CITY OF KNOXVILLE PENSION SYSTEM

A Component Unit Pension Trust Fund of the City of Knoxville, Tennessee

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2024

(with comparative totals for the fiscal year ended June 30, 2023)

Prepared by the City of Knoxville Pension Board

Kristi Paczkowski, Executive Director

Stephanie Cooper, Accounting Manager

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INTRODUCTORY SECTION

CITY OF KNOXVILLE

PENSION BOARD

Kristi Fowler Paczkowski, CPA – Executive Director

December 16, 2024

To the Pension Board, the City of Knoxville, and the Members of the Pension System:

The Annual Comprehensive Financial Report (ACFR) of the City of Knoxville Pension System (the System) for the fiscal year ended June 30, 2024 is herewith submitted. The ACFR is an overview intended to give the reader reliable and useful information which describes the financial position of the System and provides assurance that the System is in compliance with applicable legal provisions. Management assumes full responsibility for the accuracy and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Monitoring and evaluation of internal controls is a function that is maintained on an ongoing basis.

U.S. generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The System's MD&A can be found in the Financial Section of this report.

Pugh CPAs, as the System's independent auditor, has issued an unmodified ("clean") opinion on the System's financial statements for the year ended June 30, 2024. The independent auditor's report begins on page 1 of the Financial Section of this report.

Profile of the System

The System was established in 1929 to provide retirement, survivor, and disability benefits to eligible City of Knoxville (City) employees. Plan H is the only open plan and covers both general government and uniformed safety employees and is a hybrid defined benefit plan. General government and uniformed body employees hired after January 1, 2013 are granted automatic membership into the System at their date of hire and are required to contribute 6% of their regular bi-weekly salary to help fund the System.

Public Safety Complex | 1650 Huron Street | Knoxville, TN 37917 | 865-215-7750 office | 865-215-7758 fax |
www.cokpension.org

All regular employees of the City are covered members of the System under one of six defined benefit plans established by the City of Knoxville Charter Article XIII.

Plan A is a closed plan primarily covering Board of Education members and has 2 remaining General Government participants who have not retired from the System. Plan B is also a closed plan and has only 1 remaining participant who has not yet retired. Plan C is a closed plan covering the uniformed bodies of fire and police hired prior to January 1, 2013 and has 374 active participants. Plan F is a closed plan covering retired police and fire and has no remaining active participants. Plan G is a closed plan covering general-government employees hired between January 1, 1997 and December 31, 2012 and has 276 active participants. Plan H is the only open plan and covers all employees hired on or after January 1, 2013. There are 498 general government employees and 280 uniformed employees who are active in Plan H. The six plans are described in more detail in the Notes to the Financial Statements which can be found in the Financial Section of this report.

The System provides normal, early, and deferred retirement benefit options. At the time of retirement, a member may elect to receive a reduced benefit in order to provide one of the following benefits: 1) a lifetime benefit to a spouse upon the member’s death; or 2) a life annuity to the member with a guaranteed payment for sixty (60), one hundred twenty (120), or one hundred eighty (180) months as selected by the member to a beneficiary(ies); or 3) a life annuity to the member payable monthly and upon the death of the member, a lump sum amount could be payable to the member’s beneficiary(ies) equal to the difference, if any, between the actuarially determined single sum value of the benefit and the total of the monthly payments paid to the retired member. The System also provides disability benefits, both occupational and non-occupational. Employees in Plans A, C and G are vested in the System after five years of service. Employees in Plans B and H are vested in the System after ten years of service.

The System is considered a part of the City of Knoxville’s financial reporting entity and is included in the City’s ACFR as a pension trust fund, a fiduciary fund type. The City’s ACFR is also submitted to the Government Finance Officers Association for annual review under the Certificate of Achievement for Excellence in Financial Reporting program and is available online at https://www.knoxvilletn.gov/government/city_departments_offices/Finance/annual_comprehensive_financial_report.

Funding Status

The System’s funding objective is to meet long-term benefits promised through employee and employer contributions that remain approximately level as a percent of member payroll. Increased funding improves the ratio of assets and provides greater investment potential. The advantage of a well-funded plan is that participants are confident that assets are committed to the payment of their current and future benefits.

The System ended the year with Fiduciary Net Position equaling 71.28% of Total Pension Liability based on the entry age normal funding actuarial method. The goal of the System is to be fully funded. The Total Pension Liability and Fiduciary Net Position as of June 30, 2024 were $993,722,687 and $708,311,788 respectively. Additional information relative to the funded status of the System is provided in the Actuarial Section of this report and the Required Supplementary Information.

Investments

The primary investment objective of the System is to ensure, over the long-term, an adequate level of assets to fund the benefits guaranteed to the System members and their beneficiaries at the time they are payable. A secondary investment objective is to earn a total rate of return, after all expenses, that equals or exceeds the actuarial investment return assumption. The Pension Board (the Board), along with help from its actuary and investment consultant, uses the System's asset allocation as the primary tool to achieve this objective. As the expected rate of return is a long-term projection and investments are subject to short-term volatility, the main investment focus of the Board toward the total System's assumed rate of return and that of each investment manager will be on performance relative to the appropriate asset class, mix of asset classes, and peer performance over relevant time periods. Each manager is expected to maintain a consistent philosophy and style, perform well versus others utilizing the same style, and add incremental value after costs.

An integral part of the overall investment policy is the strategic asset allocation policy. The targeted strategic asset allocation is designed to provide an optimal diversification to reduce risk and maximize total rate of return relative to risk. This emphasizes a maximum diversification of the portfolio that protects the System from declines that a particular asset class may experience in any given period. The System continually reviews asset allocation to reflect the current investment market with a focus on lowering the volatility of the overall fund.

The System's actual time-weighted investment return of 9.0% for the year ended June 30, 2024 was better than the actuarially expected rate of return of 7.15%. The System is phasing in a reduced rate of return over the next five years. The rate of return will be decreased by five basis points each year culminating in a rate of return of 7.00% for the fiscal year ending June 30, 2027. Employer contributions will continue to be above the long-term annual costs of the plan which places stress on the City's overall financial environment. A summary of the System's June 30, 2024 asset allocation can be found in the Investment Section of this report along with more detailed investment information.

Members of the Pension Board
City of Knoxville Pension System

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Knoxville Pension System for its ACFR for the fiscal year ended June 30, 2023. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports. To be awarded the Certificate of Achievement for Excellence in Financial Reporting, a government unit must publish an easily readable and efficiently organized report, the contents of which meet or exceed program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year. The System has received a Certificate of Achievement for twelve years in a row. We believe this current report continues to meet the Certificate of Achievement program requirements and will submit it to the GFOA for consideration again this year.

Conclusion

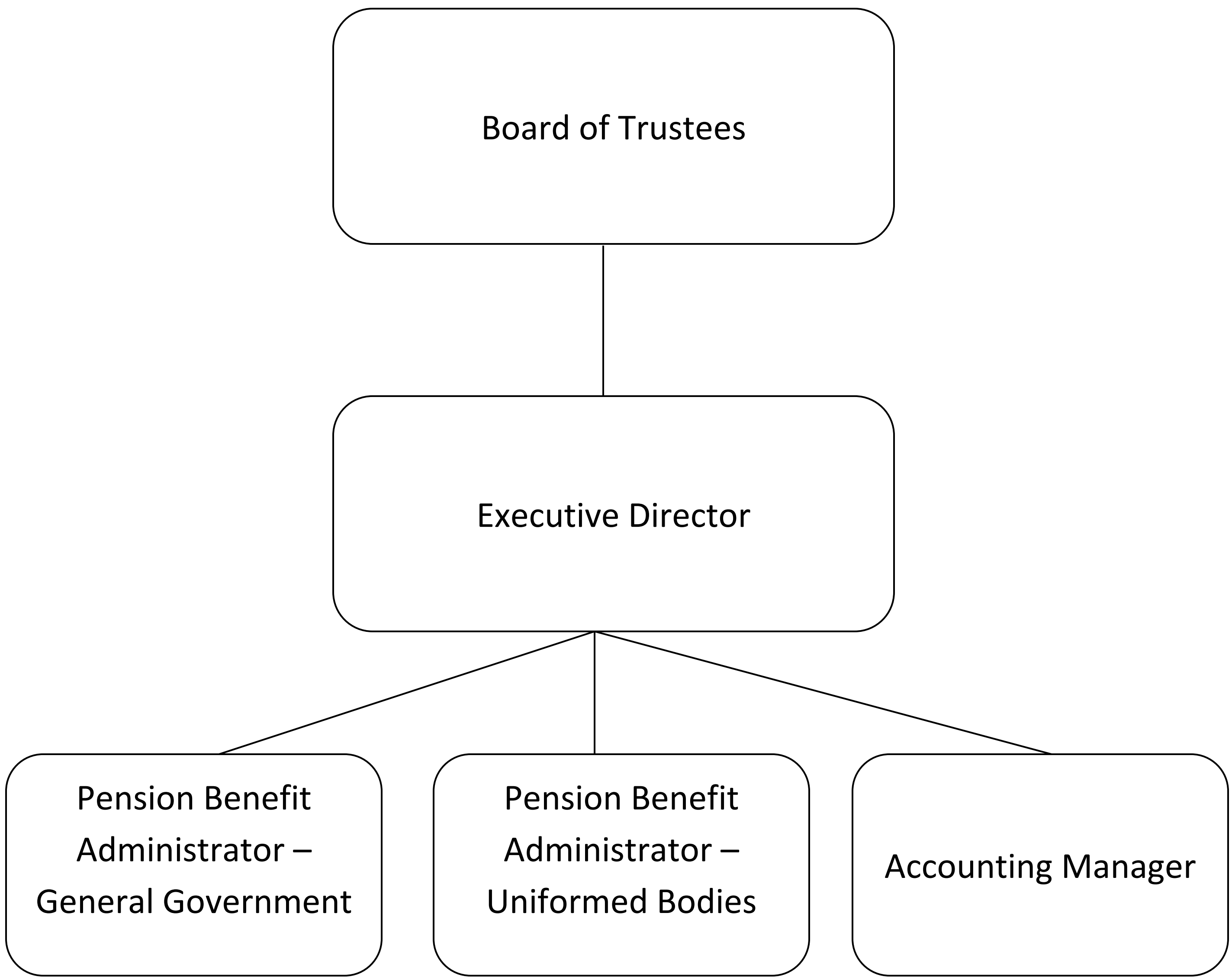
This annual report reflects the combined efforts of the System staff members and is intended to provide complete and reliable information as a basis for making management decisions and determination of responsible stewardship of the assets of the System.

Respectfully submitted,

Kristi Paczkowski

Kristi F. Paczkowski, CPA
Executive Director

Organizational Chart



Administrative Organization

Board of Trustees

Mayor Indya Kincannon, Chair

Alex Neubert, Vice-Chair
General Government Seat A

Boyce Evans, Secretary
City Finance Director

Lynne Fugate
City Council Representative

James Kennedy, Jr.
Uniformed Bodies Seat A

Jacob Mason
Uniformed Bodies Seat B

Dennis Owen
Mayoral Appointee

Bryan Gilbert
General Government Seat B

Linda Gay Blanc
Mayoral Appointee

Administrative Staff

Amanda Bradley
Pension Benefit Administrator

Stephanie Cooper
Accounting Manager

Martina Ketterman
Pension Benefit Administrator

Kristi Paczkowski
Executive Director

Actuary

Laura Stewart
USI Consulting Group
Brentwood, Tennessee

Auditor

Pugh CPAs
Knoxville, Tennessee

Legal

Kathy D. Aslinger
Kennerly, Montgomery & Finley P.C.
Knoxville, Tennessee

Custodian

Northern Trust
Chicago, Illinois

Investment Consultant

Marquette Associates
Chicago, Illinois

Administrative Organization (Continued)

Investment Managers**

57 Stars, LLC
Washington, DC

Acadian Asset Management LLC
Boston, Massachusetts

Adams Street Partners, LLC
Chicago, Illinois

Aether Investment Partners
Denver, Colorado

Eagle Capital Management
New York, New York

Fort Washington Investment Advisors, Inc.
Cincinnati, Ohio

HighVista Strategies LLC
Boston, Massachusetts

IFM Investors (US), LLC
New York, New York

Income Research & Management
Boston, Massachusetts

NB Alternatives Advisers, LLC
Dallas, Texas

Ninety One Limited
New York, New York

Northern Trust Investments, Inc.
Chicago, Illinois

Parametric
Minneapolis, Minnesota

Partners Group
Boston, Massachusetts

Pinnacle Associates LTD
New York, New York

Principal Global Investors
Des Moines, Iowa

RREEF
New York, New York

Schroders Investment Management
New York, New York

Silchester International Investors
New York, New York

Top Tier Capital Partners, LLC
San Francisco, California

TPG Angelo Gordon
New York, New York

Ullico Investment Advisors
Silver Spring, Maryland

William Blair & Company
Chicago, Illinois

****Refer to the Schedules of Fees and Commissions (pages 58-60) for details of fees paid to each Investment Manager.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Knoxville Pension System
Tennessee

For its Annual Comprehensive Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

PUGH CPAs

PUGH & COMPANY, P.C.
315 NORTH CEDAR BLUFF ROAD, SUITE 200
KNOXVILLE, TENNESSEE 37923
Telephone: 865-769-0660
Fax: 865-769-1660

INDEPENDENT AUDITOR'S REPORT

To the Members of the Pension Board
City of Knoxville Pension System
Knoxville, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the City of Knoxville Pension System (the "System"), a pension trust fund of the City of Knoxville, Tennessee, which comprise the statements of fiduciary net position as of June 30, 2024 and 2023, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the City of Knoxville Pension System's fiduciary net position as of June 30, 2024 and 2023, and the respective changes in its fiduciary net position, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1(a), the financial statements present only the statements of fiduciary net position and changes in fiduciary net position of the System and do not purport to, and do not, present fairly the financial position of the City of Knoxville, Tennessee, as of June 30, 2024 and 2023, nor the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 4 - 7 and the schedules of changes in the net pension liability and related ratios, employer contributions, and investment returns, on pages 44 - 45 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The supporting schedules on pages 46 and 47 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory, investment, actuarial, and statistical sections as described in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2024, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
December 16, 2024

CITY OF KNOXVILLE PENSION SYSTEM
Management's Discussion and Analysis

This is an analysis and overview of the financial activities of the City of Knoxville Pension System (the System) for the years ended June 30, 2024 and 2023. For more detailed information, please refer to the basic financial statements, notes to the financial statements, required supplementary information and supporting schedules.

Financial Highlights

- The net position restricted for pension benefits at the close of the plan year ending June 30, 2024 was $708.3 million. All of the net position is available to meet the System's ongoing obligations to plan participants and their beneficiaries.

- The System's net position increased $40.2 million, or 6.0%, primarily as a result of favorable financial markets during the fiscal year. Investment earnings exceeded investment expenses during the year resulting in net investment earnings of $61.0 million.

- Additions to net position included $5.3 million in contributions from active members and $32.8 million in contributions from the City of Knoxville.

- Deductions from net position increased $2.6 million, or 4.5%, from the prior year primarily due to the annual cost of living adjustment to the benefits paid to retired members and beneficiaries.

- The System's overall funding level increased slightly from the prior year. The Plan Fiduciary Net Position as a Percentage of Total Pension Liability was 71.28% as of June 30, 2024 and 69.60% as of June 30, 2023.

Overview of the Financial Statements

The following discussion and analysis is intended to serve as an introduction to the System's financial statements which follow. The financial statements include:

1. Statements of Fiduciary Net Position
2. Statements of Changes in Fiduciary Net Position
3. Notes to the Financial Statements
4. Required Supplementary Information

Each *Statement of Fiduciary Net Position* is a snapshot of account balances at year-end. It indicates the assets available for future payments to retirees and any current liabilities that are owed at that time.

Each *Statement of Changes in Fiduciary Net Position* shows the additions to and deductions from the System's net position over the year.

The Governmental Accounting Standards Board (GASB) promulgates the requirements for financial statement presentation and certain disclosures for state and local governmental entities. The financial statements, notes to financial statements, and required supplementary information presented in this report were prepared in compliance with applicable GASB pronouncements.

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position report information about the System's activities. These statements include all assets and liabilities using the accrual basis of accounting. Investment activities have been reported based on trade dates and were valued pursuant to independent outside sources. Both realized and unrealized gains and losses are shown on investments, and all capital assets are depreciated over their useful lives.

Notes to the Financial Statements provide additional information which is essential for a full understanding of the data provided in the basic financial statements.

Required Supplementary Information provides additional information and details about the System's progress in funding its future obligations and the history of employer contributions.

