

**KNOX COUNTY RETIREMENT AND PENSION BOARD**

**February 26, 2024**

The Knox County Retirement and Pension Board met in regular session on Monday, February 26, 2024, 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 Richie Beeler, Secretary, Commissioner Terry Hill, Commissioner Kyle Ward, Mr. Zac Fullerton, Mr. Matthew Schlosshan, Mr. Jim Snowden and Mr. Chris Simons.

Also present at the meeting were:

USI Consulting Group: Mr. Bob Cross, Brett Bronkhorst, Mr. Ralph Lehman and Ms. Jennifer Reynolds

Legal Counsel: Ms. Ashley Trotto and Ms. Sarah Jarrard

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

KCSO: Ms. Allison Rogers

**IN RE: CALL TO ORDER**

Chairman Caldwell presided and called the meeting to order.

**IN RE: AMENDMENTS TO AGENDA**

Chairman Caldwell reported there were no amendments to the agenda.

**IN RE: APPROVAL OF MINUTES OF January 26, 2024**

Chairman Caldwell presented the minutes for the board meeting held on January 26, 2024. Commissioner Ward made a motion to approve the minutes for January 26, 2024, as written. 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:

<b><u>NAME</u></b>	<b><u>DEPARTMENT</u></b>	<b><u>CREDITED SERVICE</u></b>		<b><u>EFFECTIVE DATE</u></b>
Annabel Henley	Health	9 years	1 month	March 1, 2024
Dwight Hundley	Schools	36 years	6 months	March 1, 2024
Steven Johnson	Schools	26 years	6 months	March 1, 2024
Mark Messel	Schools	18 years	5 months	March 1, 2024
Robert Morgan	CoComm	5 years	5 months	March 1, 2024
Gary Nitzband	PBA	7 years	6 months	March 1, 2024
Valuri Reid	Schools	11 years	6 months	March 1, 2024

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>
Julie Yates	Sheriff	26 years 2 months	March 1, 2024

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 Mr. Snowden. All members present voted in favor. The motion passed unanimously.

**IN RE: REPORT OF THE DOCUMENT COMMITTEE FEBRUARY 9, 2024**

Mr. Snowden summarized the Document Committee meeting to the Board. There were two amendments to discuss. The first item discussed was the addition of a new department: the Office of Housing Stability. The Office of Housing Stability is jointly established through Knoxville and Knox County. Two County employees are currently under the department. The System document would need to be amended to allow the employees to participate in the County's retirement plans. The Document Committee recommends the Board amend the System document, effective for payrolls on or after January 1, 2024, to include employees of the Office of Housing Stability in the definition of Employee and to clarify that an employee of a joint office who is covered by any other retirement plan is not eligible for County retirement. A motion was made by Mr. Snowden to accept the Document Committee's recommendation, as summarized in the attached Document Committee Summary and Recommendations. The motion was seconded by Commissioner Ward. The motion passed.

The Document Committee also discussed amending STAR to align the retirement age to that of the Asset plan. Currently, the STAR retirement age is 57 with 10 years of service. Amending STAR would change the retirement age to 55 with 5 years of service. The normal retirement age in the Asset plan is 65 with 5 years of service, with early retirement age being 55 with 5 years of service. The Document Committee made a recommendation to adjust the STAR Normal retirement age from 57 and 10 years of service to 55 and 5 years of service. A motion was made by Mr. Snowden to accept the Document Committee's recommendation, as summarized in the attached Document Committee Summary and Recommendation. The motion was seconded by Commissioner Beeler. The motion passed. Commissioner Ward asked about the financial impact. Mr. Cross clarified there would be no financial impact since STAR is a defined contribution plan. Ms. Schroeder further explained an employee contributes to their own retirement plan and is entitled to their balance, the date on which they receive those funds will not affect that balance.

The Document Committee also discussed pensionable overtime. Mr. Snowden stated the Committee was unable to come to a consensus about the inclusion/exclusion of overtime in the definition of Compensation across the retirement plans. The Document Committee recommended that the full Board consider alternatives. As background, Ms. Schroeder explained that once the STAR 457 match was added, a payroll error occurred whereby employees' base pay and overtime were treated as pensionable. However, the plan document states that overtime is excluded from the definition of Compensation for STAR and UOPP participants both in STAR and UOPP and for purposes of the 457 Plan. Overtime is included in Compensation for Asset plan participants, both in the Asset Plan and for purposes of the 457 Plan. An option discussed in the Document Committee was making overtime non-pensionable in the Asset plan. Alternatively, if overtime was included in the definition of Compensation for STAR participants, there would be a cost to the County. Ms. Schroeder stated she would like to get the input of the offices affected, including the Sheriff. In response to questions from the Board, Ms. Trotto stated that no Board action is needed if the Board chooses to correct the error moving forward without plan amendment. She explained the time considerations for determining whether to amend the plans or to correct the error without amendment. After further discussion, Ms. Schroeder proposed the Board allow her 60 days to meet with the Sheriff and schedule a follow-up meeting with the Board for further discussion. A motion was made by Commissioner Beeler to convene a Board workshop within 60 days to revisit the issue. The motion was seconded by Commissioner Hill. The motion passed.

