

**KNOX COUNTY RETIREMENT BOARD**

**January 27, 2025**

The Knox County Retirement Board met in regular session on Monday, January 27, 2025, 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, Mr. Zac Fullerton, Secretary, Commissioner Terry Hill, Commissioner Shane Jackson, Commissioner Damon Rawls, Mr. Matthew Schlosshan, Mr. Jim Snowden and Mr. Chris Simons.

Also present at the meeting were:

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

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

Retirement Staff: Ms. Jennifer Schroeder, Ms. Terri Chase, Ms. Savannah Russell, Ms. Nyla Breshears, 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 there is an Amended Agenda.

**IN RE: APPROVAL OF MINUTES OF DECEMBER 16, 2024**

Chairman Caldwell presented the Minutes for the Board meeting held on December 16, 2024. Mr. Snowden made a motion to approve the Minutes for December 16, 2024, as written. The motion was seconded by Mr. Fullerton. 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>
William Brown	Schools	7 years	6 months	February 1, 2025
Miraquita Davis	Health	30 years	6 months	February 1, 2025
Cheri Dickey	Health	11 years	8 months	February 1, 2025
Dana Edington	Schools	5 years	5 months	February 1, 2025
Michael Gibson	Schools	12 years	10 months	February 1, 2025
Gregory Stacy	JuvSvcs	44 years	6 months	February 1, 2025
Kathy Wallace	JuvSvcs	18 years	8 months	February 1, 2025
Fredda Williams	CommSvcs	31 years	2 months	February 1, 2025
Joyce Whitehead	Schools	19 years	11 months	February 1, 2025

A motion was made by Mr. Schlosshan 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. Snowden. 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>
Glenn Hicks	Sheriff	26 years 4 months	February 1, 2025

A motion was made by Mr. Schlosshan to approve the applications for retirement under the Uniformed Officers Pension Plan as presented and to authorize the 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**

- **Approval of the 457 Loan Policy** – The 457 loans were previously approved by the Board, a written policy just needed to be set in place. The proposed 457 loan policy was included in the Board packet distributed to each Board member. A motion was made by Commissioner Rawls to approve the 457 loan policy, as drafted. The motion was seconded by Commissioner Jay and passed unanimously.
- **Update on the Cost of Living Increase** – The cost of living increases have been calculated and processed. An error did occur with the letters sent to participants due to a mail merging issue. Corrected letters have been sent.
- **Valuation Update**– All the required documentation has been sent to USI. Mr. Cross informed the Board the reports will be back no later than the March Board Meeting.
- **SPD Updates**– All SPD’s are being updated. In addition to incorporating recent plan amendments, “Pension” will be taken out of the Board’s title and the obsolete fax number will be removed. Once completed, the new SPDs will be uploaded to the Retirement website.

**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** – There was no report.

Commissioner Jay asked for an update on the latest UOPP lawsuit. Ms. Coleman summarized the lawsuit, reporting that a hearing on the Board’s motion to dismiss took place on January 6, 2025, where the

Chancellor asked the parties to provide additional documentation on the “failure to join necessary parties” issue. Ms. Coleman summarized that issue and reported that the next hearing has been scheduled for February 24, 2025.

**IN RE: REPORT OF ACTUARY**

Mr. Cross reported that USI has been retained to provide services to the Knox County Board of Education in connection with its 403(b) plan.

Mr. Bronkhorst summarized the recent events and market regarding AI. Commissioner Hill asked the significance of this information in relation to the Board. Mr. Bronkhorst further explained this may impact the Board with the investments that are currently held and how they are diversified.

**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 JAN 2025 For FY 25 (Legal Invoices are approved for the previous Months Expense)	Fiscal 25 YTD Approved 12/31/2024	Invoices For Approval	Fiscal 25 YTD Approved 1/1/2025	FY 25 Budget vs. Actual 1/1/2025
BENXL Invoice #				Budget \$50,000.00
<b>TOTAL BENXL</b>	<b>\$5,200.00</b>	<b>\$0.00</b>	<b>\$5,200.00</b>	Expenses -\$5,200.00 Remaining Budget \$44,800.00
KENNERLY, MONTGOMERY & FINLEY, P.C. Invoice #				QDRO \$2,000.00
Invoice #				Rec'd from Participant -\$3,500.00
<b>TOTAL KENNERLY, MONTGOMERY &amp; FINLEY, P.C.</b>	<b>\$1,500.00</b>	<b>\$0.00</b>	<b>\$1,500.00</b>	Expenses \$1,500.00 \$4,000.00
Owings, Wilson & Coleman Invoice # 9036M Ragon		\$5,907.16		Budget \$100,000.00
Invoice # 9012M Stachey		\$0.00		
Invoice # 9011M Kitts		\$0.00		
<b>*** TOTAL OWINGS, WILSON &amp; COLEMAN</b>	<b>\$34,356.34</b>	<b>\$5,907.16</b>	<b>\$40,263.50</b>	Expense \$40,263.50 Remaining Budget \$59,736.50
USI CONSULTING GROUP Invoice # 90105212		\$4,194.25		Budget \$475,000.00
Invoice #				Expense \$126,289.75
Invoice #				Remaining Budget \$348,710.25
<b>TOTAL USI CONSULTING GROUP</b>	<b>\$122,095.50</b>	<b>\$4,194.25</b>	<b>\$126,289.75</b>	
<b>Invoices for JAN 2025 For FY 25</b>	<b>\$163,151.84</b>	<b>\$10,101.41</b>	<b>\$173,253.25</b>	

