contributions, would result in Schools contributing approximately \$21,000 to the Plans, plus earnings to be determined at the time of the corrective contribution.

- **Staffing Update** – Ms. Schroeder reported that the Retirement office will be hiring.

IN RE: REPORT OF INVESTMENT COMMITTEE

- **Monthly Rates of Return** – Mr. Simons 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

Ms. Coleman reported on the Allianz class action lawsuit. The claims period is open until May 8, 2023 and then the calculations period will proceed.

Ms. Trotto reviewed what constitutes a conflict of interest. In addition to acting prudently, diligently, and without discrimination, Board members must act impartially, including avoiding conflicts of interest. Conflicts are governed by state law and the Knox County Code of Ethics. She stated the general rule that if a Board member has a personal interest that affects or that would lead a reasonable person to believe could affect your vote on a matter, Board members must disclose such personal interest and consider recusing themselves from discussion or vote on the matter. Board members must disclose to the Executive Director or Counsel and should do so as soon as possible. Board members are, by definition, participants in the Plans and may therefore act on generally applicable plan questions or procedural matters. However, conflicts may arise when the Board is asked to act for a specific employee or on a specific matter.

IN RE: REPORT OF ACTUARY

Mr. Cross reported on the attached UOPP funding policy. A motion was made by Commissioner Ward to approve the UOPP funding policy, as amended. The motion was seconded by Mr. Snowden. All members present voted in favor. The motion passed unanimously.

Mr. Cross reported on the annual due diligence meeting to be scheduled in September 2023.

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 March 2023 For FY 23 (Legal Invoices are approved for the previous Months Expense)	Fiscal 23 YTD Approved Invoices 2/28/2023	Invoices For Approval	Fiscal 23 YTD Approved 3/31/2023	FY 23 Budget vs. Actual 3/31/2023
BENXL Invoice #				Budget \$50,000.00
				Expenses -\$12,000.00
TOTAL BENXL	\$12,000.00	\$0.00	\$12,000.00	Remaining Budget \$38,000.00
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #				QDRO* \$2,000.00
				Rec'd from Participle \$4,000.00
TOTAL KENNERLY, MONTGOMERY & FINLEY, P.C.	\$1,600.00	\$0.00	\$1,600.00	Expenses \$1,600.00
				Remaining Budget -\$3,600.00
Owings, Wilson & Coleman Invoice # 9993M Invoice # 9942M Invoice #		\$1,501.68 \$1,837.50 \$0.00		Budget \$125,000.00
*** TOTAL OWINGS, WILSON & COLEMAN	\$52,594.10	\$3,339.18	\$55,933.28	Expense -\$55,933.28
				Remaining Budget \$69,066.72
USI CONSULTING GROUP Invoice # 90078699 Invoice # Invoice #		\$612.75 \$0.00 \$0.00		Budget \$475,000.00
TOTAL USI CONSULTING GROUP	\$208,823.00	\$612.75	\$209,435.75	Expense -\$209,435.75
				Remaining Budget \$265,564.25
Invoices for March 2023 For FY 23	\$275,017.10	\$3,951.93	\$278,969.03	

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

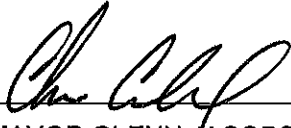
		<u>Fiscal 22 YTD</u>
Owings, Wilson & Coleman Retainer	\$4,000 per month	\$36,000.00
Kennerly Montgomery Retainer	\$12,000 per month	\$108,000.00
USI Quarterly Fee for DB Advisory Services	\$37,000 per quarter	\$111,000.00
Fees Received from QDRO* Participants	\$500 (DC Fee)	\$0.00
	\$2,000 (DB & UOPP Fee)	\$4,000.00

*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 Ward that the Board authorize the payment indicated above to be paid from the designated Retirement Plans. The motion was seconded by Mr. Snowden. All members present voted in favor. The motion passed unanimously.

ADJOURNMENT

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



MAYOR GLENN JACOBS, CHAIRMAN
BY PROXY, CHRIS CALDWELL



COMMISSIONER RICHIE BEELER, SECRETARY

1. UOPP Funding Policy

Knox County Employee Benefit System Knox County Uniformed Officers Pension Plan Funding Policy

Purpose and Scope

This document establishes the principal elements and parameters of an actuarial Funding Policy for the Uniformed Officers Pension Plan ("UOPP" Plan) within the Knox County Employee Benefit System ("System"). To accommodate that need for reasonable flexibility and yet also provide substantive guidance, the Funding Policy outlines various policy elements, structures, and parameters. The Knox County Pension & Retirement Board ("Retirement Board") shall utilize the Funding Policy for purposes of requesting the actuarial computation of the funding deposit to be made by Knox County ("County") to the UOPP Plan.

While the selection of actuarial assumptions is an essential part of the actuarial process for the UOPP Plan, the selection of actuarial assumptions is outside the scope of the Funding Policy statement.

General Policy Objectives

1. The principal goal of the Funding Policy is to assure that future County and employee contributions and current Plan assets should be sufficient to provide for all benefits expected to be paid to current active, inactive, and retired members, and their beneficiaries. Contributions should include the cost of current service plus a series of amortization payments or credits to fully fund or recognize any unfunded or overfunded past service costs.
2. The Retirement Board shall request the County annually to contribute at least the minimum actuarially determined contribution, calculated in accordance with the standards of practice established by the Actuarial Standards Board of the American Academy of Actuaries.
3. The Funding Policy seeks a reasonable allocation of the cost benefits and the required funding to the years of service. This includes the goal that annual contributions should, to the extent reasonably possible, maintain a close relationship to the expected and actual cost of each year of service.
4. The Funding Policy seeks to manage and control future County contribution volatility to the extent reasonably possible, consistent with other goals.
5. The Funding Policy supports the public policy objectives of accountability and transparency.
6. The actuarial methodology provides that projected revenues and current assets will finance the projected benefits calculated in accordance with standards of practice by the Actuarial Standards Board of the American Academy of Actuaries.
7. The Actuary for the Plan shall be able and qualified, a Member of the American Academy of Actuaries, not an employee of Knox County and shall not be eligible to participate in Knox County's Uniformed Officers Pension Plan or any other of Knox County retirement plans.

