

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
SEPTEMBER 25, 2009

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**MINUTES OF THE
BOARD OF TRUSTEES MEETING
JUNE 26, 2009**

The Board of Trustees of the Tennessee Consolidated Retirement System met on Friday, June 26, 2009 at 10:00 a.m. The meeting was held in Committee 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; Mr. Justin Wilson, Comptroller to the Treasury; Commissioner Deborah Story, Department of Human Resources; Ms. Libby Sykes, Administrative Director of the Courts; Ms. Jill Bachus, Director of TCRS; Ms. Traci Jefferson, Mr. Sammy Jobe, Mr. Michael Barker, Mr. Alfred Laney, Mr. Steven J. Burns, Mr. Greg Elliott and Mr. Jim Crumley.

Approval of the March 27, 2009 Minutes of the Board of Trustees

On a motion by Mr. Hargett and seconded by Mr. Barker, the minutes of the March 27, 2009 TCRS Board of Trustees meeting were unanimously approved.

Executive Committee Appointments

Chairman Lillard recognized Ms. Bachus to open nominations for the executive committee. Ms. Bachus mentioned the executive committee will be composed of the three constitutional officers, a member of the governor's cabinet currently serving on the Board, and three employer representatives or a retiree representative elected by the full Board of TCRS.

The duties of the executive committee include a review of the actions of the full Board concerning investment policy, actuarial assumptions, interest rates used for retirement calculations, and employer contribution rates. If the executive committee does not modify any actions the Board takes within 30 days, the action of the Board is final.

Mr. Crumley nominated Mr. Kemp to represent local government. Mr. Jobe nominated Mr. Huth for the teacher representative. Mr. Elliott nominated Ms. Shaw for the state employee representative. Ms. Bachus conducted a roll call vote and the Board unanimously approved the appointments to the executive committee.

Board of Trustees Committee Report

Chairman Lillard recognized Mr. Crumley to provide the audit committee report. Mr. Crumley made a recommendation that the audit committee consist of Commissioner Story, Mayor Ken Wilber, Mr. Barker, Ms. Shaw, and Mr. Huth. Mayor Wilber has been appointed to the Board by the Tennessee Municipal League and will begin his term on July 1, 2009. The recommendation was seconded by Mr. Jobe. Ms. Bachus conducted a roll call vote and the Board unanimously approved appointments to the audit committee.

Next, Mr. Crumley mentioned other items reviewed by the audit committee. No action was taken.

Chairman Lillard recognized Ms. Bachus to report on the administrative committee meeting. Ms. Bachus noted the committee reviewed Carter County Tomorrow's request for participation in TCRS. On behalf of the administrative committee Ms. Bachus moved that the Board approve the request for participation in TCRS by Carter County Tomorrow. The motion was seconded by Mr. Elliott, and the Board unanimously approved the Carter County Tomorrow request for participation in TCRS.

Next, Ms. Bachus gave an update on legislation that passed this session and an update on the Concord System. No action was taken.

Investment Report

Chairman Lillard recognized Mr. Brakebill, Chief Investment Officer, to review the investment report. Mr. Brakebill began by discussing the re-appointment of Mr. Henry Delicata to the Investment Advisory Council (IAC). Mr. Delicata is responsible for the portfolio strategy, construction and manager selection of the Verdis Real Assets funds and was formerly Director of Real Estate for the Vanderbilt Endowment. Mr. Delicata is currently serving as a member on the IAC. Mr. Brakebill asked for the Board approval for Mr. Delicata's appointment.

On a motion by Chairman Lillard and seconded by Mr. Barker, the Board unanimously approved Mr. Delicata's reappointment to the Investment Advisory Council.

Following the re-appointment of Mr. Delicata, Mr. Brakebill reviewed the performance of the TCRS portfolio. Mr. Brakebill highlighted that the trailing one year return for the fund at the end of March was down 23% which was also is near the top decile of TCRS's peers. Mr. Brakebill also noted that the one and three year performance ratings for the fund are near the top decile of TCRS's peers (top 13% and 11% of peers). Mr. Brakebill stated that it was encouraging that the performance of the International Portfolio beat the benchmark given that the re-structuring of the fund was completed in the first quarter of 2009. Mr. Brakebill noted the ten year return of the fund was only 2% which was 5 ½% below the actuarial assumption of the plan.

Mr. Brakebill then moved the discussion to cover the "Key Initiatives" underway within the division (Investment Report, page 6). The main topics Mr. Brakebill covered in this portion of the presentation were: the risk reduction implemented in March, the exploration of fixed income opportunities such as the TALF program, and the completion of the International Equity Portfolio transition.

Mr. Brakebill reviewed the risk reduction program implemented in March which was undertaken due to the dramatic loss in investment value of the fund and concerns about the effects of a further decline in market value (Investment Report, page 8). The risk reduction plan consisted of decreasing the plan's equities (stocks) to a minimum level and also involved hedging a significant portion of the system's currency risks. Mr. Brakebill noted that while the initial results of the risk mitigation were very positive, the

plan would have not been implemented given the sizable increase in equity markets since that time. Mr. Brakebill also explained that it was impossible to know at the time the future path of investment markets.

Next, Mr. Brakebill discussed Staff's investigations into the investment merits of the government's market stabilization programs. Mr. Brakebill stated that Matthew Hedges researched the investment potential of the Term Asset-Backed Securities Loan Facility (TALF) (Investment Report, page 11). TALF is a Federal Reserve line of credit designed to reinvigorate the securitized market. During Mr. Hedges research, it was determined that the best way for TCRS to access these opportunities would be for TCRS to engage an external advisor to manage the assets. To implement this strategy, TCRS would need to work with Strategic Investment Solutions to develop a pool of investment advisors. Then TCRS would evaluate and select firms to implement this strategy.

Mr. Brakebill reviewed with Trustees how the implementation of opportunities like the TALF program would require a change in investment policy and board approval of the manager evaluation and approval process. Mr. Brakebill indicated that he would be working on developing the policy and approval processes necessary and the Board should expect to see those materials at future meetings.

Mr. Brakebill then moved to review the implementation of the investment allocation to private equity. Mr. Brakebill was assisted by Mr. Lamar Villere, the Director of Private Equities in a review of the efforts underway. Staff's focus has been on assembling the infrastructure for the program, conducting due diligence on potential partnerships, and on the early phases of selecting and negotiating limited partnership agreements. Mr. Brakebill also noted that the fund was on the verge of completing its first commitment in the fund.

Mr. Brakebill concluded his presentation with a discussion of changes in investment personnel. Mr. Brakebill congratulated Mr. Jeremy Conlin on his retirement from TCRS. Mr. Conlin has been an equity portfolio manager for the system for 21 years and Mr. Brakebill wished him well on his future endeavors. Mr. Brakebill also noted that TCRS hired Kushal Gupta as an equity quantitative analyst to help support Jim Robinson's \$2.8 billion Quantitative equity portfolio.

Experience Study and Actuarial Valuation

Chairman Lillard recognized Ms. Bachus to provide the experience study and actuarial valuation update. Ms. Bachus mentioned the experience study will be reviewed in September and the actuarial valuation will be reviewed in November. The information from the experience study will be used in the analysis for the actuarial valuation. The actuarial valuation results determine the contribution rate for state employees, teachers and local governments.

Other Business

Secretary Hargett asked about a reconciliation item on the investment report from the last Board meeting. Mr. Brakebill brought the Board's attention to page 39 in the Board Report which is a memo addressing the reconciliation. Mr. Brakebill noted a difference in how assets were categorized at SIS versus internal TCRS classifications. These differences arose when comparing the detailed internal asset listings versus the performance summaries prepared by SIS. Mr. Brakebill reported on how staff had implemented internal process changes to eliminate discrepancies in the future.

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 TCRS Board of Trustees meeting be adjourned.

With no other business, the Board of Trustees adjourned at 10:34 a.m. on June 26, 2009.

Respectfully Submitted,



Jill Bachus
Board of Trustees, TCRS

POLITICAL SUBDIVISION REPORT

**Political Subdivisions Beginning Participation
in the Tennessee Consolidated Retirement System
October 1, 2009**

Political Subdivision	Amount of Service Purchased		Employer Rate	Accrued Liability	Cost of Living	Number of Employees
	Employer	Employees				
Greater Dickson Gas Authority	All	0	Normal .44 %	\$5,181,110	Exclude	57
			Accrued 18.16 %			
			Adm. Cost .10 %			
			<u>TOTAL 18.70 %</u>			

Meetings:

- August, 2009 Explained results of actuarial study and participation procedures to the governing body.
- September, 2009 Explained laws, policies and benefit provisions to employees of the district
- September 2009 Explained reporting procedures to payroll officer



STATE OF TENNESSEE
TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
10th FLOOR ANDREW JACKSON BUILDING
502 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-0201

DAVID H. LILLARD, JR.
STATE TREASURER

JILL BACHUS
DIRECTOR

MEMORANDUM

TO: David Bowling, Director of Local Finance
FROM: Melissa L. Davis, TCRS Field Services
SUBJECT: Participation in Tennessee Consolidated Retirement System
DATE: August 14, 2009

The Greater Dickson Gas Authority will begin participation in the Tennessee Consolidated Retirement System effective October 1, 2009.

The Board of Trustees of the TCRS requires a political subdivision to appropriate the necessary funds in their annual budget for retirement costs. The total first year cost for the entity is \$505,010.00. One-Hundred Percent (100%) of this figure is required to be budgeted for the 2010 budgeted year ending June 30, 2010.

Enclosed is the 2009- 2010 budget for this entity. Please let me know if this information is sufficient and accurately reflects adequate funding for retirement costs for this entity.

If you have any questions, please call me at (615) 741-1971.

Enclosure



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DIVISION OF LOCAL FINANCE
SUITE 1700 JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-0274
PHONE (615) 401-7976
FAX (615) 532-5232

MEMORANDUM

TO: Ms. Melissa Davis, Field Services

FROM: David H. Bowling, Director

A handwritten signature in black ink, appearing to read "DHB", is written over the name "David H. Bowling" in the "FROM:" line.

