

KNOX COUNTY RETIREMENT AND PENSION BOARD

April 22, 2024

The Knox County Retirement and Pension Board met in regular session on Monday, April 22, 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 Richie Beeler, Secretary, Commissioner Terry Hill, Commissioner Kyle Ward, Mr. Zac Fullerton, Mr. Matthew Schlosshan and Mr. Chris Simons. Commissioner Larsen Jay, Vice Chairman and Mr. Jim Snowden were absent.

Also present at the meeting were:

USI Consulting Group: Mr. Bob Cross and Mr. Ralph Lehman

Legal Counsel: Mr. Bill Mason and Ms. Sarah Jarrard

Retirement Staff: Ms. Jennifer Schroeder, Ms. Nyla Breshears, 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 March 25, 2024

Chairman Caldwell presented the minutes for the Board meeting held on March 25, 2024. Commissioner Hill made a motion to approve the minutes for March 25, 2024, as written. The motion was seconded by Mr. Simons. 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>
Glenda McCain	Schools	37 years 1 Month	May 1, 2024

A motion was made by Commissioner Hill 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 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>
Kathy Dunn	Schools	9 years	1 month	May 1, 2024
Thomas Hall	Schools	17 years	5 months	May 1, 2024
Joyce Gralak	CommSvcs	19 years	6 months	May 1, 2024
Tracy Jones	EPW	22 years	4 months	May 1, 2024
Krisden Parrott	Schools	36 years	2 months	May 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>
Glenda Rickman	Sheriff	25 years	0 months	May 1, 2024
Michael McMahan	Sheriff	28 years	1 month	May 1, 2024

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

IN RE: REPORT OF EXECUTIVE DIRECTOR

- **Legal Services** – Both legal teams have requested increases in their respective monthly retainers. Mr. Mason and his firm requested a \$4,000 increase per month. Owings, Wilson, and Coleman have requested a \$1,000 increase per month. Ms. Schroder emailed each Board member an overview of each legal teams' services offered. Ms. Schroder stated she was able to discuss this with Commissioner Jay, prior to the meeting, and he introduced the idea of completing an RFQ for legal services, which had not previously been done by the Board. Ms. Schroder stated retainer rate increases have not taken place in over seven years. Commissioner Beeler brought up the concern of introducing a new firm, when these firms are familiar with the Knox County plans and plan history. Mr. Simons added it would be beneficial to explore bidding out legal services, since we also bid out other professional services. He noted it would allow the Board to get a better sense of rates and the market for legal service costs. Ms. Schroder clarified that it would be an RFQ without pricing. Mr. Fullerton inquired if bidding out legal services would allow the Board to consolidate into one legal service

provider. Ms. Schroeder confirmed it would. Mr. Simons made a motion to conduct an RFQ or RFP dependent on the Executive Director's determination of legal requirements. If it is an RFQ, it will be conducted with assistance from Procurement. The motion was seconded by Commissioner Hill. The motion passed.

Ms. Schroeder added during the previous RFQ, the County allowed the cost to be provided and sealed, for consideration after qualifications were determined. Chairman Caldwell added a committee would need to be formed for the RFQ process. For the committee, he named Zac Fullerton, Jennifer Hemmelgarn, Houston Havasy, and Randy Smith, with Ms. Schroeder.

- **FY 2025 Budget** – Each Board member received a copy of the budget. The increase in legal services was not included pending the results of the RFQ. A motion was made by Mr. Simons to accept the FY 2025 budget. The motion was seconded by Commissioner Beeler.
- **RFQ Update** – Ms. Schroeder is awaiting final approval from USI on the draft contract. It should be ready by the end of the week.
- **Prior Military Service Update - UOPP**– Five applicants applied. The actuaries have completed the calculation and the letters have been sent to the participants. Responses and payment are due by October 15, 2024.
- **Loan Policies**– The Loan Policy for the Asset Plan and STAR has been updated. Employees are now allowed to expedite their loan payback, as long as it is double or other multiple of the monthly loan payment amount. For a leave of absence or default, employees have now been instructed to call the Retirement Office instead of USI. Quarterly letters will be sent to any employee in default on their loan. A motion was made by Mr. Fullerton to accept the revised Loan Policies. The motion was seconded by Mr. Schlosshan. The motion passed.
- **Retirement Seminars**– A retirement seminar took place at the Health Department and the Retirement Office met with the dental groups. Ms. Schroeder is working to coordinate a seminar with Engineering and Public Works as well as Probate. There is also a scheduled seminar in the Small Assembly Room open to anyone in the County.

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** – There was no report.
- **Kennerly, Montgomery** Mr. Mason reminded the Board of the first and second reading at the May and June meetings regarding amendments to the System to include the Office of Housing Stability, to change the STAR normal retirement age, to remove references to the outside 457 providers, and ensuring the Disability Plan definition of Compensation is consistent for UOPP officers.