Financial Analysis

There are several ways to measure the System's financial status. One way is to determine the net position available to pay benefits. Net position is the difference between total assets and total liabilities. The table below provides a summary of the System's net position as of June 30, 2024 and the preceding two years for comparative purposes.

	As of June 30		
	2024	2023	2022
Assets			
Investments	$ 706,980,985	$ 667,770,905	$ 642,999,928
Cash on Hand	2,200	1,774	787
Receivables	3,455,142	2,743,247	1,808,501
Capital Assets	4,010	-	-
	710,442,337	670,515,926	644,809,216
Liabilities	2,130,549	2,415,253	2,430,857
Fiduciary Net Position	**$ 708,311,788**	**$ 668,100,673**	**$ 642,378,359**

The System's net position increased during the fiscal years ending in 2023 and 2024 and decreased in the fiscal year ending in 2022. Each year's change was primarily due to the performance of the financial markets. The market conditions and detailed investment information can be found in the Investment Section of this report. The following table provides a summary of the changes in net position for these three years.

	For the Fiscal Year Ended June 30		
	2024	2023	2022
Additions to Fiduciary Net Position			
Net Investment Income/(Loss)	$ 60,993,887	$ 46,916,932	$ (55,003,697)
Contributions	38,101,145	35,131,543	33,119,927
Total Additions	99,095,032	82,048,475	(21,883,770)
Deductions from Fiduciary Net Position			
Benefit Payments	57,017,001	54,682,378	53,054,434
Employee Refunds	1,036,982	833,677	610,524
Administrative Expenses	829,934	810,106	907,959
Total Deductions	58,883,917	56,326,161	54,572,917
Change in Fiduciary Net Position	40,211,115	25,722,314	(76,456,687)
Fiduciary Net Position at Beginning of Year	668,100,673	642,378,359	718,835,046
Fiduciary Net Position at End of Year	**$ 708,311,788**	**$ 668,100,673**	**$ 642,378,359**

Additions to Fiduciary Net Position

The funds needed to pay benefits are accumulated from the contributions made by the City and member-employees and income generated from the System's investments. Earnings or losses on investments are reported net of investment management expenses. Detailed information on the System's investments is provided in Note 5 (Pages 24-37) in the notes to financial statements as well as in the Investment Section (Pages 48-61) The employer contribution rates, stated as a percentage of covered payroll, are as follows:

	For the Fiscal Year Ended June 30		
	2024	2023	2022
Plan C	18.26%	17.56%	17.65%
Plans A, B & G	7.78%	7.27%	7.35%
Plan H-General Government	8.79%	9.05%	8.83%
Plan H-Uniformed	12.74%	12.96%	12.96%

Additionally, the City made amortization payments on the unfunded liability as shown below:

	For the Fiscal Year Ended June 30		
	2024	2023	2022
Plan C	$ 14,167,000	$ 12,400,000	$ 12,227,000
Plans A, B & G-General Government	5,513,000	4,780,000	4,758,000
Plans A & B-Education	2,091,000	2,240,000	2,373,000

Employee contributions are at a fixed rate of 6% of regular pay. Fluctuations in base wages will cause a corresponding increase or decrease to the employees' contributions. For the fiscal years ended in 2024 and 2023, employee contributions increased 1.3% and 16.6% respectively. The significant increase during the fiscal year ended in 2023 was due to considerable salary adjustments that the City of Knoxville made for most of the workforce. Additionally, there were several prior military service buybacks made in 2023.

Deductions from Fiduciary Net Position

Annual expenses of the System include retirement benefits, Delayed Retirement Option Program ("DROP") distributions, refunds of employee contributions to terminated members and administrative expenses. Deductions for the current fiscal year increased 4.5% from the prior year which is comparable to the 3.2% increase from the year before that. The increases are attributable mainly to higher benefit payments as a result of the annual cost of living adjustments.

Currently Known Facts, Conditions or Decisions

In July and August 2024, the State of Tennessee sent two memos regarding compliance with the Public Employees Defined Benefit Financial Security Act of 2014. The memos relate to the investment earnings and mortality assumptions to calculate the Actuarially Determined Contribution ("ADC"). The expected acknowledgements as related to the ADC are that the earnings rate cannot exceed the Tennessee Consolidated Retirement System's earnings assumption (currently at 6.75%) by more than 50 basis points and the incorporation of the use of any expected mortality improvements for the mortality assumptions. The System has been and will continue to be in compliance with the act. In 2021, the System elected to begin the process of lowering the expected rate of return from 7.25% by 5 basis points each year until 2027 to reach a rate of 7% and then reevaluate the rate in the 2026 experience study. The System, based on the recommendation of the actuary, elected to update the mortality tables to include mortality improvements projected through 2027 for calculating the ADC. Mortality improvement will also be reviewed again as part of the 2026 experience study with effective changes for 2027. See Note 9 (Pages 39-42) and the Actuarial Section of the ACFR for more information.

Requests for Information

This financial report is designed to provide a general overview of the City of Knoxville Pension System's finances for all of those with an interest in the System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to:

City of Knoxville Pension System
Attention: Executive Director
Public Safety Complex
1650 Huron Street
Knoxville, Tennessee 37917

CITY OF KNOXVILLE PENSION SYSTEM
STATEMENTS OF FIDUCIARY NET POSITION

As of June 30,

	2024	2023
ASSETS		
Investments Held by Trustee		
Cash and Cash Equivalents	$ 8,113,468	$ 8,189,707
United States Government Securities	85,959,732	79,899,861
State and Municipal Government Securities	2,147,992	3,566,274
International Securities	198,742,725	179,751,627
Domestic Corporate Bonds and Debentures	45,227,164	50,309,644
Real Assets	105,926,005	117,199,944
Domestic Equity Securities	260,863,899	228,853,848
Total Investments Held by Trustee	706,980,985	667,770,905
Cash on Hand	2,200	1,774
Receivables		
Pending Sale Proceeds	1,748,764	1,286,230
Accrued Interest and Dividends	1,706,378	1,457,017
Total Receivables	3,455,142	2,743,247
Capital Assets, Net of Accumulated Depreciation	4,010	-
Total Assets	**710,442,337**	**670,515,926**
LIABILITIES		
Accounts Payable - Administrative	369,522	570,788
Liability for Investment Purchases Pending	1,761,027	1,844,465
Total Liabilities	**2,130,549**	**2,415,253**
Net Position Restricted for Pension Benefits	**$ 708,311,788**	**$ 668,100,673**

****The accompanying notes are an integral part of these financial statements.****

CITY OF KNOXVILLE PENSION SYSTEM
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
For the Years Ended June 30,

	2024	2023
ADDITIONS TO FIDUCIARY NET POSITION		
Net Investment Earnings		
Interest	$ 5,927,344	$ 5,896,883
Dividends	2,792,161	3,463,036
Net Appreciation in Fair Value of Investments	56,431,299	41,616,737
Other Income	108,225	72,620
Total Investment Earnings	65,259,029	51,049,276
Less Investment Expense (See Page 47)	(4,265,142)	(4,132,344)
Net Investment Earnings	60,993,887	46,916,932
Contributions		
City of Knoxville Employer Contributions	32,818,903	29,919,357
Employee Contributions	5,282,242	5,212,186
Total Contributions	38,101,145	35,131,543
Total Additions	**99,095,032**	**82,048,475**
DEDUCTIONS FROM FIDUCIARY NET POSITION		
Participant Benefit Payments	57,017,001	54,682,378
Refunds to Terminated Employees	1,036,982	833,677
Administrative Expenses		
Depreciation	533	-
Other (See Page 46)	829,401	810,106
Total Administrative Expenses	829,934	810,106
Total Deductions	**58,883,917**	**56,326,161**
CHANGE IN FIDUCIARY NET POSITION	40,211,115	25,722,314
NET POSITION RESTRICTED FOR PENSION BENEFITS AT BEGINNING OF YEAR	668,100,673	642,378,359
NET POSITION RESTRICTED FOR PENSION BENEFITS AT END OF YEAR	**$ 708,311,788**	**$ 668,100,673**

****The accompanying notes are an integral part of these financial statements.****

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Reporting Entity*

The City of Knoxville Pension System (the "System") has separate legal standing and is fiscally independent of the City of Knoxville (the "City"). However, based upon the criterion of financial accountability as defined by GASB Statement No. 84, *Fiduciary Activities*, the System is considered a component unit of the City's financial reporting entity and is included in the City's Annual Comprehensive Financial Report (ACFR) as a pension trust fund, a fiduciary fund type.

(b) *Basis of Accounting and Presentation*

The financial statements were prepared using the accrual basis of accounting in accordance with GASB. Employee and employer contributions are recognized as additions to plan net position in the period in which the employee services are performed and respective contributions are due. Deductions from fiduciary net position are recorded when the corresponding liabilities are incurred according to provisions of the System, regardless of when paid. Benefits are accrued on the first of the month and paid by the end of the month.

(c) *Financial Statement Presentation*

The System's actuarial valuations are performed annually. The latest available actuarial valuation is as of July 1, 2024, which corresponds to the financial information as of and for the year ended June 30, 2024.

(d) *Plan Expenses*

The System's Board acts as the trustee of the System's assets. The operating and other administrative expenses incurred by the Board or its employees in the performance of its duties are paid from the assets of the System, which are accumulated from the contributions and investment earnings.

(e) *Investments*

The System is authorized to invest in eligible investments as approved by the Pension Board as set forth in its investment policy which is approved by City Council. Investments of the System shall be in accordance with all applicable laws of the State of Tennessee, specifically the prudent investor rule as set forth in Tennessee Code Annotated Section 35-14-103. The System's investments are held by a bank-administered custodial fund. Investments held by the System are stated at fair value. Many factors are considered in arriving at that fair value and are further explained in Note 5 of the financial statements. Purchases and sales of securities, including gain or loss on sales or exchanges, are recorded on a trade-date basis. Discounts and premiums on fixed income securities are included in net appreciation in the fair value of investments. The effect on the financial statements of not amortizing discounts and premiums is considered immaterial.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) *Investment Income*

Dividend income is recorded on the ex-dividend date and interest income is recorded as earned on an accrual basis. Gains and losses on sales, maturities or exchanges of investments are determined on an average cost basis and are reflected in the statements of changes in fiduciary net position.

(g) *Cash and Cash Equivalents*

Cash and cash equivalents consist of highly liquid investments, including cash held on a temporary basis by the Custodian, money market funds and certificates of deposit. Substantially all cash and cash equivalents are uninsured and uncollateralized; carrying values approximate bank balances. Only investments with maturities of three months or less at the time of purchase are classified as cash equivalents.

(h) *Capital Assets*

Property and equipment are stated at cost, less accumulated depreciation. Depreciation has been provided for using the straight-line method over the estimated useful life of the related asset.

(i) *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include fair value of investments and all actuarial calculations.

(j) *Pension Liabilities*

Pension liabilities are those future periodic payments that are attributable under the System's provisions to the service employees have rendered. Pension liabilities include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits payable under all circumstances - retirement, death, disability, and termination of employment - are included, to the extent they are deemed attributable to employee service rendered to the valuation date.

The pension liabilities are determined by an actuary and is that amount which results from applying actuarial assumptions to adjust the pension liabilities to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

NOTE 2 - DESCRIPTION OF THE CITY OF KNOXVILLE PENSION SYSTEM

(a) *General*

The City of Knoxville Pension System is a single-employer contributory, qualified defined benefit plan established under the City of Knoxville Pension Act of 1935, covering substantially all employees of the City of Knoxville, including uniformed bodies (Fire and Police) and employees of the former City of Knoxville Education System (Education). The System is designed to provide retirement, disability, and death benefits. Depending on which Division the participant is a member of, participants in the System remain non-vested in the City's contribution and the related earnings thereon until five to ten years of service has been achieved. The City of Knoxville Pension System is a governmental plan as defined by the Employee Retirement Income Security Act (ERISA) of 1974, is not subject to many of the provisions of ERISA, and is exempt from the reporting requirements of the Internal Revenue Service. The Divisions described in Note 2(f) are funded by contributions from the employers and employees in the various City departments and agencies.

Management of the System is entrusted to the Pension Board which consists of nine members. Four Board members are elected employee representatives – two from the general government, one from the police department and one from the fire department. The Council of the City of Knoxville elects one member who must be a resident of the City of Knoxville. The Mayor of the City of Knoxville appoints two members who must be residents of the City and have financial or accounting expertise. The Mayor of the City and the City Finance Director are ex-officio members of the Board.

The following description of the System is provided for general informational purposes only. For complete details of the plan, refer to the City of Knoxville Charter Article XIII, Sections 1301 – 1390.

(b) *Membership*

As of July 1, 2024, the System had 1,906 retirees and beneficiaries currently receiving benefits, 42 employees currently participating in the Delayed Retirement Option Program ("DROP") and 141 deferred vested participants. Of the 1,431 active employees in the System, 702 are fully vested and the remaining 729 are not vested.

For comparative purposes, as of July 1, 2023, the System had 1,918 retirees and beneficiaries receiving benefits, 41 employees participating in the DROP and 151 deferred vested participants. Of the 1,408 active employees, 710 were fully vested and 698 were not vested.

(c) *Board of Education*

Included in the financial statements are benefit amounts relating to certain former employees of the City of Knoxville Board of Education which was abolished and transferred to Knox County as of July 1, 1987. The City treats these benefit amounts as belonging to a terminated department and makes actuarially determined contributions sufficient to amortize the participants' accrued pension liabilities through July 1, 1987. The Board of Education merger with Knox County Schools is discussed further in Note 3 to the financial statements.

NOTE 2 - DESCRIPTION OF THE CITY OF KNOXVILLE PENSION SYSTEM (Continued)

(d) *Employer Contributions*

In accordance with Section 1360.10 of the City Charter, the City's contribution is based on an actuarially determined percentage of the monthly base earnings of the System's participants. The contribution for the former Board of Education department is an actuarially determined amount based on a level dollar amount to fund any actuarial liability.

The recommended contributions are determined using the entry age normal funding method. Unfunded actuarial accrued liabilities are being amortized over a twenty-year period, of which 18 years remain as of July 1, 2024. Projected covered payroll for the year beginning July 1, 2024 amounted to approximately $91,435,800. The ratio of the net pension liability to the covered payroll was 312.3%.

The contributions for the year ended June 30, 2024 were based on actuarial calculations as of July 1, 2022. The table below shows the contribution rates as percentages of covered payroll, with comparison to 2023.

Plan	2024	2023
C	18.26%	17.56%
A,B,G	7.78%	7.27%
H (general government)	8.79%	9.05%
H (uniformed)	12.74%	12.96%

In the fiscal year ended in 2018 the City began making payments on the unfunded actuarial accrued liabilities separate from the Normal Cost of benefits based on current payroll. The amortization payments made, by Plan, are as shown here:

Plan	2024	2023
C	$14,167,000	$12,400,000
A,B,G (general government)	$ 5,513,000	$ 4,780,000
A,B (education)	$ 2,091,000	$ 2,240,000

In addition to these actuarially determined contributions, the City of Knoxville contributes 1.5% of the monthly base earnings of participants in Division G, Option 1 to defined contribution accounts held within the System. Contributions to this plan for the fiscal years ended June 30, 2024 and 2023 were $13,993 and $20,270, respectively.

(e) *Plan Termination*

No provision has been made for the System's termination and the resulting order of allocation of benefits if termination should occur. The Pension Benefit Guaranty Corporation does not insure the System.

NOTE 2 - DESCRIPTION OF THE CITY OF KNOXVILLE PENSION SYSTEM (Continued)

(f) *Description of Divisions Comprising the System*

DIVISION A

Employees covered	• Substantially all civil service employees hired after 1/15/1963 and before 1/1/1997, who did not elect Division G • At their option, certain elected officials and appointed employees • Those Division B members who elected to transfer to Division A • Any teacher employed by the City between 1/16/1963 (or prior if that teacher elected to transfer from Division B) and 12/31/1976 • Those Division A uniformed body employees who did not elect Division C
Employees excluded	• Teachers hired by the City after 12/31/1976 (they participate in Tennessee Consolidated Retirement System). All City employees hired after December 31, 1996 (now in Division G or H).
Employee contributions	• 3% of the first $4,800 of annual earnings and 5% of annual earnings in excess of $4,800
Normal retirement age and required creditable service	• Age 62
Normal retirement benefit	• The normal retirement benefit for life will be equal to one-twelfth of the product of (a) and (b) below: (a) Credited service (in years, completed months and days) (b) X% of average base earnings, plus Y% of average excess earnings as follows:

Age at Retirement	X%	Y%
62 or earlier	0.75	1.50
63	0.78	1.58
64	0.83	1.66
65 or older	0.88	1.76

Base earnings are annual earnings up to $4,800. Excess earnings are annual earnings over $4,800. Average is defined as the highest average earnings over a span of two years (for general government) or three years (for education).

