

KNOX COUNTY RETIREMENT AND PENSION BOARD

March 25, 2024

The Knox County Retirement and Pension Board met in regular session on Monday, March 25, 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. Jim Snowden and Mr. Chris Simons. Mr. Matthew Schlosshan was absent.

Also present at the meeting were:

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

Legal Counsel: Ms. Ashley Trotto, Mr. Bill Mason and Ms. Sarah Jarrard

Retirement Staff: Ms. Jennifer Schroeder, Ms. Nyla Breshears, Ms. Terri Chase, Mr. Zack Cole, Ms. Savannah Russell 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 there were no amendments to the agenda.

IN RE: APPROVAL OF MINUTES OF February 26, 2024

Chairman Caldwell presented the minutes for the board meeting held on February 26, 2024. Commissioner Jay made a motion to approve the minutes for February 26, 2024, as written. The motion was seconded by Commissioner Ward. 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>
Barby Jordan	Schools	10 years	5 months	April 1, 2024
Debra Lane	Health	9 years	1 month	April 1, 2024
James Reca	CommSvcs	26 years	2 months	April 1, 2024
Roger Schaeffer	EPW	18 years	10 months	April 1, 2024
Patrice Staley	JuvSvcs	13 years	5 months	April 1, 2024
Mary Woods	Schools	20 years	8 months	April 1, 2024

A motion was made by Commissioner Hill 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 Commissioner Beeler. 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>
Heather Reyda	Sheriff	30 years 6 months	April 1, 2024
Ronald Gibson	Sheriff	25 years 0 months	April 1, 2024

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

IN RE: REPORT OF EXECUTIVE DIRECTOR

- **RFQ Update** – The RFQ contract is under legal review. Ms. Schroeder anticipates having legal edits by the end of the week.
- **Prior Military Service Update - UOPP** – The deadline for prior military service credit is April 1, 2024. There are currently four applications. After the deadline, a file will be sent to the actuaries to calculate the cost for the service.
- **457 Plan Update** – Termination notices were given to Nationwide and the Knoxville Teachers Federal Credit Union. Both notices have been acknowledged. Letters were sent to participants in those plans detailing the option to switch to the Knox County 457 plan. If no response is received, participants will automatically be enrolled into the Knox County 457 plan beginning July 1, 2024, to ensure no employer match is missed.
- **Overtime Discussion**– Ms. Schroeder explained the definition of compensation, according to the plan documents. The Asset plan and closed DB plan include overtime in the definition of compensation. STAR and UOPP exclude overtime in the definition of compensation. The 457 Plan includes overtime in the Asset and Closed DB plan, however, it excludes STAR and UOPP. An error occurred once STAR participants became eligible for a 457 match. Officers' overtime has been included in compensation when running payroll. As of March 1, 2024, this error has resulted in \$188 in additional matching contributions. Correction of this error is needed to align with the plan document. Ms. Schroeder presented the Board with three options to resolve the error. The options include correcting the error by administratively abiding by the plan document, making overtime non-pensionable for Asset participants, or making overtime pensionable to STAR participants.
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Closed DB plan, however, it excludes STAR and UOPP. An error was discovered once STAR participants became eligible for a 457 match. Officers' overtime has been included in compensation when running payroll. As of March 1, 2024, this error has resulted in \$188 in additional matching contributions. Correction of this error is needed to align with the plan document. Ms. Schroeder presented the Board with three options to resolve the error. The options include correcting the error by conforming administration to plan terms, making overtime non-pensionable for Asset participants, or making overtime pensionable for STAR participants. Ms. Schroeder reviewed the alternatives in detail, including cost and other considerations, as described in the attached Overtime Discussion presentation.

Mr. Simons asked Ms. Schroeder what percentage of employees contributed to the 457 plan. Ms. Schroeder responded that about 25% of Asset employees contribute, while STAR participation is estimated to be around 10-15%. STAR participation is currently lower because participants only became eligible to receive a match at the beginning of the 2024 year. Mr. Fullerton commented that it is challenging to treat all plans the same and noted there will be some plans that will always be treated differently. He prefers conforming administration to plan terms. Mr. Snowden agreed with Mr. Fullerton and preferred to keep overtime pensionable for Asset employees. Commissioner Beeler also expressed his interest in the first option.

