

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
JUNE 28, 2013

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**MINUTES OF THE
BOARD OF TRUSTEES MEETING
MARCH 22, 2013**

Minutes of the TCRS Board of Trustees meeting on March 22, 2013

The Board of Trustees of the Tennessee Consolidated Retirement System met on Friday, March 22, 2013 at 10:00 a.m. The meeting was held in Room 30 of the Legislative Plaza with Chairman David Lillard presiding.

Chairman Lillard asked Ms. Bachus to conduct an attendance roll call. The following members were present: Chairman David Lillard, State Treasurer; Mr. Tre Hargett, Secretary of State; Commissioner Rebecca Hunter, Department of Human Resources; Ms. Jill Bachus, Director of TCRS; Mr. Michael Barker, Ms. Patsy Moore, Mr. Bill Kemp, Ms. Traci Jefferson, Mr. Ken Wilber, and Mr. Greg Elliott.

Approval of the December 7, 2012 Minutes of the Board of Trustees

On a motion by Mr. Wilber and seconded by Mr. Elliott, the minutes of the December 7, 2012 TCRS Board of Trustees meeting were unanimously approved.

Board of Trustees Committee Report

Chairman Lillard recognized Mr. Barker to provide the audit committee report. Mr. Barker mentioned the audit report released from the Comptroller of the Treasury stated the audit disclosed no instances of noncompliance. Mr. Andy Furlong reviewed financial statements and significant accounting reporting and standards. The audit committee discussed the private equity disclosure. Ms. Bachus provided an update on Concord.

Chairman Lillard recognized Ms. Bachus to provide the administrative committee report. Ms. Bachus mentioned Mr. Fred Marshall provided the committee an update on Concord. The committee reviewed two political subdivisions seeking participation into TCRS. Mr. Jamie Wayman provided an update on the actuarial experience study.

Chairman Lillard mentioned the investment committee did not meet.

Political Subdivisions Petitioning for Membership in TCRS

Ms. Bachus advised that the Administrative Committee had reviewed the requests for participation in TCRS for the following entities: Second South Cheatham Utility District and Madison Suburban Utility District.

On a motion by Ms. Bachus and seconded by Mr. Kemp, the Board unanimously approved the requests for participation in TCRS.

Investment Report

Chairman Lillard mentioned that Money Management Intelligence had awarded TCRS the Large Public Plan of the Year Award for 2013, and that Mr. Brakebill was out of town to accept the

award. Chairman Lillard next introduced Mr. Pete Keliuotis of Strategic Investment Solutions (SIS) to review the investment report.

Mr. Keliuotis began by reviewing the performance of the capital markets in the fourth quarter of 2012. Mr. Keliuotis discussed how investors were concerned about the fiscal cliff and the disparity of economic growth between the United States and Europe. Equity markets have been strong over the past year while interest rates stayed flat for the quarter.

Next, Mr. Keliuotis reviewed the asset allocation. As of December 31, 2012, TCRS ended with \$36.6 billion in assets. The target asset allocation percentage relative to the actual is slightly overweight to North American and International Equities because private equity has not been fully deployed.

Mr. Keliuotis reviewed investment performance. TCRS had a 1% return for the quarter and the fund has strong returns for the past one and three years. The international managers struggled during the quarter, but performance for the past year had outperformed their benchmark. The real estate portfolio had a strong absolute performance and slightly lagged its benchmark.

Other Business

Chairman Lillard mentioned the proposed new hybrid pension plan is pending in the General Assembly. Information concerning the pension plan is on the TCRS website.

Adjournment

Chairman Lillard announced the completion of the business at hand and asked if there was any other business to come before the Board.

On a motion by Mr. Hargett and seconded by Mr. Barker, the Board unanimously approved the TCRS Board of Trustees meeting be adjourned.

With no other business, the Board of Trustees adjourned at 10:27 a.m. on March 22, 2013.

Respectfully Submitted,



**Jill Bachus
Director, TCRS**

Approved:

**David H. Lillard, Jr.
Chairman of the Board**

COMMITTEE MINUTES

Minutes of the Administrative Committee

March 22, 2013

The Administrative Committee of the Board of Trustees of the Tennessee Consolidated Retirement System met on Friday, March 22, 2013 at 9:00 a.m. The meeting was held in Room 29 of the Legislative Plaza with Director Jill Bachus presiding.

The following members were present: Jill Bachus, Director of TCRS, Ms. Traci Jefferson, Mr. Bill Kemp, Mr. Alfred Laney, Ms. Patsy Moore, and Mr. Harold Morrison.

Concord Update

Ms. Bachus introduced Mr. Fred Marshall, TCRS Assistant Director for Concord, to provide an update on the Concord project. Mr. Marshall informed the committee that TCRS is scheduled to go live with Phase 5 – Retired Payroll on Monday, April 8, 2013. Prior to that date, staff will work on completing testing, confirming that data is ready for conversion, and focusing on any issues that need to be resolved before go-live.

Mr. Marshall informed the committee that TCRS was sending letters to members explaining changes that will occur on their retirement account as a result of implementing the Retired Payroll module. The letters will address payments issued by debit card, an increase in the member's net benefit due to tax calculation changes, or multiple deposits that will be made if the member has more than one benefit. After go-live, TCRS and Concord staff will review and make changes to records that were not converted or were not converted properly and will continue to test functions such as cost of living adjustments, actuarial reports, and tax reporting that were not tested prior to implementing the Retired Payroll module.

Mr. Marshall indicated that the design of Phase 6 – Active Members and Employer Reporting is nearing completion. The focus for Phase 6 has shifted from design to data conversion. Mr. Marshall indicated that the Concord staff continues to have discussions with employers regarding the employer reporting process. Mr. Marshall also reported that testing of the employer files will begin in the summer of 2013.

Field Services

Ms. Bachus introduced Melissa Davis, Supervisor of Field Services, to provide an update about employer participation in TCRS. Ms. Davis presented information regarding two entities: Second South Cheatham Utility District and Madison Suburban Utility District. Ms. Davis indicated that the Comptroller's office had reviewed each of these entities' budgets and the budgets appear sufficient to fund the retirement costs. The administrative committee gave a unanimous recommendation to the Board that the entities be approved for participation in TCRS.

Experience Study

Ms. Bachus indicated that the actuary continues to work on the TCRS Experience Study. The Experience Study is performed every four years to determine if actual experience of the plan matches the assumptions adopted and if any changes need to be made to the assumptions used in the Actuarial Valuation.

Adjournment

With no other business, the Administrative Committee of the Board of Trustees adjourned at 9:45 a.m. on March 22, 2013.

Respectfully Submitted,



**James E. Wayman
Assistant Director, TCRS**

Approved:

**Jill Bachus
Administrative Committee Chair**

**AUDIT COMMITTEE MEETING MINUTES
OF TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS)
March 22, 2013**

The Audit Committee of the Board of Trustees of the Tennessee Consolidated Retirement System met on Friday, March 22, 2013, at 8:00 a.m. The meeting was held in the Legislative Plaza, Room 30 with Chairman Michael Barker presiding.

The following members were present: Chairman Michael Barker; Commissioner Rebecca Hunter, Tennessee Department of Human Resources; Mayor Ken Wilber, Tennessee Municipal League; Mr. Tre Hargett, Secretary of State.

Others present were: Mr. David Lillard, Jr., State Treasurer; Ms. Janice Cunningham, Chief of Staff; Mr. Andy Furlong, Director of Internal Audit; Ms. Jill Bachus, Director of TCRS; Mr. Rick DuBray, Assistant Treasurer; Mr. Tim Sundell, Director of Information Systems; Ms. Robyn Probus, State Auditor; Mr. John Kerr, Internal Auditor; and Ms. Stacey Jackson, Internal Auditor.

Approval of the September 28, 2012 and December 7, 2012 Minutes of the Audit Committee

The meeting was called to order. Chairman Barker asked if any changes were needed to the minutes of the two prior meetings. No changes were suggested. Commissioner Hunter motioned to accept the minutes and Mayor Wilber seconded the motion. The minutes of the last two Audit Committee meetings were unanimously approved.

Review TCRS Audit Report

Ms. Probus, Auditor-In-Charge for the TCRS audit, informed the committee that an unqualified opinion was issued for the audit ending June 30, 2012. There were no findings or any items to discuss with management.

Review Financial Statements and Significant Accounting Standards

Mr. Furlong discussed TCRS financial statements located in the TCRS audit report. There weren't any new accounting or pension standards affecting TCRS financial statements that became effective for fiscal year ending June 30, 2012. Mr. Furlong also mentioned the net assets held in trust for pension benefit increased over \$1 billion and capital assets increased due to the new Concord system.

