

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM**  
**BOARD OF TRUSTEES MEETING**  
**JUNE 26, 2015**

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM  
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## **LEGISLATION UPDATE**

## 2015 Legislation Highlights

**SB 1355/HB 0513 (PC 421) – TCRS omnibus.** This bill modified several sections of the TCRS law for purposes of clarification and administrative efficiency.

Primary changes include:

- Clarified that the Treasurer is responsible for the day to day administration of the retirement system.
- Clarifies that funds of the retirement system are not state funds.
- Limits the amount of employer contributions that can be deposited into the stabilization reserve of the hybrid plan. Once that limit is reached, the 4% employer contribution will be reduced to the actuarially determined rate.
- Allows a political subdivision with a closed plan to offer employees the choice of transferring to TCRS. The employee contribution rate in TCRS must be the same as the closed plan.
- Allows a teacher participating in the legacy plan the choice of transferring to the new pension plan on a prospective basis.

### **SB0898/HB 1166 (PC 118) – ORP Oversight**

The bill moves the governance of the Optional Retirement Program (ORP) from the TCRS Board of Trustees to the trustees that govern the State Deferred Compensation Program. Both programs are defined contribution plans whereas TCRS is a defined benefit plan. No changes were made to the terms, eligibility or benefits of the ORP.

**POLITICAL SUBDIVISIONS  
SEEKING MEMBERSHIP**

**Political Subdivisions Beginning Participation  
in the Tennessee Consolidated Retirement System  
July 1, 2015**

Political Subdivision	Amount of Service Employer	Employee	Employer Rate	Accrued Liability	Cost of Living	Number of Employees
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<u>Coffee County Board of Education</u>	0	0	4.00%	\$0.00	Include	40
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State Employee and Teacher  
Hybrid Plan

**Meetings:**

- March 2015 Explained initial employer costs and participating procedures to the governing body.
- August 2015 Will explain laws, policies, and benefit provisions to the employees of the board of education.
- August 2015 Will explain reporting procedures to payroll officer(s).

**Additional Notes:**

Effective July 1, 2014, Coffee County withdrew from TCRS. Coffee County Board of education will begin participation independent from the county effective July 1, 2015. The board of education has agreed to a maximum unfunded liability of \$25,000.00 monthly, or \$300,000.00 annually for purposes of the associated cost control provisions. The entity mistakenly noted the \$25,000 as an additional unfunded liability.

**Tennessee Consolidated  
Retirement System  
(Board of Education )**

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

WHEREAS, Tennessee Code Annotated, Title 8, Chapter 35, Part 2 allows a local board of education to participate in the Tennessee Consolidated Retirement System ("TCRS") separately from the political subdivision with which it is associated subject to the approval of the TCRS Board of Trustees and subject to the passage of a resolution by the political subdivision accepting the financial responsibility for the liabilities associated with the board of education's participation in TCRS; and

WHEREAS, the Coffee County Board of Education desires to participate in TCRS under the  
(Name of Board of Education)

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

A. TYPE PLAN. (CHECK BOX 1 OR BOX 2 OR BOX 3 OR BOX 4). The Board of Education adopts the following type plan:

- (1)  Regular Defined Benefit Plan.
- (2)  Alternate Defined Benefit Plan.
- (3)  Local Government Hybrid Plan (If this Plan is chosen, the Board of Education MUST also maintain a defined contribution plan on behalf of its employees and pass the attached resolution that describes the type of defined contribution plan the Board of Education will adopt. The defined contribution plan could provide for employer contributions of 0% to up to 7% of its employees' salaries).
- (4)  State Employee and Teacher Hybrid Plan (If this Plan is chosen, the Board of Education MUST also maintain a defined contribution plan on behalf of its employees whereby the Board of Education makes a mandatory employer contribution on behalf of each of its employees participating in the Hybrid Plan equal to 5% of the respective employee's salary subject to the cost controls and unfunded liability controls of the Hybrid Plan. The Board of Education must also pass the attached resolution that describes the type of defined contribution plan the Board of Education will adopt).

B. ASSUMPTION OF EMPLOYEE CONTRIBUTIONS. (CHECK BOX 1 OR BOX 2 OR BOX 3 - IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, NO EMPLOYEE CONTRIBUTIONS MAY BE ASSUMED AND BOX 1 MUST BE CHECKED). The Board of Education shall:

- (1)  NOT assume any employee contributions.
- (2)  ASSUME 2.5% of its employees' contributions.
- (3)  ASSUME 5.0% of its employees' contributions.

C. COST-OF-LIVING INCREASES FOR RETIREES. (CHECK BOX 1 OR BOX 2 – IF EITHER THE LOCAL GOVERNMENT, OR THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, COST-OF-LIVING INCREASES FOR RETIREES MUST BE GIVEN, SUBJECT TO ANY APPLICABLE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS AND BOX 2 MUST BE CHECKED). The Board of Education shall:

- (1)  NOT provide cost-of-living increases for its retirees.
- (2)  PROVIDE cost-of-living increases for its retirees.

D. ELIGIBILITY OF PART-TIME EMPLOYEES. (CHECK BOX 1 OR BOX 2). The Board of Education shall:

- (1)  NOT allow its part-time employees to participate in TCRS.
- (2)  ALLOW its part-time employees to participate in TCRS.

E. PRIOR SERVICE. (CHECK AND COMPLETE BOX 1 OR BOX 2 OR BOX 3 OR BOX 4 OR BOX 5 – CAUTION: IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE AND IF BOX 3 BELOW IS NOT

*CHOSEN, THE EMPLOYER CONTRIBUTION COULD EXCEED 4% THEREBY CAUSING THE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS TO AUTOMATICALLY APPLY. ACCORDINGLY, PRIOR SERVICE IS NOT RECOMMENDED).* For each employee employed with the Board of Education on the effective date of the Board of Education's participation in TCRS, the Board of Education shall:

- (1) [ ] Purchase ALL years of prior service credit on behalf of its employees.
- (2) [ ] Purchase NO years of prior service credit on behalf of its employees, but shall accept the unfunded liability should its employees establish ALL years of prior service.
- (3) [ x ] NOT allow its employees to establish any prior service credit with the Board of Education.
- (4) [ ] Purchase \_\_\_\_\_ years of prior service credit on behalf of its employees and accept the unfunded liability should its employees establish an additional \_\_\_\_\_ years of prior service credit.
- (5) [ ] Purchase \_\_\_\_\_ years of prior service credit on behalf of its employees and no additional prior service credit may be established; and

F. **MAXIMUM UNFUNDED LIABILITY.** *(COMPLETE THIS ITEM F ONLY IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE).* For purposes of the cost control provisions of Tennessee Code Annotated, Section 8-36-922(d), the Board of Education defines "maximum unfunded liability" to mean an unfunded liability of no greater than \$25,000 \_\_\_\_\_

WHEREAS, the liability for participation and costs of administration shall be the sole responsibility of the Board of Education and the Political Subdivision with which it is associated, and not the State of Tennessee; and

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

WHEREAS, the effective date of participation shall be on a date as determined by the TCRS Board of Trustees, and the initial employer contribution rate shall be 4 %, which is based on the estimated lump sum accrued liability of \$ 25,000 \_\_\_\_\_.