DATE: August 18, 2009

SUBJECT: Greater Dickson Gas Authority

The budget for Greater Dickson Gas Authority appears sufficient to fund the \$505,010 retirement costs for the Greater Dickson Gas Authority for the 2009-2010 fiscal year.

If you need additional information do not hesitate to contact me.

DHB:laa



STATE OF TENNESSEE
TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
10th FLOOR ANDREW JACKSON BUILDING
502 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-0201

DAVID H. LILLARD, JR.
STATE TREASURER

JILL BACHUS
DIRECTOR

August 14, 2009

William Case, Audit Manager
Municipal Audit
11th Floor, Bank of America Building
Nashville, TN 37243

Dear Mr. Case:

The Tennessee Consolidated Retirement System (TCRS) allows utility districts created under the 1937 Utility District Act to be considered as political subdivisions for retirement purposes. Before a district can actually begin to participate, a participation process must be completed. The Board of Trustees of the TCRS scrutinizes the financial position of utility districts closely. We would appreciate your office's expertise in this area.

The Greater Dickson Gas Authority is considering participation in TCRS effective October 1, 2009. In an attempt to determine the group's ability to fund such a plan, we would appreciate any information or comment your office could provide in writing regarding this district's financial position at the time of recent evaluations performed.

The information provided and your assistance are very much appreciated. If you have any questions, please call me at (615) 253-6132.

Sincerely,

A handwritten signature in cursive script that reads "Melissa L. Davis".

Melissa L. Davis
TCRS Field Services

RTA
MUNAUDIT



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF MUNICIPAL AUDIT

SUITE 1100
Bank of America Building
414 Union Street
NASHVILLE, TENNESSEE 37243-0271
PHONE (615) 532-4460
FAX (615) 532-4499

September 2, 2009

Melissa L. Davis
Tennessee Consolidated Retirement System
10th Floor – Andrew Jackson State Office Building
Nashville, TN 37243-0230

Dear Ms. Davis,

At your request, I have reviewed the audited financial statements of the Greater Dickson Gas Authority in view of their possible application to participate as a member of the TCRS.

I reviewed their financial statements for the year ended March 31, 2008 and noted that the system had a change in net assets of \$443,379 and maintained a positive net asset balance of \$25,946,635 for the year ended May 31, 2008. It appears that sufficient cash was generated from operations to meet any financial obligations, which may result from their participation in the TCRS.

Should you have any questions related to the above, please feel free to call me.

Sincerely,

William B. Case, CPA, Audit
Manager

A. SUMMARY OF REPORT

An actuarial valuation was performed as of October 1, 2008, to examine the cost of any benefits provided by the Tennessee Consolidated Retirement System as it would apply to employees of Greater Dickson Gas Authority if the group joined the System on that date.

Costs and benefits were calculated on three bases. First, it was assumed that no prior service would be purchased. Second, it was assumed that the employer would not purchase prior service, but would accept its share of the liability if an employee elected to establish all years of prior service. Third, it was assumed that the employer would purchase all years of prior service.

Each political subdivision participating in the TCRS can include or exclude cost of living benefits in its retirement plan. If cost of living benefits are included, they must be “advance funded” in the same manner as other retirement benefits. Since the group now has this option, costs have been developed both “with” and “without” cost of living benefits.

The annual funding requirements (employer contributions only) of each approach for the three bases, for the plan year beginning on the valuation date, are shown in the following table. In all cases, it has been assumed that all employees having additional prior service will elect to purchase it.

	WITHOUT C.O.L.		WITH C.O.L.	
	Basis 1			
	Amount	% of Payroll*	Amount	% of Payroll*
Initial Accrued Liability **	\$0	---	\$0	---
Employer Contributions				
Normal Cost	\$107,755	3.99%	\$171,760	6.36%
Accrued Liability	0	0.00	0	0.00
Administrative Expense***	2,622	0.10	2,622	0.10
Total	\$110,377	4.09%	\$174,382	6.46%

Greater Dickson Gas Authority Retirement Plan Study

	WITHOUT C.O.L.		WITH C.O.L.	
	Basis 3			
	Amount	% of Payroll*	Amount	% of Payroll*
Initial Accrued Liability **	\$3,329,414	---	\$4,776,365	---
Employer Contributions				
Normal Cost	\$18,364	0.68%	\$60,224	2.23 %
Accrued Liability	315,202	11.67	452,187	16.74
Administrative Expense***	2,622	0.10	2,622	0.10
Total	\$336,188	12.45%	\$515,033	19.07%

	WITHOUT C.O.L.		WITH C.O.L.	
	Basis 2			
	Amount	% of Payroll*	Amount	% of Payroll*
Initial Accrued Liability **	\$5,181,110	---	\$6,614,940	---
Employer Contributions				
Normal Cost	\$11,883	0.44%	\$52,662	1.95%
Accrued Liability	490,505	18.16	626,249	23.19
Administrative Expense***	2,622	0.10	2,622	0.10
Total	\$505,010	18.70%	\$681,533	25.24%

* Total annual payroll of employees, excluding those eligible to retire, was determined to be \$2,700,631.

** Amortized over 20 years by payment of the "accrued liability" contribution shown in the table.

***Administrative expense equals \$46.00 per year per active participant.

TABLE 1

DISTRIBUTION OF ACTIVE PARTICIPANTS' EARNINGS

BY AGE

Age Group	Male			Female			Total		
	No	Earnings		No	Earnings		No	Earnings	
		Total	Average		Total	Average		Total	Average
1-20	0	0	0	0	0	0	0	0	0
21-25	0	0	0	0	0	0	0	0	0
26-30	3	123,676	41,225	2	39,464	19,732	5	163,140	32,628
31-35	9	376,086	41,787	1	27,206	27,206	10	403,292	40,329
36-40	10	420,743	42,074	1	30,826	30,826	11	451,569	41,051
41-45	5	212,435	42,487	3	139,247	46,415	8	351,682	43,960
46-50	5	216,693	43,338	2	66,724	33,362	7	283,417	40,488
51-55	8	599,579	74,947	0	0	0	8	599,579	74,947
56-60	4	160,722	40,180	0	0	0	4	160,722	40,180
61-65	1	118,795	118,795	1	86,775	86,775	2	205,570	102,785
66-70	1	40,830	40,830	1	40,830	40,830	2	81,660	40,830
71-75	0	0	0	0	0	0	0	0	0
76-80	0	0	0	0	0	0	0	0	0
81-85	0	0	0	0	0	0	0	0	0
86-90	0	0	0	0	0	0	0	0	0
TOTAL	46	2,269,559	49,338	11	431,072	39,188	57	2,700,631	47,379

TABLE 2

DISTRIBUTION OF ACTIVE PARTICIPANTS' EARNINGS

BY LENGTH OF SERVICE

Service Group	Male			Female			Total		
	No	Earnings		No	Earnings		No	Earnings	
		Total	Average		Total	Average		Total	Average
0	0	0	0	3	52,267	17,422	3	52,267	17,422
1	0	0	0	0	0	0	0	0	0
2	0	0	0	2	54,412	27,206	2	54,412	27,206
3	0	0	0	0	0	0	0	0	0
4	0	0	0	1	30,826	30,826	1	30,826	30,826
0-4	0	0	0	6	137,505	22,917	6	137,505	22,917
5-9	6	285,409	47,568	0	0	0	6	285,409	47,568
10-14	27	1,128,923	41,811	2	84,013	42,006	29	1,212,936	41,825
15-19	5	296,308	59,261	1	40,830	40,830	6	337,138	56,189
20-24	6	353,349	58,891	1	81,949	81,949	7	435,298	62,185
25-29	1	86,775	86,775	0	0	0	1	86,775	86,775
30-34	0	0	0	0	0	0	0	0	0
35-39	1	118,795	118,795	0	0	0	1	118,795	118,795
40-44	0	0	0	0	0	0	0	0	0
45-49	0	0	0	1	86,775	86,775	1	86,775	86,775
TOTAL	46	2,269,559	49,338	11	431,072	39,188	57	2,700,631	47,379

TABLE 3
CALCULATION OF FUNDING LEVELS

The October 1, 2008 funding levels were determined as follows:

	Without C.O.L		
	Basis 1	Basis 2	Basis 3
(1) Present Value of Benefits	2,263,799	6,572,952	6,423,261
(2) Past Service Liability	0	5,277,042	5,181,110
(3) Present Value of Future Employee Contributions	1,280,236	1,145,977	1,145,977
(4) Present Value of Future Normal Costs (1) - (2) - (3)	983,563	149,933	96,174
(5) Present Value of Future Salaries	25,604,725	22,919,540	22,919,540
(6) Normal Cost Rate ((4)/(5)) x 1.0375	3.99%	0.68%	0.44%
(7) Current Payroll	2,700,631	2,700,631	2,700,631
(8) Normal Cost (6) x (7)	107,755	18,364	11,883
(9) Employee Past Service Contribution	0	1,947,628	0
(10) Accrued Liability (2) - (9)	0	3,329,414	5,181,110
(11) Accrued Liability Contribution (10) x .09125 x 1.0375	0	315,202	490,505
(12) Accrued Liability Contribution Rate (11)/(7)	0.00%	11.67%	18.16%

TABLE 3 (Continued)
CALCULATION OF FUNDING LEVELS

The October 1, 2008 funding levels were determined as follows:

	With C.O.L		
	Basis 1	Basis 2	Basis 3
(1) Present Value of Benefits	2,850,174	8,363,048	8,192,384
(2) Past Service Liability	0	6,723,993	6,614,940
(3) Present Value of Future Employee Contributions	1,280,236	1,145,977	1,145,977
(4) Present Value of Future Normal Costs (1) - (2) - (3)	1,569,938	493,078	431,467
(5) Present Value of Future Salaries	25,604,725	22,919,540	22,919,540
(6) Normal Cost Rate ((4)/(5)) x 1.0375	6.36%	2.23%	1.95%
(7) Current Payroll	2,700,631	2,700,631	2,700,631
(8) Normal Cost (6) x (7)	171,760	60,224	52,662
(9) Employee Past Service Contribution	0	1,947,628	0
(10) Accrued Liability (2) - (9)	0	4,776,365	6,614,940
(11) Accrued Liability Contribution (10) x .09125 x 1.0375	0	452,187	626,249
(12) Accrued Liability Contribution Rate (11)/(7)	0.00%	16.74%	23.19%