Review Financial Integrity Act Report

Mr. Furlong explained the annual Financial Integrity Act Reporting process. Each division is responsible for assessing its risks, the impact of risks, and likelihood those risks will occur. The controls designed to mitigate those risk are also included in the report.

Mr. Sundell answered a question on Treasury's IT security and protection against cyber-attacks. He explained Treasury's infrastructure is run through the State's infrastructure networking systems that has a security group monitoring on the front end. Mr. Sundell stated monitoring is coordinated with national security groups as well as the FBI. Several other questions were fielded by Mr. Sundell regarding the security of Treasury's systems.

Private Equity Disclosure

Chairman Barker brought the committee's attention to the disclosure on private equity. No questions were asked regarding the item.

Concord Update

Ms. Bachus stated to the committee the Retired Payroll segment of the new system is set to go live April 8, 2013. Online access for retired members will be active soon after. The largest portion of the system that includes calculation of benefits and employer reporting will go live early spring of 2014. Training has started with staff.

Retirees still receiving paper checks will begin receiving debit cards soon if they don't change to direct deposit but the number of retirees who will need a debit card has been reduced to 700.

Other Business

The Treasurer explained an incident that occurred in South Carolina where thousands of social security numbers were stolen that were not encrypted. He ensured that the new Concord system will be encrypted to the highest level. Implementing a "key fob" system is also being considered to heighten security.

Mr. Sundell gave an update on the new voice over IP phone system and the efforts to move towards a paperless system.

Mr. DuBray gave an update on Project T3 renovations to the Andrew Jackson building and preparations for the move to the 13th – 15th floors. Treasurer Lillard expressed concern about the rolls of microfilm located in the Treasury Department that hold thousands of social security numbers. He stated it is possible for a roll to become missing and go unnoticed for a significant period of time. One way to negate the risk will be during the remodeling of the Andrew Jackson building. The Treasury Department floors will become inaccessible to non-Treasury employees

because of locked doors. Additionally, cameras will be installed in the file room. The Treasurer stated another way to negate the risk with the rolls of microfilm is to convert all the documents to scanned images.

Adjournment

Chairman Barker stated that if there were no additional items to be discussed, the meeting could be adjourned.

Respectfully Submitted,



**Andy Furlong
Director of Internal Audit**

Approved:

**Michael Barker
Chairman of the Audit Committee**

**Minutes of the Meeting of the Investment Committee of the TCRS Board of Trustees
January 16, 2013**

The Investment Committee of the TCRS Board of Trustees ("Investment Committee") met at 9:45 a.m. on January 16, 2013 in the Executive Conference Room on the Ground Floor of the State Capitol. A quorum of the Investment committee participated in the meeting which included The Honorable David H. Lillard, Jr., State Treasurer, The Honorable Tre Hargett, Secretary of State, Commissioner Mark Emkes, Mr. David Seivers and Mr. Greg Elliott. Mr. Keith Borings, representing the Office of Comptroller of the Treasury, attended in the absence of Comptroller Justin Wilson. Also in attendance were Ms. Janice Cunningham, Mr. Bill Abney, Mr. Michael Brakebill, Chief Investment Officer, Mr. Andy Palmer, Deputy Chief Investment Officer, Mr. Lamar Villere, Director of Private Equity, Mr. Peter Katseff, Director of Real Estate, and Mr. Matthew Haitas, Real Estate Analyst. Mr. Pete Keliuotis of SIS participated by telephone.

The Honorable David H. Lillard, Jr., State Treasurer, called the meeting of the Investment Committee of the TCRS Board of Trustees to order. He asked Mr. Michael Brakebill to give an overview of the agenda for the meeting.

Mr. Brakebill stated that there were three items to cover. The items included a presentation to provide an update on the Strategic Lending Program and the presentation of two private equity investments for approval by the Investment Committee. Mr. Brakebill also provided a brief update on the overall TCRS portfolio. He noted that the current value of the fund is \$37.2 billion. He noted that, while the numbers are not finalized, the 2012 calendar year performance is expected to be approximately 12%. Mr. Brakebill next asked Mr. Andy Palmer to present the update on the Strategic Lending Program.

Mr. Palmer provided a review of the Strategic Lending Program. He noted that the primary goal of the program is to broaden the types of fixed income investments to include below investment grade and unrated investments in order to increase the returns of the fixed income portfolio. He also noted that the increased returns are accompanied with increased risk. Mr. Palmer next discussed the timeline for creating the program. All of the key steps have been completed including engaging a consultant, establishing legal support, creating policy and guidelines and receiving approval. He noted that the fixed income staff has already met with over 75 managers and are ready to begin making new investments over the next few months.

Mr. Pete Keliuotis next discussed the types of investments and implementation of these investments. He noted that the types of investments can be divided into two buckets, public and liquid investments and private and illiquid investments. Staff expects to initially invest primarily in bank loans and high yield loans, which are both public and liquid. These investments are expected to provide a 5% return with a 7% to 8% volatility.

Mr. Palmer moved the presentation to a chart in the presentation that plots the returns and risks of different asset classes. The chart illustrates that a mix of different strategic lending investments could provide superior risk adjusted returns to both core fixed income and equities. He next reviewed the expected pace of investments in the

strategic lending space. He noted that staff expects to have fully funded the five percent allocation by 2017.

Mr. Palmer concluded by reviewing the next steps for the program. Staff will be finalizing the strategic lending investment guidelines shortly and will be looking for investment opportunities in a flexible manner over the next eighteen months.

There were no questions from the investment committee and the meeting moved on to the proposed investments in two private equity funds.

Mr. Lamar Villere began by presenting the proposed investment in General Atlantic Investment Partners 2013 LP, a global and growth focused fund. Mr. Villere noted that General Atlantic tends to take minority positions primarily in companies located outside the U.S. He noted that TCRS would be the first public pension investor in a General Atlantic fund, but that Vanderbilt endowment fund has invested with them in the past with strong results. TCRS staff recommended making a \$100 million commitment to this fund.

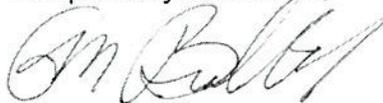
Secretary Hargett made a motion to approve the investment in General Atlantic Partners 2013 LP by TCRS. The motion was seconded by David Seivers and unanimously approved.

Mr. Villere next presented the proposed investment in Triton Fund IV LP, a Northern European focused buyout fund. He stated that this firm is a high quality firm that focuses on buying distressed companies in Northern Europe including the Nordic countries. They are an operationally focused firm that focuses on adding value through operational changes in struggling companies. TCRS staff recommended making a €50 million commitment to this fund. Mr. Villere noted that since the commitment is being made in Euros, the actual commitment in Dollars will be subject to fluctuations in the exchange rate between the two currencies. Commissioner Emkes asked if this investment was based on trying to time the bottom in the European economy. Mr. Villere stated that it was not based on timing. The investment is about investing with a strong general partner who will provide additional global and buyout exposure.

Commissioner Emkes made a motion to approve the investment in Triton Fund IV LP by TCRS. The motion was seconded by David Seivers and unanimously approved.

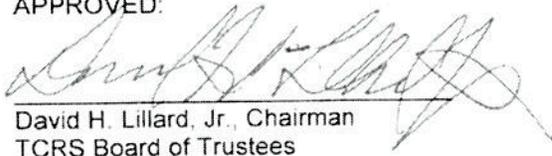
The members of the Investment Committee had no additional questions and the meeting of the Investment Committee was adjourned.

Respectfully Submitted,



Michael Brakebill
Chief Investment Officer

APPROVED:



David H. Lillard, Jr., Chairman
TCRS Board of Trustees

**TCRS BOARD OF TRUSTEES
APPOINTMENTS**



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

May 13, 2013

Members of the Board
Tennessee Consolidated Retirement System
Tenth Floor, Andrew Jackson Building
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have tabulated the votes received in the election of two members to the Board of Trustees of the Tennessee Consolidated Retirement System for the term July 1, 2013, through June 30, 2016, and we hereby certify that candidates received the number of votes listed below:

	<u>Name</u>	<u>Department</u>
629	L. Charles Archer	Department of Revenue
1,099	Priscilla Bright	University of Tennessee
436	Roger Broach	Department of Labor & Workforce Development
461	David E. Brumley	Department of Health
318	Greg Galfano	Department of Health
477	Shannon R. Jones	Commission on Aging & Disability
822	Angie Judish	Austin Peay State University
394	Richard D. Kurtz	Middle Tennessee State University
325	Diane McDonald	Department of Children's Services
319	Robert Nakamoto	Department of Environment & Conservation
531	Debra M. Scott	Department of Human Services
462	Paula Shaw	TRICOR
286	April Smith-Moore	Department of Human Services
370	Cynthia Clark Tyler	Department of Mental Health
328	Carson Voiles	Department of Transportation
<u>7,257</u>		

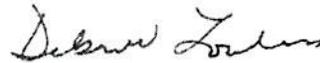
May 13, 2013
Page Two

Each ballot was observed by one or more witnesses as it was tabulated.