NOW, THEREFORE, BE IT RESOLVED That the \_\_\_\_\_ Coffee County Board of Education \_\_\_\_\_ of  
(Name of Governing Body)

\_\_\_\_\_ Coffee County School System \_\_\_\_\_ hereby authorizes all its employees in all its departments or  
(Name of Local Board of Education)

instrumentalities to become eligible to participate in TCRS in accordance with the above terms and conditions subject to the approval of the TCRS Board of Trustees. It is acknowledged and understood that pursuant to Tennessee Code Annotated, Section 8-35-111 neither the Board of Education nor the Political Subdivision shall make employer contributions to any other retirement or deferred compensation plans on behalf of any employee who participates in TCRS pursuant to this Resolution wherein the total combined employer contributions to such plans exceed 3% of the employee's salary, unless the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Board of Education for such employee. If either the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Board of Education, the Board of Education or the Political Subdivision may make employer contributions to the defined contribution plan component of that Plan and to any one or more additional tax deferred compensation or retirement plans on behalf of such employee provided that the total combined employer contributions to such plans on behalf of the employee does not exceed 7% of the employee's salary.

STATE OF TENNESSEE

COUNTY OF \_\_\_\_\_

I, Brett Henley, clerk of the

Coffee County Board of Education  
(Name of Governing Body)

Coffee County  
(County, City Town, etc.)

Tennessee, do hereby certify that this is a true and exact copy of the foregoing Resolution that was approved and adopted in accordance with applicable law at a meeting held on the 12 day of February, 2015, the original of which is on file in this office.

IN WITNESS WHEREOF, I have hereunto set my hand, and the seal of the Coffee County Board of Education  
(Name of Board of Education)

Brett Henley

As Clerk of the Board, as aforesaid

Seal



M. Orames

Exp: 11-15-2017

**Tennessee Consolidated  
Retirement System**  
(Board of Education – Political Subdivision)

RESOLUTION #2015-09

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

WHEREAS, Tennessee Code Annotated, Title 8, Chapter 35, Part 2 provides that a local board of education may by resolution authorize the employees of the board of education participate in the Tennessee Consolidated Retirement System ("TCRS") separately from the political subdivision with which it is associated subject to the approval of the TCRS Board of Trustees and subject to the passage of a resolution by the political subdivision accepting the financial responsibility for the liabilities associated with the board of education's participation in TCRS; and

WHEREAS, the governing body of the Coffee County Board of Education (the "Board of Education") has passed a resolution authorizing its employees to become members of TCRS under the provisions of state law, and under the following terms and conditions:

A. TYPE PLAN. (CHECK BOX 1 OR BOX 2 OR BOX 3 OR BOX 4). The Board of Education adopts the following type plan:

- (1)  Regular Defined Benefit Plan.
- (2)  Alternate Defined Benefit Plan.
- (3)  Local Government Hybrid Plan (If this Plan is chosen, the Board of Education MUST also maintain a defined contribution plan on behalf of its employees and pass the attached resolution that describes the type of defined contribution plan the Board of Education will adopt. The defined contribution plan could provide for employer contributions of 0% to up to 7% of its employees' salaries).
- (4)  State Employee and Teacher Hybrid Plan (If this Plan is chosen, the Board of Education MUST also maintain a defined contribution plan on behalf of its employees whereby the Board of Education makes a mandatory employer contribution on behalf of each of its employees participating in the Hybrid Plan equal to 5% of the respective employee's salary subject to the cost controls and unfunded liability controls of the Hybrid Plan. The Board of Education must also pass the attached resolution that describes the type of defined contribution plan the Board of Education will adopt).

B. ASSUMPTION OF EMPLOYEE CONTRIBUTIONS. (CHECK BOX 1 OR BOX 2 OR BOX 3 - IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, NO EMPLOYEE CONTRIBUTIONS MAY BE ASSUMED AND BOX 1 MUST BE CHECKED). The Board of Education shall:

- (1)  NOT assume any employee contributions.
- (2)  ASSUME 2.5% of its employees' contributions.
- (3)  ASSUME 5.0% of its employees' contributions.

C. COST-OF-LIVING INCREASES FOR RETIREES. (CHECK BOX 1 OR BOX 2 - IF EITHER THE LOCAL GOVERNMENT, OR THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, COST-OF-LIVING INCREASES FOR RETIREES MUST BE GIVEN, SUBJECT TO ANY APPLICABLE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS AND BOX 2 MUST BE CHECKED). The Board of Education shall:

- (1)  NOT provide cost-of-living increases for its retirees.
- (2)  PROVIDE cost-of-living increases for its retirees.

D. ELIGIBILITY OF PART-TIME EMPLOYEES. (CHECK BOX 1 OR BOX 2). The Board of Education shall:

- (1)  NOT allow its part-time employees to participate in TCRS.
- (2)  ALLOW its part-time employees to participate in TCRS.

E. PRIOR SERVICE. (CHECK AND COMPLETE BOX 1 OR BOX 2 OR BOX 3 OR BOX 4 OR BOX 5 - CAUTION: IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE AND IF BOX 3 BELOW IS NOT CHOSEN, THE EMPLOYER CONTRIBUTION COULD EXCEED 4% THEREBY CAUSING THE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS TO AUTOMATICALLY APPLY. ACCORDINGLY, PRIOR SERVICE IS NOT

RECOMMENDED). For each employee employed with the Board of Education on the effective date of the Board of Education's participation in TCRS, the Board of Education shall:

- (1)  Purchase ALL years of prior service credit on behalf of its employees.
- (2)  Purchase NO years of prior service credit on behalf of its employees, but shall accept the unfunded liability should its employees establish ALL years of prior service.
- (3)  NOT allow its employees to establish any prior service credit with the Board of Education.
- (4)  Purchase \_\_\_\_\_ years of prior service credit on behalf of its employees and accept the unfunded liability should its employees establish an additional \_\_\_\_\_ years of prior service credit.
- (5)  Purchase \_\_\_\_\_ years of prior service credit on behalf of its employees and no additional prior service credit may be established; and

F. MAXIMUM UNFUNDED LIABILITY. (COMPLETE THIS ITEM F ONLY IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE). For purposes of the cost control provisions of Tennessee Code Annotated, Section 8-36-922(d), the Board of Education defines "maximum unfunded liability" to mean an unfunded liability of no greater than \$25,000

WHEREAS, the effective date of participation shall be on a date as determined by the TCRS Board of Trustees, and the initial employer contribution rate will be 4 % which is based on the estimated lump sum accrued liability of \$ 25,000 ;

WHEREAS, Coffee County is the political subdivision with which the Board of Education is associated and desires all the employees of the Board of Education to participate in the TCRS under the above terms and conditions;

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

WHEREAS, the Board of Education and the Political Subdivision have passed a budget amendment appropriating the funds necessary to meet such liability and the same is attached hereto.