TABLE 4
PROJECTED SCHEDULE OF BENEFIT PAYMENTS

(With Full Past Service Credit)

Calendar Year	Number Retiring	Emerging Benefits	Emerging Liability	Total Payout	Total Liability
2008	4	100,361	1,219,499	16,103	1,219,499
2009	4	125,228	1,638,386	183,948	2,818,071
2010	0	0	0	220,444	2,732,260
2011	0	0	0	217,509	2,643,602
2012	1	11,733	149,774	223,107	2,701,944
2013	4	105,839	1,351,090	260,946	3,954,562
2014	0	0	0	322,854	3,814,078
2015	1	34,527	440,756	334,691	4,110,390
2016	1	47,417	619,995	357,519	4,569,369
2017	2	74,932	956,545	424,731	5,344,059
2018	2	89,692	1,383,510	501,104	6,513,744
2019	0	0	0	531,561	6,272,902
2020	2	35,818	468,229	535,551	6,495,120
2021	1	33,603	439,380	570,356	6,671,161
2022	2	52,353	705,585	611,740	7,096,973
2023	1	28,511	363,962	630,458	7,159,284
2024	3	125,932	1,785,588	694,331	8,628,445
2025	5	209,640	3,040,808	854,364	11,310,548
2026	7	275,328	4,076,795	1,068,477	14,963,107
2027	6	274,949	3,957,608	1,320,200	18,414,355

The above table sets forth an estimate of normal retirement benefit payout, assuming:

- a) no deaths or terminations will occur before normal retirement,
- b) emerging benefits are based on the salary scale used for actuarial costing, and
- c) there are no early, disability or delayed retirements.

Tennessee Consolidated Retirement System

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

WHEREAS, Tennessee Code Annotated, Title 8, Chapter 35, Part 2 allows a political subdivision to participate in the Tennessee Consolidated Retirement System subject to the approval by the board of Trustees; and

WHEREAS, the Greater Dickson Gas Authority desires to participate in the Tennessee Consolidated Retirement System under the provisions of state law and the following terms and conditions:

1. PRIOR SERVICE

- a. The political subdivision will assume all liability (both employer and employee) for All year(s) of prior service for each person employed on the date of participation;
b. The political subdivision will assume the employer liability only for All year(s) of prior service for each person employed on the date of participation; and accept the unfunded liability should any or all its employees elect to establish such service.

The maximum allowable number of years of prior service any employee may establish is the sum of the number of years in a. and b. above.

2. COST-OF-LIVING: The political subdivision has the option of providing cost-of-living increases to its retirees and hereby chooses to exclude cost-of-living increases for retirees. (provide or exclude)

3. PART-TIME EMPLOYEES: The political subdivision has the option of providing retirement coverage to part-time employees and hereby chooses to exclude this coverage. (provide or exclude)

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 resolution 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 Board of Trustees of the Tennessee Consolidated Retirement System, and the initial employer contribution rate shall be 18.70 % which is based on the estimated lump sum accrued liability of \$ 5,181,110.00 ; and

WHEREAS, the funds necessary to provide for the retirement costs during the 2010 fiscal year have been approved in the following amount:

Table with 2 columns: Description, Amount. Row 1: employee benefits, \$ 505,010.00. Subsequent rows are blank lines.

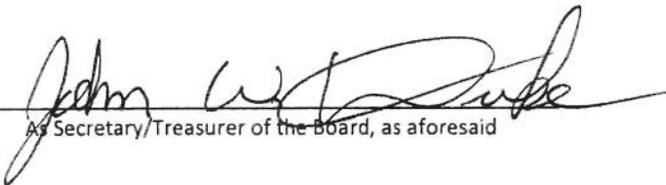
THEREFORE, BE IT RESOLVED That the Board of Directors of
(Name of Governing Body)
Greater Dickson Gas Authority hereby authorizes all its employees in all its departments or
(Name of Political Subdivision)
instrumentalities to become eligible to participate in the Tennessee Consolidated Retirement System subject to approval by
the Board of Trustees pursuant to Tennessee Code Annotated Title 8, Chapter 35, Part 2. It is further understood that
pursuant to Tennessee Code Annotated, Section 8-35-111, no employee of said political subdivision covered by this
resolution shall have multiple memberships in any retirement program or programs financed from public funds whereby
such employee obtains or accrues pensions or retirement benefits based upon the same compensation and for the same
years of service to said political subdivision.

STATE OF TENNESSEE
COUNTY OF Dickson

I, John W. Duke, Secretary/Treasurer of the Board of
Greater Dickson Gas Authority, Dickson
(Name of Governing Body) (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
at a meeting held on the 6th day of August, 2009, the original of which is on file in this
office. I further certify that 4 members voted in favor of the Resolution and that 4 members of the
governing body were present and voting.

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


Secretary/Treasurer of the Board, as aforesaid

Seal

TR-9023

**Political Subdivisions Beginning Participation
in the Tennessee Consolidated Retirement System
October 1, 2009**

Political Subdivision	Amount of Service Purchased		Employer Rate	Accrued Liability	Cost of Living	Number of Employees
	Employer	Employees				
Hardin County Emergency Communications District	0	3 months	Normal 8.60 %	\$8,137	Include	10
			Accrued .27 %			
			Adm. Cost .16 %			
			<u>TOTAL</u> 9.03 %			

Meetings:

- August 2009 Explained results of actuarial study and participation procedures to the governing body.
- September 2009 Will explain laws, policies and benefit provisions to employees of the district
- September 2009 Will explain reporting procedures to payroll officer



STATE OF TENNESSEE
TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
10th FLOOR ANDREW JACKSON BUILDING
502 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-0201

DAVID H. LILLARD, JR.
STATE TREASURER

JILL BACHUS
DIRECTOR

MEMORANDUM

TO: David Bowling, Director of Local Finance
FROM: Amanda Staggs, Field Services *AS*
SUBJECT: Participation in Tennessee Consolidated Retirement System
DATE: August 28, 2009

The Hardin County Emergency Communications District will begin participation in the Tennessee Consolidated Retirement System effective 10/01/2009.

The Board of Trustees of the TCRS requires a political subdivision to appropriate the necessary funds in their annual budget for retirement costs. The total first year cost for the entity is \$25,465. One-Hundred Percent (100%) of this figure is required to be budgeted for the 2010 budgeted year ending June 30, 2010.

Enclosed is the 2009-2010 budget for this entity. Please let me know if this information is sufficient and accurately reflects adequate funding for retirement costs for this entity.

If you have any questions, you can reach me at (615) 253-6128.

Enclosure



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DIVISION OF LOCAL FINANCE
SUITE 1110 BANK OF AMERICA BUILDING
414 UNION STREET
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 532-7202
FAX (615) 532-5232

MEMORANDUM

TO: Amanda Staggs, Field Services
FROM: David H. Bowling, Director *DHB*
DATE: September 2, 2009
SUBJECT: Hardin County Emergency Communications District

The budget for the Hardin County Emergency Communications District appears sufficient to fund the \$25,465 retirement costs for the 2010 fiscal year.

If you need additional information do not hesitate to contact me.

DHB:laa

A. SUMMARY OF REPORT

An actuarial valuation was performed as of July 1, 2009, to examine the cost of any benefits provided by the Tennessee Consolidated Retirement System as it would apply to the Hardin County E-911 Emergency Communications District if the group joined the System on that date.

Costs and benefits were calculated on two bases. First, it was assumed that no prior service would be purchased. Second, it was assumed that the employer would not purchase any years of prior service, but would accept its share of the liability if an employee elected to establish all years of prior service.

Each political subdivision participating in the TCRS can include or exclude cost of living benefits in its retirement plan. If cost of living benefits are included, they must be “advance funded” in the same manner as other retirement benefits. Since the group now has this option, costs have been developed both “with” and “without” cost of living benefits.

The annual funding requirements (employer contributions only) of each approach for the two bases, for the plan year beginning on the valuation date, are shown in the following table:

	WITHOUT C.O.L.		WITH C.O.L.	
	Basis 1			
	Amount	% of Payroll*	Amount	% of Payroll*
Initial Accrued Liability**	\$ 0	---	\$ 0	---
Employer Contributions				
Normal Cost	\$16,683	5.92%	\$24,629	8.74%
Accrued Liability	0	0.00	0	0.00
Administrative Expense***	460	0.16	460	0.16
Total	\$17,143	6.08%	\$25,089	8.90%

Hardin County E-911 Emergency Communications District Retirement Plan Study

	WITHOUT C.O.L.		WITH C.O.L.	
	Basis 2			
	Amount	% of Payroll*	Amount	% of Payroll*
Initial Accrued Liability**	\$6,019	---	\$8,137	---
Employer Contributions				
Normal Cost	\$16,288	5.78%	\$24,235	8.60%
Accrued Liability	570	0.20	770	0.27
Administrative Expense***	460	0.16	460	0.16
Total	\$17,318	6.14%	\$25,465	9.03%

Each of the figures in the above table assumes an amortization of the initial accrued liability over a 20-year period. It is important to note that the percentage of payroll requirement, rather than the actual dollar amount, represents expected future level annual funding for the plan; for example, except for variations due to departures of actual from assumed experience, the plan would require a total level contribution by the employer of 9.03% of current and future payroll, whatever that might be, if the initial accrued liability for the “employer accepts all years of prior service” plan with C.O.L. is to be amortized over the next 20 years.

Details of the development of these cost levels are set out in Table 3 of the Appendix. The Appendix also summarizes the group’s payroll and demographic information.