NOTE 2 - DESCRIPTION OF THE CITY OF KNOXVILLE PENSION SYSTEM (Continued)

(f) *Description of Divisions Comprising the System (Continued)*

DIVISION A (continued)

Benefit adjustment

• Cost of living adjustment (COLA) is applied annually on January 1

1. Education members retired on or before 7/1/1987 and General Government members receive an increase of 3% based on the prior year's benefit. If member is over 62, an additional increase of ½ of the excess by which the percentage increase in the CPI exceeds 3% is awarded. The total COLA may not exceed 4%.

2. Education members retired after 7/1/1987 and receiving a benefit for the preceding 12 months receive an increase/decrease based on the percent increase/decrease in the CPI not to exceed 3%. If member is over age 62, an additional increase of ½ of the excess by which the percentage increase in the CPI exceeds 3% is awarded. The total COLA may not exceed 4%.

Other

• Members of Division A are covered by Social Security
• Division is closed to new members

NOTE 2 - DESCRIPTION OF THE CITY OF KNOXVILLE PENSION SYSTEM (Continued)

(f) *Description of Divisions Comprising the System (Continued)*

DIVISION B

Employees covered	• All employees, except uniformed police and fire personnel, who were employed prior to 1/16/1963, and who participated in the City of Knoxville Pension System as created by the City of Knoxville Pension Act of 1935, who elected to continue in Division B and were not over age 40 when electing to contribute.
Employees excluded	• Members of the Tennessee Consolidated Retirement System
Employee contributions	• 4% of annual earnings • Annual earnings referred to above excludes overtime payments
Normal retirement age and required creditable service	• Age 50, 25 years of service
Normal retirement benefit	• The immediate monthly pension is 50% of the member's average monthly salary for the highest two years. To this percentage will be added 1% of each year (and fraction based on complete months) of service worked after 1/1/79, and after the member has reached age 50 and completed 25 years of service, subject to a maximum addition of 10%.
Benefit adjustment	• Cost of living adjustment (COLA) is applied annually on January 1 for members receiving a benefit for the preceding 12 months. The COLA is an increase of 3% based on the prior year's benefit. If member is over 62 an additional increase of ½ of the excess by which the percentage increase in the CPI exceeds 3% is awarded. The total COLA may not exceed 4%.
Other	• Members of Division B are not covered by Social Security. • Division is closed to new members. • Members remain non-vested in the City's contribution and the related earnings thereon until ten years of service has been completed, at which time the participant vests fully.

(f) *Description of Divisions Comprising the System* (Continued)

DIVISION C

Employees covered	• All uniformed fire and police personnel employed after 1/2/1971 and before 1/1/2013 • Members who transferred from Division A on 1/2/1971
Employees excluded	• Members who elected to remain in Division A
Employee contributions	• 6% of annual earnings (subject to a maximum of 30 years) • Annual earnings referred to above excludes overtime payments • Member contributions were limited to the 30-year maximum referred to above effective 1/1/1997
Normal retirement age and required creditable service	• Age 50, 25 years of service
Normal retirement benefit	• The normal monthly retirement benefit payable for life is as follows: 2.0% of member's average salary for each year of service, subject to a maximum of 30 years of service until 1/4/1997 2.1% of member's average salary for each year of service, subject to a maximum of 30 years of service until 1/4/1999 2.4% of member's average salary for each year of service, subject to a maximum of 30 years of service until 1/5/2001, and 2.5% of member's average salary thereafter Average salary is determined over three years until 1/4/1997, two years thereafter. Creditable service was defined in terms of whole years until 1/6/2001, in terms of whole years and whole months until 10/3/2004, and in terms of whole years, whole months and completed days thereafter.

NOTE 2 - DESCRIPTION OF THE CITY OF KNOXVILLE PENSION SYSTEM (Continued)

(f) *Description of Divisions Comprising the System* (Continued)

DIVISION C (continued)

Benefit adjustment	• Cost of living adjustment (COLA) is applied annually on January 1 for members receiving a benefit for the preceding 12 months. The COLA is an increase of 3% based on the prior year's benefit. If member is over 62 an additional increase of ½ of the excess by which the percentage increase in the CPI exceeds 3% is awarded. The total COLA may not exceed 4%.
Other	• Members of Division C are covered by Social Security • Delayed Retirement Option Program ("DROP") • Members remain non-vested in the City's contribution and the related earnings thereon until five years of service has been completed, at which time the participant vests fully. • Division is closed to new members

NOTE 2 - DESCRIPTION OF THE CITY OF KNOXVILLE PENSION SYSTEM (Continued)

(f) *Description of Divisions Comprising the System* (Continued)

DIVISION F

Employees covered	• Fire and police personnel hired before January 1, 1963
Employees excluded	• Fire and police personnel hired after December 31, 1962
Employee contributions	• 5% of monthly earnings
Normal retirement age and required creditable service	• Age 50, 25 years of service
Normal retirement benefit	• 50% of the member's highest monthly salary while employed in an eligible position. To this percentage will be added 2% for each year of service worked after 25 years to a maximum of 30 years (maximum of 60% benefit).
Benefit adjustment	• Cost of living adjustment (COLA) is applied annually on January 1. The increase will be the greater of 6% of the original benefit or 4% of the prior year's benefit.
Other	• Members of Division F are not covered by Social Security • Division is closed to new members

NOTE 2 - DESCRIPTION OF THE CITY OF KNOXVILLE PENSION SYSTEM (Continued)

(f) *Description of Divisions Comprising the System* (Continued)

DIVISION G

Employees covered	• All general government employees who were employed on or after January 1, 1997 and before January 1, 2013 after completion of six months service • All general government employees who elected to transfer from Division A on July 1, 1997 • Elected members of the legislative and judicial branches of City Government before January 1, 2013
Employees excluded	• Members of Division A who elected not to transfer • Members of Divisions B, C and F
Employee contributions	• 6% of annual earnings (Option 1 - 3% defined benefit, 3% supplemental defined contribution; Option 2 - 6% defined benefit) • Annual earnings referred to above excludes overtime payments
Normal retirement age and required creditable service	• Age 62 or "Rule of 80" (member's age plus years of service)

Normal retirement benefit

Option 1

• The monthly normal retirement benefit for life will be equal to one-twelfth of the product of (a) and (b) below:

(a) Credited service (in years and completed months and days) times:

	% of Average Annual Earnings	
Age at Retirement	Through 1/5/2001	Thereafter
62 or less	1.07%	1.15%
63	1.12	1.21
64	1.18	1.27
65 or older	1.25	1.35

(b) Average annual earnings – Average is determined by using the two highest 12-month periods. Periods do not have to be consecutive and any month may be used in only one period.

NOTE 2 - DESCRIPTION OF THE CITY OF KNOXVILLE PENSION SYSTEM (Continued)

(f) *Description of Divisions Comprising the System* (Continued)

DIVISION G (continued)

(In addition to the above-defined benefit, 3% of the member contributions are going into a supplemental retirement account. The City is contributing 1.5% of gross regular bi-weekly payroll into this account. At retirement, the member is entitled to the value of this account.)

Option 2	• Credited service (in years and completed months and days) times 2% of average annual earnings (until 1/5/2001) as defined above. • 2.1 % of average annual earnings thereafter
Benefit adjustment	• Cost of living adjustment (COLA) is applied annually on January 1. The COLA is an increase of 3% based on the prior year's benefit. If member is over 62 an additional increase of ½ of the excess by which the percentage increase in the CPI exceeds 3% is awarded. The total COLA may not exceed 4%. Members receiving benefits for less than the preceding 12 months will have the COLA prorated based on the number of months benefits were received.
Other	• Members of Division G are covered by Social Security • DROP • Members remain non-vested in the City's contribution and the related earnings thereon until five years of service has been completed, at which time the participant vests fully. • Division is closed to new members

NOTE 2 - DESCRIPTION OF THE CITY OF KNOXVILLE PENSION SYSTEM (Continued)

(f) *Description of Divisions Comprising the System* (Continued)

DIVISION H

Employees covered	• All general government and uniformed safety employees who were employed on or after January 1, 2013
Employees excluded	• Members of Divisions A, B, C, F and G
Employee contributions	• 6% of annual earnings • Annual earnings referred to above excludes overtime payments
Normal retirement age and required creditable service	• General Government: Age 63 and ten years of service • Uniformed Safety: Age 56 and twenty-five years of service or age 63 and ten years of service
Normal retirement benefit	• The monthly normal retirement benefit for life will be equal to one-twelfth of the greater of (a) or (b) below: (a) 2% for each year of service times average compensation Average is determined by using the five highest 12-month periods. Periods do not have to be consecutive and any month may be used in only one period. (b) The annuity value of the member's hypothetical account which includes: • Member's contributions • Employer contribution credit equal to 8% of member's compensation for general government and 10% for uniformed safety, and • Interest credit based on the change in fair value of the fund
Benefit adjustment	• Cost of living adjustment (COLA) is applied annually on January 1 to the prior year's benefit amount. Members receiving benefits for less than the preceding 12 months will have the COLA prorated based on the number of months benefits were received. The COLA is calculated by multiplying the increase in the CPI (up to 3%) by the funding factor shown in the following table:

Division H funded percentage	COLA funding factor
Greater than or equal to 95%	100%
Greater than or equal to 80% but less than 95%	50%
Greater than or equal to 60% but less than 80%	25%
Less than 60%	0%

NOTE 2 - DESCRIPTION OF THE CITY OF KNOXVILLE PENSION SYSTEM (Continued)

(f) *Description of Divisions Comprising the System* (Continued)

DIVISION H (continued)

Other	• Members of Division H are covered by Social Security • Members remain non-vested in the City's contribution and the related earnings thereon until ten years of service has been completed, at which time the participant vests fully.

* * * * *

Adjustments of employee contributions rates and benefit terms included in Note 2(f) above require amendments to the Charter of the City of Knoxville through a vote of the citizens of the City.

NOTE 3 - ABOLISHMENT OF THE CITY SCHOOL SYSTEM

Effective July 1, 1987, the City School System, whose employees were members of the Board of Education department, was abolished and the former City school operations were absorbed into those of Knox County. Although there has not been an actual plan termination, the City's abolishment of its school system and a Court of Appeals ruling has resulted in an in-substance termination of the Board of Education department of the Pension Board.

Pension benefits for non-certified employees of the former City Schools are projected based on the salaries received and to be received from the Knox County Board of Education, as well as the estimated retirement dates for such personnel. Under the terms of the City of Knoxville Charter as construed by the Pension Board, the City is responsible for the difference in the total benefits due non-certified personnel had they remained in the System and amounts payable to such personnel under the Knox County retirement plan. The pension benefit obligation for certified personnel is calculated on a termination basis as of July 1, 1987. Under the terms of an agreement with Knox County executed November 7, 1994, the City is responsible for funding the benefits earned by certified personnel through July 1, 1987. Knox County is responsible for funding the difference, if any, between the pension benefits due based on the employee's salary and service as of July 1, 1987, and the actual pension obligation when the employee retires.

The System's actuary has determined the actuarial value of pension benefits which former City school system employees would be entitled to if their earned benefits were frozen as of July 1, 1987. The excess of this amount over the fair value of System's assets allocated to the Board of Education is being amortized by City contributions to the System. The City made contributions for this department of approximately $2,091,000 and $2,240,000 for the years ended June 30, 2024 and 2023 respectively.

NOTE 4 - DELAYED RETIREMENT OPTION PROGRAM

When applicable, a member who is eligible for a normal retirement benefit may elect a delayed retirement through participation in the Delayed Retirement Option Program (DROP). The delayed retirement date may be no more than 24 months after the election is effective. A member will no longer be permitted to make contributions to the pension system once the DROP is elected.

A member's retirement benefit entitlement is computed when the member makes the DROP election and neither additional service nor increased salaries will affect this entitlement. The accumulated benefits in the DROP at the delayed retirement date are payable in a one-time payment in the month following the delayed retirement date. The member has the option to rollover all or part of this one-time payment to another eligible tax-deferred arrangement. The member's regular monthly benefit which was established at the member's election to participate in the DROP will also begin in the month following the delayed retirement date. Any cost of living adjustments for which the member is eligible during the member's DROP participation period will increase the monthly benefit entitlement established at the time of the member's election to participate in the DROP.

On June 30, 2024 there were 42 members on the DROP and the balance of accumulated benefits was $2,555,083. On June 30, 2023 there were 41 members on the DROP and the balance of accumulated benefits was $3,105,066.

NOTE 5 – INVESTMENTS AT FAIR VALUE

City Charter section 1350.2(B) requires a Statement of Investment Policy be adopted by the System, which can be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through diversification of the portfolio across a broad selection of asset classes. Liquidity is required only to meet defined payout needs, and as such, each investment manager's portfolio is to be fully invested notwithstanding the brief period of time between a sale and reinvestment. The following is the Board's broad asset allocation policy which was adopted in February 2020:

Asset Class	Target Allocation
Equity	51%
Fixed Income	29%
Real Assets	20%

As a retirement defined benefit pension fund, the System holds a significant amount of investments that are measured at fair value on a recurring basis. Investing is a key part of the System's activities. The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices for identical assets in active markets that can be accessed at the measurement date (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy under GASB 72 are described as follows:

- **Level 1** – Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

- **Level 2** – Inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted priced that are observable for the asset or liability like interest rates and yield curves observable at commonly quoted intervals, implied volatilities, or credit spreads; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified term, the level 2 must be observable for substantially the full term of the asset or liability.

- **Level 3** – Inputs are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Descriptions of the valuation methodologies used for each category of investment measured at fair value are listed below the fair value tables.

NOTE 5 – INVESTMENTS AT FAIR VALUE (Continued)

The System has the following recurring fair value measurements as of June 30, 2024:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities:				
U.S. Treasury Securities	$ 44,379,588	$ 44,379,588	$ -	$ -
U.S. Government Backed Securities	2,682,788	2,682,788	-	-
Commercial Mortgage-Backed Securities	4,565,047	-	4,565,047	-
Asset Backed Securities	6,089,634	-	6,089,634	-
Residential Mortgage-Backed Securities	16,771,454	-	16,771,454	-
Corporate Bonds	44,316,412	44,316,412	-	-
Municipal Bonds	1,832,226	1,832,226	-	-
TIPS	23,071,894	23,071,894	-	-
Total Debt Securities	143,709,043	116,282,908	27,426,135	-
Equity Securities:				
Consumer Discretionary	13,549,737	13,549,737	-	-
Consumer Staples	726,837	726,837	-	-
Energy	9,570,236	9,570,236	-	-
Financials	11,318,329	11,318,329	-	-
Healthcare	10,681,480	10,681,480	-	-
Industrials	13,040,154	13,040,154	-	-
Information Technology	17,363,630	17,363,630	-	-
Materials	2,343,442	2,343,442	-	-
REIT Financials	2,030,670	2,030,670	-	-
Telecommunications Services	13,488,367	13,488,367	-	-
Utilities	273,521	273,521	-	-
Mutual Funds:				
Infrastructure	4,037,171	4,037,171	-	-
Large Cap Growth	62,922,823	62,922,823	-	-
Total Equity Securities	161,346,397	161,346,397	-	-

NOTE 5 – INVESTMENTS AT FAIR VALUE (Continued)

Fair value measurements as of June 30, 2024 (continued):

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Private Equity:				
Debt	$ 11,993,241	$ -	$ -	$ 11,993,241
Diversified	36,803,239	-	-	36,803,239
Energy	2,023,960	-	-	2,023,960
International	6,009,862	-	-	6,009,862
Secondary Markets	16,170,089	-	-	16,170,089
Venture Capital	5,872,326	-	-	5,872,326
Total Private Equity	78,872,717	-	-	78,872,717
Total Investments by fair value level	383,928,157	$ 277,629,305	$ 27,426,135	$ 78,872,717
Investments measured at the net asset value (NAV)				
Global Low Volatility	38,420,240			
Real Estate Funds	65,213,027			
Infrastructure Funds	34,960,914			
International Equities	111,344,421			
Defensive Equity	35,493,540			
International - Emerging Markets Debt	29,979,288			
Total investments measured at the NAV	315,411,430			
Total investments measured at fair value	699,339,587			
Cash held by money managers	9,335,513			
Total Investment Assets	$ 708,675,100 [1]			

[1] - Total investment assets presented in the fair value table include pending items and accruals.