#### **IN RE: REPORT OF EXECUTIVE DIRECTOR**

- **New Enrollments for 457 and MERP** – A total of 29 officers have enrolled into MERP since the first of the year, along with 45 officers participating in the 457 plan.
- **State Street Data Breach** – One Knox County retiree was affected. State Street should be reaching out to the retiree to get them the information needed.
- **RFQ Update** – USI Consulting Group has won the bid. They will be in negotiations with the contract, which will take affect July 1, 2024.
- **457 Vendor Notification**– The current outside 457 plan vendors include Nationwide and the Knoxville Teachers Federal Credit Union (KTFCU). Ms. Shroeder reminded the Board of its determination, as part of the RFQ process, that it would no longer permit outside 457 plan vendors, effective July 1, 2024. Nationwide has a 120-day notification period to terminate its contracts. KTFCU has a shorter notice period, but for efficiency, termination notices will be sent simultaneously. Ms. Schroeder asked the Board for approval so the notifications can be sent to meet the July deadline. A motion was made by Commissioner Jay to allow the Retirement office to send the required termination notifications. The motion was seconded by Commissioner Ward. The motion passed. In response to Board member questions, Ms. Schroeder stated that employees will no longer be able to contribute to Nationwide or KTCFU, however, they are allowed to keep their money in their Nationwide or KTCFU accounts. Employees can choose to contribute to the Knox County 457 Plan.

- **Valuation**– All reports have been sent to USI and the actuaries are assessing the details. Mr. Cross stated the numbers and reports will be presented at the March Board meeting.
- **IN RE: REPORT OF INVESTMENT COMMITTEE**
- **Summary of meeting held on February 13, 2024** – Mr. Simons presented the proposed changes from USI. These changes included various allocation changes for the closed DB and Teacher's plans, along with UOPP. Additionally, USI proposed the replacement of Schwab Bank Savings with Schwab Treasury Oblig. Money Ultra in the Disability Plan, adoption of amended restated Investment Policy Statements for the Closed DB and Teacher's plan to incorporate the proposed allocation changes, and adoption of an amended restated Investment Policy Statement for STAR to reflect the Board's recent action to subject the 2% supplemental contribution to participant direction. The Investment Committee recommended that the Board approve the changes proposed by USI, as summarized in the attached Investment Committee Summary and Recommendations. Mr. Simons made a motion to approve the Investment Committee's recommendation, as drafted. The motion was seconded by Commissioner Ward. The motion passed.
- **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** – There was no report.
- **Kennerly, Montgomery** – There was no report.

**IN RE: REPORT OF ACTUARY**

There was no report.

**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 FEB 2024 For FY 24 (Legal Invoices are approved for the previous Months Expense)	Fiscal 24 YTD Approved 0131/2024	Invoices For Approval	Fiscal 24 YTD Approved 2/29/2024	FY 24 Budget vs. Actual 2/29/2024
BENXL				Budget \$50,000.00
Invoice #				Expenses -\$19,200.00
<b>TOTAL BENXL</b>	\$19,200.00	\$0.00	\$19,200.00	Remaining Budget \$30,800.00
KENNERLY, MONTGOMERY & FINLEY, P.C.				QDRO* \$2,000.00
Invoice # 234606		\$500.00		Rec'd from Participan -\$2,500.00
Invoice #		\$0.00		Expenses \$1,800.00
<b>TOTAL KENNERLY, MONTGOMERY &amp; FINLEY, P.C.</b>	\$1,300.00	\$500.00	\$1,800.00	\$2,700.00
Owings, Wilson & Coleman				Budget \$125,000.00
Invoice # 9993M Rathbone		\$1,516.25		
Invoice # 9021M Ragon		\$4,860.63		
Invoice # 9942M Etters		\$1,350.00		
Invoice # 9012M Stachey				
Invoice # 9011M Kitts				Expense -\$41,250.34
<b>*** TOTAL OWINGS, WILSON &amp; COLEMAN</b>	\$33,523.46	\$7,726.88	\$41,250.34	Remaining Budget \$83,749.66
USI CONSULTING GROUP				Budget \$475,000.00
Invoice # 90092713		\$3,250.00		Expense -\$199,839.00
Invoice # 90092712		\$56,250.00		
Invoice #		\$0.00		
<b>TOTAL USI CONSULTING GROUP</b>	\$140,339.00	\$59,500.00	\$199,839.00	Remaining Budget \$275,161.00
<b>Invoices for FEB 2024 For FY 24</b>	<b>\$194,362.46</b>	<b>\$67,726.88</b>	<b>\$262,089.34</b>	
<b>*** Retainer not included in approved billings for the Board</b>			<b>Fiscal 24 YTD</b>	
Owings, Wilson & Coleman Retainer	\$4,000 per month		\$32,000.00	
Kennerly Montgomery Retainer	\$12,000 per month		\$96,000.00	
USI Quarterly Fee for DB Advisory Services	\$37,000 per quarter		\$74,000.00	
Fees Received from QDRO* Participants	\$500 (DC Fee)		-\$500.00	
	\$2,000 (DB & UOPP Fee)		-\$2,000.00	
*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 Commissioner Beeler. All members present voted in favor. The motion passed unanimously.