The actuarial valuation underlying this report has been made utilizing employee data furnished by the employer and the actuarial assumptions summarized in Table 5 of the Appendix.

- * Total annual payroll of employees, excluding those currently eligible to retire, was determined to be \$281,799.
- ** Amortized over 20 years by payment of the “accrued liability” contribution shown in the table.
- ***Administrative expense equals \$46.00 per year per active participant.

TABLE 1

DISTRIBUTION OF ACTIVE PARTICIPANTS' EARNINGS

BY AGE

Age Group	Male			Female			Total		
	No	Earnings		No	Earnings		No	Earnings	
		Total	Average		Total	Average		Total	Average
1-20	0	0	0	0	0	0	0	0	0
21-25	0	0	0	0	0	0	0	0	0
26-30	0	0	0	0	0	0	0	0	0
31-35	1	23,358	23,358	0	0	0	1	23,358	23,358
36-40	0	0	0	0	0	0	0	0	0
41-45	0	0	0	0	0	0	0	0	0
46-50	2	63,046	31,523	0	0	0	2	63,046	31,523
51-55	1	23,046	23,046	0	0	0	1	23,046	23,046
56-60	1	29,203	29,203	1	28,392	28,392	2	57,595	28,797
61-65	1	29,203	29,203	1	25,418	25,418	2	54,621	27,310
66-70	1	29,203	29,203	1	30,930	30,930	2	60,133	30,066
71-75	0	0	0	0	0	0	0	0	0
76-80	0	0	0	0	0	0	0	0	0
81-85	0	0	0	0	0	0	0	0	0
86-90	0	0	0	0	0	0	0	0	0
TOTAL	7	197,059	28,151	3	84,740	28,246	10	281,799	28,179

TABLE 2

DISTRIBUTION OF ACTIVE PARTICIPANTS' EARNINGS

BY LENGTH OF SERVICE

Service Group	Male Earnings			Female Earnings			Total Earnings		
	No	Total	Average	No	Total	Average	No	Total	Average
0	7	197,059	28,151	3	84,740	28,246	10	281,799	28,179
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0
0-4	7	197,059	28,151	3	84,740	28,246	10	281,799	28,179
5-9	0	0	0	0	0	0	0	0	0
10-14	0	0	0	0	0	0	0	0	0
15-19	0	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0	0	0
40-44	0	0	0	0	0	0	0	0	0
45-49	0	0	0	0	0	0	0	0	0
TOTAL	7	197,059	28,151	3	84,740	28,246	10	281,799	28,179

TABLE 3
CALCULATION OF FUNDING LEVELS

The July 1, 2009 funding levels were determined as follows:

	WITHOUT C.O.L.	
	Basis 1	Basis 2
(1) Present Value of Benefits	156,744	156,759
(2) Past Service Liability	0	9,041
(3) Present Value of Future Employee Contributions	73,195	69,889
(4) Present Value of Future Normal Costs(1) - (2) - (3)	83,549	77,829
(5) Present Value of Future Salaries	1,463,906	1,397,777
(6) Normal Cost Rate ((4)/(5)) x 1.0375	5.92%	5.78%
(7) Current Payroll	281,799	281,799
(8) Normal Cost (6) x (7)	16,683	16,288
(9) Employee Past Service Contribution	0	3,022
(10) Accrued Liability (2) - (9)	0	6,019
(11) Accrued Liability Contribution (10) x .09125 x 1.0375	0	570
(12) Accrued Liability Contribution Rate (11)/(7)	0.00%	0.20%

TABLE 3 (Continued)
CALCULATION OF FUNDING LEVELS

The July 1, 2009 funding levels were determined as follows:

	WITH C.O.L.	
	Basis 1	Basis 2
(1) Present Value of Benefits	196,572	196,967
(2) Past Service Liability	0	11,159
(3) Present Value of Future Employee Contributions	73,195	69,889
(4) Present Value of Future Normal Costs(1) - (2) - (3)	123,377	115,919
(5) Present Value of Future Salaries	1,463,906	1,397,777
(6) Normal Cost Rate ((4)/(5)) x 1.0375	8.74%	8.60%
(7) Current Payroll	281,799	281,799
(8) Normal Cost (6) x (7)	24,629	24,235
(9) Employee Past Service Contribution	0	3,022
(10) Accrued Liability (2) - (9)	0	8,137
(11) Accrued Liability Contribution (10) x .09125 x 1.0375	0	770
(12) Accrued Liability Contribution Rate (11)/(7)	0.00%	0.27%

TABLE 4
PROJECTED SCHEDULE OF BENEFIT PAYMENTS

(With Full Past Service Credit)

Calendar Year	Number Retiring	Emerging Benefits	Emerging Liability	Total Payout	Total Liability
2009	0	0	0	0	0
2010	0	0	0	0	0
2011	0	0	0	0	0
2012	0	0	0	0	0
2013	2	4,727	44,337	778	44,337
2014	4	10,508	123,051	9,822	164,882
2015	0	0	0	14,673	157,956
2016	0	0	0	14,353	150,891
2017	1	4,096	52,292	14,349	195,995
2018	0	0	0	17,672	187,184
2019	0	0	0	17,232	178,239
2020	1	6,240	79,658	18,315	248,845
2021	0	0	0	22,403	237,397
2022	0	0	0	21,802	225,822
2023	1	13,990	178,591	35,088	392,744
2024	0	0	0	34,264	375,826
2025	0	0	0	33,394	358,709
2026	0	0	0	32,475	341,439
2027	0	0	0	31,507	324,070
2028	0	0	0	30,497	306,660

The above table sets forth an estimate of normal retirement benefit payout, assuming:

- a) no deaths or terminations will occur before normal retirement,
- b) emerging benefits are based on the salary scale used for actuarial costing, and
- c) there are no early, disability or delayed retirements.

Tennessee Consolidated Retirement System

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

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

WHEREAS, the **Hardin County Emergency Communications District** desires to participate in the Tennessee
(Name of Political Subdivision)

Consolidated Retirement System under the provisions of state law and the following terms and conditions:

1. PRIOR SERVICE:

- a. The political subdivision will assume all liability (both employer and employee) for 0 year(s) of prior service for each person employed on the date of participation;
- b. The political subdivision will assume the employer liability only for 3 months of prior service for each person employed on the date of participation;

The maximum allowable number of years of prior service any employee may establish is the sum of the number of years in a. and b. above.

2. COST-OF-LIVING: The political subdivision has the option of providing cost-of-living increases to its retirees and hereby chooses to (provide / exclude) **Provide** cost-of-living increases for retirees.

3. PART-TIME EMPLOYEES: The political subdivisions has the option of providing retirement coverage to part-time employees and hereby chooses to (provide / exclude) **Exclude** this coverage.

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 Board of Trustees of the Tennessee Consolidated Retirement System, and the initial employer contribution rate shall be 9.03 % which is based on the estimated lump sum accrued liability of \$ 8,137 ; and

WHEREAS, the funds necessary to provide for the retirement costs during the 2009-2010 fiscal year have been appropriated to the proper departmental budgets in the following amounts:

employee benefits	\$ <u>25,400</u>
_____	\$ _____
_____	\$ _____
_____	\$ _____

THEREFORE, BE IT RESOLVED That the Board of Directors of
(Name of Governing Body)

Hardin County Emergency Communications District hereby authorizes all its employees in all its departments or
(Name of Political Subdivision)

instrumentalities to become eligible to participate in the Tennessee Consolidated Retirement System subject to approval by the Board of Trustees pursuant to Tennessee Code Annotated Title 8, Chapter 35, Part 2. It is further understood that pursuant to Tennessee Code Annotated, Section 8-35-111, no employee of said political subdivision covered by this resolution shall have multiple memberships in any retirement program or programs financed from public funds whereby such employee obtains or accrues pensions or retirement benefits based upon the same compensation and for the same years of service to said political subdivision.

STATE OF TENNESSEE

COUNTY OF HARDIN

I, Connie S. Stephens, clerk of the Board of

Hardin County

(Name of Governing Body)

Hardin, Savannah, TN

(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 at a meeting held on the 18th day of August, 2009, the original of which is on file in this office. I further certify that 5 members voted in favor of the Resolution and that 5 members of the governing body were present and voting.

IN WITNESS WHEREOF, I have hereunto set my hand, and the seal of the Hardin, Savannah, TN

(Name of County, City, Town, etc.)

Connie S. Stephens

As Clerk of the Board, as aforesaid

Seal

R054FS07

STATISTICAL REPORTS

ANALYSIS OF MEMBERS ACTIVELY CONTRIBUTING

	9/30/2005	9/30/2006	9/30/2007	9/30/2008	12/31/2008	3/31/2009	6/30/2009
Group I Members:							
(State & Higher Ed.)	60,367	61,874	61,901	60,488	60,127	59,245	59,598
Teachers	73,395	74,827	76,620	77,940	77,708	77,877	77,676
General Employees of Polisubs	74,876	76,042	77,248	79,665	80,003	80,994	81,100
General Assembly	122	119	120	123	119	124	127
County Officials	4	3	3	3	3	3	3
State Judges	183	182	181	184	179	177	186
PSC							
County Judges	1	1	1	1	1	1	1
Attorneys General	588	585	595	639	634	638	633
Total Group I	209,536	213,633	216,669	219,043	219,158	219,059	219,324
Group II & Prior Class:							
Wildlife Officers	16	14	11	10	9	9	9
Highway Patrol	44	31	26	12	13	13	12
Firemen & Policemen- Political Subdivisions	70	61	51	40	40	37	37
Total Group II & Prior Class	130	106	88	62	62	59	58
Group III and Prior Class:							
State Judges	5	3	2	2	2	2	2
County Judges	3	1	-	-	-	-	-
Attorneys General	6	5	5	5	8	5	6
County Officials	19	12	12	11	11	10	10
Total Group III & Prior Class	33	21	19	18	21	17	18
Total Membership							
Contributing to TCRS	209,699	213,760	216,776	219,123	219,241	219,135	219,400
Teachers Contributing to ORP	11,522	11,525	11,494	11,519	11,557	11,461	11,463
Grand Totals	221,221	225,285	228,270	230,642	230,798	230,596	230,863

**RETIRED PAYROLL
JULY 1, 2008
THROUGH
JUNE 30, 2009**

	<u>AMOUNT</u>	<u># OF RETIREES</u>
STATE EMPLOYEES	422,194,260.45	35,549
STATE PAID JUDGES	10,294,888.19	173
COUNTY PAID JUDGES	5,092,140.78	138
ATTORNEY GENERALS	8,573,547.11	254
COUNTY OFFICIALS	5,315,883.81	259
PUBLIC SERVICE COMMISSIONERS	93,189.14	5
POLITICAL SUBDIVISIONS	201,041,077.75	29,009
TEACHERS	753,269,504.79	37,062
LOCAL TEACHERS	46,138,323.39	2,397
GOVERNORS AND WIDOWS	328,584.00	5
AGED STATE EMPLOYEES	2,081.80	1
AGED TEACHERS	<u>99,856.89</u>	<u>53</u>
TOTAL	\$1,452,443,338.10	104,905

NOTE: NINETY-FIVE PERCENT (95%) OF THE RETIREES ARE ON DIRECT DEPOSIT.