A recheck of total votes received by each candidate and a count of the individual ballots verified the accuracy of the tabulations as follows:

	<u>Ballots</u>	<u>Votes</u>
Ballots cast for two candidates	3,514	7,028
Ballots cast for one candidate	229	229
Ballots cast for no candidate	<u>105</u>	<u>0</u>
Total ballots counted	<u>3,848</u>	<u>7,257</u>

Sincerely,



Deborah V. Loveless, CPA
Director

DVL/bw



Tennessee County Services Association

Representing Tennessee's County Mayors, County Highway Officials, and County Commissioners since 1954

David Seivers
Executive Director

226 Capitol Boulevard, Suite 700, Nashville, Tennessee 37219
Phone: 615/532-3767 Fax: 615/532-3769
www.tncounties.org

Debbie Blanchard
Chief Administrative Officer

April 23, 2013

Jill Bachus, Director
Tennessee Consolidated Retirement System
Andrew Jackson Building, 10th Floor
502 Deaderick Street
Nashville, TN 37243-0201

Dear Director Bachus:

The Tennessee County Services Association recommends Mr. Robert (Bob) Wormsley to serve on the Board of Trustees for the Tennessee Consolidated Retirement System. We recommend him for the balance of the unexpired term of our current appointment and for the upcoming two year term recommended by the Tennessee County Services Association.

Please let us know if you need any additional information. Mr. Wormsley's email address is wormsley_bo@willis.com and his phone number is (615) 872-3513. Thank you.

Sincerely,

David Seivers
Executive Director

DS:db



May 10, 2013

Ms. Jill Bachus, Director
Tennessee Consolidated Retirement System
10th Floor Andrew Jackson State Office Building
Nashville, TN 37243-0230

Dear Ms. Bachus:

The Tennessee Municipal League understands the term of its representative to the Tennessee Consolidated Retirement System Board of Trustees, Mayor Ken Wilber, expires on June 30, 2013. TML is reappointing Mayor Wilber for another term, July 1, 2013 through June 30, 2015.

Thank you for your consideration.

Sincerely,


Margaret H. Mahery
Executive Director

MHM/ml



COUNTY OFFICIALS ASSOCIATION OF TENNESSEE

May 6, 2013

Ms. Jill Bachus
Director, TN Consolidated Retirement System
10th Floor - Andrew Jackson Building
502 Deaderick Street
Nashville, TN 37243-0201

Dear Jill:

The President of the County Officials Association of Tennessee, Donna Simpson, Bradley County Clerk has reappointed Mr. Bill Kemp, Sumner County Clerk to be the representative on the Tennessee Consolidated Retirement System Board of Trustees. We understand his term will be from July 1, 2013 - June 30, 2015.

If you have any questions regarding this matter please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Jay West".

Jay West
Executive Director

**INVESTMENT ADVISORY COUNCIL
APPOINTMENT**

Investment Advisory Council Appointment

To be distribute at meeting.

POLITICAL SUBDIVISION REPORT



STATE OF TENNESSEE
TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
502 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-0201

DAVID H. LILLARD, JR.
STATE TREASURER

JILL BACHUS
DIRECTOR

MEMORANDUM

Date: June 12, 2013
To: TCRS Board of Trustee Members
From: Melissa L. Davis, TCRS Field Services *Med*
Subject: Tri-Cities Airport Authority

Tri-Cities Airport Authority withdrew from the original defined plan July 1, 2012. They are requesting to participate in the hybrid plan effective July 1, 2013.

Employees hired after this date will be required to join the hybrid plan. According to the resolution, the authority chooses to:

1. Assume the 5.0% required employee contribution.
2. Provide cost-of-living increases for retirees.
3. Not allow part-time employees to participate in the TCRS.

Those who were employed on the date of withdrawal were required to continue participation in the TCRS plan. Only employees hired after the new effective date of participation will be enrolled in the hybrid plan. There are no prospective employees and therefore, no payroll. They were given the general contribution rate of 5.9%.



May 16, 2013

Mr. David H. Lilliard, Jr.
Treasury Department
Tennessee Consolidated Retirement System
502 Deaderick Street
Nashville, Tennessee 37243-0201

Dear Mr. Lilliard:

The Tri-Cities Airport Authority is interested in participating in the Tennessee Consolidated Retirement System in the hybrid plan option for Airport new hires. Access into Tennessee's 401(k) defined contribution plan is attractive to the Airport's retirement planning.

In accordance with TCA Title 8, Chapter 35, Part 2, enclosed is the executed resolution which will be reviewed by TN Board of Trustees, with a decision and participation instructions to be forthcoming.

If you have questions or need additional information, please do not hesitate to contact me at 423-325-6006 or Kathy Yakley at 423-325-6003.

Yours truly,

David W. Jones
Interim Executive Director

DWJ/kay

Enclosure

Tennessee Consolidated Retirement System

A RESOLUTION to authorize a political subdivision's participation in the Tennessee Consolidated Retirement System in accordance with Tennessee Code Annotated, Title 8, Chapters 34 – 37.

WHEREAS, Tennessee Code Annotated, Title 8, Chapter 35, Part 2 allows a political subdivision to participate in the Tennessee Consolidated Retirement System (“TCRS”) subject to the approval of the TCRS Board of Trustees; and

WHEREAS, the TRI-CITIES AIRPORT AUTHORITY (Name of Political Subdivision) desires to participate in TCRS under the

provisions of Tennessee Code Annotated, Title 8, Chapters 34 – 37 and in accordance with the following terms and conditions:

- A. TYPE PLAN. (CHECK BOX 1 OR BOX 2 OR BOX 3). The Political Subdivision adopts the following type plan:
- (1) Regular Defined Benefit Plan.
 - (2) Alternate Defined Benefit Plan.
 - (3) Hybrid Plan (If the Hybrid Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees).
- B. ASSUMPTION OF EMPLOYEE CONTRIBUTIONS. (CHECK BOX 1 OR BOX 2 OR BOX 3). The Political Subdivision shall:
- (1) NOT assume any employee contributions.
 - (2) ASSUME 2.5% of its employees’ contributions.
 - (3) ASSUME 5.0% of its employees’ contributions.
- C. COST-OF-LIVING INCREASES FOR RETIREES. (CHECK BOX 1 OR BOX 2 – IF THE HYBRD PLAN IS SELECTED ABOVE, COST-OF-LIVING INCREASES FOR RETIREES MUST BE GIVEN AND BOX 2 MUST BE CHECKED). The Political Subdivision shall:
- (1) NOT provide cost-of-living increases for its retirees.
 - (2) PROVIDE cost-of-living increases for its retirees.
- D. ELIBILITY OF PART-TIME EMPLOYEES. (CHECK BOX 1 OR BOX 2). The Political Subdivision shall:
- (1) NOT allow its part-time employees to participate in TCRS.
 - (2) ALLOW its part-time employees to participate in TCRS.
- E. PRIOR SERVICE. (CHECK AND COMPLETE BOX 1 OR BOX 2 OR BOX 3 OR BOX 4 OR BOX 5). For each employee employed with the Political Subdivision on the effective date of the Political Subdivision’s participation in TCRS, the Political Subdivision shall:
- (1) Purchase ALL years of prior service credit on behalf of its employees.
 - (2) Purchase NO years of prior service credit on behalf of its employees, but shall accept the unfunded liability should its employees establish ALL years of prior service.
 - (3) NOT allow its employees to establish any prior service credit with the Political Subdivision.
 - (4) Purchase _____ years of prior service credit on behalf of its employees and accept the unfunded liability should its employees establish an additional _____ years of prior service credit.
 - (5) Purchase _____ years of prior service credit on behalf of its employees and no additional prior service credit may be established; and

WHEREAS, the liability for participation and costs of administration shall be the sole responsibility of the Political Subdivision and not the State of Tennessee; and

WHEREAS, the Political Subdivision has passed a budget amendment appropriating the funds necessary to meet such liability and the same is attached hereto; and

WHEREAS, the effective date of participation shall be on a date as determined by the TCRS Board of Trustees, and the initial employer contribution rate shall be 5.9%, which is based on the estimated lump sum accrued liability of \$ -0-.