*** Retainer not included in approved billings for the Board		Fiscal 25 YTD	
Owings, Wilson & Coleman Retainer	\$4,000 per month (July - Sept)	\$12,000.00	\$32,000.00
	\$5,000 per month (Oct - June)	\$20,000.00	
Kennerly Montgomery Retainer	\$12,000 per month (July - Sept)	\$36,000.00	\$96,000.00
	\$15,000 per month (Oct - June)	\$60,000.00	
USI Quarterly Fee for DB Advisory Services	\$37,000 per quarter	\$111,000.00	
USI Disability Plan - Adm'n Fee (begin of qtr)	\$3,250 per quarter	\$11,250.00	
Fees Received from QDRO* Participants	\$500 (DC Fee)	-\$1,500.00	
	\$2,000 (DB & UOPP Fee)	-\$2,000.00	

\*QDRO fee is Paid to Retirement Office which offsets the legal fee

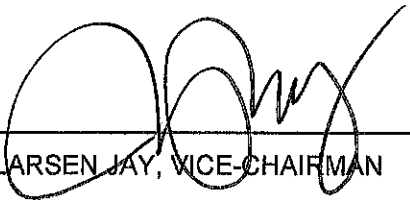
After review of the statement of accounts and invoices, a motion was made by Commissioner Hill that the Board authorize the payment indicated above to be paid from the designated Retirement Plans. The motion was seconded by Mr. Snowden. All members present voted in favor. The motion passed unanimously.

**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, and the meeting was adjourned.



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LARSEN JAY, VICE-CHAIRMAN



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MR. ZAC FULLERTON, SECRETARY

Attachments:

1. 457 Loan Policy

# KNOX COUNTY RETIREMENT SYSTEM DEFERRED COMPENSATION PLAN

## PARTICIPANT LOAN PROGRAM

WHEREAS, the KNOX COUNTY RETIREMENT BOARD (the "Board") administers the KNOX COUNTY RETIREMENT SYSTEM DEFERRED COMPENSATION PLAN (the "Plan"); and

WHEREAS, the Plan authorizes the Plan Administrator to extend loans to eligible Plan Participants who are actively employed by the Employer pursuant to a Participant Loan Program ("Program") to be adopted by the Board; and

NOW THEREFORE, the Board hereby adopts this Program, effective January 1, 2025; for purposes of the Internal Revenue Code of 1986 (the "Code"), and the Regulations thereunder, this Program is intended to form a part of and be incorporated in, the provisions of the Plan:

### Section 1: ESTABLISHMENT OF PARTICIPANT LOAN PROGRAM

(a) The Plan Administrator hereby establishes the Program, under which Participant loans shall be considered Participant directed investments. The Plan Administrator shall establish such recordkeeping and accounting procedures as are necessary to carry out, within the scope of fiduciary obligations to the Plan's Participants and beneficiaries, the purposes of the Program.

(b) The Plan Administrator shall establish and amend from time to time such rules and procedures as are necessary or appropriate to effect the ongoing administration of the Program. The Plan Administrator shall prescribe such forms from time to time as may be necessary or appropriate for the Program.

(c) The Executive Director is hereby delegated authority and shall act as the Plan Administrator for the Program.

(d) Unless otherwise defined herein, any capitalized terms in this Program shall have the same meanings assigned to those terms by the Plan.

### Section 2: ELIGIBLE PARTICIPANTS

(a) Employees in the Eligible Class of the Plan as of the date of the loan shall be eligible for the Program.

(b) In addition to the requirements of Section 2(a), Participants must be paid on a 12-month payroll cycle to be eligible for the Program.

### Section 3: LOAN APPLICATION PROCEDURES

(a) Loan Applications must be completed online at [www.usicg.com](http://www.usicg.com). Each application shall specify the amount of the loan desired and the requested duration of the loan (not to exceed 5 years).