**RETIRED PAYROLL
STATISTICS
JUNE 30, 2009**

	<u>AMOUNT</u>	<u># OF RETIREES</u>
STATE EMPLOYEES	35,892,030.49	35,549
STATE PAID JUDGES	875,153.34	173
COUNTY PAID JUDGES	406,873.62	138
ATTORNEY GENERALS	717,700.91	254
COUNTY OFFICIALS	428,346.68	259
PUBLIC SERVICE COMMISSIONERS	7,973.62	5
POLITICAL SUBDIVISIONS	17,324,111.27	29,009
TEACHERS	64,575,363.53	37,062
LOCAL TEACHERS	3,815,199.92	2,397
GOVERNORS AND WIDOWS	27,382.00	5
AGED STATE EMPLOYEES	124.00	1
AGED TEACHERS	<u>6,938.53</u>	<u>53</u>
TOTAL	\$124,077,197.91	104,905

NUMBER OF MEMBERS REFUNDED

<u>Month</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
July	424	495	518	532	829	507	1,149	450
August	463	363	426	397	544	481	675	308
September	399	558	565	702	515	546	566	316
October	456	471	376	390	424	454	609	411
November	344	434	408	373	316	440	492	353
December	291	277	298	278	320	318	234	257
January	386	316	322	401	305	408	450	332
February	277	317	367	339	389	333	308	310
March	273	368	372	360	329	342	316	291
April	331	309	311	287	823	365	308	311
May	272	289	337	291	694	323	619	217
June	343	343	388	374	428	313	843	340
TOTAL	<u>4,259</u>	<u>4,540</u>	<u>4,688</u>	<u>4,724</u>	<u>5,916</u>	<u>4,830</u>	<u>6,569</u>	<u>3,896</u>

**REFUND EXPENDITURES
2008-09 FISCAL YEAR**

MONTH	MEMBER'S CONTRIBUTIONS	414(H) CONTRIBUTIONS	MEMBER'S INTEREST	EMPLOYER CONTRIBUTIONS	DEATH PAYMENTS	TOTAL
July	86,650.92	3,014,131.64	942,537.18	52,983.17	562,257.09	\$4,658,560.00
August	87,784.12	2,168,791.95	775,343.27	81,684.23	622,124.61	\$3,735,728.18
September	133,714.47	3,078,163.13	1,197,227.27	295,751.58	787,423.47	\$5,492,279.92
October	52,783.18	2,005,318.88	639,045.44	136,455.78	488,164.93	\$3,321,768.21
November	83,777.94	1,453,642.44	500,088.05	69,505.66	295,862.22	\$2,402,876.31
December	30,947.11	1,202,128.33	372,130.17	3,023.06	224,950.72	\$1,833,179.39
January	42,109.11	1,520,956.82	657,467.49	152,933.33	229,462.77	\$2,602,929.52
February	74,636.68	1,504,136.81	689,308.60	60,293.44	620,604.91	\$2,948,980.44
March	78,809.71	1,169,282.88	437,292.52	70,941.45	236,061.82	\$1,992,388.38
April	82,080.67	1,625,227.11	757,230.08	82,645.28	769,511.07	\$3,316,694.21
May	76,149.69	1,283,347.85	686,372.19	153,789.80	682,420.42	\$2,882,079.95
June	23,353.98	1,507,356.17	519,569.77	144,541.24	188,694.25	\$2,383,515.41
TOTAL	852,797.58	21,532,484.01	8,173,612.03	1,304,548.02	5,707,538.28	\$37,570,979.92

PRIOR SERVICE ACTIVITY
April 1, 2009 through June 30, 2009

State:	Type of Service	No of Members	Years of Service	Amount
	Backpayment	32	29	\$ 142,867
	Military	24	56	-
	Redeposit	14	53	102,452
	Totals	70	138	\$ 245,319

Teachers:	Type of Service	No of Members	Years of Service	Amount
	Backpayment	23	28	\$ 121,977
	Military	8	18	-
	Redeposit	31	146	480,514
	Totals	62	192	\$ 602,491

Higher Education:	Type of Service	No of Members	Years of Service	Amount
	Backpayment	50	41	\$ 40,946
	Military	14	29	-
	Redeposit	5	19	37,537
	Totals	69	89	\$ 78,483

Political Subdivisions:	Type of Service	No of Members	Years of Service	Amount
	Backpayment	226	562	\$ 560,541
	Military	28	67	3,228
	Redeposit	13	65	112,492
	Totals	267	694	\$ 676,261

Grand Totals:	Type of Service	No of Members	Years of Service	Amount
	Backpayment	331	660	\$ 866,331
	Military	74	170	3,228
	Redeposit	63	283	732,995
	Totals	468	1,113	\$ 1,602,554

DISABILITY RETIREMENT REPORT

Disability Statistical Report

Fourth Quarter 08-09

Disability Applications Received	April	30
	May	38
	June	<u>29</u>
	TOTAL	97
Initial Claims Approved	April	18
	May	22
	June	<u>44</u>
	TOTAL	84
Initial Claims Disapproved	April	14
	May	0
	June	<u>8</u>
	TOTAL	22
Initial Claims Approved after Reconsideration		7
Initial Claims Disapproved after Reconsideration		3
Re-Evaluation Claims Approved		34
Re-Evaluation claims Disapproved		3
Cases Referred to Vocational Rehabilitation		0

**APPROVED FOR DISABILITY
FOURTH QUARTER
2008-2009**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt.	Mo. Ben.	Disability Summary
ORD.	NO	NO	58	TEACHER	TEACHER	17	\$56,578	A	\$1,346	CERVICAL DDD/ FIBROMYALGIA/DEPRESSION
ACC.	YES	NO	43	STATE	HWY WKR	1	\$18,236	A	\$342	OJA 12/14/06- CRUSHED BETWEEN A CAR AND A TRUCK
ORD.	YES	NO	50	POL SUB	CUSTODIAN	9	\$8,725	A	\$197	PERIPHERAL VASCULAR DISEASE/HX OF RECTAL CA W/RADIATION/STENTS
ORD.	YES	YES	46	POL SUB	LAB TECH	12	\$45,021	A	\$1,164	CERVICAL DDD W/ RADICULOPATHY
ORD.	YES	NO	41	STATE	AUDITOR	12	\$38,569	A	\$911	DEPRESSION/ CFS/ FIBROMYALGIA/ S/P BREAST CANCER
ORD.	NO	NO	55	POL SUB	ED. ASSISTANT	7	\$14,661	A	\$225	OA/ DDD
ORD.	NO	NO	54	STATE	PUBLIC HEALTH NURSE	9	\$41,388	A	\$745	MS
ORD.	YES	YES	34	STATE	INFO RESEARCH TECH	9	\$24,522	A	\$579	RAYNAUD'S SYNDROME, UNDIFFERENTIATED CONNECTIVE TISSUE DISORDER
ORD.	NO	NO	58	TEACHER	SPEECH TEACHER/ THERAPIST	17	\$45,460	A	\$1,006	OCD/CERVICAL MYELOPATHY, HNP, RADICULITIS, AND STENOSIS/CHRONIC PAIN
ORD.	NO	NO	57	STATE	ADMIN SECRETARY	17	\$23,352	D	\$105	RHEUMATOID ARTHRITIS/ DEGENERATIVE ARTHRITIS/HTN/DEPRESSION
ORD.	YES	YES	43	STATE	YOUTH SERVICE WORKER	9	\$16,419	A	\$387	SCHIZOAFFECTIVE DISORDER
SS	YES	NO	50	POL SUB	SERGEANT	19	\$50,541	A	\$1,194	METASTATIC LUNG CANCER
ORD.	YES	NO	48	STATE	PROBATION OFFICER II	18	\$31,739	D	\$568	DDD/FAILED BACK SURGERY SYNDROME/MOOD DISORDER