NOW, THEREFORE, BE IT RESOLVED That the Tri-Cities Airport Authority Board of Commissioners of
(Name of Governing Body)
TRI-CITIES AIRPORT AUTHORITY
(Name of Political Subdivision) hereby authorizes all its employees in all its departments or

instrumentalities to become eligible to participate in TCRS in accordance with the above terms and conditions subject to the approval of the TCRS Board of Trustees. It is acknowledged and understood that pursuant to Tennessee Code Annotated, Section 8-35-111 the Political Subdivision shall not make employer contributions to any other retirement or deferred compensation plans on behalf of any employee who participates in TCRS pursuant to this Resolution wherein the total combined employer contributions to such plans exceed 3% of the employee's salary, unless the Hybrid Plan is adopted by the Political Subdivision for such employee. In which case, the Political Subdivision may make employer contributions to the defined contribution plan component of the Hybrid Plan and to any one or more additional tax deferred compensation or retirement plans provided that the total combined employer contributions to such plans on behalf of an employee shall not exceed 7% of the employee's salary.

STATE OF TENNESSEE

COUNTY OF Sullivan County

I, Shaune E. Eberhart, clerk of the Board of

TRI-CITIES AIRPORT AUTHORITY
(Name of Governing Body)

BLOUNTVILLE, TENNESSEE
(County, City Town, etc.)

Tennessee, do hereby certify that this is a true and exact copy of the foregoing Resolution that was approved and adopted in accordance with applicable law at a meeting held on the 25th day of April, 2013, the original of which is on file in this office.

IN WITNESS WHEREOF, I have hereunto set my hand, and the seal of the Sullivan County
(Name of County, City, Town, etc.)

Shaune E. Eberhart
As Clerk of the Board, as aforesaid

Seal

STATISTICAL REPORTS

ANALYSIS OF MEMBERS ACTIVELY CONTRIBUTING

	6/30/2009	6/30/2010	6/30/2011	6/30/2012	9/30/2012	12/31/2012	3/31/2013
Group I Members:							
(State & Higher Ed.)	58,940	58,601	57,592	56,566	55,824	56,670	55,797
Teachers	78,550	78,593	79,583	78,613	78,159	78,876	78,463
General Employees of Polisubs	80,376	81,601	81,751	80,784	78,934	80,311	79,934
General Assembly	122	126	127	129	128	129	128
County Officials	3	3	2	2	2	2	2
PSC							
County Judges	1	1	1	1	1	1	1
Attorneys General	635	639	635	648	649	645	650
Total Group I	218,809	219,564	219,691	216,743	213,697	216,634	214,975
Group II & Prior Class:							
Wildlife Officers	9	6	3	2	2	2	2
Highway Patrol	11	8	6	3	3	3	3
Firemen & Policemen- Political Subdivisions	36	34	21	16	13	17	15
Total Group II & Prior Class	56	48	30	21	18	22	20
Group III and Prior Class:							
State Judges	2	2	2	2	2	2	1
County Judges	-						
Attorneys General	6	5	5	5	4	5	5
County Officials	10	9	5	5	4	5	4
Total Group III & Prior Class	18	16	12	12	10	12	10
Group IV							
State Judges	182	182	181	182	182	181	182
Total Membership							
Contributing to TCRS	218,883	219,810	219,914	216,958	213,907	216,849	215,187
Teachers Contributing to ORP	11,388	11,506	11,562	11,575	11,546	11,569	11,610
Grand Totals	230,271	231,316	231,476	228,533	225,453	228,418	226,797

**RETIRED PAYROLL
STATISTICS
March 31, 2013**

	<u>AMOUNT</u>	<u># OF RETIREES</u>
STATE EMPLOYEES	47,451,637.26	41953
STATE PAID JUDGES	813,193.88	160
COUNTY PAID JUDGES	358,089.61	115
ATTORNEY GENERALS	837,552.00	304
COUNTY OFFICIALS	404,600.82	223
PUBLIC SERVICE COMMISSIONERS	8,584.44	5
POLITICAL SUBDIVISIONS	23,553,908.87	34986
TEACHERS	82,959,390.98	43293
LOCAL TEACHERS	3,624,993.15	2088
GOVERNORS AND WIDOWS	29,726.00	5
AGED STATE EMPLOYEES	133.14	1
AGED TEACHERS	1,933.76	16
TOTAL	\$160,043,743.91	123,149

RETIRED PAYROLL
July 1, 2012
THROUGH
March 31, 2013

	<u>AMOUNT</u>	<u># OF RETIREES</u>
STATE EMPLOYEES	421,305,609.43	41953
STATE PAID JUDGES	7,417,307.03	160
COUNTY PAID JUDGES	3,281,801.13	115
ATTORNEY GENERALS	7,559,563.94	304
COUNTY OFFICIALS	3,698,939.37	223
PUBLIC SERVICE COMMISSIONERS	77,259.96	5
POLITICAL SUBDIVISIONS	208,696,758.19	34986
TEACHERS	750,088,723.91	43293
LOCAL TEACHERS	33,110,638.35	2088
GOVERNORS AND WIDOWS	267,549.00	5
AGED STATE EMPLOYEES	1,201.26	1
AGED TEACHERS	22,424.91	16
TOTAL	\$1,435,527,776.48	123,149

NOTE: NINETY-NINE PERCENT (99%) OF THE RETIREES ARE ON DIRECT DEPOS.

NUMBER OF MEMBERS REFUNDED

Month	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
July	507	1,149	450	894	499	496	475
August	481	675	308	612	406	466	471
September	546	566	316	494	431	447	394
October	454	609	411	369	379	383	375
November	440	492	353	320	293	364	319
December	318	234	257	256	276	257	241
January	408	450	332	257	307	348	338
February	333	308	310	242	265	312	335
March	342	316	291	278	299	262	253
April	365	308	311	687	277	346	
May	323	619	217	385	662	329	
June	313	843	340	360	406	339	
TOTAL	<u>4,830</u>	<u>6,569</u>	<u>3,896</u>	<u>5,154</u>	<u>4,500</u>	<u>4,349</u>	<u>3,201</u>

**REFUND EXPENDITURES
2012-2013 FISCAL YEAR**

MONTH	MEMBER'S CONTRIBUTIONS	414(H) CONTRIBUTIONS	MEMBER'S INTEREST	EMPLOYER CONTRIBUTIONS	DEATH PAYMENTS	TOTAL
July	134,678.69	3,059,661.14	1,178,615.17	238,005.97	435,162.47	\$5,046,123.44
August	76,587.36	3,065,117.07	1,042,827.14	154,778.94	641,110.86	\$4,980,421.37
September	50,365.81	3,156,811.65	1,076,996.01	23,606.09	363,877.97	\$4,671,657.53
October	44,456.20	2,636,249.91	906,473.85	53,569.77	284,009.77	\$3,924,759.50
November	66,786.43	1,914,374.12	712,381.25	75,430.60	413,831.35	\$3,182,803.75
December	16,063.85	1,256,545.89	314,359.28	13,564.46	89,846.30	\$1,690,379.78
January	36,745.80	2,041,260.89	627,846.86	14,461.86	194,567.65	\$2,914,883.06
February	124,371.20	1,962,389.88	982,913.26	250,627.81	739,766.81	\$4,060,068.96
March	26,917.81	1,680,041.05	594,723.01	64,460.62	180,260.31	\$2,546,402.80
April						
May						
June						
TOTAL	576,973.15	20,772,451.60	7,437,135.83	888,506.12	3,342,433.49	\$33,017,500.19

PRIOR SERVICE ACTIVITY
January 1, 2013 through March 31, 2013

State:	Type of Service	No of Members	Years of Service	Amount
	Backpayment	37	36	\$ 189,958
	Military	26	59	-
	Redeposit	11	48	28,250
	Totals	74	143	\$ 218,208
Teachers:	Type of Service	No of Members	Years of Service	Amount
	Backpayment	5	2	\$ 63,787
	Military	5	14	-
	Redeposit	15	72	306,565
	Totals	25	88	\$ 370,352
Higher Education:	Type of Service	No of Members	Years of Service	Amount
	Backpayment	64	54	\$ 73,030
	Military	13	24	-
	Redeposit	1	12	1,930
	Totals	78	90	\$ 74,960
Political Subdivisions:	Type of Service	No of Members	Years of Service	Amount
	Backpayment	207	246	\$ 159,179
	Military	29	64	-
	Redeposit	6	35	36,711
	Totals	242	345	\$ 195,890
Grand Totals:	Type of Service	No of Members	Years of Service	Amount
	Backpayment	313	338	\$ 485,955
	Military	73	161	-
	Redeposit	33	167	373,455
	Totals	419	666	\$ 859,410

DISABILITY RETIREMENT REPORT

Disability Statistical Report

Third Quarter 12-13

Disability Applications Received	January	40
	February	37
	March	<u>21</u>
	TOTAL	98
Initial Claims Approved	January	27
	February	20
	March	<u>25</u>
	TOTAL	72
Initial Claims Disapproved	January	09
	February	05
	March	<u>06</u>
	TOTAL	20
Initial Claims Approved after Reconsideration		08
Initial Claims Disapproved after Reconsideration		03
Re-Evaluation Claims Approved		46
Re-Evaluation claims Disapproved		05

