

**KNOX COUNTY RETIREMENT AND PENSION BOARD**

**August 28, 2023**

The Knox County Retirement and Pension Board met in regular session on Monday, August 28, 2023, at 3:00 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 Terry Hill, Commissioner Kyle Ward, Mr. Chris Simons, Mr. Zac Fullerton, Mr. Jim Snowden and Mr. Matthew Schlosshan. Commissioner Richie Beeler 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. Sarah Jarrard

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

**IN RE: CALL TO ORDER**

Chairman Caldwell presided and called the meeting to order.

**IN RE: AMENDMENTS TO AGENDA**

Chairman Caldwell reported that there were amendments to the agenda.

**IN RE: APPROVAL OF MINUTES OF JULY 24, 2023**

Chairman Caldwell presented the minutes for the board meeting held on July 24, 2023. Mr. Simons made a motion to approve the minutes for July 24, 2023, as written. The motion was seconded by Commissioner Jay. 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:

<b><u>NAME</u></b>	<b><u>DEPARTMENT</u></b>	<b><u>CREDITED SERVICE</u></b>	<b><u>EFFECTIVE DATE</u></b>
Gene McKissic	Schools	34 years 11 months	September 1, 2023

A motion was made by Commissioner Jay 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. Simons. 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>
Susan Cade	CommSvcs	11 years 3 months	09.01.2023
Martha Farris	Schools	25 years 0 months	09.01.2023
Steven Grant	Schools	16 years 3 months	09.01.2023
Lisa Harmon	Schools	33 years 0 months	09.01.2023
Traci Long	PropA	22 years 0 months	09.01.2023
Denver Loope	JuvSvcs	22 years 2 months	09.01.2023
Mary Ownby	Schools	7 years 1 month	09.01.2023
Jenny Pfeffer	Health	12 years 5 months	09.01.2023
John Troyer	Finance	11 years 1 month	09.01.2023

A motion was made by Mr. Snowden 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>
Julian Evans	Sheriff	29 years 8 months	September 1, 2023

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

**IN RE: REPORT OF EXECUTIVE DIRECTOR**

- **Fiduciary Insurance Renewal** – Ms. Schroeder reported the fiduciary insurance renewal premium increased by \$182. It is pending legal review. A motion was made by Commissioner Hill to approve the Fiduciary Insurance Renewal, conditioned on final legal approval. The motion was seconded by Commissioner Jay. The motion passed.
- **Disability Committee Meeting, September 26, 2023 at 1:30pm** – Ms. Schroeder informed the Board that Reed group will attend the meeting and present about their progress and the merger with Alight.
- **Prior Military Service Appeal Letters** – Ms. Schroeder stated that she sent the appeal determination letters to the three officers that appealed prior military service. They are still within their 60-day window if they choose to take legal action. Ms. Schroeder received confirmation that each officer received the letter.

- **10 Year Summary of Distributions, Retirees, Disabilities and Deaths** – The Board was given the summary attachment. Ms. Schroeder summarized the attachment, which showed distributions, deaths, and retirements over a 10-year period. Ms. Schroeder noted distributions peak toward the end of the year. Retirees peak in July, largely due to School's employees retiring at the end of the school year. The attachment shows years 2012-2022.
- **Upcoming Plan Amendment** – Ms. Schroeder reminded the Board that a Document Committee meeting will be held in September. The meeting will cover Secure 2.0 and any other required amendments. The amendments will be effective January 1, 2024. The Committee is also planning to amend STAR to change the vesting from 10 to 5 years and add the 457 match.
- **New Office Furniture** – The Retirement office had furniture removed August 24 and the new furniture will be delivered starting August 30. The retirement staff will be working remotely until delivery. Ms. Schroeder and selected staff will be in the office as the week progresses.

**IN RE: REPORT OF INVESTMENT COMMITTEE**

- **Investment Committee Recommendation** – USI recommended continuing with the T. Rowe Target Date Funds. A motion was made by Mr. Simons to approve the Investment Committee's recommendation to follow USI's recommendation and continue using the T. Rowe Price Target Date Funds. The motion was seconded by Commissioner Ward. The motion passed.

The Investment Committee discussed expenses that were allocated to the Disability Plan and the forfeitures from the defined contribution plan that were used to offset those expenses. The auditors decided the forfeitures cannot be used that way moving forward. USI proposed to change the expense allocation, where an additional contribution (expense load) will be made by the County to the Disability Plan. The County has agreed to the change. Considering this is an accounting fix, the result will not increase costs for the Board or the County. A motion was made by Mr. Simons to approve the Investment Committee's recommendation to change the expense allocation and revise the Disability Plan valuation which will include an additional County contribution of \$900,000 (expense load) to offset expenses. The motion was seconded by Commissioner Ward. The motion passed.

The Investment Committee concluded that an alternating 10-year cycle would be the best practice for formal review of retirement plan service providers, starting with the DC plans in 2023 and effective July 2024. A motion was made by Mr. Simons to approve the Investment Committee's recommendation for the preparation of an RFQ for DC plan services in 2023 and the preparation of an ongoing policy for formal review of plan service providers, including the Board's opportunity to adjust terms and its delegation of authority over the RFQ process to the Executive Director, the Investment Committee, and an RFQ Review Committee. The motion was seconded by Commissioner Ward. The motion passed.