**APPROVED FOR DISABILITY
FOURTH QUARTER
2008-2009**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt. Mo. Ben.	Disability Summary
ORD.	NO	NO	54	STATE	HEALTH ADVOCATE REP	7	\$33,250	D	EPILEPSY/COGNITIVE DYSFUNCTION/DEPRESSION
ORD.	YES	YES	51	STATE	RN	11	\$59,139	D	CENTRAL AND OBSTRUCTIVE SLEEP APNEA/RESTLESS LEG SYNDROME/HYPERSOMNIA
ORD.	NO	NO	55	STATE	STAFF NURSE	15	\$35,971	A	FIBROMYALGIA/SARCOIDOSIS/DDD/NEUROPATHY/DEPRESSION
ORD.	NO	NO	51	POL SUB	TEACHER ASSISTANT	13	\$11,829	A	POLYCYSTIC KIDNEY DISEASE
SS	NO	NO	50	POL SUB	JANITOR	14	\$13,269	A	CERVICAL CARCINOMA
ORD.	YES	NO	48	STATE	NURSING ATTENDANT	19	\$25,378	A	FIBROMYALGIA/DDD-R HIP/DJD-BOTH KNEES
ORD.	YES	NO	50	POL SUB	LABORER	8	\$17,344	D	SEVERE FACIAL INJURIES/DEPRESSION
ORD.	NO	NO	53	POL SUB	DISPATCHER	18	\$33,387	A	IDDM/ISCHEMIC HEART DISEASE/ OBESITY/HTN
ORD.	YES	NO	52	STATE	ELIGIBILITY COUNSELOR II	25	\$37,356	A	SEVERE DEPRESSION AND ANXIETY
SS	YES	YES	41	POL SUB	CORRECTIONS	13	\$32,503	A	MENIERE'S DISEASE
ORD.	NO	NO	46	STATE	PROCUREMENT OFFICER	17	\$28,398	A	RA/ CHRONIC JOINT PAIN/ TRAUMATIC BRAIN INJURY
ORD.	NO	NO	58	STATE	COOK/AID I	5	\$16,213	A	RHEUMATOID ARTHRITIS/LUMBAR DDD
ORD.	YES	NO	55	POL SUB	TRUCK DRIVER	20	\$29,333	A	RA/OA/DEPRESSION

**APPROVED FOR DISABILITY
FOURTH QUARTER
2008-2009**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt.	Mo. Ben.	Disability Summary
ORD.	NO	NO	55	POL SUB	FOOD SERVICE	22	\$10,486	A	\$274	MS/ PARKINSON'S DISEASE
INACT.	YES	NO	50	STATE	MEDICAL ASSISTANT	13	\$17,544	A	\$108	SEVERE VITAMIN B12 DEFICIENCY WITH NEUROPATHY/DM WITH RETINOPATHY AND GLAUCOMA
SS	YES	NO	53	POL SUB	LABORER	8	\$22,089	A	\$389	LEUKEMIA
INACT.	NO	NO	42	HIGHER ED	MANAGER	5	\$18,103	A	\$429	BILATERAL PERIPHERAL NEUROPATHY/ FIBROMYALGIA/ RT TOTAL HIP
ORD.	YES	YES	51	STATE	CLERK	12	\$16,447	A	\$422	ASTHMA WITH HYPERSENSITIVITY/ HTN
ACC.	YES	NO	43	POL SUB	FOOD SERVICE	16	\$11,419	A	\$499	OJA 01/04 / L5 S1 SPONDYLOLYSTHESIS
ORD.	NO	NO	50	POL SUB	EQUIP OPERATOR	17	\$26,125	B	\$541	DM/ HEMIPARESIS
ORD.	YES	NO	46	POL SUB	DEPUTY CLERK	18	\$27,811	A	\$657	OA/ DDD/ DJD/ RA/COPD/ DEPRESSION/ NECK AND BACK PAIN
ORD.	YES	NO	46	POL SUB	RADIOLOGIST	23	\$58,328	A	\$1,639	DDD/ S/P FUSION/ BI-POLAR DISORDER
ORD.	NO	NO	56	POL SUB	SECRETARY/BOOK KEEPER	5	\$18,843	B	\$168	MYASTHENIA GRAVIS/HOARSENESS
SS	YES	NO	49	STATE	LPN	8	\$30,551	B	\$94	LUMBAR DDD, BACK PAIN
ORD.	NO	NO	51	POL SUB	SEWER MAINTENANCE	10	\$26,239	A	\$607	DDD/ CHRONIC BACK PAIN/ ACUTE HNP
SS	NO	NO	52	TEACHER	LIBRARIAN	20	\$46,022	A	\$1,109	MS

**APPROVED FOR DISABILITY
FOURTH QUARTER
2008-2009**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt.	Mo. Ben.	Disability Summary
ORD.	YES	NO	51	STATE	CUSTODIAN	7	\$17,027	A	\$311	LUMBAR SPONDYLOSIS/LUMBER RADICULOPATHY
SS	NO	NO	56	TEACHER	TEACHER	19	\$37,836	A	\$893	RENAL CELL CARCINOMA
ORD.	NO	NO	55	STATE	SUPERVISOR	18	\$37,016	A	\$874	PULMONARY HTN, DM, OBESITY
ORD.	NO	NO	55	TEACHER	TEACHER	14	\$38,899	A	\$919	CLOSED HEAD INJURY/DEPRESSION/COGNITIVE IMPAIRMENT
ORD.	NO	NO	54	POL SUB	PERSONNEL/DIRECTOR	19	\$52,535	A	\$1,241	ISCHEMIC CARDIOMYOPATHY/CHRONIC ATRIAL FIBRILLATION
SS	YES	NO	32	POL SUB	TREATMENT PERSON	5	\$26,433	A	\$624	END STAGE RENAL DISEASE
ORD.	YES	NO	43	STATE	ASSISTANT DA	11	\$77,314	B	\$1,789	METASTATIC LIVER CA
ORD.	YES	NO	49	STATE	CONSTRUCTION WORKER	13	\$16,875	A	\$398	SHORT-TERM MEMORY PROBLEM/CHRONIC PAIN/UNCONTROLLED IDDM
ORD.	NO	NO	59	POL SUB	FOOD SERVICE/COOK	21	\$18,863	B	\$342	CEREBELLAR DEGENERATION
ORD.	NO	NO	57	POL SUB	FOOD SERVICE	18	\$20,150	A	\$476	OA KNEES/OBESITY/OSTEOPENIA
ORD.	NO	NO	56	TEACHER	TEACHER	15	\$45,373	B	\$891	RECURRENT HEAD AND NECK CANCER
ORD.	NO	NO	56	POL SUB	BUS DRIVER/JANITOR	9	\$13,995	A	\$223	MULTIPLE MYELOMA
ORD.	NO	NO	54	POL SUB	CUSTODIAN	10	\$20,395	A	\$387	DM/ CAD/ S/P CABG

**APPROVED FOR DISABILITY
FOURTH QUARTER
2008-2009**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt.	Mo. Ben.	Disability Summary
ORD.	NO	NO	52	STATE	LIBRARY ASSOCIATE	6	\$20,784	A	\$376	S/P CVA/ SEIZURE DISORDER
ORD.	YES	NO	46	POL SUB	CARDIOLOGIST HELPER	12	\$21,912	A	\$518	CHRONIC PANCREATITIS/HYPERTENSIVE HEART DISEASE
ORD.	NO	NO	50	STATE	RN	17	\$36,348	A	\$858	BILATERAL KNEE REPLACEMENT/ MORBID OBESITY/ SEVERE DEPRESSION
SS	YES	NO	51	TEACHER	TEACHER	17	\$45,091	B	\$925	METASTATIC ESOPHAGEAL ADENOCARCINOMA
ORD.	YES	NO	48	STATE	AUDIT MANAGER	15	\$62,809	A	\$1,528	FIBROMYALGIA/ RA/ MORBID OBESITY/ CTS
ORD.	NO	NO	57	POL SUB	HWY WORKER	22	\$25,756	A	\$676	MORBID OBESITY (375#)/ HTN/ LE EDEMA
SS	NO	NO	56	STATE	CUSTODIAN	7	\$18,345	B	\$205	METASTATIC LIVER CANCER
ORD.	NO	NO	50	STATE	ADMIN SERVICE ASST	20	\$26,333	A	\$642	CEREBRAL ANEURYSM
SS	YES	NO	49	STATE	CUSTODIAN	14	\$22,406	A	\$529	RENAL FAILURE/ ON DIALYSIS
ORD.	YES	YES	46	POL SUB	FIREFIGHTER	8	\$36,004	A	\$851	NECK AND BACK PAIN/ RESTLESS LEG SYNDROME/ INSOMNIA
SS	YES	NO	49	STATE	MAINTENANCE	14	\$26,849	D	\$546	CHF/ OA/ ATRIAL FIBRILLATION/ LE EDEMA
ORD.	NO	NO	58	STATE	PSYCH TECH	19	\$23,748	A	\$561	S/P MVA- L HIP FX/ L PELVIS FX/ L FEMUR FX
SS	NO	NO	55	POL SUB	ROAD LABORER	13	\$21,693	A	\$394	ESOPHAGEAL CANCER

**APPROVED FOR DISABILITY
FOURTH QUARTER
2008-2009**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt.	Mo. Ben.	Disability Summary
ORD.	NO	NO	52	STATE	CASE MANAGER	24	\$40,869	A	\$1,178	DDD/HNP/ CHRONIC BACK PAIN
ORD.	NO	NO	52	STATE	RN IV	25	\$54,494	D	\$1,455	HYPERTROPHIC CARDIOMYOPATHY/DM/DEPRESSION
ORD.	YES	NO	49	TEACHER	TEACHER	27	\$46,167	A	\$1,504	HEMORRHAGIC PANCREATITIS/OSTEOPOROSIS/CHRONIC BACK PAIN
ORD.	YES	NO	43	TEACHER	TEACHER	16	\$36,284	A	\$857	BI-POLAR DISORDER/ DEPRESSION/ BLUNT TRAUMA L EYE
ORD.	YES	NO	38	TEACHER	TEACHER	14	\$48,447	A	\$1,144	BI-POLAR DISORDER/DEPRESSION
ORD.	NO	NO	59	STATE	ADMIN ASSISTANT	11	\$26,833	B	\$299	CVA/HALLUX AMPUTATION/HTN/PVD/DM
ORD.	NO	NO	58	POL SUB	BUS DRIVER	9	\$11,610	A	\$152	T-12 FRACTURE, R-ANKLE PILON FRACTURE WITH ORIF, BACK PAIN
SS	NO	NO	57	POL SUB	OFFICE MANAGER	10	\$41,806	B	\$588	METASTATIC COLON CANCER
SS	NO	NO	58	POL SUB	WATER DISTRIBUTION	22	\$36,716	B	\$821	METASTATIC RENAL CELL CARCINOMA
SS	NO	NO	55	STATE	CORPORAL	26	\$36,152	A	\$1,113	COPD/ CHF/ ASCITES/ CARDIOMYOPATHY
ORD.	YES	NO	52	POL SUB	WAREHOUSE MANAGER	27	\$22,706	B	\$552	LEFT SIDED WEAKNESS
ACC.	NO	NO	54	STATE	PSYCH TECH	19	\$24,253	A	\$215	T-12 COMPRESSION FRACTURE
INACT.	NO	NO	53	STATE	PHYSICAL THERAPIST	14	\$29,893	A	\$273	S/P CVA