NOTE 5 – INVESTMENTS AT FAIR VALUE (Continued)

The System had the following recurring fair value measurements as of June 30, 2023:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities:				
U.S. Treasury Securities	$ 38,344,266	$ 38,344,266	$ -	$ -
U.S. Government Backed Securities	2,442,210	2,442,210	-	-
Commercial Mortgage-Backed Securities	4,311,067	-	4,311,067	-
Asset Backed Securities	5,700,793	-	5,700,793	-
Residential Mortgage-Backed Securities	18,315,881	-	18,315,881	-
Corporate Bonds	46,617,481	46,617,481	-	-
Municipal Bonds	3,599,141	3,599,141	-	-
TIPS	22,136,571	22,136,571	-	-
Total Debt Securities	141,467,410	113,139,669	28,327,741	-
Equity Securities:				
Consumer Discretionary	12,424,136	12,424,136	-	-
Consumer Staples	622,969	622,969	-	-
Energy	6,002,486	6,002,486	-	-
Financials	12,124,411	12,124,411	-	-
Healthcare	6,391,160	6,391,160	-	-
Industrials	13,961,083	13,961,083	-	-
Information Technology	11,649,306	11,649,306	-	-
Materials	947,077	947,077	-	-
REIT Financials	1,542,161	1,542,161	-	-
Telecommunications Services	18,579,399	18,579,399	-	-
Utilities	293,905	293,905	-	-
Mutual Funds:				
Infrastructure	8,119,688	8,119,688	-	-
Large Cap Growth	52,794,430	52,794,430	-	-
Total Equity Securities	145,452,211	145,452,211	-	-

NOTE 5 – INVESTMENTS AT FAIR VALUE (Continued)

Fair value measurements as of June 30, 2023 (continued):

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Private Equity:				
Debt	$ 5,575,465	$ -	$ -	$ 5,575,465
Diversified	36,558,596	-	-	36,558,596
Energy	2,892,541	-	-	2,892,541
International	6,960,421	-	-	6,960,421
Secondary Markets	15,627,415	-	-	15,627,415
Venture Capital	5,393,459	-	-	5,393,459
Total Private Equity	73,007,897	-	-	73,007,897
Total Investments by fair value level	359,927,518	$ 258,591,880	$ 28,327,741	$ 73,007,897
Investments measured at the net asset value (NAV)				
Global Low Volatility	32,541,628			
Real Estate Funds	72,504,738			
Infrastructure Funds	33,973,003			
International Equities	102,206,785			
Defensive Equity	30,958,356			
International - Emerging Markets Debt	28,084,234			
Total investments measured at the NAV	300,268,744			
Total investments measured at fair value	660,196,262			
Cash held by money managers	8,473,425			
Total Investment Assets	$ 668,669,687 [1]			

[1] - Total investment assets presented in the fair value table include pending items and accruals.

NOTE 5 – INVESTMENTS AT FAIR VALUE (Continued)

Debt Securities – Actively traded debt instruments such as those securities issued by the U.S. Treasury, Federal Agencies and most corporate issuers are reported at fair value as of the close of the trading date. Fair values in irregular traded debt securities are obtained from pricing vendors who employ modeling techniques in determining security values. Inputs typically employed by pricing vendors include cash flows, maturity and credit rating. Corporate bonds, commercial and residential mortgage-backed securities and asset-backed securities classified as Level 2 are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

Equities – Equities held by the System consist of domestic, international and global securities, including those traded in emerging markets, and are actively traded on major security exchanges or over-the-counter. Fair value for exchange traded securities is determined as of the close of the trading date in the primary market or agreed upon exchange. The last known price is used for listed securities that did not trade on a particular date. Fair value is obtained from third party pricing sources for securities trade over-the-counter.

Mutual Funds – Equity mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the System are open-ended mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value and to transact at the price. These mutual funds are deemed to be actively traded.

Private Equities – The fair value of the System's various private equities depends upon the nature of the investment and the underlying business. Typically, the alternative investments are less liquid and subject to redemption restrictions explained further in the next section. Fair value is determined quarterly either with valuations conducted by general partners, management and/or valuation specialists. Valuation techniques vary by investment type and involve significant expert judgment.

NOTE 5 – INVESTMENTS AT FAIR VALUE (Continued)

Private Equities and investments measured at NAV are typically more illiquid than other asset classes. The System had the following holdings in these types of investments.

Redemption Periods and Unfunded Commitments as of June 30, 2024:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Infrastructure Funds	$ 34,960,914	$ -	Quarterly *	45 - 90 days
Real Estate Funds	65,213,027	-	Quarterly, Daily	45 days, 1 day
International Equities	111,344,421	-	Monthly	10 - 30 days
Defensive Equity	35,493,540	-	Monthly	5 days
International - Emerging Market Debt	29,979,288	-	Monthly	3 days
Global Low Volatility	38,420,240	-	Daily	1 day
Total investments measured at the NAV	$ 315,411,430	$ -		
Private Equity:				
Debt	$ 11,993,241	$ 6,475,000		
Diversified	36,803,239	13,755,120		
Energy	2,023,960	765,097		
International	6,009,862	527,808		
Secondary Markets	16,170,089	6,002,500		
Venture Capital	5,872,326	2,119,327		
Total Private Equity	$ 78,872,717	$ 29,644,852		

Redemption Periods and Unfunded Commitments as of June 30, 2023:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Infrastructure Funds	$ 33,973,003	$ -	Quarterly *	45 - 90 days
Real Estate Funds	72,504,738	-	Quarterly, Daily	45 days, 1 day
International Equities	102,206,785	-	Monthly	10 - 30 days
Defensive Equity	30,958,356	-	Monthly	5 days
International - Emerging Market Debt	28,084,234	-	Monthly	3 days
Global Low Volatility	32,541,628	-	Daily	1 day
Total investments measured at the NAV	$ 300,268,744	$ -		
Private Equity:				
Debt	$ 5,575,465	$ 3,225,000		
Diversified	36,558,596	9,403,120		
Energy	2,892,541	1,297,653		
International	6,960,421	657,694		
Secondary Markets	15,627,415	7,150,000		
Venture Capital	5,393,459	3,257,257		
Total Private Equity	$ 73,007,897	$ 24,990,724		

*The quarterly liquidity begins after a lock up period of four years for one of the infrastructure managers which expired February 28, 2024.

NOTE 5 – INVESTMENTS AT FAIR VALUE (Continued)

Infrastructure Funds – This investment type consists of two private core managers plus a publicly traded mutual fund. The two core investments consist of open-ended private infrastructure funds with one focused globally and one concentrated in North America in various industries. Even after the two private managers called their committed funds, the System maintained the remaining funds in the publicly traded mutual fund opportunistically. The goal of these investments is to provide a high degree of yield from rental/fee incomes and a diversification away from many aspects of the traditional economic cycle.

Real Estate – This type includes two managers that invest in commercial real estate properties across the United States. The System's investment managers will look to buy entire properties in hopes of improving their overall offering, increasing both its rental income and ultimate selling price. Depending on the particular investment fund, fair values of the portfolios are determined either daily or quarterly and proceeds are only able to be added or withdrawn at this time. The fair value of real estate investments, principally rental property subject to long-term leases has been estimated on the basis of future rental receipts and estimated residual values discounted at interest rates commensurate with the risks involved. The goal of these investments is to provide a high degree of yield from rental incomes and some growth from capital appreciation.

International equities – This type of investment consists of one manager that invests in non-U.S. publicly-traded companies. The manager has restrictions on countries and industry sectors it is allowed to invest in as well as permissible size of each investment. Fair values of the portfolios are determined each month using the NAV per share of the investment, and proceeds are only able to be added or withdrawn at this time. The goal of these investments is to provide growth for the portfolio as well as diversification away from the United States.

Defensive Equity – This investment type consists of one manager and provides exposure to the U.S. large cap equity space while aiming to provide downside market protection to the portfolio as well as incorporating a differentiated source of returns (insurance risk premium “IRP”) than in the broad equity universe. The portfolio is invested 50% in the S&P 500 index and 50% in Treasury Bills. The strategy will also sell out-of-the-money put and call options on the S&P 500. Options are financial insurance contracts, and like all insurance contracts, they are not free, and the pricing tends to favor the sellers. Overpricing in these contracts represents IRP paid by option buyers to option sellers. S&P 500 Index options have historically been overpriced, resulting in a differentiated (and persistent) source of return to the investors in this strategy. Expected returns for this strategy are equal to (50% X S&P 500 Return) + (50% X T-Bill Return) + (100% X IRP). Fair values of the portfolios are determined each month using the NAV per share (or its equivalent) of the investment, and proceeds are only able to be added or withdrawn at this time. The goal of this investment is to provide growth to the portfolio with significantly less volatility than traditional equity exposure.

NOTE 5 – INVESTMENTS AT FAIR VALUE (Continued)

Emerging Market Debt – This type of investment consists of one manager who invests in both government and corporate bonds issued in emerging market countries. These issues tend to have lower credit quality than their counterparts in the U.S. and developed world, so these securities typically offer a higher premium and interest rate. The System also has exposure to the emerging market country currencies through these investments. Fair values of the portfolios are determined each month using the NAV per share (or its equivalent) of the investment, and proceeds are only able to be added or withdrawn at this time. The goal of these investments is to provide growth from higher yields for the portfolio as well as diversification away from the United States.

Global Low Volatility – This investment type consists of one manager who invests in global lower risk stocks that consist of long-only investments that are highly liquid. The strategy seeks to minimize volatility at the portfolio construction level instead of eliminating high volatility subsets as is common among low volatility peers. Additionally, the strategy has constraints of plus/minus 3% relative to the MSCI World benchmark with respect to sector, industry, region, and country weights. The goal of this investment is to provide growth to the portfolio with significantly less volatility while remaining highly liquid.

RATE OF RETURN - The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.37% and 7.26% for the fiscal years ended 2024 and 2023, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 5 – INVESTMENTS AT FAIR VALUE (Continued)

For the years ended June 30, 2024 and 2023, net appreciation (depreciation), including realized gains and losses, associated with the System's investments were as follows:

	2024	2023
Government Securities	$ 320,534	$ (2,598,761)
Foreign Securities	22,459,567	20,690,862
Corporate Bonds and Debentures	(2,979,202)	(3,651,958)
Real Assets	(6,170,102)	(10,206,098)
Alternative Assets	4,074,097	4,998,665
Domestic Equity Securities	38,726,405	32,384,027
	$ 56,431,299	$ 41,616,737

INTEREST RATE RISK - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates based upon the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. As of June 30, the System's exposure to interest rate risk as measured by the weighted average maturity by investment category is listed in the following table:

	2024		2023	
Fixed Income type	Fair Value (including pending items & accruals)	Weighted Average Maturity (Years)	Fair Value (including pending items & accruals)	Weighted Average Maturity (Years)
Core Bonds	$ 67,279,500	8.8	$ 65,145,348	9.2
Long Bonds	54,844,254	22.4	55,446,943	22.9
Treasury Inflation Protection Securities	23,170,190	4.7	22,222,893	4.7
Emerging Markets Debt	29,979,288	11.7	28,084,234	11.3

Descriptions for each category of the System's fixed income investment portfolio are listed below as they appear in the weighted average maturity table. The City of Knoxville Pension System has an investment policy which targets the combined fixed income portfolios at 29%. The investment policy permits portfolios of fixed income investments to go up to 75% of the total investment value of the fund. As of June 30, 2024 and 2023, these portfolios were 24.73% and 25.56% of the total investment value, respectively. In accordance with the investment policy, interest rate sensitivity of collateralized mortgage obligations cannot be greater than the underlying mortgage-backed security.

Core Bonds – consist of a combination of U.S. Treasury, municipal bonds, investment grade corporate bonds which contain various corporate sectors, mortgage-backed securities both corporate and government backed, and asset backed securities.

Long Bonds – consist of longer-term investments in various core bond products.

NOTE 5 – INVESTMENTS AT FAIR VALUE (Continued)

Treasury Inflation Protection Securities ("TIPS") – are made up of public obligations of the U.S. Treasury that are adjusted for inflation.

Emerging Markets Debt – consist of sovereign and corporate issuers from emerging market countries, with the debt denominated in either the local currency of the issuer (local currency, typically benchmarked against the JPM GBI-EM GD) or U.S. Dollar denominated (hard currency, typically benchmarked against the JPM EMBI GD).

CREDIT RISK – Credit risk is the risk that an issuer or other counterparty to an investment will default or will otherwise not fulfill its obligations.

The System's investment policy mandates a diversified investment portfolio among several asset classes. The policy further requires general adherence to the prudent person rule for the investments within that classification to have an overall credit rating of investment grade or better. Occasionally, the System's investment managers notify the System of an investment that has been downgraded below investment grade, but the manager must provide a plan for holding or disposition and report the status regularly to the Board through the Investment Committee.

The System's exposure to credit risk as of June 30, 2024 is presented below, in thousands, by investment category as rated by S&P or Moody's Investment Service:

Bond Type	AAA/ Aaa	AA/Aa	A/A	BBB/ Baa	BB/Ba	B/B	CCC/ Caa	Not Rated or Rating Not Available	Total
Commercial Mortgage-backed securities	$ 3,662	$ -	$ -	$ 359	$ -	$ -	$ -	$ 1,300	$ 5,321
Asset-Backed Securities	1,754	-	-	-	-	-	-	2,870	4,624
Corporate Bonds	1,527	1,833	13,573	23,860	1,523	691	99	1,476	44,582
Municipal Bonds	439	591	312	-	-	-	-	807	2,149
Total Fixed Income Securities Exposed to Credit Risk	$ 7,382	$ 2,424	$ 13,885	$ 24,219	$ 1,523	$ 691	$ 99	$ 6,453	$ 56,676
Percentage of total Fixed Income Portfolio	4.2%	1.4%	7.9%	13.8%	0.9%	0.4%	0.1%	3.7%	32.3%

NOTE 5 – INVESTMENTS AT FAIR VALUE (Continued)

The System's exposure to credit risk as of June 30, 2023 is presented below, in thousands, by investment category as rated by S&P or Moody's Investor Service:

Bond Type	AAA/ Aaa	AA/Aa	A/A	BBB/ Baa	BB/Ba	B/B	CCC/ Caa	Not Rated or Rating Not Available	Total
Commercial Mortgage-backed securities	$ 2,684	$ -	$ -	$ 281	$ -	$ -	$ -	$ 1,656	$ 4,621
Asset-Backed Securities	2,346	-	-	-	-	-	-	3,123	5,469
Corporate Bonds	1,709	2,767	17,291	23,186	697	227	345	1,223	47,445
Municipal Bonds	854	1,004	313	-	-	-	-	1,395	3,566
Total Fixed Income Securities Exposed to Credit Risk	$ 7,593	$ 3,771	$ 17,604	$ 23,467	$ 697	$ 227	$ 345	$ 7,397	$ 61,101
Percentage of total Fixed Income Portfolio	4.4%	2.2%	10.3%	13.7%	0.4%	0.1%	0.2%	4.3%	35.8%

The System held debt investments in the form of mutual funds for the years ended June 30, 2024 and 2023. The System owned shares of the mutual fund's investments in aggregate and does not own shares of the underlying individual assets.

CONCENTRATION OF CREDIT RISK - Investment with any one issuer shall not exceed 5%, except for obligations of the U. S. Government. As of June 30, 2024 and June 30, 2023, the only non-U.S. Government investments greater than the 5% of the total investment value of the fund were fully diversified commingled funds/pooled funds/mutual funds.

Investments by money manager that represent 5% or more of the System's net position are as follows:

June 30, 2024:	
Northern Trust Investments, Inc.	$ 101,343,063
Income Research & Management	90,449,690
Silchester International Investors	73,572,411
Eagle Capital Management LLC	64,546,474
Schroder Investment Management	54,844,254
Acadian Asset Management, LLC	37,772,010
DWS Group	37,482,201
Parametric	35,493,540

NOTE 5 – INVESTMENTS AT FAIR VALUE (Continued)

June 30, 2023:

Income Research & Management	$	87,368,241
Northern Trust Investments, Inc.		85,336,058
Silchester International Investors		71,912,271
Eagle Capital Management LLC		56,170,750
Schroder Investment Management		55,446,943
DWS Group		45,769,515
Principal Global Investors		34,854,912

CUSTODIAL CREDIT RISK – *Deposits* – In the case of bank deposits, this is the risk that in the event of a bank failure, the System's deposits may not be returned to it. As required by state statutes, the System's policy is to require that financial institutions holding its deposits be members of the Tennessee Collateral Pool or pledge collateral for deposits exceeding federal depository insurance. Collateral is required to be held by the System or its agent in the System's name. As of June 30, 2024, the System's bank balance of $2,200 was not exposed to custodial credit risk.

FOREIGN CURRENCY RISK – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The System is not directly invested in foreign currency but because of its participation in a comingled fund for Emerging Markets Debt, about 2% of the total assets are exposed to foreign currency risk.