Principal Elements of the Funding Policy

1. An **actuarial cost method**, which allocates the total present value of future benefits to each year (Normal Cost) as well as determining the liability of all past years (Actuarial Accrued Liability "AAL).
2. An **asset smoothing method**, which reduces the effect of short-term market volatility while still tracking the overall movement of the market value of plan assets.
3. An **amortization policy**, which determines the length of time and the structure of the increase or decrease in County contributions required to systematically fund the Unfunded Actuarial Accrued Liability or ("UAAL) and any gains or losses impacting the UAAL.

Actuarial Cost Method

1. Each participant's benefits should be funded under a reasonable allocation method by the expected retirement date, assuming all assumptions are true.
2. Pay-related benefit costs should reflect anticipated pay at the anticipated decrement.
3. The expected cost of each year of service (generally known as the normal cost or service cost) for each active member should be reasonably related to the expected cost of that member's benefit.
4. The normal cost should emerge as a level percentage of member compensation.
5. No gains or losses should occur if all assumptions are met, except for investment gains and losses deferred under an asset smoothing method.
6. The cost method should allow for a comparison between plan assets and the accumulated value of past normal costs for current participants, the AAL.

The actuarial cost method utilized for the UOPP Plan will be Individual Entry Age Normal cost method.

Asset Smoothing Method

1. The Funding Policy should specify all components of the asset smoothing method.
 - a. Amount of return subject to deferred recognition (smoothing)
 - b. The smoothing period
 - c. The range constraints on smoothed value ("market value corridor) if any
 - d. The method of recognizing deferred amounts: fixed or rolling smoothing periods.

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Funding Policy

2. The asset smoothing method should be unbiased relative to market.
 - a. The same smoothing periods should be used for gains and losses.
 - b. Any "market value corridors" should be symmetrical around market value.
3. The asset smoothing method should not be selectively reset at market value only when market value is greater than actuarial value.
4. The policy parameters should reflect empirical experience from historical market volatility.

The asset smoothing method utilized for the UOPP Plan shall be that investment gains or losses will be recognized over five (5) years, providing that the actuarial value of assets shall not be greater than 120% of market value, nor less than 80% of market value.

Amortization Policy

1. Variations in contribution requirements from funding the normal cost will generally arise from gains or losses, method or assumptions changes, or benefit changes and will emerge as a UAAL.
2. The amortization policy should reflect explicit consideration of these different sources of change in the UAAL:
 - a. Experience gains and losses
 - b. Changes in assumptions and methods
 - c. Benefit or plan changes
3. The amortization policy should support the general policy of objectives of accountability and transparency. This leads to a preference for:
 - a. Amortization policies that reflect a history of the sources and treatment of UAAL
 - b. Amortization policies that provide for a full amortization date for UAAL

The amortization policy for the UOPP Plan shall be that the UAAL, as of January 1, 2021 shall be amortized over a closed period of 30 years. The Level Dollar Amortization Method for Unfunded Accrued Liabilities shall continue to be utilized for any Plan Year and fiscal year beginning on or after January 1, 2019.

Actuarial Experience Study

An actuarial experience study shall be conducted at least every five (5) years and will review the most recent experience of no less than five (5) years.

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Funding Policy

Assumptions adopted by the Retirement Board should be established based on experience and future expectations as the result of an extensive actuarial experience study. As determined necessary, assumptions may also be evaluated on an interim basis. Effective January 1, 2023, changes in the UAAL occurring because of modifications in actuarial assumptions as a result of the Experience Study will be amortized over three years beginning with the Fiscal Year next following completion of the Experience Study.

Demographic assumptions to be established include, but are not limited to, the following:

1. Turnover pattern
2. Pre-retirement mortality, including an assumption as to expected improvement in life expectancy for Plan Years and fiscal years beginning after June 15, 2024
3. Pattern of retirement
4. Pattern of disability
5. Post-retirement mortality, including an assumption as to expected improvement in life expectancy for Plan Years and fiscal years beginning after June 15, 2024

Economic assumptions to be established include, but are not limited to, the following:

1. Investment earnings (net of investment expenses) and not to exceed the rate adopted by the Tennessee Consolidated Retirement System (the "TCRS") by more than 50 basis points.
2. Salary

Economic assumptions shall include an underlying assumption for inflation.

Effective Date

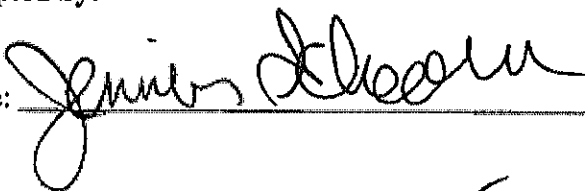
The Funding Policy shall be effective for the Plan Year beginning January 1, 2021 and the County's fiscal year beginning July 1, 2021.

Amendment

The Retirement Board shall have the sole responsibility for establishing and modifying the Funding Policy for the UOPP Plan.

Adopted this 27 day of March, 2023

Accepted by:

Name: 

Title: Executive Director