NOW, THEREFORE, BE IT RESOLVED that the **Governing Board** of **Coffee County** hereby authorizes all the employees of the Board of Education to become eligible to participate in TCRS in accordance with the above terms and conditions subject to the approval of the TCRS Board of Trustees. It is acknowledged and understood that pursuant to Tennessee Code Annotated, Section 8-35-111 neither the Board of Education nor the Political Subdivision shall make employer contributions to any other retirement or deferred compensation plans on behalf of any employee who participates in TCRS pursuant to this Resolution wherein the total combined employer contributions to such plans exceed 3% of the employee's salary, unless the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Board of Education for such employee. If either the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Board of Education, the Board of Education or the Political Subdivision may make employer contributions to the defined contribution plan component of that Plan and to any one or more additional tax deferred compensation or retirement plans on behalf of such employee provided that the total combined employer contributions to such plans on behalf of the employee does not exceed 7% of the employee's salary.

STATE OF TENNESSEE

COUNTY OF

I, \_\_\_\_\_

*Coffee*  
*Jeressa N. McGadden*

\_\_\_\_\_, clerk of the Board of the

**Coffee County**, Tennessee do hereby certify that this is a true and exact copy

of the foregoing Resolution that was approved and adopted in accordance with applicable law at a meeting held on the 10<sup>th</sup> day of

March, 2015 the original of which is on file in this office.

IN WITNESS WHEREOF, I have hereunto set my hand, and the seal of Coffee County.

Jerena H. McJadden  
As Clerk of the Board, as aforesaid

Seal

Bobby H. Bryan  
Sponsor

Mark Chelley  
Sponsor

STATE OF TENNESSEE, COFFEE COUNTY  
I CERTIFY THAT THE ABOVE IS AN EXACT  
COPY OF Resolution FILED IN MY  
OFFICE 10 March 20 15 RECORDED IN BOOK  
17 ON PAGE \_\_\_\_\_  
20 March 20 15  
ATTEST Jerena H. McJadden COUNTY CLERK

**Political Subdivisions Beginning Participation  
in the Tennessee Consolidated Retirement System  
July 1, 2015**

Political Subdivision	Amount of Service Employer	Employee	Employer Rate	Accrued Liability	Cost of Living	Number of Employees
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Marshall County  
Emergency Communication  
District

Regular Defined  
Benefit Plan

0      0      6.59%      \$0      Include      1

37

**Meetings:**

- June 2015      Explained initial employer costs and participating procedures to the governing body.
- August 2015      Will explain laws, policies, and benefit provisions to the employees of the board of education.
- August 2015      Will explain reporting procedures to payroll officer(s).

Additional Notes:

**Tennessee Consolidated Retirement System**

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

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

WHEREAS, the Marshall County Emergency Communications District desires to participate in TCRS under the  
(Name of Political Subdivision)

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

- A. **TYPE PLAN. (CHECK BOX 1 OR BOX 2 OR BOX 3 OR BOX 4).** The Political Subdivision adopts the following type plan:
  - (1)  Regular Defined Benefit Plan.
  - (2)  Alternate Defined Benefit Plan.
  - (3)  Local Government Hybrid Plan *(If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees and pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt. The defined contribution plan could provide for employer contributions of 0% to up to 7% of its employees' salaries).*
  - (4)  State Employee and Teacher Hybrid Plan *(If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees whereby the Political Subdivision makes a mandatory employer contribution on behalf of each of its employees participating in the Hybrid Plan equal to 5% of the respective employee's salary subject to the cost controls and unfunded liability controls of the Hybrid Plan. The Political Subdivision must also pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt).*
  
- B. **ASSUMPTION OF EMPLOYEE CONTRIBUTIONS. (CHECK BOX 1 OR BOX 2 OR BOX 3 - IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, NO EMPLOYEE CONTRIBUTIONS MAY BE ASSUMED AND BOX 1 MUST BE CHECKED).** The Political Subdivision shall:
  - (1)  NOT assume any employee contributions.
  - (2)  ASSUME 2.5% of its employees' contributions.
  - (3)  ASSUME 5.0% of its employees' contributions.
  
- C. **COST-OF-LIVING INCREASES FOR RETIREES. (CHECK BOX 1 OR BOX 2 – IF EITHER THE LOCAL GOVERNMENT, OR THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, COST-OF-LIVING INCREASES FOR RETIREES MUST BE GIVEN, SUBJECT TO ANY APPLICABLE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS AND BOX 2 MUST BE CHECKED).** The Political Subdivision shall:
  - (1)  NOT provide cost-of-living increases for its retirees.
  - (2)  PROVIDE cost-of-living increases for its retirees.
  
- D. **ELIGIBILITY OF PART-TIME EMPLOYEES. (CHECK BOX 1 OR BOX 2).** The Political Subdivision shall:
  - (1)  NOT allow its part-time employees to participate in TCRS.
  - (2)  ALLOW its part-time employees to participate in TCRS.
  
- E. **PRIOR SERVICE. (CHECK AND COMPLETE BOX 1 OR BOX 2 OR BOX 3 OR BOX 4 OR BOX 5 – CAUTION: IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE AND IF BOX 3 BELOW IS NOT CHOSEN, THE EMPLOYER CONTRIBUTION COULD EXCEED 4% THEREBY CAUSING THE COST CONTROLS**

**AND UNFUNDED LIABILITY CONTROLS TO AUTOMATICALLY APPLY. ACCORDINGLY, PRIOR SERVICE IS NOT RECOMMENDED).** For each employee employed with the Political Subdivision on the effective date of the Political Subdivision's participation in TCRS, the Political Subdivision shall:

- (1) [ ] Purchase ALL years of prior service credit on behalf of its employees.
- (2) [ ] Purchase NO years of prior service credit on behalf of its employees, but shall accept the unfunded liability should its employees establish ALL years of prior service.
- (3) [X] NOT allow its employees to establish any prior service credit with the Political Subdivision.
- (4) [ ] Purchase \_\_\_\_\_ years of prior service credit on behalf of its employees and accept the unfunded liability should its employees establish an additional \_\_\_\_\_ years of prior service credit.
- (5) [ ] Purchase \_\_\_\_\_ years of prior service credit on behalf of its employees and no additional prior service credit may be established; and

F. **MAXIMUM UNFUNDED LIABILITY. (COMPLETE THIS ITEM F ONLY IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE).** For purposes of the cost control provisions of Tennessee Code Annotated, Section 8-36-922(d), the Political Subdivision defines "maximum unfunded liability" to mean an unfunded liability of no greater than \_\_\_\_\_

; and

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

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

WHEREAS, the effective date of participation shall be on July 1, 2015, or on such later date as determined by the TCRS Board of Trustees, and the initial employer contribution rate shall be 6.59%, which is based on the estimated lump sum accrued liability of \$ 0.00.