**APPROVED FOR DISABILITY
THIRD QUARTER
2012-2013**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt.	Mo. Ben.	Disability Summary
ORD.	YES	NO	50	STATE	ADMINISTRATIVE ASSISTANT III	12	\$36,317	A	\$858	COPD, BRONCHITIS, & ASTHMA
INACT.	NO	NO	51	STATE	CASE MANAGER	11	\$31,170	A	\$246	STROKE, & SCLERODERMA
ORD.	YES	NO	47	STATE	EPIDEMIOLOGIST	5	\$40,144	A	\$869	CHRONIC RECURRENT PERICARDITIS, CHEST PAIN, SOB, & HTN
SS-ORD.	NO	NO	57	TEACHER	MILITARY PROPERTY SPECIALIST	12	\$75,314	A	\$1,382	CHF, DM, & STAGE 4 CIRRHOSIS
SS-ORD.	YES	NO	47	POL SUB	RECRUITER	11	\$50,018	B	\$1,054	MIXOID LIPOSARCOMA, & CHEMOTHERAPY
ORD.	NO	YES	51	STATE	ADMINISTRATIVE ASSISTANT	5	\$26,628	A	\$440	COLON CANCER, & SEVERE ANEMIA
ORD.	YES	NO	40	POL SUB	MAINTENANCE TECH	7	\$36,524	A	\$863	ACDF, ARTHROSCOPY WITH DECOMPRESSION, ROTATOR CUFF REPAIR, & CARPAL CUBITAL RELEASE
SS-ORD.	NO	NO	55	TEACHER	TEACHER	13	\$35,118	D	\$660	OA, & ADULT TETHERED CORD SYNDROME
ORD.	NO	NO	57	STATE	RN	7	\$58,170	B	\$720	CAD, RECURRENT CHF, CARDIOMYOPATHY, CVA, DJD, & CHRONIC PAIN
ORD.	NO	NO	57	TEACHER	TEACHER	19	\$47,548	A	\$1,123	COGNITIVE IMPAIRMENT, & EPILEPSY
ORD.	YES	NO	42	STATE	HIGHWAY WORKER III	19	\$30,844	C	\$692	COLON CANCER WITH LYNCH SYNDROME, PROCTOCOLECTOMY, & ILEOSTOMY
ORD.	YES	NO	45	TEACHER	TEACHER	20	\$47,662	A	\$1,164	STROKE SYNDROME, ACUTE RENAL FALIURE, HTN, & HYPERLIPIDEMIA
ORD.	NO	YES	55	POL SUB	BUS DRIVER	11	\$12,121	A	\$235	CERVICAL DDD, DYSPHAGIA, TINNITUS, & BILATERAL SENSORINEURAL HEARING LOSS
ORD.	NO	YES	54	STATE	RN	22	\$71,898	A	\$1,899	DEPRESSION, ANXIETY, MIGRAINE HA'S, SYNCOPE, DIPLOPIA, & GAIT INSTABILITY
INACT.	NO	NO	53	POL SUB	CLERK	12	\$10,306	A	\$107	RA, DEPRESSION, & ANXIETY

**APPROVED FOR DISABILITY
THIRD QUARTER
2012-2013**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt.	Mo. Ben.	Disability Summary
ORD.	YES	NO	47	STATE	COORDINATOR	14	\$46,504	A	\$1,099	BI-POLAR D/O, PTSD, & MAJOR DEPRESSION
SS-ORD.	YES	NO	48	STATE	PSYCH TECH	22	\$30,885	B	\$806	RENAL FAILURE, ORTHOSTATIC AUTONOMIC DYSFUNCTION, & CERVICAL DISC DISEASE
SS-ORD.	NO	NO	53	TEACHER	TEACHER	20	\$43,474	A	\$1,061	DEMENTIA
ORD.	YES	NO	50	TEACHER	TEACHER	25	\$64,823	B	\$1,775	BIPOLAR D/O, DEPRESSION WITH SUICIDE IDEATION, & SEIZURES
ORD.	YES	YES	50	STATE	TROOPER	18	\$64,344	B	\$1,277	BACK PAIN, DECREASED ROM, CT, HNP, MENIERE'S DISEASE, HA'S, ANXIETY, & DEPRESSION
ORD.	YES	NO	45	TEACHER	TEACHER	12	\$49,855	A	\$1,178	BIPOLAR D/O, OBSESSIVE COMPULSIVE D/O, & ANXIETY D/O
ORD.	YES	NO	46	STATE	HIGHWAY WORKER	13	\$23,475	A	\$555	ANXIETY D/O, SEIZURE D/O, & HX OF CVA
INACT.	YES	NO	51	STATE	RN	20	\$62,440	D	\$680	MORBID OBESITY, & GUILLAIN-BARRE SYNDROME
ORD.	NO	NO	57	STATE	CORRECTIONAL OFFICER	17	\$29,555	D	\$592	DDD, BILATERAL KNEE REPLACEMENTS, DECREASED ROM, & OBESITY
SS-ORD.	NO	NO	55	POL SUB	FOREMAN	14	\$32,322	B	\$638	OA, LOW BACK PAIN, S/P LAMINECTOMY & FUSION
SS-ORD.	NO	NO	56	TEACHER	TEACHER	22	\$60,753	A	\$1,621	DIABETIC NEUROPATHY, & GLAUCOMA OF BOTH EYES
SS-ORD.	YES	NO	48	POL SUB	CUSTODIAN	7	\$26,787	B	\$546	METABOLIC DEFICIENCY, PERIPHERAL NEUROPATHY, & MALABSORPTION SYNDROME
ORD.	NO	YES	48	STATE	ADMINISTRATIVE ASSISTANT	18	\$39,882	B	\$772	AMYOTROPHIC LATERAL SCLEROSIS
SS-ORD.	YES	YES	47	STATE	ADMINISTRATIVE SPECIALIST	20	\$42,700	A	\$1,047	IMMUNE THROMBOCYTIC PURPURA, & STAGE I BREAST CANCER
ORD.	NO	NO	59	POL SUB	HEAVY EQUIPMENT OPERATOR	13	\$26,849	A	\$496	POST LAMINECTOMY SYNDROME, & DERPESSION

**APPROVED FOR DISABILITY
THIRD QUARTER
2012-2013**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt.	Mo. Ben.	Disability Summary
SS-ORD.	NO	NO	56	TEACHER	BEHAVIORAL SPECIALIST	10	\$37,609	A	\$652	CARDIOMYOPATHY, CHF, CAD, & HTN
SS-ORD.	NO	NO	58	STATE	SUPERVISOR	19	\$34,595	A	\$817	DDD, NECK PAIN, & CHRONIC ARTHRITIS
ORD.	NO	YES	53	TEACHER	TEACHER	8	\$34,664	A	\$624	PERIPHERAL NEUROPOTHIES SECONDARY TO BREAST CANCER TREATMENT
ACC.	NO	NO	52	STATE	CORRECTIONAL SERGAENT	21	\$37,304	D	\$1,309	DISPLACEMENT OF LUMBAR DISC, LUMBAR SPRAIN, & CHRONIC BACK PAIN
ORD.	NO	NO	54	TEACHER	PRINCIPAL	17	\$83,539	A	\$2,047	STAGE IIIB COLON CA, RECURRENT DVT, POST PHLEBITIS SYNDROME, & LUMBAR STENOSIS
ORD.	NO	NO	53	POL SUB	DEPUTY CLERK	27	\$27,546	A	\$895	COPD, CAD, LUMBAR DISC DISEASE, SPINAL STENOSIS, & BI-POLAR D/O
ORD.	NO	NO	59	POL SUB	MOWER OPERATOR	14	\$29,381	D	\$432	STAGE 4 MESOTHELIOMA , EMPHYZEMA, & CHEST PAIN
ORD.	NO	NO	60	STATE	CUSTODIAN	7	\$20,189	D	\$221	SARCOIDOSIS, SEVERE LUNG DISEASE, & HEMOPTYSIS
SS-ORD.	YES	NO	51	TEACHER	TEACHER	16	\$50,608	A	\$1,196	BIPOLAR D/O, MORBID OBESITY, & BACK PAIN
ORD.	NO	NO	58	STATE	HIGHWAY WORKER	16	\$38,837	A	\$826	IDDM, CHF, CAD, COPD, & OBESITY
ORD.	NO	NO	53	POL SUB	SUPERVISOR	11	\$34,998	A	\$779	MULTIPLE MYLEOMA, & CHRONIC RENAL FAILURE
ORD.	NO	NO	51	POL SUB	CAFETERIA ASSISTANT	20	\$14,097	A	\$337	LYMPHOCYTIC LEUKEMIA
SS-ORD.	NO	NO	54	POL SUB	EDUCATIONAL ASSISTANT	14	\$16,416	D	\$330	MS, & NEUROGENIC BLADDER
ORD.	NO	YES	49	STATE	DRIVER'S LICENSE EXAMINER	23	\$28,660	A	\$779	PANIC D/O, BI-POLAR D/O, & ANEURYSM
ORD.	YES	NO	50	POL SUB	PARAPROFESSIONAL	18	\$15,632	A	\$369	RA