IN RE: REPORT OF ACTUARY

- **2023 Horizon Study Report** – A Horizon Study is now completed twice a year and one has been completed since the Board set the assumed rate of return for the Closed DB and Teachers Plans in November.
- **Assumed Rate of Return for Closed Defined Benefit Plan and Teachers Plan** – Based on the most recent Horizon Study, Mr. Cross recommended using a 5.5% assumed rate of return rather than a 5% rate for those two plans. A motion was made by Commissioner Hill to accept the 5.5% rate. The motion was seconded by Commissioner Beeler. The motion passed.
- **IN RE: REPORT OF ACTUARY**
 - **Knox County Board of Education Retirement Plan** – A motion was made by Mr. Simons to accept the actuarial valuation. The motion was seconded by Commissioner Hill. The motion passed.
 - **Knox County Closed Defined Benefit Plan** – A motion was made by Commissioner Beeler to accept the actuarial valuation. The motion was seconded by Mr. Simons. The motion passed.
 - **Knox County Closed Uniformed Officers Pension Plan** – A motion was made by Mr. Schlosshan to accept the actuarial valuation. The motion was seconded by Mr. Fullerton. The motion passed.
 - **Knox County Employee Disability Plan** – A motion was made by Commissioner Hill to accept the actuarial valuation. The motion was seconded by Mr. Schlosshan. The motion passed.

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 <small>(Legal Invoices are approved for the previous Months Expense)</small>	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
TOTAL KENNERLY, MONTGOMERY & FINLEY, P.C.	\$1,800.00	\$0.00	\$1,800.00	Expenses \$1,800.00 Remaining Budget \$2,700.00
Owings, Wilson & Coleman Invoice # 9993M Rathbone Invoice # 9021M Ragon Invoice # 9942M Eiters 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
USI CONSULTING GROUP Invoice # 90093223 Invoice # Invoice #		\$15,804.25 \$0.00 \$0.00		Expense -\$45,689.09 Remaining Budget \$79,410.91
TOTAL USI CONSULTING GROUP	\$199,839.00	\$15,804.25	\$215,643.25	Budget \$475,000.00 Expense -\$215,643.25 Remaining Budget \$259,356.75
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 Mr. Schlosshan 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 Hill made a motion to adjourn, which was seconded by Mr. Schlosshan, and the meeting was adjourned.



MAYOR GLENN JACOBS, CHAIRMAN
BY PROXY, CHRIS CALDWELL



COMMISSIONER RICHIE BEELER, SECRETARY

1. Assumed Rate of Return Recommendation

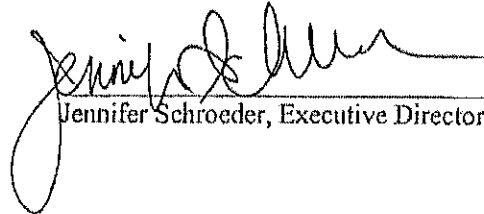
**Executive Director
Summary and Recommendation**

Assumed Rate of Return for the Closed Defined Benefit Plan and Teacher's Plan:

On behalf of USICG, Mr. Cross has recommended that the assumed rate of return for the Closed Defined Benefit and Teacher's Plans be increased from 5% to 5.5%. This increase is based on the results of the most recent Horizon Study, showing that the average expected return over the next ten (10) years for US Corporate Bonds is 4.93% (5.85% standard deviation) and for US Equity – Large Cap is 8.67% (16.64% standard deviation). The increase will not require a change to the current investment strategy for the plans.

Recommendations: The Executive Director recommends that the Board take the following actions:

1. Approve an increase in the Assumed Rate of Return for the Closed Defined Benefit Plan from 5% to 5.5% on recommendation of USICG.
2. Approve an increase in the Assumed Rate of Return for the Teacher's Plan from 5% to 5.5% on recommendation of USICG.



Jennifer Schroeder, Executive Director

Investment Committee Summary and Recommendations

In connection with the Board's recent RFQ, the Nationwide and Knoxville Teachers Federal Credit Union outside 457(b) plans were closed to new enrollments and additional contributions, effective July 1, 2024. Active contributors to those plans were notified and commencing July 1, 2024, all new contributions will be made to the KCRS 457(b) Plan. In discussions with the Executive Director, legal counsel, and USI, Nationwide provided alternatives for the account balances currently held with Nationwide. The Committee discussed the following options:

1. Transfer all accounts to the KCRS 457(b) Plan
 - a. Former employees can elect to roll over to Nationwide, KCRS 457(b) or other IRA
 - b. Current employees would be automatically transferred
 - c. Fixed Account balances would transfer in a single lump sum, subject to market value adjustment, reducing the Transamerica crediting rate or transfer in 60 monthly installments without market value adjustment
 - d. All ties to Nationwide would be cut
2. Freeze the Plan to future contributions
 - a. Participants with Nationwide accounts would be permitted to keep them
 - b. Board could decide to transfer remaining balances to the KCRS 457(b) Plan at any time in the future
 - c. Board would retain fiduciary obligation to monitor the Nationwide Plan and its investments

Recommendation: The Investment Committee recommends that the Board consider and approve the transfer of all accounts to the KCRS 457(b) Plan as described in option 1 above, with the market value adjustment to the Fixed Account being absorbed by Transamerica through adjustment of its future crediting rates.

Chairman