NOW, THEREFORE, BE IT RESOLVED That the Board of Directors (Governing Body) of The Marshall 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 TCRS in accordance with the above terms and conditions subject to the approval of the TCRS Board of Trustees. It is acknowledged and understood that pursuant to Tennessee Code Annotated, Section 8-35-111 the Political Subdivision shall not make employer contributions to any other retirement or deferred compensation plans on behalf of any employee who participates in TCRS pursuant to this Resolution wherein the total combined employer contributions to such plans exceed 3% of the employee's salary, unless the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision for such employee. If either the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision, the Political Subdivision may make employer contributions to the defined contribution plan component of that Plan and to any one or more additional tax deferred compensation or retirement plans on behalf of such employee provided that the total combined employer contributions to such plans on behalf of the employee does not exceed 7% of the employee's salary.

STATE OF TENNESSEE  
COUNTY OF MARSHALL

I, William E. Reuter, Secretary/Treasurer, clerk of the Board of

The Marshall County Emergency Communications District  
(Name of Governing Body)

Marshall County, 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 in accordance with applicable law at a meeting held on the 3<sup>rd</sup> day of June, 2015, the original of which is on file in this office.

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

William E. Reuter Sec/Treas.  
As Clerk of the Board, as aforesaid

Seal

## **STATISTICAL REPORTS**

## ANALYSIS OF MEMBERS ACTIVELY CONTRIBUTING

	6/30/2012	6/30/2013	9/30/2013	12/31/2013	3/31/2014	6/30/2014	12/31/2014	3/31/2015
<b>Group I Members:</b>								
(State & Higher Ed.)	56,566	56,008	55,609	55,909	55,958	56,390	56,690	55,900
Teachers	78,613	78,303	78,393	78,106	78,244	78,506	71,866	70,926
General Employees of Polisubs	80,784	79,984	77,592	76,931	77,706	78,144	84,905	85,061
General Assembly	129	128	127	128	128	128	115	115
County Officials	2	2	2	2	2	2	2	2
PSC								
County Judges	1	1	1	1	1	1	1	1
Attorneys General	648	656	671	669	682	683	623	617
<b>Total Group I</b>	<b>216,743</b>	<b>215,082</b>	<b>212,395</b>	<b>211,746</b>	<b>212,721</b>	<b>213,854</b>	<b>214,202</b>	<b>212,622</b>
<b>Group II &amp; Prior Class:</b>								
Wildlife Officers	2	2	2	2	2	2	1	1
Highway Patrol	3	3	1	1	1	1	1	1
Firemen & Policemen- Political Subdivisions	16	14	13	12	8	11	10	10
<b>Total Group II &amp; Prior Class</b>	<b>21</b>	<b>19</b>	<b>16</b>	<b>15</b>	<b>11</b>	<b>14</b>	<b>12</b>	<b>12</b>
<b>Group III and Prior Class:</b>								
State Judges	2	1	1	1	1	1	1	1
County Judges								1
Attorneys General	5	4	4	4	3	3	3	1
County Officials	5	4	4	4	4	4	3	2
<b>Total Group III &amp; Prior Class</b>	<b>12</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>8</b>	<b>8</b>	<b>7</b>	<b>5</b>
<b>Group IV</b>								
State Judges	182	183	184	184	184	184	126	130
<b>State &amp; Teacher Hybrid Plan</b>								
State							3,063	4,039
General Assembly							10	15
Teacher							6,067	6,355
Attorneys General, Judges							29	28
Political Subdivisions							66	80
<b>Local Government Plans</b>								
Alternate DB							13	14
Hybrid Plan W/O Cost Controls							63	81
<b>Total Membership</b>								
<b>Contributing to TCRS</b>	<b>216,958</b>	<b>215,293</b>	<b>212,604</b>	<b>211,954</b>	<b>212,924</b>	<b>214,060</b>	<b>223,658</b>	<b>223,381</b>
Teachers Contributing to ORP	11,575	11,627	11,688	11,659	11,694	11,683	11,683	10,662
<b>Grand Totals</b>	<b>228,533</b>	<b>226,920</b>	<b>224,292</b>	<b>223,613</b>	<b>224,618</b>	<b>225,743</b>	<b>235,341</b>	<b>234,043</b>

**RETIRED PAYROLL  
STATISTICS  
March 31, 2015**

	<u>Amount</u>	<u># of Retirees</u>
STATE EMPLOYEES	54,687,464.00	41754
STATE PAID JUDGES	1,020,069.87	208
COUNTY PAID JUDGES	320,649.96	91
ATTORNEY GENERALS	952,413.60	256
COUNTY OFFICIALS	377,395.76	183
PUBLIC SERVICE COMMISSIONERS	9,243.18	5
POLITICAL SUBDIVISIONS	29,727,843.24	35083
TEACHERS	95,617,616.56	46163
LOCAL TEACHERS	3,447,135.71	1887
GOVERNORS AND WIDOWS	30,772.00	5
AGED STATE EMPLOYEES	137.43	1
AGED TEACHERS	1,049.45	7
OTHERS	<u>82,780.63</u>	<u>58</u>
<b>Total</b>	<b>\$186,274,571.39</b>	<b>125,701</b>

**RETIRED PAYROLL**  
**January 1, 2015**  
**through**  
**March 31, 2015**

	Amount	# of Retirees
STATE EMPLOYEES	163,444,689.57	41754
STATE PAID JUDGES	3,088,062.04	208
COUNTY PAID JUDGES	981,142.23	91
ATTORNEY GENERALS	2,876,836.47	256
COUNTY OFFICIALS	1,142,237.22	183
PUBLIC SERVICE COMMISSIONERS	27,729.54	5
POLITICAL SUBDIVISIONS	88,738,171.30	35083
TEACHERS	287,748,364.05	46163
LOCAL TEACHERS	10,395,000.70	1887
GOVERNORS AND WIDOWS	92,316.00	5
AGED STATE EMPLOYEES	412.29	1
AGED TEACHERS	3,148.35	7
OTHERS	242,842.93	58
Total	558,780,952.69	125,701

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

## NUMBER OF MEMBERS REFUNDED

<u>Month</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
July	450	894	499	496	475	516	613
August	308	612	406	466	471	782	820
September	316	494	431	447	394	457	586
October	411	369	379	383	375	378	483
November	353	320	293	364	319	314	244
December	257	256	276	257	241	276	338
January	332	257	307	348	338	402	322
February	310	242	265	312	335	310	238
March	291	278	299	262	253	284	331
April	311	687	277	346	311	424	
May	217	385	662	329	274	866	
June	340	360	406	339	336	674	
<b>TOTAL</b>	<b><u>3,896</u></b>	<b><u>5,154</u></b>	<b><u>4,500</u></b>	<b><u>4,349</u></b>	<b><u>4,122</u></b>	<b><u>5,683</u></b>	<b><u>3,975</u></b>