**APPROVED FOR DISABILITY
FOURTH QUARTER
2008-2009**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt.	Mo. Ben.	Disability Summary
ACC.	NO	YES	62	TEACHER	TEACHER	18	\$55,194	A	\$1,699	CONVULSIVE SEIZURES
ORD.	NO	NO	58	HIGHER ED	INSTRUCTOR	14	\$46,191	D	\$727	CAD/ S/P CABG/ PVD/OSA
SS	YES	NO	42	STATE	PSYCH TECH	6	\$26,494	A	\$625	CHF/DDD/OA/DM WITH NEUROPATHY/SLEEP APNEA
ORD.	NO	NO	60	STATE	CLINICAL NURSE SPECIALIST	11	\$68,401	A	\$1,051	MAJOR DEPRESSION WITH PSYCHOSIS
ORD.	NO	NO	52	STATE	LPN	5	\$27,691	A	\$455	ANKLE FRACTURE/ S/P KNEE SURGERY/ DEPRESSION/ ANXIETY
ORD.	YES	NO	53	TEACHER	TEACHER	13	\$55,678	A	\$1,266	FIBROMYALGIA/ SOMATOFORM DISORDER/ RT ROTATOR CUFF TENDONITIS

**DISAPPROVED FOR DISABILITY
FOURTH QUARTER
2008-2009**

Type	Re-C	Age	Employer	Position	Svc	Disability Summary	Reason Denied
ORD.	NO	52	POL SUB	TRUCK DRIVER	10	DJD L HIP/ BURSTITIS RT HIP	INCOMPLETE MEDICAL FILE
ORD.	NO	46	POL SUB	LAB TECH	12	FAILED BACK SYNDROME/ SLEEP APNEA	LIMITED TO SEDENTARY WORK
ORD.	NO	45	POL SUB	DEPUTY CLERK	10	CHRONIC FATIGUE SYNDROME, DVT, LUNG, SPLEEN, LIVER NODULES, DM, HTN	CAPABLE OF SEDENTARY TO LIGHT WRA
ACC.	YES	51	TEACHER	TEACHER	19	DIABETES/ INFLAMMATORY ARTHRITIS/ DJD BOTH KNEES	CAPABLE OF SEDENTARY WORK
ORD.	YES	39	STATE	DEV TECH	7	DDD LUMBAR SPINE/ HNP WITH RADICULOPATHY	CAPABLE OF SED TO LIGHT WRA
ORD.	NO	53	STATE	DEV TECH	9	CAD/ PAINFUL KELOID SCAR	CONDITION STABLE/ RESTRICTED TO SED WORK
ORD.	YES	36	TEACHER	TEACHER	5	FIBROMYALGIA/ OBESITY/ BACK PAIN/ FOOT PAIN	CAPABLE OF SEDENTARY WRA
ORD.	NO	50	STATE	RN	11	CENTRAL AND OBSTRUCTIVE SLEEP APNEA/RESTLESS LEG SYNDROME/HYPERSOMNIA	CAPABLE OF SEDENTARY WRA
INACT.	NO	54	POL SUB	HEAD CUSTODIAN	12	VERTIGO, HEADACHES, R-ARM WEAKNESS, S/P TRIGGER FINGER RELEASE	MBR CAN DO LIGHT TO MEDIUM WRA
ORD.	NO	41	POL SUB	CORRECTIONS OFFICER	13	MENIERE'S DISEASE	LIMITED TO SEDENTARY ACTIVITY
ORD.	NO	59	STATE	CASE MANAGER	17	UNCONTROLLED DM/ NEUROPATHY/ FT TRAUMA	MEDICAL RECORDS INCOMPLETE
ORD.	NO	58	POL SUB	CORRECTIONS OFFICER	10	ARTHRITIS BOTH KNEES/OBESITY/HTN/SLEEP APNEA	CAPABLE OF LIGHT WRA
ACC.	NO	60	STATE	CORRECTIONAL OFFICER	18	BACK INJURY 9/26/06	LIMITED TO SED WRA DUE TO MULTIPLE MED ILLNESSES

**DISAPPROVED FOR DISABILITY
FOURTH QUARTER
2008-2009**

Type	Re-C	Age	Employer	Position	Svc	Disability Summary	Reason Denied
ORD.	NO	54	POL SUB	BOOKKEEPER	19	CERVICAL AND LUMBAR DDD/ DEPRESSION	LIMITED TO SED ACTIVITY
ACC.	NO	65	STATE	DEV TECH	6	MILD ROTATOR CUFF TEAR- S/P SURGERY/ SOMATOFORM DISORDER	NOT DISABLED DUE TO INJURY/ LIMITED TO LIGHT WRA
ORD.	NO	47	STATE	CUSTODIAL WORKER	14	S/P RT KNEE ARTHROSCOPY/ BILATERAL OA OF KNEES	RESTRICTED TO SED WRA
ORD.	NO	57	STATE	POLICE LT	24	SEIZURE DISORDER/ UNKNOWN ETIOLOGY	LIMITED TO SED WRA
ORD.	NO	56	STATE	SECRETARY	10	FIBROMYALGIA/ DEPRESSION	CAPABLE OF SED WRA
INACT.	NO	47	POL SUB	DEPUTY SHERIFF	10	ORTHOPEDIC SURGERIES/R & L SHOULDER PAIN/LOW BACK PAIN/KNEE PAIN	CAPABLE OF SED TO LIGHT WRA
ORD.	NO	46	TEACHER	TEACHER	21	DEGENERATIVE DISK DISEASE/CHRONIC BACK PAIN /HTN/ OBESITY	CAPABLE OF SED TO MED WRA
ORD.	NO	38	TEACHER	TEACHER	6	FIBROMYALGIA/GERD/SLEEP APNEA/OBESITY	INSUFFICIENT MEDICAL DOCUMENTATION
INACT.	NO	45	POL SUB	PURCHASING AGENT	13	FIBROMYALGIA/DDDD/CHRONIC PAIN/DEPRESSION	CAPABLE OF SED TO MED WRA

FINANCIAL STATEMENTS

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
STATEMENT OF PLAN NET ASSETS
AS OF JUNE 30, 2009

ASSETS

Cash and cash equivalents	\$ 1,462,016,578.42
Receivables	
Member receivable	23,845,446.25
Employer receivable	50,259,736.67
Accrued interest receivable	111,207,982.21
Accrued dividends receivable	29,606,275.66
Real estate income receivable	267,546.01
Investments sold	127,067,726.24
Total receivables	<u>342,254,713.04</u>
Investments, at fair value	
Short-term securities	199,326,934.40
Government securities	7,489,294,302.17
Corporate securities	5,581,676,593.13
Corporate stocks	10,395,468,807.46
Real estate	1,197,939,154.35
Total investments	<u>24,863,705,791.51</u>
TOTAL ASSETS	<u>26,667,977,082.97</u>

LIABILITIES

Retired payroll payable	5,502,738.94
Accounts payable	1,330,544.10
Investments purchased	283,830,659.73
Other investment payables	7,784,785.57
TOTAL LIABILITIES	<u>298,448,728.34</u>

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 26,369,528,354.63</u>
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See Accompanying Notes to the Financial Statements

UNAUDITED

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
STATEMENT OF CHANGES IN PLAN NET ASSETS
JULY 1, 2008 THROUGH JUNE 30, 2009**

ADDITIONS

Contributions	
Member contributions	\$253,559,208.03
Employer contributions	836,907,268.10
Total contributions	<u>1,090,466,476.13</u>
Investment income	
Net depreciation in fair value of investments	(5,855,240,629.07)
Interest	634,724,644.34
Dividends	314,911,355.98
Real Estate income, net of operating expenses	68,708,821.98
Total investment income	<u>(4,836,895,806.77)</u>
Less: Investment expense	(23,236,321.12)
Net investment income	<u>(4,860,132,127.89)</u>
TOTAL ADDITIONS	<u>(3,769,665,651.76)</u>

DEDUCTIONS

Annuity benefits	
Retirement benefits	1,180,126,429.25
Cost of living	271,845,657.93
Death benefits	5,724,442.83
Refunds	32,029,927.39
Administrative expenses	5,209,018.57
TOTAL DEDUCTIONS	<u>1,494,935,475.97</u>

NET DECREASE	(5,264,601,127.73)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
JULY 1, 2008	31,634,129,482.36
JUNE 30, 2009	<u>\$26,369,528,354.63</u>

See Accompanying Notes to the Financial Statements

UNAUDITED

Tennessee Consolidated Retirement System
Notes to the Financial Statements
June 30, 2009

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 by definition, includes cash and short-term investments with a maturity date within three months of the acquisition date. The state's accounting policy regarding the definition of cash and cash equivalents includes cash management pools 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 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. Investment income consists of 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.
5. **Receivables** - Receivables primarily consist of interest, which is recorded when earned.

UNAUDITED

Tennessee Consolidated Retirement System
Notes to the Financial Statements
June 30, 2009

B. PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION

At July 1, 2007, the date of the latest actuarial valuation, the membership of each plan consisted of the following:

	SETHEEPP	PSPP
Retirees and beneficiaries currently receiving benefits	70,598	27,632
Terminated members entitled to but not receiving benefits	21,032	9,732
Current active members	<u>136,329</u>	<u>76,396</u>
Total	227,959	113,760
Number of participating employers	140	488

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 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

UNAUDITED

Tennessee Consolidated Retirement System
Notes to the Financial Statements
June 30, 2009

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 SETHEPP 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 SETHEPP. 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 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.