**APPROVED FOR DISABILITY
THIRD QUARTER
2012-2013**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt.	Mo. Ben.	Disability Summary
ORD.	YES	NO	32	STATE	ELIGIBILITY COUNSELOR	7	\$21,070	A	\$498	CHRONIC MIGRAINES
ORD.	YES	NO	34	TEACHER	TEACHER	7	\$47,165	D	\$1,041	SERPIGINOUS CHORIORETINOPATHY
ORD.	NO	NO	54	POL SUB	BUS DRIVER	14	\$26,055	A	\$616	NON UNION OF DISTAL RADIUS, & ULNA OF R-ARM
SS-ORD.	NO	NO	58	STATE	HIGHWAY WORKER	9	\$23,686	A	\$343	ARTHRITIS, DM, HTN, & LEUKEMIA
ORD.	NO	NO	55	POL SUB	WATER METER READER	7	\$25,997	E	\$356	THORACIC & LUMBAR RADICULOPATHY, & LUMBAR STENOSIS S/P LUMBAR SURGERIES
ORD.	NO	YES	54	POL SUB	TEACHING ASSISTANT	11	\$15,231	A	\$319	OA, BILATERAL KNEE REPLACEMENT, CARPAL TUNNEL SURGERY, ROTATOR CUFF REPAIR, & OBESITY
ORD.	NO	YES	52	STATE	PSYCH TECH	5	\$22,198	B	\$306	FIBROMYALGIA, SLEEP APNEA, DEPRESSION, & ANXIETY
ORD.	NO	NO	52	STATE	ADMINISTRATIVE ASSISTANT	16	\$29,030	A	\$686	DDD
ORD.	YES	NO	48	STATE	CERTIFICATION ANALYST	5	\$27,736	A	\$584	SJOGREN'S SYNDROME, FIBROMYALGIA, & EROSION OA
ORD.	YES	NO	50	STATE	ADMINISTRATIVE ASSISTANT	20	\$38,500	A	\$932	RA, OA, DDD, & FIBROMYALGIA
ORD.	YES	NO	49	STATE	OFFICER	22	\$31,732	A	\$831	ULCERATIVE COLITIS, ANEMIA, & DIARRHEA
ORD.	NO	NO	56	TEACHER	TEACHER	18	\$42,048	A	\$993	MYELOID LEUKEMIA, CHEMOTHERAPY, & RADIATION
SS-ORD.	NO	NO	58	POL SUB	TEACHER'S AIDE	19	\$17,571	A	\$415	RA, OA, COPD, & SOB
ORD.	NO	NO	52	POL SUB	DRIVER	14	\$28,293	C	\$641	OA, & LUMBAGO
SS-ORD.	NO	NO	53	STATE	DEVELOPMENTAL TECH	23	\$23,121	A	\$649	AML LEUKEMIA, MYELODYPLASTIC SYNDROME, & NON HODGKINS LYMPHOMA

**APPROVED FOR DISABILITY
THIRD QUARTER
2012-2013**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt.	Mo. Ben.	Disability Summary
ORD.	NO	NO	54	POL SUB	CLERK	7	\$31,524	A	\$500	COGNITIVE IMPAIRMENTS, CVA, & SLEEP D/O
SS-ORD.	YES	YES	50	POL SUB	LABORER	18	\$27,531	A	\$650	NEUROPATHY, FRACTURED L-FOOT, & HYPOGLOBULINEMIA
ORD.	YES	YES	51	POL SUB	PRODUCTION MANAGER	11	\$51,969	A	\$1,228	BACK PAIN, FIBROMYALGIA, & SEVERE DEPRESSION
ORD.	YES	NO	50	STATE	CONSERVATION WORKER I	13	\$20,341	A	\$481	CHF, CAD, & HTN
ORD.	NO	NO	54	TEACHER	TEACHER	5	\$34,789	B	\$371	HUNTINGTON'S DISEASE
SS-ORD.	YES	NO	45	TEACHER	TEACHER	23	\$50,766	B	\$1,281	LUNG CANCER, & BRAIN TUMORS
ORD.	YES	NO	46	TEACHER	INSTRUCTIONAL COACH	8	\$31,166	A	\$736	BREAST CANCER, PTSD, DEPRESSION, & ANXIETY
SS-ORD.	NO	NO	58	POL SUB	ADMINISTRATOR	16	\$27,913	D	\$505	COPD, CAD, & USE OF OXYGEN
ORD.	NO	NO	59	STATE	PROCESSOR I	26	\$29,948	A	\$1,025	ESRD W/HEMODIALYSIS, DIASTOLIC HEART FAILURE, HTN, & DM
ORD.	NO	NO	52	STATE	CLERICAL OFFICER	23	\$31,594	A	\$877	CHRONIC LYMPHODEMA, EDEMA, & MORBID OBESITY
ORD.	NO	NO	57	TEACHER	TEACHER	20	\$61,797	D	\$1,284	CHARCOT MARIE TOOTH DISEASE, PERIPHERAL NEUROPATHY, & SEIZURE D/O
ORD.	YES	NO	43	TEACHER	TEACHER	8	\$46,386	A	\$1,096	BIPOLAR D/O, & MENIERE'S DISEASE

**DISAPPROVED FOR DISABILITY
THIRD QUARTER
2012-2013**

Type	Re-C	Age	Employer	Position	SVC	Disability Summary	Reason Denied
ORD.	NO	46	STATE	MAINTENANCE WORKER	10	DDD, NECK & BACK PAIN W/STENOSIS S/P FUSION, & BILATERAL KNEE PAIN	CAP SED-MED WRA
ORD.	NO	54	TEACHER	TEACHER	23	ANXIETY, DEPRESSION, BREAST CANCER & ALCOHOLISM	CAP SED WRA
ORD.	NO	54	STATE	ADMINISTRATIVE ASSISTANT	7	LUMBAR DISC DISEASE, & CHRONIC LOW BACK PAIN	INSUFFICIENT MEDICAL DOCUMENTATION
ORD.	NO	49	STATE	AUDITOR III	23	DDD, LUMBAR RADICULOPATHY, & CONGENITAL SCOLIOSIS	CAP SED WRA; INSUFFICIENT MEDICAL DOCUMENTATION
ORD.	NO	50	STATE	SERVICE REP I	15	ANXIETY, DPERSSION, & PANIC ATTACKS	INSUFFICIENT MEDICAL DOCUMENTATION
ORD.	NO	53	STATE	PSYCH TECH	23	CARPAL TUNNEL SYNDROME & TRIGGER FINGERS	CAP LGT WRA
ORD.	YES	47	POL SUB	ELECTRICIAN	16	BACK PAIN, LUMBAR RADICULOPATHY, & MORBID OBESITY	CAP SED WRA
ORD.	YES	50	STATE	TROOPER	18	BACK PAIN; DECREASED ROM, CT, HNP, MENIERE'S DISEASE, HA'S, ANXIETY, & DEPRESSION	CAP SED-MED WRA; CAN PERFORM LESS STRESSFUL JOB
ORD.	NO	53	POL SUB	CUSTODIAN	12	COPD, CHRONIC BRONCHITIS, LEUKOPLAKIA, & CARPAL TUNNEL SYNDROME	CAP SED WRA
ORD.	NO	47	STATE	ADMINISTRATIVE SPECIALIST	20	IMMUNE THROMBOCYTIC PURPURA, & STAGE 1 BREAST CANCER	CAP OF ADMINISTRATIVE WRA
ORD.	NO	53	STATE	ADMINISTRATIVE SECRETARY	11	SERONEGATIVE RA, FIBROMYALGIA, FATIGUE, ANXIETY, & DEPRESSION	CAP LGT WRA
ACC.	NO	39	POL SUB	POLICE OFFICER	13	LUMBAR DDD W/ DISC DISPLACEMENT, THORACIC NEURITIS-RADICULITIS, & R-KNEE CHONDROMALACIA PATELLA	CAP LGT WRA