**REFUND EXPENDITURES  
2014-2015 FISCAL YEAR**

<b>MONTH</b>	<b>MEMBER'S CONTRIBUTIONS</b>	<b>414(H) CONTRIBUTIONS</b>	<b>MEMBER'S INTEREST</b>	<b>EMPLOYER CONTRIBUTIONS</b>	<b>DEATH PAYMENTS</b>	<b>TOTAL</b>
July	266,441.24	3,890,375.29	1,447,111.32	126,187.64	582,724.33	\$6,312,839.82
August	507,883.89	4,655,452.55	1,961,867.60	44,918.14	310,924.58	\$7,481,046.76
September	152,881.65	4,331,112.77	1,360,359.96	94,105.25	534,024.37	\$6,472,484.00
October	128,318.86	3,412,739.87	930,882.35	321.75	107,156.94	\$4,579,419.77
November	151,196.08	2,005,478.21	684,258.78	45,012.69	212,015.66	\$3,097,961.42
December	122,578.10	2,298,965.04	928,283.16	119,374.12	412,621.40	\$3,881,821.82
January	91,748.79	2,327,921.83	810,653.54	41,762.65	229,081.27	\$3,501,168.08
February	87,721.51	1,910,411.21	638,092.13	30,491.91	283,570.07	\$2,950,286.83
March	116,625.88	2,238,605.81	940,592.78	66,240.61	441,824.39	\$3,803,889.47
April						
May						
June						
<b>TOTAL</b>	<b>1,625,396.00</b>	<b>27,071,062.58</b>	<b>9,702,101.62</b>	<b>568,414.76</b>	<b>3,113,943.01</b>	<b>\$42,080,917.97</b>

**PRIOR SERVICE ACTIVITY**  
**January 1, 2015 through March 31, 2015**

Higher Education:	Type Of Service	No. of Members	Years of Service	Amount
	Backpayment	3	13	\$160,745
	Recontribution Of Refund	1	5	\$36,289
	<b>Totals</b>	<b>4</b>	<b>18</b>	<b>\$197,034</b>
K-12 Teachers:	Type Of Service	No. of Members	Years of Service	Amount
	Backpayment	9	47	\$147,233
	Recontribution Of Refund	10	42	\$188,180
	<b>Totals</b>	<b>19</b>	<b>90</b>	<b>\$335,413</b>
Political Subdivisions:	Type Of Service	No. of Members	Years of Service	Amount
	Military Service	2	2	\$4,105
	Backpayment	25	41	\$86,497
	Recontribution Of Refund	4	15	\$49,002
	<b>Totals</b>	<b>31</b>	<b>58</b>	<b>\$139,606</b>
State:	Type Of Service	No. of Members	Years of Service	Amount
	Backpayment	5	18	\$132,173
	Recontribution Of Refund	2	9	\$34,811
	<b>Totals</b>	<b>7</b>	<b>26</b>	<b>\$166,983</b>
Grand Totals:	Type Of Service	No. of Members	Years of Service	Amount
	Military Service	2	2	\$4,105
	Backpayment	42	118	\$526,648
	Recontribution Of Refund	17	71	\$308,282
	<b>Totals</b>	<b>61</b>	<b>191</b>	<b>\$839,035</b>

# **DISABILITY RETIREMENT REPORT**

## Disability Statistical Report

### Third Quarter 14-15

Disability Applications Received	January	23
	February	21
	March	<u>19</u>
	TOTAL	63
Initial Claims Approved	January	27
	February	20
	March	<u>18</u>
	TOTAL	65
Initial Claims Disapproved	January	15
	February	07
	March	<u>10</u>
	TOTAL	32
Initial Claims Approved after Reconsideration		03
Initial Claims Disapproved after Reconsideration		03
Re-Evaluation Claims Approved		44
Re-Evaluation claims Disapproved		00

**APPROVED FOR DISABILITY  
THIRD QUARTER  
2014-2015**

TYPE	RE-E	RE-C	AGE	EMPLOYER	POSITION	SVC	AFC	OPT.	MO. BEN.	DISABILITY SUMMARY
SS-ORD	NO	NO	45	STATE	CHILD CARE SPECIALIST	8	\$29,309	D	\$634	STAGE IV CANCER OF THE PANCREAS, LIVER & STOMACH
SS-ACC	NO	NO	58	STATE	CORPORAL	18	\$36,694	A	\$1,070	OJA RESULTING IN L-FEMUR FRACURES REQUIRING SURGERY WITH HARDWARE. MBR HAS PERMANENT RESTRICTIONS
ORD	NO	NO	54	STATE	CLERK	6	\$24,186	A	\$345	GLIOBLASTOMA WITH HEMORRHAGE, RADIATION, CHEMOTHERAPY WITH WEAKNESS & FATIGUE
ORD	YES	NO	45	STATE	MANAGER	10	\$47,047	A	\$1,111	STAGE IV L-BREAST CANCER WITH WIDESPREAD METASTASES TO LUNGS, BONES & LYMPH NODES WITH SIDE EFFECTS FROM CHEMOTHERAPY
SS-ORD	NO	NO	59	TEACHER	TEACHER	19	\$60,657	A	\$1,397	RA & CHRONIC PAIN
ORD	NO	NO	52	TEACHER	TEACHER	11	\$56,323	A	\$1,270	ESRD, S/P FAILED KIDNEY TRANSPLANT, DIALYSIS 3X WEEKLY & CHRONIC ANEMIA
SS-ORD	NO	NO	57	STATE	DIRECTOR	11	\$38,633	A	\$624	PARKINSON'S DISEASE

**APPROVED FOR DISABILITY  
THIRD QUARTER  
2014-2015**

TYPE	RE-E	RE-C	AGE	EMPLOYER	POSITION	SVC	AFC	OPT.	MO. BEN.	DISABILITY SUMMARY
ORD	YES	NO	45	POL SUB	TEACHER'S ASSISTANT	8	\$17,728	A	\$419	BREAST CANCER WITH MALIGNANT PLEURAL EFFUSION, POORLY CONTROLLED IDDM & CAD
ORD	NO	NO	52	POL SUB	MECHANIC	11	\$30,860	B	\$556	OA, LUMBAR DDD & CHRONIC PAIN
ORD	NO	NO	58	STATE	CLERK	21	\$28,460	E	\$676	OBESITY, COPD & SLEEP APNEA
SS-ORD	YES	NO	48	TEACHER	TEACHER	18	\$43,938	A	\$1,038	SEVERE OBESITY, LUMBAGO & BRACHIAL NEURITIS
ORD	NO	NO	58	TEACHER	TEACHER	19	\$43,012	D	\$779	LUMBAR DD WITH RADICULOPATHY, MARKED LIMITATION OF PHYSICAL ACTIVITY, MASSIVE OBESITY & NARCOTICS FOR PAIN
ORD	NO	NO	51	TEACHER	TEACHER	7	\$51,923	D	\$927	BREAST CANCER WITH METASTASES TO LYMPH NODES & BRAIN
SS-ORD	YES	NO	45	POL SUB	DEPUTY	16	\$35,450	A	\$838	RENAL CANCER