**IN RE: PUBLIC COMMENT**

There was no public comment.

**ADJOURNMENT**

Chairman Caldwell asked if there was a motion to adjourn. Commissioner Ward made a motion to adjourn, which was seconded by Chairman Caldwell, 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

1. Document Committee Summary and Recommendations
2. Investment Committee Summary and Recommendations

**Document Committee  
Summary and Recommendations**

**Office of Housing Stability:**

In September 2023, the City of Knoxville and Knox County jointly established the Knoxville-Knox County Office of Housing Stability. Two County employees have now transferred to that new office. Like other joint County-City organizations (e.g., PBA & MPC), to continue those employees' Retirement System coverage, we recommend the definition of "Employee" in System be amended: (i) to specifically include the Office of Housing Stability, effective for payrolls on and after January 1, 2024; and (ii) to clarify that an employee of a joint office who is covered by any other retirement plan (such as the City Pension) is not eligible for County retirement.

**STAR Retirement Age:**

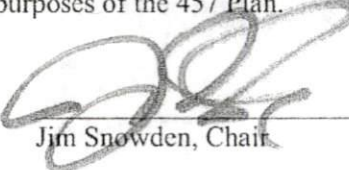
Last year, the Board amended STAR to align its vesting schedule with the Asset Plan, providing for five-year graded vesting. To further align the plans, the Executive Director has recommended amending STAR to provide for Normal Retirement Age to be the later of age 55 and 5 years of service rather than the later of age 57 and 10 years of service. The Normal Retirement Age for the Asset Plan is 5 years and age 65, with the Early Retirement Age set at age 55 with 5 years of service.

**Overtime:**

Overtime is excluded from the definition of Compensation in both STAR and UOPP and in the 457 Plan for STAR and UOPP Participants. Overtime is included in the definition of Compensation for the Asset Plan and 457 Plan for Asset Plan and Closed DB Plan Participants. The 457 Plan has been erroneously administered to include overtime for STAR and UOPP Participants, including for the 457 Plan matching contribution for STAR Participants, effective January 1, 2024. The Committee discussed options for correction of the error, including (1) correcting the error in accordance with IRS procedures without a change to the definition of Compensation for any plan; (2) amending the 457 Plan to include overtime in the definition of Compensation for UOPP and STAR Participants; and (3) amending the System to exclude overtime from the definition of Compensation for the Asset Plan and 457 Plan such that overtime would be excluded for all plans.

**Recommendations:** The Document Committee recommends that the Board take the following actions:

1. Authorize preparation of an amendment to the System to (a) include employees of the Knoxville-Knox County Office for Housing Stability in the definition of "Employee" for purposes of Plan participation, effective for payrolls on and after January 1, 2024; and (b) to clarify that an employee of a joint office who is covered by any other retirement plan is not eligible for County retirement; and
2. Authorize preparation of an amendment to STAR to adjust the Normal Retirement Age from age 57 and 10 years of service to age 55 and 5 years of service, effective on and after January 1, 2024; and
3. Consider alternatives for treatment of overtime for purposes of the 457 Plan.

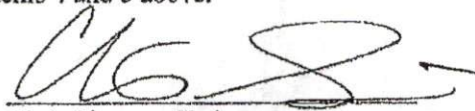
  
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Jim Snowden, Chair

**Investment Committee  
Summary and Recommendations**

USI proposed the following changes:

1. Various allocation changes, including addition of four (4) new funds, for the Closed DB and Teacher's Plan as described in the attached *Knox County Closed Defined Benefit Plan & Teacher's Plan Recommended Allocations*.
  - a. This recommendation is made pursuant to the Board's action in November 2023 approving a revised investment strategy and accompanying reduction in the assumed rate of return for both plans to 5%.
2. Various allocation changes for UOPP as described in the attached *Knox County Officer's Pension Plan Recommended Allocation Changes*.
3. Replacement of Schwab Bank Savings with Schwab Treasury Oblig. Money Ultra in the Disability Plan.
4. Adoption of amended and restated Investment Policy Statements for the Closed DB and Teacher's Plan to incorporate the allocation changes described above.
5. Adoption of an amended and restated Investment Policy Statement for STAR to reflect the Board's recent action to subject the 2% Supplemental Contribution to Participant direction.

**Recommendation:** The Investment Committee recommends that the Board consider and approve: (1) the allocation changes for the Closed DB and Teacher's Plans described in item 1 above; (2) the allocation changes for UOPP described in item 2 above; (3) the fund change for the Disability Plan described in item 3 above; (4) the amended and restated Investment Policy Statements for the Closed DB Plan, Teacher's Plan, and STAR as described in items 4 and 5 above.



Chris Simons, Chairman