BPS&M

Bryan, Pendleton, Swats & McAllister, LLC
A Wells Fargo Company

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Actuarial Report – GASB Statement No. 68
Reporting Date: June 30, 2015

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System Overview
(as of July 1, 2014)

- Defined Benefit System
  - Closed State and Higher Education Employee Pension Plan
  - Teacher Legacy Pension Plan
  - 520+ local governments (participation is optional and costs are valued individually)
- Demographic Data
  - 210,000 Active Participants
  - 136,000 Retired Participants ($2.1 Billion in annual payments)
- Market Value of Assets -- $43 Billion

System Overview – Plan Design

	Legacy Plan	Hybrid Plan*
Benefit Multiplier	1.575%	1.0%
Full Retirement	Age 60/30 YOS	Age 65/Rule of 90
Early Retirement	Age 55/25 YOS	Age 60/Rule of 80
Employee Contributions	State-0%;TCH-5%	State-5%;TCH-5%
Cost of Living Adjustment	CPI (Max 3%)	CPI (Max 3%)
Defined Contribution Component	None	5% From Employer
Stabilization Reserve	None	Yes
Cost Controls	None	9% Employer Target
Unfunded Liability Controls	None	Limit: 12.5% of State Indebtedness

*New Hybrid Plan effective only for new hires after 7/1/2014

System Overview – Plan Design

- Hybrid plan begins 7/1/2014 with new employees only
- All employees hired prior to 7/1/2014 continue in legacy plan
- Cost savings of new hybrid plan will be gradual over time
- Legacy plan must still be managed and funded adequately
- Remainder of presentation related to legacy plans

Summary of Recent GASB Changes

	GASB 25/27	GASB 67/68
Approach	Accounting = Funding	Accounting and funding no longer linked
Annual Cost	**Annual Required Contribution (ARC)** Based on variety of funding methods	Defined accounting expense, plus unrecognized items so that total = annual change in funded status (single method allowed)
Balance Sheet Recognition	**Net Pension Obligation or Asset** (measure of actual contributions versus Annual Required Contributions)	**Net Pension Liability or Asset** (standardized measure of funded position of plan)
Assets	Asset smoothing allowed	Fair market value of assets
Discount Rate	Expected long-term portfolio return	If plan is projected to be underfunded, a combination of long-term portfolio return and tax-free municipal bond return
Funding Methodology	Plan administrator discretion to fund percentage of the ARC	Determined by plan administrator based on funding policy

Closed State and Higher Education Employee Pension Plan

GASB Statement No. 68 Results

Reporting Date:	6/30/2015
Measurement Date:	6/30/2014
Discount Rate:	7.5%

	6/30/2014	6/30/2013
Total Pension Liability	$14,120,631,639	$13,822,969,567
Plan Fiduciary Net Position	$13,430,682,966	$11,831,097,987
Net Pension Liability (Asset)	$689,948,673	$1,991,871,580
Plan Fiduciary Net Position as a % of Total Pension Liability	95.11%	85.59%
Pension Expense (Income)	$102,793,502	n/a

Teacher Legacy Pension Plan

GASB Statement No. 68 Results

Reporting Date:	6/30/2015
Measurement Date:	6/30/2014
Discount Rate:	7.5%

	6/30/2014	6/30/2013
Total Pension Liability	$21,198,387,424	$20,300,590,638
Plan Fiduciary Net Position	$21,214,636,959	$18,654,956,315
Net Pension Liability (Asset)	$(16,249,535)	$1,645,634,323
Plan Fiduciary Net Position as a % of Total Pension Liability	100.08%	91.89%
Pension Expense (Income)	$(13,936,053)	n/a

Aggregate Political Subdivisions*

GASB Statement No. 68 Results

Reporting Date:	6/30/2015
Measurement Date:	6/30/2014
Discount Rate:	7.5%

	6/30/2014	6/30/2013
Total Pension Liability	$8,073,045,028	$7,746,818,131
Plan Fiduciary Net Position	$8,256,711,317	$7,080,181,181
Net Pension Liability (Asset)	$(183,666,289)	$666,636,950
Plan Fiduciary Net Position as a % of Total Pension Liability	102.28%	91.39%
Pension Expense (Income)	$36,021,088	n/a

*Ten entities are still being reviewed and are excluded from these totals. The excluded entities will not materially impact the aggregate results.