NOTE 6 – OTHER INCOME

Other income consists of the following:

	2024	2023
Securities litigation income	$ 106,433	$ 70,536
Commission recapture income	1,792	2,084
	$ 108,225	$ 72,620

NOTE 7 – CAPITAL ASSETS

Capital asset activity for years ended June 30, 2024 and 2023 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
June 30, 2024:				
Depreciable Property & Equipment	$ 38,168	$ 4,543	$ (19,411)	$ 23,300
Accumulated Depreciation				
Property & Equipment, net	(38,168)	(533)	19,411	(19,290)
	$ -	$ 4,010	$ -	$ 4,010
June 30, 2023:				
Depreciable Property & Equipment	$ 38,168	$ -	$ -	$ 38,168
Accumulated Depreciation				
Property & Equipment, net	(38,168)	-	-	(38,168)
	$ -	$ -	$ -	$ -

NOTE 8 – NET PENSION LIABILITY OF THE CITY

The components of the net pension liability as of June 30 were as follows:

	2024	2023
Total pension liability	$ 993,722,687	$ 959,904,391
Plan fiduciary net position	(708,311,788)	(668,100,673)
Net pension liability	$ 285,410,899	$ 291,803,718
Plan fiduciary net position as a percentage of the total pension liability	71.28%	69.60%

NOTE 9 – ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Assumptions: The actuarial assumptions used in the July 1, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through July 1, 2021. This experience study led to changes in the mortality tables used for all non-Division H groups, a decrease in the discount rate, and a reset of the amortization period for the unfunded liability. Further details on the changes in assumptions can be found in the Actuarial Section of this report.

Significant actuarial assumptions used in the valuations as of July 1, 2024 and 2023 (unless otherwise noted) include:

(a) Plan H rate of return on investment of present and future assets of 5.5% per annum, based on a 2.5% inflation assumption; 0.5% expense assumption. All other plans' rate of return on investment of present and futures assets of 7.1% per annum (decreasing by 5 basis points each year to 7.00% at July 1, 2026), based on a 2.5% inflation assumption; 0.5% expense assumption. The July 1, 2023 valuation utilized a rate of return on assets of 7.15% per annum for all plans other than H.

(b) The assumed salary scale is based on a review of the experience study of the plan; the assumed salary increases are greater at younger ages and lower at older ages.

	General Government	Uniformed Bodies
Age 20	11.5%	11.5%
Age 25	6.3%	7.7%
Age 30	5.3%	6.5%
Age 35	4.7%	5.7%
Age 40	4.3%	5.0%
Age 45	3.9%	4.4%
Age 50	3.6%	3.8%
Age 55	3.4%	3.4%
Age 60	3.0%	3.0%

(c) Projected postretirement benefit (COLA) increases of 3.0% annually for Plan H and 3.5% annually for all other plans.

(d) Actuarial valuation method is entry age normal with the unfunded liability amortized over a closed period beginning July 1, 2022; 18 years remaining at July 1, 2024.

NOTE 9 – ACTUARIAL METHODS AND ASSUMPTIONS (Continued)

(e) Discount Rate is 5.5% for Division H and 7.1% for all others (decreasing by 5 basis points each year to 7.00% at July 1, 2026). The July 1, 2023 valuation used a rate of 7.15% per year for all plans other than H.

(f) Mortality Rates (pre- and post-retirement)

Effective July 1, 2022 – June 30, 2024

Divisions A, B C, F, G, and H (not including Board of Education):
115% of the RP-2014 Blue Collar table rates projected to 2021 with MP-2021
Divisions A and B (Board of Education):
2021 PPA Annuitant static table

Effective July 1, 2024*

Divisions A, B C, F, G, and H (not including Board of Education):
115% of the RP-2014 Blue Collar table rates 2024 IRS Adjusted MP-2021 projected to 2027
Divisions A and B (Board of Education):
PPA Annuitant table with 2024 IRS Adjusted MP-2021 projected to 2027

* Mortality tables include mortality improvements projected until 2027. Mortality improvement will be reviewed again as part of the 2026 experience study, with changes effective in 2027.

The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the fair value of equities over a ten-year period, but which limits the actuarial value to between 80% and 120% of the fair value. The projection of benefits is based on benefit levels and cost-sharing arrangements as of the date of the valuation and does not explicitly reflect the potential effects of legal or contractual funding limitations.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE 9 – ACTUARIAL METHODS AND ASSUMPTIONS (Continued)

Best estimates of geometric real rates of return for each major class included in the System's target asset allocation as of June 30 (see the discussion of the System's investment policy in the Investment Section) are summarized in the following table:

	2024		2023	
	30-Year Expected Nominal Return*	30-Year Expected Real Return	30-Year Expected Nominal Return*	30-Year Expected Real Return
Core Fixed Income	5.0%	2.5%	4.3%	1.8%
Long-Term Government Fixed Income	4.4%	1.9%	2.8%	0.3%
TIPS	4.0%	1.5%	3.5%	1.0%
Emerging Markets Debt	6.5%	4.0%	6.9%	4.4%
Defensive Equity	6.2%	3.7%	4.9%	2.4%
Large Cap Value Stocks	7.4%	4.9%	7.5%	5.0%
Large Cap Growth Stocks	7.4%	4.9%	7.5%	5.0%
Small/Mid Cap Growth Stocks	7.7%	5.2%	7.8%	5.3%
Small/Mid Cap Value Stocks	8.3%	5.8%	8.2%	5.7%
Developed International Value Stocks	7.7%	5.2%	7.6%	5.1%
Emerging Markets Stocks	8.4%	5.9%	8.0%	5.5%
Global Low Volatility	7.4%	4.9%	7.6%	5.1%
Private Equity	11.5%	9.0%	11.1%	8.6%
Core Real Estate	6.4%	3.9%	7.4%	4.9%
Real Assets	6.9%	4.4%	7.6%	5.1%
Cash	3.5%	1.0%	3.5%	1.0%

*Includes 2.5% Inflation

Discount Rate: The discount rate used to measure the pension liability as of June 30, 2024 and 2023 is equal to the System's expected rate of return of 7.1% and 7.15%, respectively except for Plan H and HU which is 5.5% for each year. This is a reduction of 0.05% from the prior year for both years. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current statutory contribution rates and that contributions from the City will be made at the current statutory contributions rates. Based on those assumptions, the System's net position is expected to be available indefinitely. Accordingly, the discount rate is equal to the expected long-term rate of return on assets and does not include a component of the municipal bond rate. The long-term expected rate of return on pension plan investments was applied to periods of projected benefit payments.

NOTE 9 – ACTUARIAL METHODS AND ASSUMPTIONS (Continued)

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the City, calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Net Pension Liability at June 30, 2024	$ 405,507,339	$ 285,410,899	$ 185,610,602

For Division H, Current Rate is 5.5%; For non-Division H, Current Rate is 7.1%.

	1% Decrease	Current Discount Rate	1% Increase
Net Pension Liability at June 30, 2023	$ 407,060,625	$ 291,803,718	$ 195,995,838

For Division H, Current Rate is 5.5%; For non-Division H, Current Rate is 7.15%.

NOTE 10 – PLAN'S TAX STATUS

The Internal Revenue Service has determined and informed the System that the Plan is documented in accordance with the applicable sections of the Internal Revenue Code (IRC). On September 24, 2014, the City of Knoxville received an IRS determination letter for the City of Knoxville Pension System. The Executive Director and the System's legal counsel believe that the System continues to operate in compliance with the applicable requirements of the IRC, therefore, no provision for income taxes has been included in the System's financial statements.

The System is subject to audits by taxing authorities; however, there are currently no audits for any periods in progress.

NOTE 11 – CONTINGENCIES

The System is subject to potential litigation and other legal proceedings arising in the ordinary course of business. In the opinion of management, in consultation with legal counsel, there is no present litigation that would have a material impact on the financial condition of the System. Accordingly, no provision has been made within the accompanying financial statements.

NOTE 12 – RISKS AND UNCERTAINTIES

Investment securities in general are subject to various risks, such as interest rate, credit and overall market volatility. Due to the levels of risk associated with certain investment securities, it is possible that changes in the System's values of investment securities could occur and that such changes could materially affect the amounts reported in the statements of fiduciary net position. Employer contributions could be expected to change as well.

Defined benefit pension plan contributions are made, and the total pension liabilities are calculated, based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

CITY OF KNOXVILLE PENSION SYSTEM
Required Supplementary Information

Schedule of Changes in the Net Pension Liability and Related Ratios
(Dollar amounts in millions)

	Fiscal Year ended June 30									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Discount Rate	7.15%	7.20%	7.25%	7.25%	7.25%	7.25%	7.25%	7.375%	7.375%	7.375%
Total Pension Liability										
Service cost	$ 16.2	$ 15.7	$ 13.5	$ 13.4	$ 13.2	$ 13.0	$ 13.0	$ 13.1	$ 13.1	$ 12.6
Interest	66.8	65.5	60.2	59.1	57.9	56.4	55.1	52.5	51.8	50.9
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	0.7	(3.5)	29.2	2.1	(2.6)	2.1	(1.9)	(3.7)	2.1	(6.1)
Changes in assumptions	8.1	4.9	25.5	-	-	-	-	21.0	-	-
Benefit payments/refunds	(58.0)	(55.5)	(53.7)	(52.5)	(51.1)	(47.5)	(47.5)	(46.2)	(44.7)	(43.5)
Net Change in Total Pension Liability	33.8	27.1	74.7	22.1	17.4	24.0	18.7	36.7	22.3	13.9
Total Pension Liability - Beginning	959.9	932.8	858.1	836.0	818.6	794.6	775.9	739.2	716.9	703.0
Total Pension Liability - Ending (a)	$ 993.7	$ 959.9	$ 932.8	$ 858.1	$ 836.0	$ 818.6	$ 794.6	$ 775.9	$ 739.2	$ 716.9
Plan Fiduciary Net Position										
Contributions - employer	$ 32.8	$ 29.9	$ 28.7	$ 28.9	$ 29.2	$ 28.7	$ 25.7	$ 23.8	$ 23.9	$ 22.6
Contributions - employee	5.3	5.2	4.5	4.4	4.4	4.3	4.2	4.4	4.4	4.1
Net investment income	61.0	46.9	(55.0)	135.5	15.1	30.8	37.6	63.3	(1.0)	7.9
Benefit payments/refunds	(58.1)	(55.5)	(53.7)	(52.5)	(51.1)	(47.5)	(47.5)	(46.2)	(44.7)	(43.5)
Administrative expenses	(0.8)	(0.8)	(0.9)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Net Change in Plan Fiduciary Net Position	40.2	25.7	(76.4)	115.7	(3.1)	15.6	19.3	44.6	(18.1)	(9.6)
Plan Fiduciary Net Position - Beginning	668.1	642.4	718.8	603.1	606.2	590.6	571.3	526.7	544.8	554.4
Plan Fiduciary Net Position - Ending (b)	$ 708.3	$ 668.1	$ 642.4	$ 718.8	$ 603.1	$ 606.2	$ 590.6	$ 571.3	$ 526.7	$ 544.8
City's Net Pension Liability - ending (a) - (b)	$ 285.4	$ 291.8	$ 290.4	$ 139.3	$ 232.9	$ 212.4	$ 204.0	$ 204.6	$ 212.5	$ 172.1
Plan Fiduciary Net Position as a % of the Total Pension Liability	71.3%	69.6%	68.9%	83.8%	72.1%	74.1%	74.3%	73.6%	71.3%	76.0%
Covered payroll	$ 91.4	$ 87.0	$ 85.6	$ 76.3	$ 74.5	$ 73.7	$ 72.0	$ 72.6	$ 71.5	$ 71.0
Net Pension Liability as a % of covered payroll	312.3%	335.4%	339.3%	182.6%	312.6%	288.2%	283.3%	281.8%	297.4%	242.4%

The net pension liability reported in 2015 includes the benefit of the City's contributions held in reserve. The net pension liability as calculated by the actuary in the July 1, 2015 actuarial valuation was $174.1 million and did not include the $2.0 million held in reserve. In 2016, the $2.0 million was applied back to the Fair Value of Assets leaving no credit balance.

See Summary of Actuarial Assumptions and Methods in the Actuarial Section of the report for details regarding methods and assumptions used.

CITY OF KNOXVILLE PENSION SYSTEM
Required Supplementary Information

Schedule of Employer Contributions
(Dollar amounts in millions)

	Fiscal Year ended June 30									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 32.8	$ 29.9	$ 28.7	$ 28.9	$ 29.2	$ 28.7	$ 25.7	$ 23.8	$ 23.9	$ 22.6
Contributions in relation to the actuarially determined contribution	32.8	29.9	28.7	28.9	29.2	28.7	25.7	23.8	23.9	22.6
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 91.4	$ 87.0	$ 85.6	$ 76.3	$ 74.5	$ 73.7	$ 72.0	$ 72.6	$ 71.5	$ 71.0
Contributions as a percentage of covered payroll	35.9%	34.4%	33.5%	37.9%	39.2%	38.9%	35.7%	32.8%	33.4%	31.8%

See Summary of Actuarial Assumptions and Methods in the Actuarial Section of the report for details regarding methods and assumptions used to determine contribution rates.

Schedule of Investment Returns

	Fiscal Year ended June 30									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	9.37%	7.26%	-7.72%	22.10%	2.04%	5.54%	6.32%	12.10%	-0.11%	1.52%

CITY OF KNOXVILLE PENSION SYSTEM
Supporting Schedules
For the Year Ended June 30, 2024

Schedule of Administrative Expenses

Depreciation		$ 533
Other Administrative Expenses:		
Personnel Expenses		488,215
Professional Services		
Actuarial	$ 136,300	
Audit	36,000	
Legal	31,578	
Medical Consultants	5,770	
Benefit Payment Administration	32,858	
Total Professional Services		242,506
Miscellaneous Expenses		
Computer Software and Support	$ 11,184	
Copier Maintenance and Lease	4,012	
Dues & Subscriptions	7,229	
Insurance	45,050	
Internet and Website	4,729	
Mass Mailings	1,727	
Office Maintenance	2,966	
Office Services and Supplies	9,505	
Postage	4,013	
Printing Services	1,780	
Professional Development	1,426	
Travel	5,059	
Total Miscellaneous Expenses		98,680
Total Other Administrative Expenses		829,401
Total Administrative Expenses		**$ 829,934**

See independent auditor's report.

CITY OF KNOXVILLE PENSION SYSTEM
Supporting Schedules
For the Year Ended June 30, 2024

Schedule of Investment Expenses

Consultant Services	$ 175,000
Custodial Fees	126,880
Investment Manager Fees	3,963,262
Total Investment Expenses	**$ 4,265,142**

The Schedule of Fees and Commissions on pages 58-60 in the Investment Section details all investment service costs.

See independent auditor's report.

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INVESTMENT SECTION

Marquette Associates

October 10, 2024

To: The Board of Trustees of the City of Knoxville Employees' Pension System

Introduction

This report is prepared for the City of Knoxville Employees' Pension System (System) by Marquette Associates (Marquette) based on information supplied by System's custodian, Northern Trust Company (NT). NT holds assets in safe keeping for the System, regularly values the assets for the System, and provides Marquette with beginning and ending fair values, cash flows, securities transactions and positions for the System as well as each manager, where applicable. Where System assets are invested in pooled investment vehicles, such as mutual funds or commingled trusts, third-party custodians for the pooled investment vehicles provide NT net asset values and the System's audited financial statements for those investments. The custodian audits the information contained in its monthly accounting reports. Marquette uses NT's monthly accounting reports to calculate investment returns for the System and its Board of Trustees.

Distinction of Responsibilities

The System's Board of Trustees (Trustees) is responsible for the investment and administration of System assets. This includes establishing the strategic asset allocation that, over time, is the primary determinant of investment return on assets. A thorough understanding of both the System's assets and liabilities is essential for determining an appropriate asset allocation. The key drivers of this analysis are the projection of the System's liabilities and the projections of expected future returns and risk for each class, as well as correlation between asset classes. The liabilities include all key dimension of the System's pension plan: membership, benefits, liabilities, assets, and funding requirements.

Investment Policy/Structure

The asset allocation adopted by the Trustees is included in the System's Statement of Investment Policy (SIP). The System employs various investment managers to implement the asset allocation within the guidelines and limitations contained in the SIP. System assets are invested using numerous investment managers to diversify the System's assets among multiple asset classes, investment styles, and investment strategies. Each investment manager is delegated full investment discretion for its respective portfolio including the discretion to purchase, hold and sell individual securities and control industry and economic sector exposure within certain managers' geographic exposure.

The System's SIP is designed to provide broad diversification among asset classes and investment strategies in order to maximize return at an appropriate level of risk and to minimize the risk of large losses to the System. In addition, asset allocation ranges, target allocations, and a process of periodic rebalancing are used to maintain compliance with the SIP and to increase the likelihood that the System will achieve its long-term risk and return objectives.