**DISAPPROVED FOR DISABILITY
THIRD QUARTER
2012-2013**

Type	Re-C	Age	Employer	Position	SVC	Disability Summary	Reason Denied
ORD.	NO	49	STATE	PSYCH TECH	10	MALIGNANT HYPERTENSION, & CARDIOMYOPATHY	CAP SED WRA
ORD.	NO	54	POL SUB	SUPERVISOR	9	LUMBAR BACK PAIN, & ARTHRITIS	CAP SED-MED WRA
ORD.	YES	54	POL SUB	SUPERVISOR	9	LUMBAR BACK PAIN, & ARTHRITIS	CAP SED-MED WRA
ORD.	NO	51	POL SUB	LABORER	18	NEUROPATHY, FRACTURED LEFT FOOT, & HYPOGLOBULINEMIA	CAP SED WRA
ORD.	NO	48	POL SUB	NURSE'S AIDE	11	PTSD, CHRONIC DEPRESSION, & BILATERAL ULNAR NEURITIS	CONDITIONS ARE IMPROVING
ORD.	YES	57	STATE	ADMINISTRATIVE ASSISTANT	9	FIBROMYALGIA, OSTEOARTHRITIS, & DEGENERATIVE DISC DISEASE	CAP SED WRA
ORD.	NO	50	POL SUB	FOOD SERVER	7	CHRONIC FATIGUE, ANXIETY, & DEPRESSION	CAP MED-LGT WRA
ORD.	NO	49	TEACHER	LIBRARIAN	13	DM, VERTIGO, TENDINITIS, & CHRONIC LOW BACK PAIN	CAP SED-MED WRA

FINANCIAL STATEMENTS

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
STATEMENT OF PLAN NET ASSETS
AS OF MARCH 31, 2013

ASSETS	
Cash and cash equivalents	\$604,047,306.16
<hr/>	
Receivables	
Member receivable	614,778.50
Employer receivable	929,847.07
Accrued interest receivable	85,965,069.83
Accrued dividends receivable	55,498,947.50
Real estate income receivable	1,009,360.91
Investments sold	363,360,873.80
Total receivables	<hr/> 507,378,877.61 <hr/>
Investments, at fair value	
Short-term securities	29,829,941.47
Government securities	8,423,504,209.58
Corporate securities	5,233,033,653.67
Corporate stocks	22,225,781,962.14
Private Equities	250,564,836.00
Real estate	1,699,267,041.54
Total investments	<hr/> 37,861,981,644.40 <hr/>
Capital Assets, at cost	
Software in Development	9,749,457.84
Computer System, net of depreciation	1,677,480.25
Total Capital Assets	<hr/> 11,426,938.09 <hr/>
TOTAL ASSETS	<hr/> 38,984,834,766.26 <hr/>
LIABILITIES	
Retired payroll payable	3,254,641.24
Retiree insurance premium payable	7,754,234.31
Accounts payable	327,709.84
Investments purchased	805,018,552.75
TOTAL LIABILITIES	<hr/> 816,355,138.14 <hr/>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<hr/> \$ 38,168,479,628.12 <hr/>

See Accompanying Notes to the Financial Statements

UNAUDITED

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
STATEMENT OF CHANGES IN PLAN NET ASSETS
JULY 1, 2012 THROUGH MARCH 31, 2013

ADDITIONS

Contributions	
Member contributions	\$169,459,059.21
Employer contributions	668,642,850.91
Total contributions	838,101,910.12
Investment income	
Net Appreciation in fair value of investments	3,156,346,631.11
Interest	354,372,551.97
Dividends	348,118,646.72
Real Estate income, net of operating expenses	52,498,319.05
Total investment income	3,911,336,148.85
Less: Investment expense	(19,943,047.69)
Net investment income	3,891,393,101.16
TOTAL ADDITIONS	4,729,495,011.28

DEDUCTIONS

Annuity benefits	1,434,736,352.06
Death benefits	3,396,004.62
Refunds	27,482,564.38
Administrative expenses	8,173,433.79
TOTAL DEDUCTIONS	1,473,788,354.85

NET INCREASE	3,255,706,656.43
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
JULY 1, 2012	34,912,772,971.69
MARCH 31, 2013	\$38,168,479,628.12

See Accompanying Notes to the Financial Statements

UNAUDITED

Tennessee Consolidated Retirement System
Notes to the Financial Statements
March 31, 2013

The Tennessee Consolidated Retirement System (TCRS) administers two defined benefit pension plans - State Employees, Teachers and Higher Education Employees Pension Plan (SETHEEPP) and Political Subdivisions Pension Plan (PSPP). Although the assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to members of that plan, in accordance with the terms of the plan.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. **Reporting Entity** - The TCRS is included in the State of Tennessee Financial Reporting Entity. Because of the state's fiduciary responsibility, the TCRS has been included as pension trust funds in the *Tennessee Comprehensive Annual Financial Report*.
2. **Measurement Focus and Basis of Accounting** - The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements have been prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Plan member contributions are recognized in the period of time for which the contributions are assessed. Plan employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

3. **Cash and Cash Equivalents** - Cash and cash equivalents includes cash and short-term investments with a maturity date within three months of the acquisition date. Cash management pools are included as cash. Cash received by the TCRS that cannot be invested immediately in securities, or that is needed for operations, is invested in the State Pooled Investment Fund sponsored by the State of Tennessee and administered by the State Treasurer. The classification of cash and cash equivalents also includes cash invested in a short-term, open-end mutual fund under the contractual arrangement for master custody services.
4. **Method Used to Value Assets and Investments** - Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is determined at least every three years by qualified independent appraisers who are members of the Appraisal Institute and internally by real estate advisors for those years when independent appraisals are not performed. The fair value of private equity investments is determined by the fund managers using various methodologies as applicable under Generally Accepted Accounting Principles. In many cases, these valuations are additionally reviewed by advisory boards comprised of a subgroup of the fund's investors. These valuations are audited on an annual basis by independent accounting firms engaged by the private equity fund managers. Investment income includes realized and unrealized appreciation (depreciation) in the fair value of investments. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on trade-date basis. Real estate transactions are recorded in the financial statements at the time of closing.

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5. **Capital Assets** - Capital assets consist of internally generated computer software in development and the first phase of internally generated computer software, which are reported at historical cost, less any applicable amortization. Capital assets are defined by the state as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of two years. Software in development will be amortized using the straight line method over the ten year estimated life of the system once a phase is implemented. The first phase of the computer software was implemented during the fiscal year ended June 30, 2012 and amortization was initiated.

B. PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION

At July 1, 2011, the date of the latest actuarial valuation, the membership of each plan consisted of the following:

	SETHEEPP	PSPP
Retirees and beneficiaries currently receiving benefits	83,041	33,544
Terminated members entitled to but not receiving benefits	22,867	9,758
Current active members	<u>135,588</u>	<u>79,488</u>
Total	241,496	122,790
Number of participating employers	140	482

State Employees, Teachers and Higher Education Employees Pension Plan

Plan Description - SETHEEPP is a cost-sharing, multiple employer defined benefit pension plan that covers the employees of the state, teachers with Local Education Agencies (LEA's) and higher education employees. The TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Compounded cost of living adjustments (COLA) are provided each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year except that (a) no COLA is granted if the CPI is less than one-half percent; (b) a COLA of 1 percent will be granted if the CPI increases between one-half percent and one percent; (c) the maximum annual COLA is capped at three percent. Benefit provisions are established by state statute found in Title Eight, Chapters 34 through 37 of the *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Ad hoc increases may only be authorized by the General Assembly. Public safety officers receive an additional supplemental benefit that is paid from age 60 to age 62.

Superseded Systems and Certain Employment Classifications - Members of superseded systems that became members of the TCRS at consolidation in 1972, have their rights preserved to the benefits of the superseded system, if the benefit from the superseded plan exceeds that provided by the Group 1 (teachers and general employees) TCRS formula. Likewise, public

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safety employees and officials of TCRS Groups 2, 3 and 4 are entitled to the benefits of those formulas, if better than the Group 1 benefits.

Contributions and Reserves - Effective July 1, 1981, the plan became noncontributory for most state and higher education employees. The contribution rate for teachers is five percent of gross salary. The employers contribute a set percentage of their payrolls, determined by an actuarial valuation. *Tennessee Code Annotated* Title Eight, Chapter 37 provides that the contribution rates be established and may be amended by the Board of Trustees of the TCRS. The administrative budget for the plan is approved through the state of Tennessee's annual budget process. Funding for the administrative budget is included in employer contributions.

The net assets of the plan are legally required to be reserved in two accounts, the Member Reserve and the Employer Reserve. The Member Reserve represents the accumulation of employee contributions plus interest. The Employer Reserve represents the accumulation of employer contributions, investment income and transfers from the Member Reserve for retiring members. Benefit payments and interest credited to the members' accounts are reductions to the Employer Reserve.