**APPROVED FOR DISABILITY  
THIRD QUARTER  
2014-2015**

TYPE	RE-E	RE-C	AGE	EMPLOYER	POSITION	SVC	AFC	OPT.	MO. BEN.	DISABILITY SUMMARY
ORD	YES	NO	39	TEACHER	LIBRARIAN	14	\$43,176	B	\$948	STAGE IV MELANOMA
INACT	NO	NO	52	POL SUB	BUS DRIVER	21	\$13,939	D	\$216	OBESITY, DM WITH NEUROPATHY & DJD WITH DECREASED ROM
SS-ORD	YES	NO	49	POL SUB	CREW CHIEF	16	\$77,752	B	\$1,686	CHRONIC BACK PAIN, PERIPHERAL NEUROPATHY, SIGNIFICANT LIMITATION OF ROM
ORD	NO	NO	52	POL SUB	CUSTODIAN	23	\$26,952	B	\$691	EPILEPSY WITH SEIZURES, R-EYE BLINDNESS, BI-POLAR D/O, HEARING LOSS & SLEEP APNEA
ORD	NO	NO	44	TEACHER	ASSISTANT PRINCIPAL	12	\$73,913	A	\$1,773	BI-POLAR D/O WITH PSYCHOTIC FEATURES, DEPRESSION & POOR INTERACTION WITH OTHERS
SS-ORD	NO	NO	54	TEACHER	TEACHER	23	\$57,928	A	\$1,608	OA WITH DECREASED ROM, VERY LIMITED MOBILITY & CHRONIC PAIN
ACC	NO	NO	56	POL SUB	OFFICER	24	\$35,316	D	\$875	OJA RESULTING IN BILATERAL L5 RADICULOPATHY WITH MULTILEVEL DDD, PTSD, ANXIETY & DEPRESSION WITH HOMICIDAL IDEATION & THREATS

**APPROVED FOR DISABILITY  
THIRD QUARTER  
2014-2015**

TYPE	RE-E	RE-C	AGE	EMPLOYER	POSITION	SVC	AFC	OPT.	MO. BEN.	DISABILITY SUMMARY
ORD	NO	NO	53	STATE	STEWART II	15	\$31,800	D	\$587	CHF, DM & FIBROMYALGIA
ORD	NO	YES	55	STATE	ADMIN ASSISTANT	14	\$44,203	A	\$996	SCOLIOSIS, FIBROMYALGIA, IBS, MIGRAINE HA'S DM II, HBP & DEPRESSION
ORD	NO	NO	59	STATE	AUDITOR	25	\$40,301	A	\$1,371	DM II, CAD S/P MI, STENT PLACEMENT, HTN, OBESITY & DEPRESSION
ORD	NO	YES	55	POL SUB	SERGEANT	18	\$52,933	A	\$1,251	S/P BACK SURGERIES X2 RESULTING IN CHRONIC PAIN & INABILITY TO SIT OR STAND FOR LONG
ORD	NO	NO	57	POL SUB	DISPATCHER	26	\$50,101	B	\$1,396	PLASMA CYTOMA WITH RADIATION, BREAST CANCER S/P SURGERY WITH RADIATION/CHEMOTHERAPY, RA, CHF, CARDIOMYOPATHY & SEVERE PERIPHERAL NEUROPATHY OF LEGS
ORD	YES	NO	50	STATE	TRANSPORT ASSISTANT	19	\$30,059	A	\$710	CHRONIC NECK & BACK PAIN S/P C4-C7 FUSION, DECREASED ROM, STRENGTH OF R-LOWER EXTREMITY & BILATERAL CTS
SS-ORD	YES	NO	56	STATE	HWY MAINT	15	\$25,065	A	\$585	ATRIAL FIBRILATION, DM II, HYPERLIPIDEMIA & DEPRESSION

**APPROVED FOR DISABILITY  
THIRD QUARTER  
2014-2015**

TYPE	RE-E	RE-C	AGE	EMPLOYER	POSITION	SVC	AFC	OPT.	MO. BEN.	DISABILITY SUMMARY
SS-ORD	NO	NO	53	STATE	CONSULTANT	11	\$31,564	D	\$618	ESRD, PERITONITIS, GLOMERULO NEPHRITIS WITH MEMBRANOUS NEPHROPATHY & DIALYSIS 3X WEEKLY
ORD	NO	NO	55	STATE	CLAIMS EXAMINER II	5	\$35,720	A	\$422	MS, ANXIETY, DEPRESSION, FATIGUE & COGNITIVE IMPAIRMENT
ORD	NO	NO	51	POL SUB	TAX SPECIALIST	21	\$37,055	B	\$827	SEVERE COGNITIVE DECLINE, NEUROPATHY, ANXIETY & DEPRESSION S/P CHEMOTHERAPY FOR CANCER
ORD	NO	NO	54	POL SUB	PARAMEDIC	18	\$46,678	B	\$1,001	S/P CVA WITH R-SIDED HEMIPARESIS, VISION & SPEECH DEFICITS & FATIGUE
ORD	YES	NO	52	POL SUB	EQUIPMENT OPERATOR	19	\$37,404	A	\$842	MULTIPLE BULGING DISCS & CROOKED BACK S/P FUSION & SEVERE ARTHRITIS
ORD	YES	NO	50	POL SUB	MAINTENANCE WORKER	17	\$45,236	A	\$1,069	COPD, BULLOUS EMPHYSEMA REQUIRING NIGHTLY O2 & DDD WITH DECREASED ROM S/P TOTAL KNEE REPLACEMENT & SHOULDER SURGERY
ORD	YES	NO	41	POL SUB	SERGEANT	17	\$47,663	D	\$1,037	FAILED BACK SYNDROME RESULTING IN CHRONIC PAIN, NARCOTICS FOR PAIN CONTROL, ANTALGIC GAIT, DEPRESSION & ANXIETY

**APPROVED FOR DISABILITY  
THIRD QUARTER  
2014-2015**

TYPE	RE-E	RE-C	AGE	EMPLOYER	POSITION	SVC	AFC	OPT.	MO. BEN.	DISABILITY SUMMARY
SS-ORD	YES	NO	45	TEACHER	TEACHER	7	\$38,896	D	\$805	ESRD, CHRONIC ANEMIA WITH CHRONIC TOXICITY, VOMITING & DIARRHEA S/P RENAL TRANSPLANT
SS-ORD	YES	NO	45	POL SUB	DRIVER	14	\$27,425	A	\$648	ESRD WITH DIALYSIS 6X WEEKLY
ORD	NO	NO	49	STATE	MANAGER	23	\$40,674	A	\$1,145	OVARIAN & PERITONEAL CANCER WITH CHEMOTHERAPY RESULTING IN LIMITED MOBILITY, IMPAIRED EYESIGHT & SEPSIS
ORD	NO	NO	58	STATE	LEGAL SECRETARY	9	\$29,328	A	\$370	DM II, HTN, DDD WITH CHRONIC PAIN
SS-ORD	YES	NO	42	TEACHER	TEACHER'S AIDE	17	\$12,842	A	\$303	CEREBRAL PALSY
SS-INACT	NO	NO	50	STATE	LPN	13	\$18,913	D	\$148	DDD W/NEUROPATHY, BULGING DISCS & PLANTER FASCIITIS
ORD	NO	NO	53	POL SUB	SUPERVISOR	14	\$31,246	A	\$738	COLON & LIVER CANCER