The following table outlines the System's long-term target asset allocation, as of June 30, 2024:

Asset Class	Allocation Target
Domestic Equity	24.0%
International Equity	14.0%
Global Equity	5.0%
Private Equity	8.0%
Fixed Income	29.0%
Real Assets	20.0%
Total Portfolio	100.0%

Investment Objectives

The System's SIP contains the following objectives:

1. To provide, over the life of the System's pension fund, an adequate level of assets available to fund benefits at the time they are payable;
2. To earn a total rate of investment return on System assets, after all expenses, which equals/exceeds the actuarial investment return assumption over the long term.

Additionally, one of the investment goals contained in the SIP is for the System's assets to achieve an investment return, net of expenses, which meets/exceeds a Policy Index. The Policy Index is constructed of the returns of the various broad market benchmarks representing the asset classes in which the System's assets are invested and weighted to reflect the System's target asset allocation.

The Policy Index was constructed as follows (as of June 30, 2024): 22.5% Russell 3000 Index, 4% 50% S&P 500 Index/50% T Bill, 16.5% MSCI ACWI ex-US Index, 8% Cambridge Associates All PE, 29% Bloomberg Barclays Aggregate Index, 5% JPM GBI-EM Global Diversified Index, 15% NCREIF-ODCE Index.

In addition, the System's investment performance is evaluated relative to the PARis All Public DB plan universe; representing the performance of 422 public pension plans as of June 30, 2024. Finally, each investment manager in the portfolio is measured and evaluated against its relevant broad market index and style peer universe.

Market Overview

The fiscal-year period of July 1, 2023, to June 30, 2024, was characterized by inflation continuing to trend lower from its post-COVID highs, a stabilization of interest rate expectations, and global equity markets continuing their strong rally. During the first half of the fiscal year, the pivot to a more dovish stance by the Federal Reserve did not occur at the pace the market had anticipated. This dislocation between the Fed's more hawkish outlook, and the market's dovish expectations led to a mixed bag of returns in fixed income with the core fixed income, TIPS, emerging market debt allocations posting mid-single digit positive returns, while the long-duration allocation saw modest negative returns. Despite the higher than normal volatility that has been witnessed by this segment of the market in recent years, fixed income continues to be an attractive asset class, with high starting yields providing solid income and offering a positive expected total return over the next 12 months under several interest rate and spread scenarios. At the end of the fiscal year, the fixed income composite returned +2.2% versus the benchmark which returned +2.6% over the same period.

After a +19.0% return in the prior fiscal year, the Russell 3000 saw another double-digit increase, of +23.1%, during the fiscal-year period of July 1, 2023, to June 30, 2024. U.S. equity performance was once again characterized by the leadership of a handful of mega-cap companies. This narrow segment of the market contributed much of the performance of the S&P 500, with robust earnings growth and enthusiasm for select so-called "Magnificent 7" companies. This recent market strength stemming from a select few companies has driven certain indices to historic levels of concentration, specifically within the growth space. Over this same period, forward valuations of small-cap equities relative to large-caps remained at near historic lows. During the past fiscal year, the U.S. equity composite returned +23.3% versus the benchmark which returned +23.1% over the same period.

After a +12.7% return in the prior fiscal year, the MSCI ACWI ex-US index saw another double-digit increase of +11.6%, during the fiscal-year period of July 1, 2023, to June 30, 2024. Within the MSCI ACWI ex-US index, the Information Technology sector notched strong performance, as developments in artificial intelligence ("AI") continue to boost chip demand and, as a result, semiconductor stocks. Emerging market equities posted stronger returns than their developed counterparts due to countries like, Taiwan and South Korea soaring continuing to benefit from the growth of the AI story, and the commensurately strong performance of technology-oriented companies. With that being said, economic developments, such as a challenged property sector and employment issues in China remained a headwind within parts of the emerging markets. During the past fiscal year, the non-U.S. equity composite returned +14.7% versus the benchmark which returned +11.6% over the same period.

The most recent fiscal year saw mixed results for real assets, with a -8.8% return in core real estate, and a +3.6% return in global infrastructure. Real estate performance saw headwinds over the fiscal year, with investor demand and transaction activity slowing due to continued pressure from the high interest rate environment, and a weaker outlook for economic growth. Other headwinds included cautious lenders and hesitant buyers, however fundamentals outside of the office sector remain largely healthy. Generally, income remains positive, and the pace of negative appreciation has slowed. During the past fiscal year, the Real Assets composite returned -4.3% versus the benchmark which returned - 6.9% over the same period.

Investment Performance

Marquette calculates and reports all returns in accordance with Global Investment Performance Standards (GIPS). As an investment consultant, Marquette is prohibited from stating that investment performance is shown "in compliance with" or "in accordance with" GIPS, as GIPS compliance is reserved solely for use by asset management firms. However, Marquette strives to uphold and maintain the guiding principles underlying GIPS standards, both ethically and in its performance calculation methodology. Accordingly, all performance returns are calculated using a time-weighted methodology known as the Modified Dietz method. This algorithm attempts to eliminate the effects of cash flows and geometrically links period returns.

The total net of fees returns for the fiscal year ending June 30, 2024, on all assets was +9.0% which outpaced the target rate of return by 2.1% or two- hundred and ten basis points (bps).

The fair value of all assets was $708.8 million on June 30, 2024, compared to $669.3 million on June 30, 2023. At the end of the fiscal year 2024, the System's assets were allocated as follows:

			Fiscal Year Rate of Return	
Asset Class	Fair Value (millions)	Percent of Total	System	Benchmark
Domestic Equity	$196.1	27.7%	23.3	23.1
International Equity	$111.3	15.7%	14.7	11.6
Global Equity	$38.4	5.4%	17.7	5.2
Private Equity	$76.8	10.8%	2.4	2.0
Fixed Income	$175.2	24.7%	2.2	2.6
Real Assets	$106.2	15.0%	-4.3	-6.9
Cash	$4.6	0.6%	5.8	N/A
Total	$708.8	100.0%	9.0	6.0

*Fair Value and Percent of Total may not equal Total due to rounding.

Given the ongoing discussions between the Marquette team, the Board, and Investment Committee regarding asset allocation, this highlights that the Executive Director and Trustees have continued to prioritize downside protection as a key portion of their main objective of hitting the long-term target rate of return of 7.2%.

The Marquette team looks forward to continuing the ongoing review of the System's current asset allocation in anticipation of key macroeconomic changes that are developing within the United States as well as in the international markets.

Sincerely,

Kweku Obed, CFA, CAIA Managing Director

CITY OF KNOXVILLE PENSION SYSTEM

Outline of Investment Policies

The *Statement of Investment Policy of the City of Knoxville Employees' Pension System* serves to articulate the Pension Board and its Investment Committee's view of the System's investment objectives and risk tolerance. That document is used to assist the Investment Committee with the development of a suitable asset allocation, the selection of appropriate investment managers or pooled funds within the asset allocation, and the prudent monitoring and evaluation of performance of the plan, selected investment managers and pooled funds. The Statement also defines the roles and responsibilities of persons associated with the System.

Investment Objectives

The primary objective of the System is to ensure, over the long-term life of the System, an adequate level of assets to fund the benefits guaranteed to Plan members and their beneficiaries at the time they are payable. In meeting this objective, the Board seeks to achieve a high level of investment return consistent with a prudent level of portfolio risk.

In addition, a secondary investment objective of the System is to earn a total rate of return after all expenses that equals or exceeds the actuarial investment return assumption. The Board, with help from its actuary and investment consultant, will use the System's asset allocation as the primary tool to achieve this objective. As this is a long-term projection and investments are subject to short-term volatility, the main investment focus of the Board towards the total System's assumed rate of return and that of each investment manager will be on performance relative to the appropriate asset class, mix of asset classes, and peer performance over relevant time periods. Each manager is expected to maintain a consistent philosophy and style, perform well versus others utilizing the same style, and add incremental value after costs.

Investment Performance

Investment returns are calculated using a time-weighted rate of return based on the fair value of assets. Returns are reported net of fees unless otherwise stated. Annualized investment results compared with benchmarks for the year ending June 30, 2024 are as follows:

	1 Year	3 Year	5 Year	10 Year
US Equity	23.3%	7.3%	13.3%	11.7%
Russell 3000 Index	23.1%	8.1%	14.1%	12.1%
International Equity	14.7%	3.8%	6.2%	4.6%
MSCI ACWI-EX US Index	11.6%	0.5%	5.5%	3.8%
Fixed Income	2.2%	-4.3%	0.2%	1.8%
Bloomberg US Aggregate TR Index	2.6%	-3.0%	-0.2%	1.3%
Real Assets	-4.3%	2.7%	2.0%	2.5%
NCREIF-ODCE Index	-6.9%	1.3%	1.9%	2.2%
Private Equity	2.4%	6.7%	13.5%	12.3%
Cambridge Associates All PE	2.0%	2.3%	13.8%	13.5%
Total Portfolio	9.0%	2.6%	6.3%	5.7%
Total Fund Policy Index	6.8%	1.7%	6.0%	5.9%

CITY OF KNOXVILLE PENSION SYSTEM

Asset Allocation

Based on its determination of the appropriate risk posture for the System and its related long-term return expectations, the Board, along with the investment consultant and actuary, will periodically review and establish asset-mix guidelines for the System. The guidelines will be based on fair values and shall always comply with the authorized limits set by City Council, which are as follows:

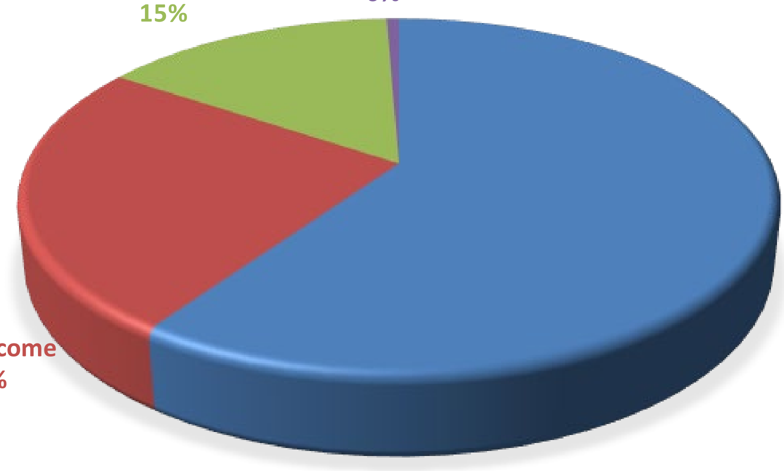
ASSET CLASS	AUTHORIZED LIMITS
Equity	0% - 75%
Fixed Income	0% - 75%
Real Assets	0% - 20%
Cash	0% -100%

The Board recognizes that adherence to an asset allocation plan has the greatest impact on long-term performance results. The risk return profile is maintained by identifying a long-term strategic asset allocation. In February 2020, the asset allocation plan was amended to eliminate Hedge Funds, Risk Parity, and Energy/Commodities from the investment mix. In addition, allocations were added for Global Low Volatility Stocks, Opportunistic Real Estate, and Global Infrastructure. Temporary deviations from the targets are held within ranges. The allocation targets and acceptable ranges adopted as of February 2020 are as follows:

ASSET CLASS		TARGET ALLOCATION	NORMAL ALLOCATION
Equity	**51%**		**41% - 61%**
Large Cap Stocks		15%	10% - 20%
Defensive Equity		4%	0% – 8%
Small-Mid Cap Stocks		5%	0% - 9%
Developed International Stocks		10%	5% - 15%
Emerging Markets Stocks		4%	0% - 10%
Global Low Volatility Stock		5%	0% - 10%
Private Equity		8%	0% - 15%
Fixed Income	**29%**		**19% - 39%**
Core/Core Plus		24%	14% - 34%
Emerging Markets Debt		5%	0% - 10%
Real Assets	**20%**		**10% - 20%**
Core Real Estate		10%	5% - 15%
Opportunistic Real Estate		5%	0% - 10%
Global Infrastructure		5%	0% - 10%
Cash	**0%**		**0% - 5%**

CITY OF KNOXVILLE PENSION SYSTEM

The total fair value of the System on June 30, 2024 was $708,675,100, primarily consisting of investments. Those investment assets were allocated as shown in the following chart:



Ten Largest Bond Holdings (by Fair Value)
June 30, 2024

Par Value	Bond	Coupon Rate	Due Date	Fair Value
$ 5,629,300	UNITED STATES TREAS BONDS	4.000%	11/15/2042	$ 5,216,510
3,584,000	UNITED STATES TREAS BONDS	4.375%	8/15/2043	3,452,971
3,724,520	UNITED STATES TREAS BONDS	4.125%	8/15/2053	3,530,700
1,823,000	UNITED STATES TREAS BONDS	3.625%	5/15/2053	1,564,431
2,813,000	UNITED STATES TREAS BONDS	3.375%	8/15/2042	2,574,305
2,516,000	UNITED STATES TREAS NOTES	3.875%	8/15/2033	2,457,165
6,764,000	UNITED STATES TREAS BD STRIPPED PRIN	0.000%	5/15/2048	2,241,442
1,711,000	UNITED STATES TREAS NOTES	1.184%	1/15/2033	1,675,588
427,000	UNITED STATES TREAS BONDS	2.000%	8/15/2051	393,852
1,541,000	UNITED STATES TREAS BONDS	4.750%	11/15/2043	1,570,815

A complete listing of portfolio holdings is available upon request from the Pension System office.

CITY OF KNOXVILLE PENSION SYSTEM

Ten Largest Stock Holdings (by Fair Value)

June 30, 2024

Shares	Stock	Fair Value
28,083	AMAZON COM INC COM	$ 5,427,040
20,960	ALPHABET INC CAP STK	3,844,483
6,897	META PLATFORMS INC COM	3,477,605
28,501	CONOCOPHILLIPS COM	3,259,944
7,246	MICROSOFT CORP COM	3,238,600
39,652	ROYAL DUTCH SHELL PLC	2,862,081
6,822	HUMANA INC COM	2,555,078
8,554	AON PLC	2,511,283
4,826	UNITEDHEALTH GROUP INC COM	2,457,689
26,040	AERCAP HOLDINGS N.V.	2,426,928

A complete listing of portfolio holdings is available upon request from the Pension System office.

CITY OF KNOXVILLE PENSION SYSTEM

Schedule of Investment Commissions
June 30, 2024

Broker	Quantity (Units)	Broker Commission	Commission/ Share
ABEL NOSER	81,603	$ 3,182	$ 0.03899
AMERICAN VETERANS GROUP	341	7	0.02053
B. RILEY AND CO., LLC	18,550	585	0.03154
BARCLAYS BANK PLC (ALL U.K. OFFICES)	30,311	1,062	0.03504
BARCLAYS CAPITAL INC./LE	4,705	165	0.03507
BMO CAPITAL MARKETS CORP.	13,622	271	0.01989
BOFA SECURITIES, INC.	93,306	2,389	0.02560
CANTOR FITZGERALD & CO.	3,610	108	0.02992
CITIGROUP GLOBAL MARKETS INC.	29,886	1,196	0.04002
COWEN AND COMPANY LLC	88,146	2,259	0.02563
GOLDMAN SACHS & CO.	73,214	1,956	0.02672
INSTINET, LLC	7,237	143	0.01976
ISI GROUP INC.	195	8	0.04103
ITG INC.	903	23	0.02547
J.P. MORGAN SECURITIES LLC	32,394	851	0.02627
JEFFERIES LLC	175,966	5,544	0.03151
JOHNSON RICE & COMPANY LLC	1,260	50	0.03968
JONESTRADING INSTITUTIONAL SERVICES, LLC.	11,150	335	0.03004
KEEFE BRUYETTE	14,154	425	0.03003
KEYBANC CAPITAL MARKETS INC	7,827	157	0.02006
LIQUIDNET INC	32,327	655	0.02026
LOOP CAPITAL MARKETS LLC	3,659	46	0.01257
LUMINEX TRADING AND ANALYTICS	8,511	95	0.01116

CITY OF KNOXVILLE PENSION SYSTEM

Schedule of Investment Commissions (Continued)
June 30, 2024

Broker	Quantity (Units)	Broker Commission	Commission/ Share
MORGAN STANLEY & CO. LLC	151,644	$ 4,808	$ 0.03171
NATIONAL FINANCIAL SERVICES LLC	7,717	198	0.02566
NEEDHAM AND COMPANY LLC	5,160	206	0.03992
NORTH SOUTH CAPITAL LLC	1,253	25	0.01995
OPPENHEIMER & CO. INC.	1,041	21	0.02017
PENSERRA SECURITIES LLC	638	13	0.02038
PERSHING LLC	86,202	3,339	0.03873
PIPER JAFFRAY & CO	19,950	509	0.02551
PROOF SERVICES LLC	737	18	0.02442
RAYMOND JAMES & ASSOCIATES, INC.	72,943	1,840	0.02523
RBC CAPITAL MARKETS, LLC	23,699	474	0.02000
ROBERT W. BAIRD & CO. INCORPORATED	31,178	779	0.02499
SANFORD C. BERNSTEIN & CO., LLC	43,312	1,085	0.02505
SG AMERICAS SECURITIES, LLC	12,355	309	0.02501
STEPHENS INC	6,548	196	0.02993
STIFEL, NICOLAUS & COMPANY, INCORPORATED	18,202	556	0.03055
UBS SECURITIES LLC	80,732	2,526	0.03129
VIRTU AMERICAS LLC	5,513	118	0.02140
WELLS FARGO SECURITIES LLC	4,850	146	0.03010
WILLIAMS CAPITAL GROUP LP	265	5	0.01887
	1,306,816	$ 38,683	$ 0.02960

Total recaptured commissions were $1,792.