Ms. Schroeder stated that she would work with County Procurement to draft and publish an RFP allowing qualified vendors to submit proposals for third party administrative services to the Board's DC plans (Asset, STAR, 457 and MERP). The provider will be asked to consolidate the 457 plans.

Commissioner Jay asked if the Committee is prepared to move on the proposed timeline. Ms. Schroeder responded that she has spoken with purchasing to provide them with a draft RFP. Prework has been done in preparation for the process. The timeline can shift, but Ms. Schroeder anticipates starting the process by January 31, 2024. Chairman Caldwell's appointed members of the RFP committee as follows: Jennifer Schroeder, Retirement Office, Zack Webb, County Representative, Allison Rogers, KSO Representative, Joe Snyder, KCS Representative and Richie Beeler, Retirement Board.

Commissioner Terry Hill asked if the proposed plan eliminated employee decision regarding how investments are made. Chairman Caldwell clarifies that employee decisions are not being eliminated, instead, there will be one 457 plan provider compared to having multiple outside 457 providers. Ms. Schroeder adds the advantage point to employees with having one provider is having all retirement under one, allowing for a smooth transition into retirement.

- **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**

- **Owings, Wilson, & Coleman**– Ms. Jarrad updated the Board on the UOPP lawsuit appeal. The legal team submitted a brief to the court of appeals in May. The plaintiffs decided not to file a response, and the Court decided there will be no oral argument on the appeal. They are currently waiting for the decision on the appeal, based solely on our brief. Commissioner Jay asked for an update regarding the Allianz Settlement. Ms. Jarrad stated the paperwork has been submitted and accepted for the settlement. They are projecting the end of the year for payouts; no award has been determined.
- **Kennerly, Montgomery** – Ms. Trotto received notice of the IRS delaying a few provisions of Secure Act. Ms. Trotto stated the IRS issued their 2023 priority guidelines, which included a few Secure Act mentions.

#### **IN RE: REPORT OF ACTUARY**

- **Due Diligence Meeting, September 19, 2023 at Ruth Chris**– Mr. Cross reported several Investment Managers will be present at the 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 AUG 2023 For FY 24 (Legal Invoices are approved for the previous Months Expense)	Fiscal 24 YTD Approved 7/31/2023	Invoices For Approval	Fiscal 24 YTD Approved 8/31/2023	FY 24 Budget vs. Actual 8/31/2023
BENXL Invoice #				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		QDRO* \$2,000.00
Invoice #		\$0.00		Rec'd from Participant \$0.00
TOTAL KENNERLY, MONTGOMERY & FINLEY, P.C.	\$0.00	\$0.00	\$0.00	Expenses \$0.00 \$2,000.00
Owings, Wilson & Coleman Invoice # 9993M Rathbone Invoice # 9942M Elters Invoice #		\$275.00 \$2,975.54 \$0.00		Budget \$125,000.00
*** TOTAL OWINGS, WILSON & COLEMAN	\$3,600.26	\$3,250.54	\$6,850.80	Expense -\$6,850.80 Remaining Budget \$118,149.20
USI CONSULTING GROUP Invoice # 90085160 Invoice # 90085161 Invoice #		\$13,876.50 \$3,250.00 \$0.00		Budget \$475,000.00
TOTAL USI CONSULTING GROUP	\$0.00	\$17,126.50	\$17,126.50	Expense -\$17,126.50 Remaining Budget \$457,873.50
Invoices for AUG 2023 For FY 24	\$3,600.26	\$20,377.04	\$23,977.30	

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

		Fiscal 24 YTD
Owings, Wilson & Coleman Retainer	\$4,000 per month	\$8,000.00
Kennerly Montgomery Retainer	\$12,000 per month	\$24,000.00
USI Quarterly Fee for DB Advisory Services	\$37,000 per quarter	\$0.00
Fees Received from QDRO* Participants	\$500 (DC Fee)	\$0.00
	\$2,000 (DB & UOPP Fee)	\$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 Jay that the Board authorize the payment indicated above to be paid from the designated Retirement Plans. The motion was seconded by Commissioner Ward. All members present voted in favor. The motion passed unanimously.

**IN RE: PUBLIC COMMENT**

There was no public comment.

**IN RE: OTHER BUSINESS**

Mr. Schlosshan informed the Board that he investigated a complaint against Mr. Evans, a UOPP retiree on the agenda, and he was given the option to retire.

Mr. Schlosshan asked for clarification from the Board. Mr. Schlosshan was questioned by employees whether their pensionable 43 vacation days were up for discussion. Mr. Mason clarified the 43 vacation days were included in a range of alternatives previously discussed during the UOPP Compensation discussion but was not chosen. The pensionable vacation days were not affected by the amendment and are not currently being disputed. Ms. Schroeder added that discussion is documented in

previous Board minutes. Ms. Schroeder also notified the Board that a communication piece has been finalized and will be sent regarding the amendment for UOPP.