**APPROVED FOR DISABILITY  
THIRD QUARTER  
2014-2015**

TYPE	RE-E	RE-C	AGE	EMPLOYER	POSITION	SVC	AFC	OPT.	MO. BEN.	DISABILITY SUMMARY
SS-INACT	NO	YES	52	POL SUB	OFFICER	19	\$33,749	A	\$526	S/P BACK FUSION, BONE SPURS, NUMBNESS IN FEET AND LEGS, DEPRESSION & ANXIETY
ORD	NO	NO	53	STATE	TRANSPORT TECH	15	\$29,109	D	\$617	MYOTONIC MUSCULAR DYSTOPHY
ORD	NO	YES	43	STATE	OFFICER	14	\$31,694	D	\$637	S/P RECONSTRUCTIVE KNEE SURGERY WITH MUSCLE & NERVE DAMAGE, LOW BACK & LEG PAIN & DECREASED ROM & FLEXION.
ORD	NO	NO	58	TEACHER	TEACHER	13	\$45,186	A	\$814	ALS
ORD	NO	NO	51	TEACHER	TEACHER	20	\$48,497	A	\$1,146	BI-POLAR D/O WITH PSYCHOLOGICAL SLOWING, POOR JUDGMENT, LIMITED ABILITY TO DEAL WITH PUBLIC & HX OF ALCOHOL ABUSE
SS-ORD	NO	NO	53	STATE	TECH	7	\$19,408	B	\$316	CAD, HYPERLIPIDEMIA, HTN, PROSTATE CANCER, TOBACCO ABUSE & SOB
SS-ORD	NO	NO	53	POL SUB	FOREMAN	16	\$38,889	A	\$919	LUNG DISEASE, PULMONARY SARCOIDOSIS, SLEEP APNEA, DIASTOLIC DYSFUNCTION, ARTHRITIS, DM & HTN

**APPROVED FOR DISABILITY  
THIRD QUARTER  
2014-2015**

TYPE	RE-E	RE-C	AGE	EMPLOYER	POSITION	SVC	AFC	OPT.	MO. BEN.	DISABILITY SUMMARY
SS-ORD	NO	NO	50	POL SUB	COOK	20	\$12,824	D	\$280	RA, TOTAL KNEE AND HIP REPLACEMENT & BULGING DISCS IN NECK & BACK
SS-ORD	YES	NO	46	POL SUB	CUSTODIAN	11	\$18,729	A	\$442	ARTHRITIS WITH CHRONIC BACK, LEG AND ARM PAIN, NUMBNESS OF HANDS, DM, HTN
SS-INACT	NO	NO	49	STATE	CLERK	14	\$21,834	D	\$408	COPD, SOCIAL PHOBIA & ANXIETY
ORD	YES	NO	44	TEACHER	TEACHER	21	\$58,822	B	\$1,352	S/P CVA WITH CHRONIC MIGRAINE HA'S, NECK PAIN, SPASMS & COGNITIVE DIFFICULTY
ACC	YES	NO	57	STATE	SUPERVISOR	14	\$31,668	A	\$645	COPD, CHRONIC KIDNEY DISEASE, HTN & GOUT
ORD	NO	NO	59	POL SUB	ROUTING SPECIALIST	19	\$34,272	A	\$803	LUMBAR DISC DISEASE WITH MARKED R-LEG WEAKNESS & FOOT DROP REQUIRING WALKER FOR AMBULATION, NARCOTICS 4X DAILY FOR PAIN
ORD	YES	NO	50	STATE	ASSISTANT	28	\$29,262	A	\$633	DM WITH NEUROPATHY, HTN, RENAL DISEASE, OSA, PTSD, DEPRESSION & BI-POLAR D/O WITH HX OF PSYCH HOSPITALIZATIONS

**APPROVED FOR DISABILITY  
THIRD QUARTER  
2014-2015**

TYPE	RE-E	RE-C	AGE	EMPLOYER	POSITION	SVC	AFC	OPT.	MO. BEN.	DISABILITY SUMMARY
SS-ORD	NO	NO	55	POL SUB	CUSTODIAN	17	\$22,019	D	\$492	MALIGNANT NEOPLASM OF COLON WITH METASTASES
SS-ACC	NO	YES	54	STATE	OFFICER	10	\$27,025	D	\$440	OJA RESULTING IN S/P FAILED L-KNEE SURGERY X2 RESULTING IN CHRONIC PAIN & SWELLING
SS-ORD	YES	NO	48	POL SUB	MECHANIC	25	\$34,466	A	\$1,052	TRAUMATIC BRAIN INJURY WITH UPPER EXTREMITY WEAKNESS, DECREASED ROM 7 INABILITY TO WALK OR PERFORM DAILY FUNCTIONS WITHOUT ASSISTANCE
ORD	NO	NO	55	TEACHER	TEACHER	13	\$57,413	A	\$1,260	RA
ORD	NO	NO	56	STATE	CLERK II	11	\$19,450	A	\$345	VISION D/O RESULTING IN CHRONIC HA'S, DIZZINESS & ISSUES WITH BALANCE & MOBILITY
SS-ORD	YES	NO	41	TEACHER	TEACHER	14	\$41,226	A	\$974	MS
ORD	NO	NO	54	STATE	CLERK	13	\$30,483	A	\$681	POLYMYOSITIS WITH DECREASED MUSCLE STRENGTH, DIVERSE EXTREMITY WEAKNESS & SEVERE PAIN

**APPROVED FOR DISABILITY  
THIRD QUARTER  
2014-2015**

TYPE	RE-E	RE-C	AGE	EMPLOYER	POSITION	SVC	AFC	OPT.	MO. BEN.	DISABILITY SUMMARY
SS-ORD	YES	NO	44	STATE	OFFICER II	7	\$30,230	A	\$714	METASTASIZED SALIVARY DUCT CARCINOMA
ORD	NO	NO	57	TEACHER	TEACHER	17	\$73,596	A	\$1,764	BILATERAL TOTAL KNEE REPLACEMENTS WITH CHRONIC PAIN STIFFNESS & OCCASIONAL SWELLING REQUIRING NARCOTICS FOR RELIEF