CITY OF KNOXVILLE PENSION SYSTEM

Schedule of Investment Fees
June 30, 2024

		Assets Under Management (including Cash & Cash Equivalents) and Pending Items		Fees
Equity Managers				
57 Stars, LLC	$	6,009,862	$	25,906
Acadian Asset Management		37,772,010		248,268
Adams Street Partners		6,978,619		81,364
Eagle Capital Management		64,546,474		472,723
Fort Washington Investment Advisors		16,170,089		100,261
HighVista Strategies		8,706,159		74,969
NB Alternatives Advisers		4,867,563		15,457
Northern Trust Investments		101,349,558		102,396
Parametric		35,493,540		105,262
Partners Group		21,118,461		351,109
Pinnacle Associates		16,670,097		134,436
Silchester International Investors		73,572,411		548,188
Top Tier Capital Partners		5,872,326		58,522
TPG Angelo Gordon		7,125,678		28,424
William Blair & Company		16,495,528		139,507
Total Equity	$	422,748,375	$	2,486,792
Fixed Income Managers				
Income Research & Management	$	90,449,690	$	175,432
Ninety One Limited		29,979,288		116,000
Schroder Investment Management		54,844,254		164,575
Total Fixed Income	$	175,273,232	$	456,007
Real Asset Managers				
Aether Investment Partners	$	2,023,960	$	13,997
IFM		23,726,592		180,396
Principal Global Investors		31,767,997		315,519
RREEF		37,482,200		333,441
Ullico		11,234,322		177,110
Total Real Assets	$	106,235,072	$	1,020,463
Total Investment Manager Fees			$	3,963,262
Other Investment Service Fees				
Custody Fees				$126,880
Consultant Fees				$175,000

This schedule does not include certain investment manager fees which are not practical to separate from net appreciation in fair value of investments.

CITY OF KNOXVILLE PENSION SYSTEM

Schedule of Investment Summary
June 30, 2024

Investment Type	Fair Value	Percentage of Portfolio
United States Government Securities		
US Treasuries	$ 67,451,200	9.54%
US Government Agencies	18,508,532	2.62%
Total US Government Securities	85,959,732	12.16%
State and Municipal Government Securities	2,147,992	0.30%
Corporate Bonds & Debentures		
Corporate Bonds	35,281,693	4.99%
Asset Backed Securities	4,623,944	0.65%
Collateralized Mortgage Obligations	5,321,527	0.75%
Total Corporate Bonds & Debentures	45,227,164	6.40%
Equity Securities	260,863,899	36.90%
International Securities		
Equity Securities	158,399,582	22.42%
Corporate Bonds	40,343,143	5.71%
Total International Securities	198,742,725	28.11%
Real Assets	105,926,005	14.98%
Cash and Cash Equivalents	8,113,468	1.15%
Total Investment Assets	$ 706,980,985	100.00%

ACTUARIAL SECTION

USI Consulting Group
5301 Virginia Way
Suite 400
Brentwood, TN 37027
www.usicg.com
Tel: 615.665.1640

September 16, 2024

Ms. Kristi Paczkowski
Executive Director
City of Knoxville Pension System
Public Safety Complex
1650 Huron Street
Knoxville, TN 37917

Re: **Actuary's Certification Letter**

Dear Kristi:

The purpose of this letter is to certify the actuarial adequacy of contributions being made by the City of Knoxville for the City of Knoxville Pension System and to discuss the approach currently being taken toward meeting the financing objectives of the Plan.

The most recent actuarial valuation completed as of the year ending June 30, 2024 for the City of Knoxville Pension System was performed as of July 1, 2024. Valuations are performed annually. The valuation was based on a set of actuarial assumptions (described in detail in the report section headed "Summary of Actuarial Assumptions and Methods ") which was adopted by the Pension Board on the recommendation of the actuary after a study of actual experience during the five-year period ending June 30, 2021. The results of the most recent experience study were applied to the July 1, 2022 valuation.

Effective January 1, 2013, the Pension Plan introduced Division H for new employees. The provisions of each division of the City of Knoxville Pension System are described in detail in the section headed "Summary of Plan Provisions" in the City of Knoxville Pension System Valuation and Report.

Effective July 1, 2022, the Pension Board elected to amortize all unfunded accrued liabilities over the ensuing 20-year period. Liabilities are being amortized over 18 years as of July 1, 2024.

In performing the 2024 valuation, we relied on employee data and asset information provided by the administrative staff of the City of Knoxville Pension System. In the case of employee data, each individual record was audited for reasonableness and internal consistency, although the validity of the information was not traced to source documents. With respect to plan assets, a general review for consistency with the information furnished for prior valuations was performed.

Certain tables presented in the Comprehensive Annual Financial Report are derived from the July 1, 2024 actuarial valuation report prepared by USI Consulting Group. The tables were prepared by the staff of the City of Knoxville Pension Plan and examined by our firm. These tables include the following –

Required Supplementary Information

- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of Employer Contributions
- Schedule of Investment Returns

Actuarial Section

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Member Valuation Data by Section
- Solvency Test
- Analysis of Financial Experience

The 2024 valuation was prepared in accordance with accepted actuarial principles of practice prescribed by the Actuarial Standards Board and the principles of Governmental Accounting Standards Board Statement 67 and 68, including the overall appropriateness of the analysis, assumptions, and results and conforms to appropriate Standards of Practice as promulgated from time to time by the Actuarial Standards Board, which standards form the basis for the actuarial report. The actuarial assumptions and methods used for both funding and financial reporting purposes meet the parameters set by the Actuarial Standards of Practice. I am a Member of the American Academy of Actuaries with experience in performing valuations for public retirement systems; all calculations were performed either by me or by other qualified actuaries under my direct supervision.

Based upon the valuation results and the contribution rates adopted by the Pension Board, it is our opinion that the City of Knoxville Pension System continues to fund its liabilities in accordance with standard actuarial principles of advance funding.

Sincerely,

Laura S Stewart

Laura S Stewart, FSA

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CITY OF KNOXVILLE PENSION SYSTEM
Summary of Actuarial Assumptions and Methods

An experience study is performed every five years. Recommended changes to the actuarial assumptions, if any, based upon the experience study are approved by the Pension Board. Actuarial assumptions and methods shown in the supporting schedules were selected by the Pension Board based upon the recommendations of the actuary following the experience study conducted in 2021.

A summary of the plan provisions is contained in Note 2 to the financial sections within the Financial Section of this Annual Comprehensive Financial Report.

Following is a summary of the key actuarial assumptions and methods used in the most recent actuarial valuation dated July 1, 2024.

Rate of Investment Return

Effective July 1, 2024:

Plan H - 5.5% per annum based on a 2.5% inflation assumption; 0.5% expense assumption.

All other plans - 7.1% per annum based on a 2.5% inflation assumption; 0.5% expense assumption.

Effective July 1, 2023:

Plan H - 5.5% per annum based on a 2.5% inflation assumption; 0.5% expense assumption.

All other plans - 7.15% per annum based on a 2.5% inflation assumption; 0.5% expense assumption.

Asset Valuation Method

Fair Value, adjusted for 10-year phase-in of each year's difference between actual and expected value. Actuarial value to be no more than 120% and no less than 80% of fair value.

Benefit Cost of Living Adjustment

3.5% per annum for all except Division H; 3.0% per annum for Division H.

Actuarial Valuation Method

Entry Age Normal; Unfunded liability will be amortized over a 20-year period beginning July 1, 2022. Current amortization period is 18 years (closed amortization).

Discount Rate

Effective July 1, 2024:

Plan H – 5.5% compounded annually; all others 7.1% compounded annually.

Effective July 1, 2023:

Plan H – 5.5% compounded annually; all others 7.15% compounded annually.

CITY OF KNOXVILLE PENSION SYSTEM
Summary of Actuarial Assumptions and Methods (Continued)

The City of Knoxville is responsible for establishing and maintaining the funding policy for the System with City Council approval.

An independent "level three" actuarial review was performed by J.G. Gaston & Associates, Inc. for the July 1, 2024 actuarial valuation report prepared by the System's actuary, USI Consulting Group. The City established an actuarial audit policy that will require an independent actuarial review for the actuarial valuation report as part of the funding policy procedures at least once in a ten-year period. The report by J.G. Gaston & Associates, Inc., dated December 13, 2024, examined the actuarial methods and assumptions utilized by USI for reasonableness and internal consistency as described in Actuarial Audits Best Practices issued by GFOA. The review procedures performed indicated that the actuarial methods and assumptions employed by USI appeared reasonable and internally consistent with prior year reports.

CITY OF KNOXVILLE PENSION SYSTEM
Summary of Actuarial Assumptions and Methods (Continued)

Pre- and Post-Retirement Mortality Rates

Divisions A, B, C, F, G and H (not including Board of Education) are based on the 115% of the RP-2014 Blue Collar table rates with 2024 IRS Adjusted MP-2021 projected to 2027. Board of Education mortality rates are based on the PPA Annuitant table with 2024 IRS Adjusted MP-2021 projected to 2027.

Rate of Normal Retirement

Divisions A and B

Age	Percent Retiring	Age	Percent Retiring
53	2%	62	35%
54	2%	63	10%
55	2%	64	5%
56	3%	65	8%
57	3%	66	5%
58	5%	67	2%
59	5%	68	2%
60	5%	69	1%
61	5%	70	0%

Division C: 20% retire at each age beginning with age 50 and 25 years of Credited Service, but in no event later than age 60.

Division G: 12.5% retire at each age once the rule of 80 is met from age 50 to age 61
25% retire at each age from 62 to 69
100% retire by age 70

Division H - General Government:
25% retire at each age from 63 to 69
100% retire by age 70

Division H - Uniformed Bodies:
40% retire at age 56 and 25 years of service
20% retire at each age from 57 to 62 with 25 years of service
100% retire by age 63

CITY OF KNOXVILLE PENSION SYSTEM

Summary of Actuarial Assumptions and Methods (Continued)

Withdrawal Rates

Estimated Experience (1st Year Select)

20	35	50	60
17.1%	16.5%	13.9%	11.0%

Estimated Experience (2nd Year Select)

	20	35	50	60
Division A (Board of Ed.), Division C and Division H (Uniformed)	7.0%	6.9%	6.2%	5.3%
All Others	14.1%	13.7%	12.3%	10.6%

Estimated Experience (Ultimate)

	20	35	50	60
Division A (Board of Ed.)	5.3%	3.0%	1.9%	1.6%
Divisions C and H (Uniformed)	8.1%	3.1%	0.4%	0.0%
All Others	10.3%	6.2%	2.3%	0.0%

Salary Increases

Divisions A, B, G, and H (General Government)

Age	Annual Rate of Salary Increase
20	11.5%
35	4.7%
50	3.6%
60	3.0%

Divisions C, F, and H (Uniformed Bodies)

Age	Annual Rate of Salary Increase
20	11.5%
35	5.7%
50	3.8%
60	3.0%

CITY OF KNOXVILLE PENSION SYSTEM
Schedule of Active Member Valuation Data by Section

General Government Members:

Valuation Date	Number Active Members	Annual Payroll	Annual Average Pay	Percent Increase Average Pay
6/30/2024	777	$44,532,985	$57,314	3.3%
6/30/2023	764	$42,378,253	$55,469	-2.0%
6/30/2022	725	$41,052,176	$56,624	13.0%
6/30/2021	757	$37,946,937	$50,128	3.3%
6/30/2020	765	$37,123,968	$48,528	2.7%
6/30/2019	764	$36,113,566	$47,269	2.4%
6/30/2018	763	$35,219,197	$46,159	2.4%
6/30/2017	790	$35,614,930	$45,082	1.8%
6/30/2016	791	$35,037,801	$44,296	2.6%
6/30/2015	806	$34,812,676	$43,192	0.8%

Board of Education Members:

Valuation Date	Number Active Members	Annual Payroll	Annual Average Pay	Percent Increase Average Pay
6/30/2024	0	-	-	-
6/30/2023	0	-	-	-
6/30/2022	1	$23,886	$23,886	0.0%
6/30/2021	1	$23,886	$23,886	-16.1%
6/30/2020	2	$56,971	$28,486	0.0%
6/30/2019	2	$56,972	$28,486	0.0%
6/30/2018	2	$56,972	$28,486	0.0%
6/30/2017	2	$56,972	$28,486	37.3%
6/30/2016	4	$82,979	$20,745	49.9%
6/30/2015	6	$83,024	$13,837	-9.7%

Uniformed Bodies Members:

Valuation Date	Number Active Members	Annual Payroll	Annual Average Pay	Percent Increase Average Pay
6/30/2024	654	$46,902,815	$71,717	3.6%
6/30/2023	644	$44,577,871	$69,220	3.4%
6/30/2022	666	$44,570,920	$66,923	16.0%
6/30/2021	665	$38,373,855	$57,705	1.1%
6/30/2020	655	$37,367,686	$57,050	0.7%
6/30/2019	662	$37,513,489	$56,667	2.4%
6/30/2018	664	$36,744,459	$55,338	3.2%
6/30/2017	689	$36,944,734	$53,621	-0.2%
6/30/2016	677	$36,360,988	$53,709	1.6%
6/30/2015	683	$36,096,249	$52,850	5.9%

CITY OF KNOXVILLE PENSION SYSTEM

Schedule of Retiree and Beneficiary Data by Section

General Government:

	Added to Rolls		Removed from Rolls		On Rolls at Year End			
Valuation Date	Number	Annual Allowance	Number	Annual Allowance	Number	Annual Allowance	Average Annual Allowance	% Incr. Avg. Allowance
6/30/2024	38	$1,373,345	34	$708,633	664	$17,544,618	$26,423	3.3%
6/30/2023	31	$1,784,786	28	$724,618	660	$16,879,906	$25,576	6.2%
6/30/2022	40	$1,435,933	33	$664,857	657	$15,819,738	$24,079	4.0%
6/30/2021	46	$1,428,250	34	$588,749	650	$15,048,662	$23,152	4.0%
6/30/2020	44	$1,582,734	37	$1,262,594	638	$14,209,161	$22,271	1.2%
6/30/2019	48	$2,013,817	34	$612,196	631	$13,889,021	$22,011	8.8%
6/30/2018	43	$1,254,396	27	$419,412	617	$12,487,400	$20,239	4.4%
6/30/2017	33	$839,795	32	$531,929	601	$11,652,416	$19,388	2.5%
6/30/2016	39	$1,210,660	24	$295,947	600	$11,344,550	$18,908	6.1%
6/30/2015	37	$1,052,460	26	$416,700	585	$10,429,837	$17,829	4.5%

Board of Education:

	Added to Rolls		Removed from Rolls		On Rolls at Year End			
Valuation Date	Number	Annual Allowance	Number	Annual Allowance	Number	Annual Allowance	Average Annual Allowance	% Incr. Avg. Allowance
6/30/2024	7	$250,110	40	$637,880	529	$5,098,191	$9,637	-1.3%
6/30/2023	6	$250,111	51	$585,718	562	$5,485,961	$9,761	1.8%
6/30/2022	8	$298,895	39	$510,424	607	$5,821,568	$9,591	1.4%
6/30/2021	9	$228,628	51	$801,120	638	$6,033,097	$9,456	-2.7%
6/30/2020	7	$249,380	37	$520,609	680	$6,605,589	$9,714	0.3%
6/30/2019	7	$248,439	44	$581,985	710	$6,876,818	$9,686	0.4%
6/30/2018	6	$182,276	45	$577,517	747	$7,210,364	$9,652	-0.2%
6/30/2017	8	268119.36	52	694992.44	786	$7,605,605	$9,676	0.0%
6/30/2016	16	283636.56	39	527488.2	830	$8,032,478	$9,678	-0.3%
6/30/2015	6	230209.2	58	663344.88	853	$8,276,329	$9,703	0.8%

CITY OF KNOXVILLE PENSION SYSTEM

Schedule of Retiree and Beneficiary Data by Section (Continued)

Uniformed Bodies:

	Added to Rolls		Removed from Rolls		On Rolls at Year End			
Valuation Date	Number	Annual Allowance	Number	Annual Allowance	Number	Annual Allowance	Average Annual Allowance	% Incr. Avg. Allowance
6/30/2024	40	$2,553,609	25	$1,314,407	756	$33,936,312	$44,889	1.7%
6/30/2023	21	$3,122,554	34	$1,349,454	741	$32,697,110	$44,126	7.6%
6/30/2022	53	$3,122,003	58	$2,334,041	754	$30,924,010	$41,013	3.3%
6/30/2021	50	$2,391,034	32	$1,381,604	759	$30,136,048	$39,705	1.0%
6/30/2020	43	$2,227,568	23	$1,206,815	741	$29,126,618	$39,307	0.8%
6/30/2019	37	$3,435,863	32	$1,053,569	721	$28,105,865	$38,982	8.5%
6/30/2018	38	$2,154,396	24	$1,056,095	716	$25,723,571	$35,927	2.4%
6/30/2017	37	2073560	34	1089573.7	702	$24,625,270	$35,079	3.7%
6/30/2016	57	1125519.4	31	491229.24	699	$23,641,283	$33,822	-1.1%
6/30/2015	11	1060916.7	22	642362.54	673	$23,006,993	$34,186	3.5%

CITY OF KNOXVILLE PENSION SYSTEM
Solvency Test

A short-term solvency test is one means of checking a retirement plan's progress under its funding program. In a short-term solvency test, a plan's actuarial value of assets is compared with the accrued liabilities.