Political Subdivisions Pension Plan

Plan Description - PSPP is an agent multiple-employer defined benefit pension plan that covers the employees of participating political subdivisions of the state of Tennessee. Employee class differentiations are not made under PSPP. The TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan prior to July 1, 1979 are vested after four years of service. Members joining on or after July 1, 1979 are vested upon completion of 10 years of service, unless five years vesting is authorized by resolution of the chief governing body. Cost of living adjustments (COLA) are the same as provided by SETHEEPP except that the local government may elect (a) to provide no COLA benefits or (b) to provide COLA benefits under a non-compounding basis rather than the compounded basis applicable under SETHEEPP. Benefit provisions are established and amended by state statute. Pursuant to Article Two, Section 24 of the *Constitution of the State of Tennessee*, the state cannot mandate costs on local governments. Any benefit improvement may be adopted by the governing body of a governmental entity participating in the TCRS.

Contributions and Reserves - Political subdivisions may elect contributory or noncontributory retirement for their employees. The contribution rate for contributory employees of political subdivisions is five percent of gross salary. The employers contribute a set percentage of their payrolls, equal to at least, the percentage determined by an actuarial valuation. State statute provides that the contribution rates be established and may be amended by the Board of Trustees of the TCRS. The administrative budget for the plan is approved through the state's

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annual budget process. Funding for the administrative budget is included in employer contributions.

The net assets of the plan are legally required to be reserved in two accounts, the Member Reserve and the Employer Reserve. The Member Reserve represents the accumulation of employee contributions plus interest. The Employer Reserve represents the accumulation of employer contributions, investment income and transfers from the Member Reserve for retiring members. Benefit payments and interest credited to the members' accounts are reductions to the Employer Reserve.

C. DEPOSITS AND INVESTMENTS

State statute authorizes the TCRS to maintain cash, not exceeding ten percent of the total amount of funds in the retirement system, on deposit in one or more banks, savings and loan associations or trust companies that are qualified as state depositories. The TCRS does not utilize its own bank accounts but invests in the State Pooled Investment Fund for the initial deposit of funds and for its operating cash needs. The State Pooled Investment Fund is authorized by state statute to invest funds in accordance with policy guidelines approved by the Funding Board of the State of Tennessee. The current resolution of that board gives the Treasurer authority to invest in collateralized certificates of deposit in authorized state depositories, prime commercial paper, prime bankers' acceptances, certain repurchase agreements and various U.S. Treasury and Agency obligations. The State Pooled Investment Fund is also authorized to enter into securities lending agreements in which U.S. Government Securities may be loaned for a fee. The loaned securities are transferred to the borrower by the custodial agent upon simultaneous receipt of collateral securities.

State statute also authorizes the TCRS to invest in bonds, debentures, preferred stock and common stock, real estate and in other good and solvent securities subject to the approval of the Board of Trustees, but further subject to the following statutory restrictions and provisions:

- a. The total sum invested in common and preferred stocks shall not exceed seventy-five percent (75 percent) of the total of the funds of the retirement system.
- b. The total sum invested in notes and bonds or other fixed income securities exceeding one year in maturity shall not exceed seventy-five percent (75 percent) of the total funds of the retirement system.
- c. Within the restrictions in (a) and (b) above, an amount not to exceed twenty-five percent (25 percent) of the total of the funds of the retirement system may be invested in securities of the same kinds, classes, and investment grades as those otherwise eligible for investment in various approved foreign countries, provided that such percentage may be increased by the board with the subsequent approval of the council on pensions and insurance.
- d. Within the restrictions in (a) and (b) above, funds may be invested in Canadian securities which are substantially of the same kinds, classes and investment grades as those otherwise eligible for investment.

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- e. The total amount of securities loaned under a securities lending program cannot exceed thirty percent (30 percent) of total assets.
- f. The total sum invested in real estate shall not exceed ten percent (10 percent) of the market value of total assets.
- g. The total sum invested in private equities shall not exceed five percent (5 percent) of the market value of total assets.

State statute also authorizes the TCRS to invest in forward contracts to hedge its foreign currency exposure and to purchase or sell domestic stock index futures contracts for the purpose of asset allocation relating to the domestic equity portfolio. The total amount of the financial futures contract obligation shall not exceed five percent (5 percent) of the market value of total assets.

Title to real property invested in by the TCRS is held by real estate investment holding companies.

The TCRS' investment policy specifies that bond issues subject for purchase are investment grade bonds rated in the four highest ratings by one of the recognized rating agencies. In addition, the policy states that private placements that do not have an active secondary market shall be thoroughly researched from a credit standpoint and shall be viewed by TCRS' investment staff as having the credit quality rating equivalent of an AA rating on a publicly traded issue. For short-term investments, the TCRS' investment policy provides for the purchase of only the highest quality debt issues. Commercial paper should be rated in the highest tier by all rating agencies which rate the paper, with a minimum of two ratings required. Commercial paper cannot be purchased if a rating agency has the commercial paper on a negative credit watch. The investment policy also requires preparation of a credit analysis report on the corporation prior to purchasing commercial paper.

Asset-Backed Securities - The TCRS invests in various collateralized mortgage obligations (CMOs) which are mortgage-backed securities. These securities are based on cash flows from interest and principal payments on underlying mortgages and could therefore be more sensitive to prepayments by mortgagees as a result of a decline in interest rates.

Derivatives - The TCRS may buy or sell fixed income and equity index futures contracts for the purposes of making asset allocation changes in an efficient and cost effective manner and to improve liquidity. Gains (losses) on equity index futures hedge losses (gains) produced by any deviation from the TCRS' target equity allocation. The gains and losses resulting from daily fluctuations in the fair value of the outstanding futures contract are settled daily, on the following day, and a receivable or payable is established for any unsettled gain or loss as of the financial statement date. TCRS was under contract for fixed income and equity index futures and the resulting payable is reflected in the financial statements at fair value.

The international securities expose the TCRS to potential losses due to a possible rise in the value of the US dollar. The TCRS investment managers can reduce foreign currency exposure by selling foreign currency forward contracts, at agreed terms and for future settlement, usually within a year. The manager will reverse the contract by buying the foreign currency

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before the settlement date. A gain (loss) on this transaction pair will hedge a loss (gain) on the currency movement of the international security. The TCRS can sell up to 80% of its foreign currency exposure into US dollars. Forward currency forward contracts expose the TCRS to foreign currency risk as they are denominated in foreign currency. Any unrealized gain on foreign currency forward contracts has been reflected in the financial statements as an investment. The notional amount of the foreign currency forward contracts has been reflected in the financial statements as a receivable and a payable. Any unrealized loss on foreign currency forward contracts has been included in the payable established for the contracts.

The TCRS is authorized to invest in To Be Announced (TBA) mortgage backed securities similar to the foreign currency forward contracts. The TCRS enters into agreements to purchase pools of mortgage backed securities prior to the actual security being identified. The TCRS will roll this agreement prior to settlement date to avoid taking delivery of the security. Any unrealized gain on TBA mortgage backed securities has been reflected in the financial statements as an investment. Any unrealized loss on TBA mortgage backed securities has been included in the payable established for the mortgages. The notional amounts of these agreements have been included in the financial statements as a receivable and a payable. The TCRS invests in these derivatives to adjust its exposure to mortgage coupon risk and to replicate the return on mortgage backed securities portfolios without actually purchasing the security.

The TCRS is authorized to enter into option contracts and any income earned on option contracts has been included as investment income on the statement.

The fair values of foreign currency forward contracts are estimated based on the present value of their estimated future cash flows. Futures contracts and TBA mortgage backed securities are exchange traded and their price is based on quoted market prices at year end. It is the TCRS policy to conduct derivative transactions through the custodian bank and high quality money center banks or brokerage firms. The credit risk of foreign currency forward contracts is managed by limiting the term of the forward contracts and restricting the trading to high quality banks. The credit risk of futures contracts is managed by maintaining a daily variation margin.

D. COMMITMENTS

Standby Commercial Paper Purchase Agreement - The TCRS has agreed to serve as standby commercial paper purchaser for commercial paper issued by the Funding Board of the State of Tennessee. By serving as a standby commercial paper purchaser, the TCRS receives an annual fee of 37 basis points on the \$350 million maximum issuance under this agreement during times when both Moody's and Standard and Poor's investment ratings assigned to the State of Tennessee's general obligation bonds are Aaa and AAA respectively, 75 basis points during times when either Moody's or Standard and Poor's has assigned ratings of Aa and AA respectively, or 100 basis points during times when either Moody's or Standard and Poor's has assigned ratings lower than Aa and AA respectively. In the unlikely event that the TCRS would be called upon to purchase the commercial paper, the TCRS would receive interest at a rate equal to prime plus 75 basis points during the first 30 consecutive days, plus an additional 50 basis points for each consecutive 30 days thereafter, up to a maximum rate allowed by state law.