

Minutes of the Administrative Committee

The Administrative Committee of the Board of Trustees of the Tennessee Consolidated Retirement System met on Friday, March 30, 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. Bill Kemp, Mr. Alfred Laney, Ms. Patsy Moore, Mr. Tommie Pendergrass and Ms. Libby Sykes.

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 the Phase 4 – Imaging, went live as of March 12, 2012. He indicated that the imaging phase contained two components – Library Manager and Work Manager. Library Manager is where all imaged documents are stored and Work Manager provides us with workflow capabilities. Mr. Marshall mentioned that as a result of this implementation, all retirement documents sent or received by TCRS are now imaged which allows employees to look at the items on their computer and work from the image instead of the paper copy. Mr. Marshall indicated that TCRS employees were trained on the use of Library Manager and Work Manager and that the imaging has been well received.

Mr. Marshall indicated that work is continuing on the design of Phase 5 - Retired Payroll, and have started the Gap/Fit sessions for Phase 6 - Active Members and Employer Reporting. 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 this has been an effort between the TCRS business users, Concord subject matter experts (SME), and Deloitte and North Highland staff. Mr. Marshall mentioned that the design sessions will also help identify changes in responsibilities for TCRS employees as a result of implementing the system and electronic workflows. Mr. Marshall explained that the Gap/Fit sessions are intended to identify differences between how TCRS wants the system to work and how the baseline system provided by Deloitte works. He mentioned if the baseline system works as TCRS desires, the requirement will be marked as a Fit and if the baseline system does not work as TCRS desires, the requirement will be marked as a Gap.

FY 2011 Audit & Future Training Sessions

Ms. Bachus mentioned that the annual financial audit performed by the Division of State Audit has been released and the report did not contain any findings.

Ms. Bachus next discussed possible training topics to be presented after future Board meetings. The topics mentioned by Ms. Bachus included Asset/Liability Study, funded status of the plan, defined contribution versus defined benefit plans, investment strategy, TCRS operations, and the

application process with Concord updates. The members of the Administrative Committee agreed with the suggested topics.

GASB Update

Ms. Bachus introduced Mr. Jamie Wayman, Assistant Director of TCRS to provide an update on proposed accounting pronouncements related to pension plans issued by the Governmental Accounting Standards Board (GASB). Mr. Wayman mentioned that GASB is planning to issue two new accounting statements in the second quarter of 2012. One of the main changes being proposed relates to reporting the pension liability. Mr. Wayman indicated currently an employer does not report a liability on their balance sheet unless the employer has not been making the actuarially required contributions. The proposed standards would require an employer to report the unfunded actuarially accrued liability using the market rate of assets as a liability on its balance sheet. This change would cause the State of Tennessee to report a liability of approximately \$2.5 billion as of the July 1, 2011 actuarial valuation. In addition, Mr. Wayman indicated that since the new standards no longer link the funding of the pension plan with the accounting for the pension plan, employers will display one amount for pension expense on the financial statements and will be required to contribute a different amount based on the actuarial valuation. Mr. Wayman believes this change will cause confusion for employers and users of financial statements because the amount of expense shown will not match the amount the employer was actuarially required to contribute. Mr. Wayman also mentioned there will be increased volatility in the pension expense and pension liability reported by the plan and participating employers. This volatility is due to changes in how different components of the liability and expense are recognized under the new accounting standards.

Retirement Application Update

Mr. Wayman next 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. So far this year, TCRS has received approximately 6% more retirement applications than at the same time last year. Based on the current volume of applications received, Mr. Wayman indicated that TCRS will process between 7,500 and 7,800 retirement applications this year. In response to a question by the committee, Mr. Wayman mentioned that there was approximately a 4% increase in the number of teacher retirement applications when comparing July 1, 2010 through December 31, 2010 to the same time period in 2011.

Local Government Plan Update

Ms. Bachus informed the committee that the Local Government Plan legislation (Senate Bill 3216/ House Bill 3603) was currently moving its way through the General Assembly. Thus far, the bills have not had any opposition and were expected to be approved by both the House and Senate. Ms. Bachus indicated she would provide an in-depth review of enacted legislation at the next Administrative Committee meeting.

Adjournment

With no other business, the Administrative Committee of the Board of Trustees adjourned at 9:55 a.m. on March 30, 2012.

Respectfully Submitted,

A handwritten signature in cursive script that reads "James E. Wayman".

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

Approved:

A handwritten signature in cursive script that reads "Jill Bachus".

**Jill Bachus
Administrative Committee Chair**