	Actuarial Accrued Liabilities				Portion of Accrued Liabilities Covered by Valuation Assets		
	(1)	(2)	(3)				
Valuation Date	Retirees, Beneficiaries & Defined Contribution Accounts	Terminated Vested Members	Active Members	Valuation Assets	(1)	(2)	(3)
6/30/2024	$612,759,889	$45,048,930	$335,913,868	$734,261,994	100%	100%	23%
6/30/2023	$590,496,688	$52,868,800	$316,538,903	$716,898,519	100%	100%	23%
6/30/2022	$572,520,750	$60,526,639	$299,764,257	$697,810,250	100%	100%	22%
6/30/2021	$542,509,180	$57,841,772	$257,739,131	$671,360,850	100%	100%	28%
6/30/2020	$521,790,357	$55,230,776	$259,014,418	$643,733,298	100%	100%	26%
6/30/2019	$504,291,924	$52,764,553	$261,504,692	$617,738,389	100%	100%	23%
6/30/2018	$498,101,727	$41,571,266	$254,965,163	$584,314,809	100%	100%	18%
6/30/2017	$483,794,933	$38,187,462	$253,894,646	$566,872,686	100%	100%	18%
6/30/2016	$464,619,843	$35,812,397	$238,752,810	$559,557,871	100%	100%	25%
6/30/2015	$451,656,077	$28,736,146	$236,448,215	$550,957,059	100%	100%	30%

CITY OF KNOXVILLE PENSION SYSTEM
Analysis of Financial Experience

Approximate reconciliation of gains (losses) in the unfunded accrued liability resulting from differences between assumed experience and actual experience:

Gains/(Losses) in Millions	General Government	Division H General Government	Uniformed Bodies	Division H Uniformed Bodies	Board of Education	Total
Assets (Actual minus Expected MV)	$ 4.40	$ 0.39	$ 9.40	$ 0.26	$ 0.13	$ 14.58
Plan Experience:						
Retirement/Termination	0.23	0.52	(0.07)	0.25	-	0.93
Deaths	(0.67)	(0.02)	0.14	(0.01)	0.04	(0.52)
New Entrants	-	(0.45)	-	(0.54)	-	(0.99)
Salary Increases	(0.76)	(0.20)	(3.94)	(0.11)	-	(5.01)
Inactive Data Adjustments*	1.32	(0.41)	1.95	(0.33)	0.18	2.71
Disabled	0.04	(0.03)	0.39	0.17	-	0.57
DROP Elections	(0.35)	-	(0.53)	-	-	(0.88)
Actual Benefit Payments	0.21	1.56	0.61	0.92	0.05	3.35
Other	(0.18)	(0.02)	(0.77)	0.01	-	(0.96)
Total Plan Experience	(0.16)	0.95	(2.22)	0.36	0.27	(0.80)
Assumption Changes:						
Change in mortality	(1.30)	(0.11)	(2.46)	(0.05)	0.92	(3.00)
Change in interest rate	(1.45)	-	(3.53)	-	(0.09)	(5.07)
	(2.75)	(0.11)	(5.99)	(0.05)	0.83	(8.07)
Net Changes	$ 1.49	$ 1.23	$ 1.19	$ 0.57	$ 1.23	$ 5.71

*Changes to benefit amount, benefit form of payment, spouse age, etc.

CITY OF KNOXVILLE PENSION SYSTEM

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2024	$ 734,261,994	$ 993,722,687	$ 259,460,693	73.9%	$ 91,435,800	283.8%
7/1/2023	716,898,519	959,904,391	243,005,872	74.7%	86,956,124	279.5%
7/1/2022	697,810,250	932,811,646	235,001,396	74.8%	85,646,982	274.4%
7/1/2021	671,360,850	858,090,083	186,729,233	78.2%	76,344,678	244.6%
7/1/2020	643,733,298	836,035,551	192,302,253	77.0%	74,548,625	258.0%
7/1/2019	617,738,389	818,561,168	200,822,779	75.5%	73,684,027	272.5%
7/1/2018	584,314,809	794,638,156	210,323,347	73.5%	72,020,628	292.0%
7/1/2017	566,872,686	775,877,041	209,004,355	73.1%	72,616,635	287.8%
7/1/2016	559,557,871	739,185,050	179,627,179	75.7%	71,481,768	251.3%
7/1/2015	550,957,059	716,840,438	165,883,379	76.9%	70,991,948	233.7%

Notes: This schedule does not include Board of Education payroll amounts for teachers with frozen benefits as described in Note 3.

See the 10-year schedule of actuarially determined and actual contributions provided in Required Supplementary Information.

STATISTICAL SECTION

CITY OF KNOXVILLE PENSION SYSTEM

Statistical Section Overview

This portion of the financial report presents additional information to provide readers with added historical perspective, context, and detail to assist in using the information in the financial statements, notes to the financial statements, and required supplementary information to understand and assess the System's financial condition. It also contains benefits and service data to help the reader understand how the System's financial report relates to the services of the System and the activities it performs.

SCHEDULE OF CHANGES IN PLAN FIDUCIARY NET POSITION – 10 YEARS

	Fiscal Year Ended June 30				
	2015	2016	2017	2018	2019
Additions to Plan Net Position					
Net Investment Earnings (Loss)	$ 7,873,669	$ (1,048,951)	$ 63,411,480	$ 37,559,310	$ 30,792,467
Employer Contributions	22,590,334	23,900,725	23,791,166	25,719,853	28,710,668
Member Contributions	4,122,537	4,414,955	4,417,803	4,214,055	4,290,930
Total Additions to Plan Net Position	$ 34,586,540	$ 27,266,729	$ 91,620,449	$ 67,493,218	$ 63,794,065
Deductions from Plan Net Position					
Benefit Payments	$ 42,608,879	$ 43,946,206	$ 45,379,447	$ 46,640,954	$ 46,951,343
Refunds	910,626	771,127	844,031	853,221	597,616
Administrative Expenses	740,110	679,971	721,540	707,932	665,290
Total Deductions from Plan Net Position	$ 44,259,615	$ 45,397,304	$ 46,945,018	$ 48,202,107	$ 48,214,249
Change in Plan Net Position	$ (9,673,075)	$ (18,130,575)	$ 44,675,431	$ 19,291,111	$ 15,579,816

SCHEDULE OF BENEFITS BY TYPE OF BENEFIT

	Fiscal Year Ended June 30				
	2015	2016	2017	2018	2019
Age and Service Benefits	$ 32,047,709	$ 33,080,572	$ 34,260,695	$ 34,496,626	$ 35,416,864
Beneficiaries	6,337,654	6,271,499	6,948,065	7,307,891	7,746,005
Disability Benefits	2,929,203	2,880,244	2,794,187	2,701,516	2,725,786
DROP Benefits	1,294,313	1,713,891	1,376,500	2,134,921	1,062,688
Total Benefit Payments	$ 42,608,879	$ 43,946,206	$ 45,379,447	$ 46,640,954	$ 46,951,343
Refunds to Terminated Members	$ 910,626	$ 771,127	$ 844,031	$ 853,221	$ 597,616

CITY OF KNOXVILLE PENSION SYSTEM

SCHEDULE OF CHANGES IN PLAN FIDUCIARY NET POSITION – 10 YEARS (Continued)

	Fiscal Year Ended June 30				
	2020	2021	2022	2023	2024
Additions to Plan Net Position					
Net Investment Earnings (Loss)	$ 15,174,020	$ 135,614,528	$ (55,003,697)	$ 46,916,932	$ 60,993,887
Employer Contributions	29,167,107	28,947,231	28,650,787	29,919,357	32,818,903
Member Contributions	4,377,253	4,430,409	4,469,140	5,212,186	5,282,242
Total Additions to Plan Net Position	$ 48,718,380	$ 168,992,168	$ (21,883,770)	$ 82,048,475	$ 99,095,032
Deductions from Plan Net Position					
Benefit Payments	$ 50,299,815	$ 51,710,349	$ 53,054,434	$ 54,682,378	$ 57,017,001
Refunds	792,107	804,450	610,524	833,677	1,036,982
Administrative Expenses	739,388	697,182	907,959	810,106	829,934
Total Deductions from Plan Net Position	$ 51,831,310	$ 53,211,981	$ 54,572,917	$ 56,326,161	$ 58,883,917
Change in Plan Net Position	$ (3,112,930)	$ 115,780,187	$ (76,456,687)	$ 25,722,314	$ 40,211,115

SCHEDULE OF BENEFITS BY TYPE OF BENEFIT (Continued)

	Fiscal Year Ended June 30				
	2020	2021	2022	2023	2024
Age and Service Benefits	$ 36,257,375	$ 37,592,953	$ 38,937,894	$ 40,003,154	$ 41,701,349
Beneficiaries	8,277,529	8,749,664	9,062,796	9,271,896	9,892,887
Disability Benefits	2,792,305	2,781,591	2,822,365	2,770,190	2,804,758
DROP Benefits	2,972,606	2,586,141	2,231,379	2,637,138	2,618,007
Total Benefit Payments	$ 50,299,815	$ 51,710,349	$ 53,054,434	$ 54,682,378	$ 57,017,001
Refunds to Terminated Members	$ 792,107	$ 804,450	$ 610,524	$ 833,677	$ 1,036,982

CITY OF KNOXVILLE PENSION SYSTEM
SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT
JUNE 30, 2024

		Type of Retirement			Option Selected*							
Monthly Benefit Amount	Number of Retirees	Age & Service	Disability	Beneficiary	1	2	3	4	5	6	7	8
$1 - $250	104	92	-	12	61	17	-	8	-	1	-	5
$251 - $500	237	194	3	40	140	31	3	15	2	1	4	1
$501 - $750	155	127	2	26	81	20	5	17	-	-	3	3
$751 - $1,000	107	76	4	27	47	16	1	13	1	-	-	2
$1,001 - $1,500	153	91	12	50	53	27	3	15	2	2	-	1
$1,501 - $2,000	148	86	10	52	47	17	5	19	1	3	1	3
$2,001 - $2,250	98	53	18	27	41	11	4	12	-	1	1	1
$2,251 - $2,750	158	89	20	49	49	23	4	26	-	2	2	3
$2,751 - $3,250	149	84	24	41	61	26	2	15	1	1	-	2
$3,251 - $3,750	125	89	8	28	38	29	8	21	-	-	1	-
$3,751 - $4,000	67	61	1	5	22	10	3	25	-	1	-	1
$4,001 - $4,250	67	59	1	7	22	19	7	9	1	1	-	1
$4,251 - $4,500	73	58	-	15	27	15	4	12	-	-	-	-
$4,501 - $5,000	110	96	-	14	33	25	9	25	1	1	2	-
$5,001 - $6,000	106	101	-	5	41	30	8	19	-	1	2	-
$6,001 - $7,000	28	26	-	2	14	6	3	3	-	-	-	-
$7,001 & over	22	21	-	1	6	8	-	7	-	-	-	-

Option Selected:
1 – Life only
2 – 100% Joint and Survivor
3 – 75% Joint and Survivor
4 – 50% Joint and Survivor
5 – 5 Year Certain
6 – 10 Year Certain
7 – 15 Year Certain
8 – Cash Refund

CITY OF KNOXVILLE PENSION SYSTEM
AVERAGE MONTHLY BENEFIT PAYMENTS TO NEW RETIREES

Retirement Effective Dates for Fiscal Year Ending June 30	Years of Credited Service							
	5-10	11-15	16-20	21-25	26-30	31-35	36-40	41+
2024								
Avg Monthly Benefit	$899	$862	$1,798	$3,025	$3,538	$4,413	$5,575	$4,051
Final Avg Monthly Salary	$4,175	$3,071	$4,976	$5,568	$5,709	$6,376	$7,288	$6,431
Number of Retirees	7	3	7	20	5	3	2	1
2023								
Avg Monthly Benefit	$834	$1,308	$1,528	$2,347	$3,691	$3,159	$0	$4,329
Final Avg Monthly Salary	$3,045	$5,002	$4,039	$4,435	$5,904	$5,596	$0	$5,778
Number of Retirees	4	3	4	4	12	4	0	2
2022								
Avg Monthly Benefit	$1,093	$1,268	$1,362	$2,238	$4,155	$3,098	$4,817	$5,094
Final Avg Monthly Salary	$3,908	$4,524	$3,768	$5,337	$6,415	$5,558	$7,477	$6,871
Number of Retirees	4	11	3	10	19	4	1	4
2021								
Avg Monthly Benefit	$713	$766	$1,794	$2,175	$3,548	$3,733	$0	$6,753
Final Avg Monthly Salary	$6,405	$3,110	$5,232	$4,670	$5,523	$5,308	$0	$8,862
Number of Retirees	3	7	4	14	23	7	0	1
2020								
Avg Monthly Benefit	$507	$1,085	$2,494	$2,177	$3,370	$3,708	$3,141	$3,705
Final Avg Monthly Salary	$4,036	$4,663	$6,210	$4,378	$5,479	$5,753	$4,276	$5,137
Number of Retirees	9	7	6	8	27	7	2	1
2019								
Avg Monthly Benefit	$713	$882	$1,394	$2,089	$3,621	$4,229	$2,045	$3,528
Final Avg Monthly Salary	$5,528	$3,684	$3,970	$4,091	$5,571	$5,758	$3,751	$5,588
Number of Retirees	6	10	8	9	18	4	2	6
2018								
Avg Monthly Benefit	$272	$1,326	$2,601	$2,889	$2,923	$4,195	$3,012	$3,368
Final Avg Monthly Salary	$1,724	$5,208	$6,306	$5,178	$4,793	$8,338	$4,290	$4,806
Number of Retirees	8	5	4	4	24	2	5	7
2017								
Avg Monthly Benefit	$814	$888	$1,070	$2,058	$3,228	$3,788	$3,966	$1,954
Final Avg Monthly Salary	$6,101	$2,789	$2,930	$3,085	$3,150	$3,828	$3,469	$2,994
Number of Retirees	3	9	6	12	11	5	2	1
2016								
Avg Monthly Benefit	$366	$439	$1,954	$2,201	$3,150	$3,333	$2,752	$4,079
Final Avg Monthly Salary	$3,462	$3,213	$5,604	$3,935	$5,211	$5,181	$4,395	$5,160
Number of Retirees	8	10	9	8	21	4	1	5
2015								
Avg Monthly Benefit	$289	$887	$1,266	$2,109	$2,623	$3,214	$2,238	$575
Final Avg Monthly Salary	$2,588	$3,337	$3,758	$4,240	$4,755	$4,888	$3,825	$4,029
Number of Retirees	6	8	3	10	14	3	3	1

COMPLIANCE SECTION

PUGH & COMPANY, P.C.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Members of the Pension Board
City of Knoxville Pension System
Knoxville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the City of Knoxville Pension System (the “System”), a pension trust fund of the City of Knoxville, Tennessee, which comprise the statements of fiduciary net position as of June 30, 2024 and 2023, the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements, and have issued our report thereon dated December 16, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
December 16, 2024

CITY OF KNOXVILLE PENSION SYSTEM

SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2024

The System had no prior year audit findings.