(b) All loan applications will be considered within a reasonable time following the Participant's formal application and each Participant may check the status of his or her loan application online at [www.usicg.com](http://www.usicg.com).

(c) The loan proceeds check shall contain the loan Promissory Note and Disclosure ("Note"). The Participant's endorsement of the loan proceeds check shall constitute the Participant's execution and acknowledgement of the loan and its related documentation, including the Note and payroll deduction authorization.

(d) A Participant loan shall be initially funded by liquidating sufficient investments in the Participant's account on a pro rata basis. Repayments of loan principal and interest shall be invested in accordance with a Participant's current investment elections at the time payment is credited.

#### Section 4: LOAN PROVISIONS

(a) Applicable Interest Rate. Every loan shall bear a reasonable rate of interest. In determining such rate of interest, the Plan Administrator will require a rate of return as set by the Board commensurate with the prevailing interest rate charged on similar loans under like circumstances by persons in the business of lending money. Such prevailing rate standard will permit the Plan Administrator to consider factors pertaining to the opportunity for gain and risk of loss that a professional lender would consider on a similar arms-length transaction. The interest rate applicable to a Participant loan shall be periodically reviewed and determined by the Knox County Retirement Board, upon recommendation of its Investment Committee.

(b) Loan Security. All Participant loans shall be fully secured, and shall be secured exclusively, by the Participant's vested Plan accounts determined as of the valuation date immediately preceding the date the loan is made.

(c) Loan Repayment. All Participant loans shall be repaid through payroll deduction on an amortization schedule incorporating the Employer's payroll periods and shall be repaid over a period which may not exceed five (5) years. Payments are due as provided in the Note. A loan shall be due and payable in full upon termination of the Plan, notwithstanding any contrary provision in the Note.

(d) Loan Minimum. The minimum loan amount available under the Plan shall be \$5,000.

(e) Maximum Loan Amount. The amount of any Participant loan shall be limited to the lesser of the following:

(i) \$50,000 reduced by the excess, if any, of the highest outstanding balance of loans from the Plan or any other plan maintained by the Employer (or any person required to be aggregated with the Employer under Code Sections 414(b), (c), or (m) "Affiliated Entities"), during the 12-month period prior to the date of the loan, over the current outstanding loan balance, if any; or

(ii) 25% of the Participant's vested account balance as of the valuation date immediately preceding the date the loan is made.

(f) Outstanding Loans. Only one (1) outstanding loan shall be permitted at any time from any plan maintained by the Employer.

(g) Loan Fees. Each Participant loan shall be subject to an origination fee in the amount of \$50 and an annual administrative fee of \$35 for the duration of the loan. The loan origination fee shall be deducted from the Participant's account at the time the loan is made, and the annual administrative fee shall be deducted semi-annually in installments of \$17.50 each.

(h) Credited Service. A Participant must have completed five (5) years of Credited Service to be permitted to take a loan from the Plan.

(i) Subsequent Loan. In no event shall a Participant be permitted to take a subsequent loan if he or she defaulted on and has not repaid any prior loan.

(j) Pre-payment of Loan. A Participant may pre-pay a loan for the full amount of the outstanding loan balance together with accumulated interest, without penalty at any time. No partial lump sum pre-payments will be permitted. Participants will be allowed a one-time loan payment adjustment to expedite their repayment period. The adjusted loan repayments must be in exact increments of the original payment amount. For example, if the original payment amount is \$200, a Participant can make a one-time election to increase that payment amount to \$400. An increase to \$300 would not be permitted. A Participant's election to expedite their repayment period will not affect the loan's interest rate. All Participant loans shall be repaid through payroll deduction, in accordance with the Employer's regular payroll periods and procedures. A revised amortization schedule is not required to be provided. Inquiries about and elections for expedited loan repayments must be made to and approved by the Retirement Office.

(k) Other Loans. The Participant is responsible for notifying the Plan Administrator of any other outstanding loan balances for any plan loan through Knox County.

(l) Loan Funding. Plan loans shall be made on a pro rata basis from a Participant's pre-tax Deferral Contributions and Roth Deferral Contributions, if any.

#### Section 5: LOAN DEFAULT

(a) Upon default, the entire amount of a Participant loan, together with accumulated interest, shall become due and payable.