**Investment Committee  
Summary and Recommendations**

**Expense Allocation:**

Ms. Schroeder reminded the Committee that all expenses incurred by the Board in the administration of the retirement System were paid from plan assets. In the past, a large portion of System expenses were allocated to the Disability Plan and forfeitures from the defined contribution plans were used to offset those expenses. The auditors have determined that forfeitures can no longer be used in this way. As a result, USI has proposed a change to the expense allocation methodology whereby an additional contribution will be made by the County to the Disability Plan to offset its expense allocation. This change in methodology will increase the ADC for the Disability Plan and will appear as a new "expense load" component to the annual valuation. Ms. Schroeder confirmed that the County has agreed to the proposed change, noting that this is an accounting fix that will not result in an actual cost increase for the Board or the County.

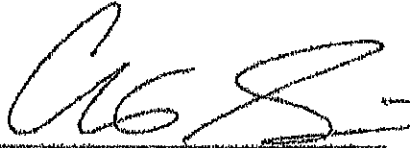
**Target Date Funds:**

USI conducted its annual Target Date Analysis and shared results with the Committee. USI recommended continuing with the T. Rowe Price Target Date Funds.

**RFQ:**

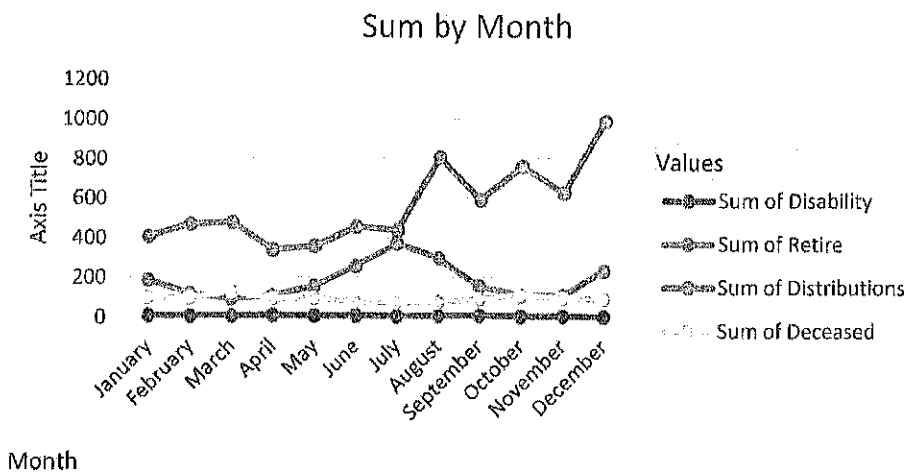
Ms. Schroeder reported on best practices for formal review of retirement plan service providers and recommended that such review occur for the DB and DC plans on alternating 10-year cycles, starting with the DC plans in 2023.

**Recommendation:** The Investment Committee recommends that the Board consider and approve: (1) the change in the System's expense allocation methodology, as described above; (2) the revised Disability Plan valuation which includes an additional \$900,000 County contribution ("expense load") to offset expenses; (3) USI's recommendation to continue utilizing the T. Rowe Price Target Date Funds; (4) the preparation of an RFQ for DC plan services in 2023; and (5) the preparation of an ongoing policy for formal review of plan service providers, including the Board's opportunity to adjust terms and its delegation of authority over the RFQ process to the Executive Director, the Investment Committee, and an RFQ Review Committee.

  
8/16/23  
Chris Simons, Chairman

Month	Sum of Disability	Sum of Retire	Sum of Distributions	Sum of Deceased
January	9	189	409	102
February	5	120	469	96
March	5	94	478	131
April	10	109	339	91
May	6	157	357	96
June	8	258	455	79
July	5	373	437	74
August	8	299	806	78
September	10	157	590	93
October	5	110	760	114
November	6	111	626	97
December	3	235	989	95

Sum of Disability Sum of Retire Sum of Distributions Sum of Deceased





### RFP Summary

If the Board approves the Investment Committee's recommendation, the Executive Director will publish with County Procurement an RFP inviting qualified providers to submit proposals for the provision of third-party administrative services, including investment advice, to the Board's DC plans (Asset, STAR, 457, and MERP), starting July 1, 2024.

The RFP will seek to identify a partner who can provide comprehensive administrative services while maintaining open, timely, and consistent communication with the Board and Executive Director in an environment that employs disciplined, efficient, and controlled routines. USI, the current provider, will be eligible to propose.

Subject to required Board action, the selected provider will also be asked to assist in the consolidation of the 457 plans. Participants would be permitted to keep funds invested with outside providers, but new contributions would be made to the Board's single 457 plan.

**ADJOURNMENT**

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



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MAYOR GLENN JACOBS, CHAIRMAN  
BY PROXY, CHRIS CALDWELL



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COMMISSIONER RICHIE BEELER, SECRETARY

Attachments:

1. Investment Committee Recommendation
2. 10 Year Summary of Distributions, Retirees, Disabilities, and Deaths
3. RFP Summary