After further discussion, Mr. Snowden made a motion to correct the error by conforming administration to the current plan terms (option 1). The motion was seconded by Mr. Fullerton. All members present voted. The motion passed unanimously.

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

- **Owings, Wilson, & Coleman** – Ms. Jarrad reported the Rathbone vs Pension and Retirement Board matter has been resolved. There is no cost to the Board. Commissioner Jay asked for an update on the Class Action and Eters lawsuits. Ms. Jarrad reported there has been no change in the Class Action suit and provided a brief status update on the Eters case.
- **Kennerly, Montgomery** – There was no report.

IN RE: REPORT OF ACTUARY

- **Summary of Valuation Reports** – Mr. Cross presented a summary of the Valuation Report which is attached hereto. The full report will be available at the April Board 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 2024 For FY 24 (Legal Invoices are approved for the previous Months Expense)	Fiscal 24 YTD Approved 2/29/2024	Invoices For Approval	Fiscal 24 YTD Approved 3/31/2024	FY 24 Budget vs. Actual 3/31/2024
BENXL Invoice #				Budget \$50,000.00
TOTAL BENXL	\$19,200.00	\$0.00	\$19,200.00	Expenses -\$19,200.00 Remaining Budget \$30,800.00
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice # 234606 Invoice #		\$0.00 \$0.00		QDRO* \$2,000.00 Rec'd from Participant -\$2,500.00 Expenses \$1,800.00
TOTAL KENNERLY, MONTGOMERY & FINLEY, P.C.	\$1,800.00	\$0.00	\$1,800.00	\$2,700.00
Owings, Wilson & Coleman Invoice # 9993M Rathbone Invoice # 9021M Ragon Invoice # 9942M Etters Invoice # 9012M Stachey Invoice # 9011M Kitts *** TOTAL OWINGS, WILSON & COLEMAN		\$3,138.75 \$750.00 \$450.00 \$0.00 \$0.00		Budget \$125,000.00 Expense -\$45,589.09 Remaining Budget \$79,410.91
USI CONSULTING GROUP Invoice # 90093223 Invoice # Invoice #		\$15,804.25 \$0.00 \$0.00		Budget \$475,000.00 Expense -\$215,643.25 Remaining Budget \$259,356.75
TOTAL USI CONSULTING GROUP	\$199,839.00	\$15,804.25	\$215,643.25	
Invoices for MAR 2024 For FY 24	\$262,089.34	\$20,143.00	\$282,232.34	

*** Retainer not included in approved billings for the Board	Fiscal 24 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 \$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 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.

