

Minutes of the Administrative Committee

The Administrative Committee of the Board of Trustees of the Tennessee Consolidated Retirement System met on Friday, June 29, 2012 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, Mr. Dennis Carroll, Ms. Traci Jefferson, Mr. Bill Kemp, Mr. Alfred Laney, Ms. Patsy Moore, and Mr. Tommie Pendergrass.

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 Phase 4 – Imaging, has been in production for approximately three months and the module has been well accepted by employees who enjoy the ability to have instant access to documents.

Mr. Marshall indicated that the design of Phase 5 – Retired Payroll is almost complete and construction has begun. The major work items that are still in process are data conversion, bridging information between our legacy systems and Concord, and interface designs between third parties and Concord. The project is also working on test scripts for Phase 5 to ensure that the retired payroll module works as expected. Mr. Marshall also discussed design for Phase 6 - Active Members and Employer Reporting is underway. According to Mr. Marshall, the purpose of the design documents is to let the developers know how the system should look and work. Mr. Marshall indicated that changes have been made to the design process based on lessons learned during the design of Phase 5. The intent is to focus on design of two or three processes at a time. Mr. Marshall also mentioned that the Concord project has begun contacting employers to discuss the new Employer Reporting process.

Multiple Beneficiaries

Ms. Bachus introduced Mr. Jamie Wayman, Assistant Director of TCRS to provide an update on how TCRS has designed the Concord system to process benefit calculations for members who select multiple beneficiaries at retirement. Mr. Wayman mentioned that under current law, a member may only designate one beneficiary at retirement. In 2008, legislation was enacted that would allow a member to select multiple beneficiaries at retirement and elect a survivorship option. The effective date of the legislation was delayed until Concord could accommodate the option and the Treasurer approved the change. Mr. Wayman outlined two methods for performing the calculation. In both methods, the maximum benefit would be allocated based on the number of beneficiaries designated by the member. Under the first method, each benefit would be actuarially reduced based on the member's and beneficiary's age at retirement. This method would result in each beneficiary receiving a different amount based on the ages of the member and beneficiary. For the second method an average of the beneficiaries' ages would be

used to determine the benefit amount. Under this method each beneficiary would receive an equal amount upon the death of the member. Mr. Wayman informed the committee that TCRS had designed the calculation in Concord under method two, whereby each beneficiary receives an equal amount.

All Electronic Payments

Mr. Wayman discussed payment methods for retired members receiving monthly benefits from TCRS. Mr. Wayman indicated that 96.6% of TCRS retired members receive TCRS benefits by direct deposit with the remainder being paid by check. Mr. Wayman discussed the costs of issuing a check which includes the cost of the check stock, envelopes, postage, and the cost of staff to reconcile payments and process stolen, lost, and forged checks.

Mr. Wayman emphasized that in designing Concord TCRS was looking for the most efficient and secure method for making benefit payments. The TCRS preferred method for making payments continues to be through the use of direct deposit. Mr. Wayman indicated that the alternative to paper checks for making benefit payments will now be issuing a debit card to the member. Once a month, TCRS will deposit funds into the account associated with the debit card. TCRS would use a vendor already under contract with the state to provide the debit cards. This program is similar to payments made by other state agencies for benefits such as unemployment compensation. Mr. Wayman informed the committee that TCRS will begin making payment by debit card with the March 2013 monthly payroll. Similarly, beginning in March 2013, the Social Security Administration will no longer issue checks and instead will use debit cards for payments. The administrative committee made a recommendation to the Board of Trustees to adopt the payment of retirement benefits by debit cards to those retired members receiving a check.

Projected Mortality

Ms. Bachus discussed the use of projected mortality tables to value the new local government plans enacted during the recent legislative session. Ms. Bachus indicated the actuarial assumptions for the current TCRS plan uses mortality tables that do not project improvement in mortality. Due to advances in medicine and healthier lifestyles, TCRS members are living longer. As a result, an increase in the employer contribution rate is typically included at each actuarial valuation. By using mortality tables which project increased longevity, we can alleviate the regular increase in employer contribution rates since mortality will be prefunded. Ms. Bachus indicated we were not recommending a change to the projected mortality tables for the current plan due the large increase in cost, but that it just made sense to use these tables when starting a new plan. The administrative committee made a recommendation to the Board of Trustees to utilize projected mortality tables for actuarial purposes in the new local government plans.

Retirement Application Update

Mr. Wayman provided an update on the number of retirement applications TCRS has received. Mr. Wayman mentioned that last year TCRS processed approximately 7,200 retirement applications. Since July 1, 2011, TCRS has received 7,516 retirement applications through June 15. Based on the current volume of applications received, Mr. Wayman indicated that TCRS will process between 7,800 and 8,000 retirement applications this year.

Adjournment

With no other business, the Administrative Committee of the Board of Trustees adjourned at 9:55 a.m. on June 29, 2012.

Respectfully Submitted,



James E. Wayman
Assistant Director, TCRS

Approved:



Jill Bachus
Administrative Committee Chair