(b) A Participant loan shall be in default if at the time the loan is made, or at any time prior to repayment in full, the loan fails to meet the applicable requirements of the Code and regulations, or if:

- (i) any scheduled payment is missed;
- (ii) any statement or representation made by or on behalf of the Participant to the Plan relative to the loan proves to have been false in any material respect at the time made or furnished;
- (iii) the Participant's employment with the Employer (and any affiliated entities) is terminated, and the outstanding loan balance together with accumulated interest is not repaid within the grace period specified in Section 5(e);

- (iv) distribution is required to be made under a qualified domestic relations order affecting the Participant's account and the amount of the distribution would exceed the Participant's account balance, less the loan balance;
- (v) transfer of a Participant's employment to the Metropolitan Drug Commission; or
- (vi) death of the Participant.

(c) Opportunity to Cure Default. A Participant shall have the opportunity to cure a default and avoid the tax consequences of a deemed distribution by: (1) repaying the loan in full within the period described in Section 5(e); (2) in the case of defaults under Section 5(b)(i), resuming the current status of the loan by paying any missed payment plus interest within the period described in Section 5(e) either by cashier's check or payroll deduction; (3) increasing required installments to an amount sufficient to re-amortize the remaining balance of the loan, plus interest, for a term not to exceed 5 years from the loan origination; or (4) if distribution is available in accordance with other terms of the Plan, requesting distribution of the Note balance. Participants must contact the Retirement Office to make up missed payments.

(d) Deemed Distribution. A defaulted loan shall be treated as a deemed distribution, taxable to the Participant in accordance with federal law.

- (i) If the Participant does not timely cure the default and a distributable event has occurred, the Plan Administrator shall offset the amount due against the Participant's account balance. Such offset shall be taken on a pro rata basis from the Participant's pre-tax and Roth deferral contributions, if any. If no distributable event has occurred and the Participant has not cured the default, the defaulted loan shall be treated as a deemed distribution.
- (ii) A defaulted loan treated as a deemed distribution shall continue to accrue interest until the loan is repaid or an offset is made.

(e) Grace Period:

- (i) Active Participants: A late payment shall not cause the Note to be treated as a deemed distribution if the payment is made no later than the last day of the calendar quarter that follows the quarter in which the loan was originally due in full (loan end date). A loan payment shall be applied to the installment with the earliest due date.
- (ii) Terminated & Transferred Participants; Change in Payroll Cycle: A loan shall not be treated as a deemed distribution if the outstanding loan balance is paid, together with accumulated interest, no later than the last day of the calendar quarter that follows the quarter in which the termination of employment or transfer of employment or change in payroll cycle occurred.

**Section 6: MILITARY SERVICE AND LEAVES OF ABSENCE**

(a) **Military Service.** If a Participant separates from service (or takes a leave of absence) from the Employer because of service in the military and does not receive a distribution of his or her entire Plan account balance, the Plan Administrator may, upon election by the Participant, suspend loan repayments until the Participant's completion of military service. The Participant must resume



loan repayments upon the completion of such period of military service in accordance with Section 6(c). While the Participant is on active duty in the United States military, the interest rate on the loan shall not exceed six percent (6%), compounded annually.

(b) **Leave of Absence.** The Plan Administrator may suspend, upon election by the Participant, loan repayments for a period not exceeding one (1) year during an approved leave of absence, either without pay or at a rate of pay (after applicable employment tax withholdings) that is less than the amount of the installment payments required under the terms of the loan. The Participant must resume loan repayments upon the completion of such Leave of Absence in accordance with Section 6(c).

(c) **Payments After Leave of Absence.** Following a payment suspension described in Section 6(a) or (b) above, the Participant shall resume payments on the loan and must contact the Retirement Office to make arrangements for the repayment of any missed payments. In the event a Participant fails to make such arrangements, any missed payments shall be treated as deemed distributions at the conclusion of the loan's term.

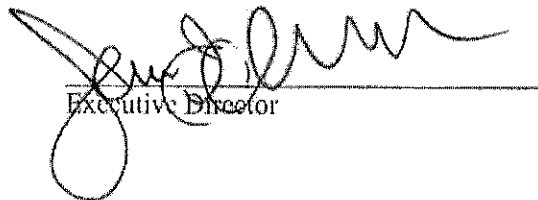
**Section 7: MISCELLANEOUS**

(a) The Board reserves the right to modify, amend or terminate this Program at any time. The Plan Administrator shall have the power to suspend the Loan Program or the eligibility of a Participant where pending qualified domestic relations orders, possible forfeitures, questions about IRS requirements, or similar occurrences make such action necessary or appropriate to protect the interests of the Plan and Retirement System.

(b) This Program shall be interpreted and applied consistent with provisions of the Plan and Code Section 72(p) and applicable regulations.

IN WITNESS WHEREOF, this Participant Loan Program has been executed this 27 day of January, 2025.

**KNOX COUNTY RETIREMENT SYSTEM**

  
Executive Director