ADJOURNMENT

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



MAYOR GLENN JACOBS, CHAIRMAN
BY PROXY, CHRIS CALDWELL



COMMISSIONER RICHIE BEELER, SECRETARY

1. Overtime Presentation
2. Summary of Valuation Reports

CONTRIBUTION AMOUNTS AND FUNDED STATUS

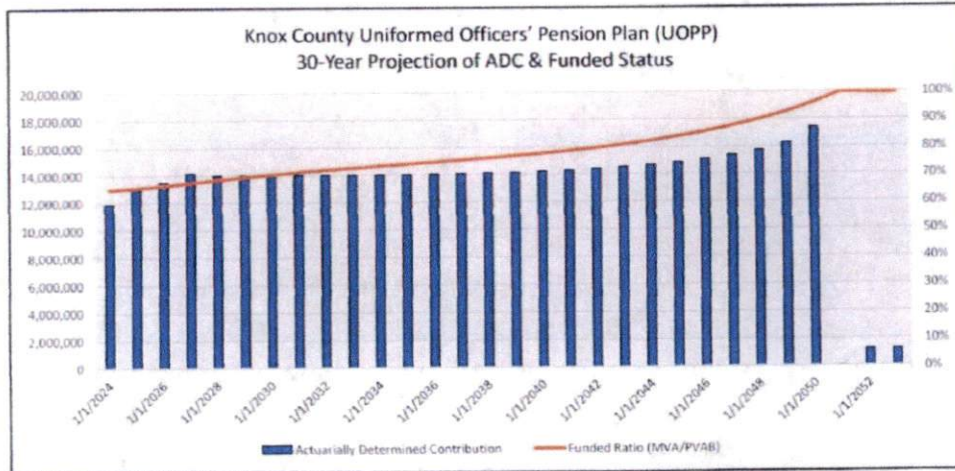
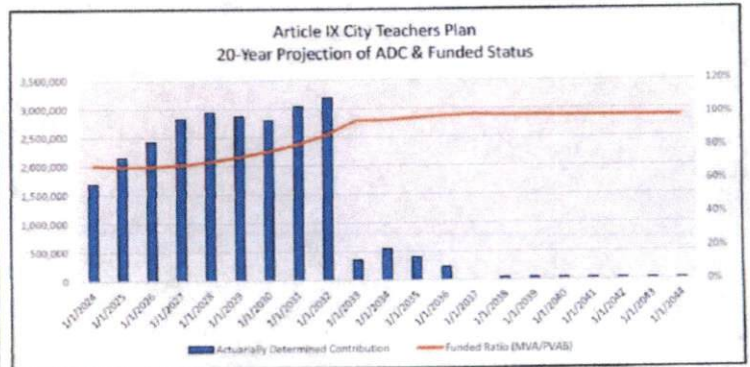
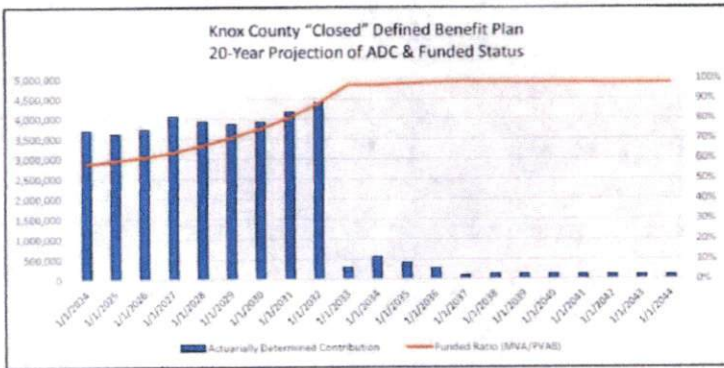


	Knox County "Closed" Defined Benefit Plan	Article IX City Teachers Plan	Knox County Uniformed Officers' Pension Plan (UOPP)
	1/1/2024	1/1/2024	1/1/2024
Present Value of Future Benefits	\$63,656,629	\$60,966,765	\$390,126,302
Market Value of Assets	\$35,361,838	\$41,862,347	\$220,253,173
Accrued Liability	\$61,602,408	\$60,966,765	\$339,424,663
Expected Employee Contributions	\$47,657	\$0	\$1,189,864
Actuarially Determined Contribution	\$3,678,145 (\$3,326,825)	\$1,686,109 (\$1,500,000)	\$11,866,543 (\$10,191,187)
Discount Rate	5.50% (6.50%)	5.50% (6.75%)	7.00% (7.00%)
Salary Increase	2.50%	N/A	3.00%

- Prior year values are showing in blue.
- Actuarially Determined Contributions are calculated in accordance with each plan's funding policy.
- Please refer to the to-be-issued 1/1/2024 actuarial valuation reports for full documentation of assumptions, provisions, required disclosures and compliance with ASOPs.

The information contained herein is presented solely for the use of the Plan sponsor, is not intended to be referenced by any third party for any purpose and should not be used for any other purpose.

FUNDING PROJECTIONS



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FUNDING PROJECTIONS



Key Actuarial Methods & Assumptions for Projections

- Liabilities are valued using the valuation assumptions for each plan, as disclosed in the to-be issued January 1, 2024 actuarial valuation reports.
- Experience is assumed to exactly meet assumptions.
- Assets are assumed to return 5.50% per year during the projection period for the Knox County "Closed" Defined Benefit Plan and the Article IX City Teacher's Plan and 7.00% per year during the projection period for the Knox County Uniformed Officers' Pension Plan.
- Assets are projected starting with the 1/1/2024 MVA.
- Plan Expenses are assumed to be a percentage (varies depending on plan) of the beginning of year MVA.
- Contributions, benefit payments, and administrative expenses assume mid-year timing.
- Actuarially Determined Contributions are calculated in accordance with each plan's funding policy.

- *These projections are estimates only. Future measures may differ significantly from the information shown here. Future measurements will be based on actual market value of assets, which varies based on the underlying portfolio experience, as well as Plan Sponsor contributions, benefit payments, and expenses paid from Plan assets. Liability calculations will be produced in accordance with the current census data, as well as interest rates and mortality tables in effect at the time.*