Tennessee Consolidated Retirement System
Notes to the Financial Statements
June 30, 2009

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 fifteen percent (15 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.
- 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.

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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.

As of June 30, 2008, the TCRS had the following investments:

Investments
(Expressed in Thousands)

Investment Type	Fair Value as of June 30, 2008	U.S. Treasury/ Agency (1)	Credit Quality Ratings						(2) Not Rated
			AAA	AA	A	BBB	BB	B	
Debt Investments									
U.S. Govt. Treasuries, Notes, Bonds	\$ 859,779	\$ 859,779							
U.S. Govt. Inflation Indexed	1,617,494	1,617,494							
U.S. Govt. Agencies	489,958		\$ 489,958						
Mortg.-Backed Govt.	3,481,814	463,141							\$ 3,018,673
Corporate CMO's	2,186,147		2,133,824	\$ 33,463					18,860
Corporate Bonds	3,045,230		12,142	220,368	\$ 981,941	\$ 1,767,224	\$ 45,258	\$ 18,297	
Corporate Asset-Backed	1,230,858		1,112,036	62,183	19,641	36,998			
Non-U.S. Govt./Sovereign	975,890	767,765	208,125						
Non-U.S. Corporate	19,614		19,614						
Short-Term Commercial Paper	287,352								287,352
Short-Term Agencies	121,969	121,969							
Total Debt Investments	\$ 14,316,105	\$ 3,830,148	\$ 3,975,699	\$ 316,014	\$ 1,001,582	\$ 1,804,222	\$ 45,258	\$ 18,297	\$ 3,324,885
Other Investments									
U.S. Equity	\$ 10,937,097								
Non-U.S. Equity	4,841,156								
Real Estate	1,330,171								
Total Other Investments	\$ 17,108,424								
Total Investments	\$ 31,424,529								
Less: Short-Term Investments Classified as Cash Equivalents on the Statements of Plan Net Assets	(359,322)								
Total Investments as Shown on Statements of Plan Net Assets	\$ 31,065,207								

(1) Includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government and are not considered to have credit risk.

(2) Includes securities that are implicitly guaranteed by the U.S. government, but are not rated by Standard and Poor's or Moody's.

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Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality ratings for the TCRS' investments in fixed income securities as of June 30, 2008 are included in the above schedule. Securities are rated using Standard and Poor's and/or Moody's and are presented above using the Standard and Poor's rating scale. The State Pooled Investment Fund has not obtained a credit quality rating from a nationally recognized credit ratings agency.

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.

As noted above, the TCRS does not utilize its own bank accounts but invests in the State Pooled Investment Fund for its operating cash purposes. Required risk disclosures relative to the State Pooled Investment Fund are presented in the *Tennessee Comprehensive Annual Financial Report*. That report may be obtained by writing to the Tennessee Department of Finance and Administration, Division of Accounts, 14th Floor William R. Snodgrass Tennessee Tower, 312 Rosa Parks Avenue, Nashville, Tennessee 37243-0298.

Concentration of Credit Risk - A concentration of investments in any one single issuer of debt securities presents a greater risk for loss in the event that the issuer fails on its obligations. The TCRS had the following investment amounts and percentages of plan net assets, in organizations representing five percent or more of plan net assets, excluding those organizations whose issues are explicitly guaranteed by the United States government, and investments in mutual funds, external investment pools, and other pooled investments:

	<u>June 30, 2008</u>	
Issuer Organization	Fair Value	Percentage
Federal National Mortgage Assoc.	\$2,214,699,793	7.00%

The TCRS' investment policy limits the maximum amount of a specific corporation's commercial paper that can be purchased to \$100 million. There are no specific investment policies that limit investment in any one issuer.

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Interest Rate Risk - Interest rate risk is the risk that future changes in prevailing market rates of interest will have an adverse effect on the fair value of debt investments. The fair values of securities with long terms to maturity may be highly sensitive to interest rate changes. The TCRS' investment policy does not specifically address limits on investment maturities. The fixed income portfolio, however, is benchmarked against the Citigroup Broad Investment Grade Index and tends to have a duration within a range around that index. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows weighted for those cash flows as a percentage of the investment's full price. The TCRS had the following investments and effective duration at June 30, 2008

Debt Investments
(Expressed in Thousands)
At June 30, 2008

Investment Type	Fair Value as of June 30, 2008	Effective Duration (years)
<u>Debt Investments</u>		
Government Agencies	\$ 698,083	4.54
Government Bonds	1,627,544	7.30
Government Inflation Indexed	1,617,494	7.29
Government Mortgage-Backed	3,481,814	4.39
Corporate Collateralized Mortgage Obligations (CMO)	2,186,148	3.94
Corporate Asset Backed Securities	1,230,857	2.94
Corporate Bonds	3,064,844	6.42
Short-Term Commercial Paper	287,352	0.00
Short-Term Agencies	121,969	0.13
Total Debt Investments	\$14,316,105	5.17

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. The fair value of CMOs at June 30, 2008 was \$2,186,147,672 of which \$1,223,407,319 were CMOs that are generally more sensitive to interest rate changes.

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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 TCRS' investment policy limits the asset allocation for international investments to twenty-five percent of total assets. The TCRS' exposure to foreign currency risk at June 30, 2008 was as follows:

Foreign Currency-Denominated Investments
(Expressed in Thousands)

Currency	Total Fair Value June 30, 2008	Fixed Income	Equity	Cash
Australian Dollar	\$ 262,220		\$ 262,220	
British Pound Sterling	1,256,316	\$ 128,214	1,128,102	
Canadian Dollar	47,193		47,193	
Danish Krone	93,241		93,220	\$ 21
Euro Currency	1,779,678	332,656	1,445,990	1,032
Hong Kong Dollar	141,112		141,020	92
Japanese Yen	1,554,682	534,634	1,016,364	3,684
New Zealand Dollar	4,900		4,819	81
Norwegian Krone	63,305		63,305	
Singapore Dollar	79,452		79,106	346
Swedish Krona	117,084		116,720	364
Swiss Franc	326,064		325,978	86
Total	\$ 5,725,247	\$ 995,504	\$ 4,724,037	\$ 5,706

Derivatives - 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 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. The fair value of foreign currency forward contracts outstanding as of June 30, 2009 has been reflected in the financial statements.

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

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of 7.5 basis points on the \$250 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, and 12 basis points during times when either Moody's or Standard and Poor's has assigned ratings other than Aaa and AAA 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.

E. FUNDED STATUS AND FUNDING PROGRESS

The funded status of each plan as of July 1, 2007, the most recent actuarial valuation date, is as follows:

Schedules of Funding Progress
(Expressed in Thousands)

	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Frozen Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
SETHEEPP	\$ 26,214,995	\$ 27,240,151	\$ 1,025,156	96.24%	\$ 5,742,866	17.85%
PSPP	\$ 4,897,974	\$ 5,475,620	\$ 577,646	89.45%	\$ 2,081,964	27.75%

The TCRS uses the Frozen Entry Age actuarial cost method to calculate the annual required contribution (ARC). Effective July 1, 2007, the TCRS reestablished unfunded accrued liabilities for all groups. For the year ended June 30, 2008, information regarding the funded status and funding progress is required to be presented using the entry age actuarial cost method. In the actuarial valuation in which unfunded accrued liabilities are reestablished, the Frozen Entry Age actuarial cost method and the entry age normal actuarial cost method produce the same results.

The required schedule of funding progress immediately following the notes to the financial statements is intended to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Since the requirement to present the Schedule of Funding Progress using the entry age actuarial cost method is effective beginning for the year ended June 30, 2008, only the funded status information relating to the most recent actuarial valuation date is provided in the required supplemental information. Additional required historical information will be provided in subsequent years once available.

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Additional information as of the latest actuarial valuation follows:

	<u>SETHEEPP</u>	<u>PSPP</u>
Valuation Date	July 1, 2007	July 1, 2007
Actuarial cost method	Frozen Entry Age	Frozen Entry Age
Amortization method	Level Dollar	Level Dollar
Remaining amortization period	20 years closed period	(1) closed period
Asset valuation method	5-year moving market average	5-year moving market average
Actuarial assumptions:		
Investment rate of return	7.50%	7.50%
Projected salary increases	4.75% (2)	4.75% (2)
Included inflation at	3.00%	3.00%
Cost-of-living adjustments	3.00%	3.00%
Increase in Social Security wage base	3.50%	3.50%
(1) The length of the amortization period varies by political subdivision, not to exceed 30 years		
(2) Uniform rate that approximates the effect of a graded salary scale.		

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Schedules of Funding Progress
Expressed in Thousands

	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Frozen Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
SETHEEPP	7/1/2007	\$ 26,214,995	\$ 27,240,151	\$ 1,025,156	96.24%	\$ 5,742,866	17.85%
PSPP	7/1/2007	\$ 4,897,974	\$ 5,475,620	\$ 577,646	89.45%	\$ 2,081,964	27.75%

The schedule of funding progress is intended to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Since the TCRS has previously calculated the annual required contribution (ARC) using the aggregate actuarial cost method and the requirement to present the Schedule of Funding Progress using the entry age actuarial cost method is effective beginning for the year ended June 30, 2008, only the funded status information relating to the most recent actuarial valuation date is provided. The entry age actuarial cost method presented is intended to serve as a surrogate for the funded status and funding progress of the plan. Additional required historical information will be provided in subsequent years once available.

Schedules of Employer Contributions
Expressed in Thousands

Year Ended June 30	SETHEEPP		PSPP	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2008	\$ 593,412	100.00%	\$ 244,847	100.00%
2007	562,729	100.00%	231,699	100.00%
2006	474,879	100.00%	191,000	100.00%
2005	448,154	100.00%	181,096	100.00%
2004	271,298	100.00%	139,808	100.00%
2003	264,320	100.00%	134,014	100.00%

An actuarial valuation of the TCRS is performed every two years with the next valuation scheduled to be effective July 1, 2009.