**DISAPPROVED FOR DISABILITY  
THIRD QUARTER  
2014-2015**

Type	Re-C	Age	Employer	Position	SVC	Disability Summary	Reason Denied
ORD	NO	58	TEACHER	TEACHER	14	BRAIN INJURY, RHEUMATOID ARTHRITIS, INABILITY TO SIT OR STAND FOR LONG & DIFFICULTY HEARING	CAP LGT WRA
ORD	NO	43	POLY SUB	DEPUTY SHERIFF	17	FIBROMYALGIA, PTSD & ANXIETY	ATTENDING PHYSICIANS DO NOT SUPPORT TOTAL DISABILITY. SUGGEST LESS STRESSFUL JOB
ORD	NO	50	POLY SUB	OFFICER	15	MULTIPLE BACK INJURIES WITH FUSED BACK, PSORIATIC ARTHRITIS WITH BILATERAL KNEE PAIN & HTN	CONDITIONS NOT TOTALLY DISABLING. CAP SED WRA
ORD	NO	57	TEACHER	TEACHER	10	MORBID OBESITY > 300 LBS, OSA, HTN, LUMBAR DD WITH DECREASED ROM	CAP SED-LGT WRA
INACT	NO	53	STATE	OFFICER	6	OBESITY > 228 LBS, LUMBAR SPONDYLOSIS S/P FUSION WITH CHRONIC BACK PAIN & HX OF FRACTURE OF GRAFT SITE, NARCOTICS FOR PAIN	BACK ISSUES NOT TOTALLY DISABLING
ORD	NO	54	POLY SUB	COORDINATOR	10	SEVERE ANXIETY, PSORIATIC ARTHRITIS, CHRONIC KNEE PAIN & OBESITY	NO ACUTE OR CHRONIC ABNORMALITIES & NORMAL GAIT. NORMAL ACTIVITY POSSIBLE. CAP SED WRA
ORD	YES	54	POLY SUB	COORDINATOR	10	OBESITY, PSORIATIC ARTHRITIS, CHRONIC KNEE PAIN & SEVERE ANXIETY	CONDITION NOT TOTALLY DISABLING. CAP SED WRA
ORD	NO	49	STATE	ACCOUNTANT	6	CHRONIC ALCOHOLISM, BI-POLAR D/O, EMPHYSEMA, & SYMPTOMS OF PARKINSON'S DISEASE	NORMAL GAIT AND MUSCLE MOVEMENT. INSUFFICIENT MEDICAL DOCUMENTATION. CAP LGT WRA
ORD	NO	55	POLY SUB	COOK	25	C4-C5 STENOSIS, SPONDYLOSIS, L4-L5 DDD WITH GRADE I SPONYLOLISTHESIS & R-LOWER EXTREMITY RADICULOPATHY	CAP SED-LGT WRA
ORD	NO	55	POLY SUB	ANIMAL CONTROL OFFICER	24	DDD WTH CERVICAL RADICULOPATHY, DECREASED ROM, SENSATION IN FOWARMS & FINGERS & MILD UPPER EXTREMITY WEAKNESS	CAP SED-LGT WRA
ORD	NO	55	POLY SUB	TEACHER'S ASSISTANT	23	ARTHRTIS, S/P STAGE I BREAST CANCER & CHEMOTHERAPY RESULTING IN FATIGUE, MUSCLE WEAKNESS & PAIN	NO RECURRENCE OF CANCER. NORMAL GAIT & STATION

**DISAPPROVED FOR DISABILITY  
THIRD QUARTER  
2014-2015**

Type	Re-C	Age	Employer	Position	SVC	Disability Summary	Reason Denied
ORD	NO	54	POLY SUB	TRAINER	7	MORBID OBESITY > 200 LBS, DDD L5-S1 WITH DECREASED ROM, L-SHOULDER TENDONITIS, S/P R-ROATOR CUFF TEAR, MIGRAINE HA'S & SLEEP APNEA	CAP SED-MED WRA
ORD	NO	47	POLY SUB	BUS DRIVER	26	SEVERE DM, MBR CAN'T KEEP CDL LICENSE. UNABLE TO PERFORM CURRENT JOB.	INSUFFICIENT MEDICAL DOCUMENTATION. CHANGE OF JOB SHOULD BE POSSIBLE.
ORD	NO	46	POLY SUB	CAFETERIA WORKER	6	R-SHOULDER DJD S/P ARTHROSCOPY & L-SHOULDER REPLACEMENT WITH PERMANENT RESTRICTIONS	CAP LGT WRA
ORD	NO	57	TEACHER	TEACHER	23	CROHN'S DISEASE WITH FATIGUE, DECREASED ENERGY, INTERMITTENT ABDOMINAL PAIN, BLEEDING & CONJUNCTIVITIS	CAP SED WRA
ORD	YES	51	TEACHER	TEACHER	17	DDD, PARTIAL R-ROTORATOR CUFF TEAR, C3-C7 BULGING DISCS WITH SOME SPINAL STENOSIS & ANXIETY	CAP SED WRA. CHANGE OF JOB MAY BE POSSIBLE
ACC	NO	44	STATE	TECH I	7	OJA RESULTING IN LUMBAGO, LUMBAR STRAIN & GAURDED ROM	PERMANENT RESTRICTIONS ARE NOT TOTALLY DISABLING
ORD	NO	55	POLY SUB	SERGEANT	18	S/P BACK SURGERY X2, POST LAMINECTOMY SYNDROME & CHRONIC PAIN REQUIRING NARCOTICS	CAP SED WRA
ORD	NO	54	STATE	CASE MANAGER	13	MAJOR DEPRESSION & ANXIETY D/O	ATTENDING PHYSICIAN DOES NOT SUPPORT. CONDITION NOT TOTALLY DISABLING. CAP SED-LGT WRA
ACC	NO	49	STATE	HOSPITAL TECH	17	OJA RESULTING IN R-HIP REPLACEMENT WITH CONTINUED PAIN & LUMBAR RADICULOPATHY	CAP SED-LGT WRA

## **FINANCIAL STATEMENTS**

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM  
STATEMENT OF FIDUCIARY NET POSITION  
AS OF MARCH 31, 2015**

**ASSETS**

Cash and Cash Equivalents	\$183,946,840.00
Receivables	
Member receivable	657,520.21
Employer receivable	282,360.86
Accrued interest & dividend receivable	164,498,353.91
Real estate income receivable	2,798,124.15
Derivative instruments receivable	172,059,297.20
Investments sold	707,691,609.15
	<hr/>
Total receivables	1,047,987,265.48
	<hr/>
Investments, at fair value	
Short-term securities	77,919,451.80
Government securities	9,040,803,505.45
Corporate securities	6,236,573,722.85
Corporate stocks	23,935,963,471.86
Private equities & Strategic Lending	1,943,065,992.90
Real estate	2,640,581,426.36
Invested securities lending collateral	6,016,434,723.00
	<hr/>
Total investments	49,891,342,294.22
	<hr/>
Capital Assets (net)	28,341,603.62
	<hr/>
<b>TOTAL ASSETS</b>	<b>51,151,618,003.32</b>
	<hr/>

**LIABILITIES**

Accounts payable	
Death benefits and refunds payable	15,212,166.65
Retiree insurance premium payable	8,506,285.44
Other	856,484.29
Investments purchased	1,253,454,756.71
Derivative instruments payable	172,059,297.21
Securities lending collateral	6,016,434,723.00
	<hr/>
<b>TOTAL LIABILITIES</b>	<b>7,452,645,140.21</b>
	<hr/>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>	<b>\$43,698,972,863.11</b>
	<hr/> <hr/>

*See Accompanying Notes to the Financial Statements*

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**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
JULY 1, 2014 THROUGH MARCH 31, 2015**

**ADDITIONS**

<b>Contributions</b>	
Member contributions	\$177,824,007.25
Employer contributions	685,848,462.25
<b>Total contributions</b>	<u>863,672,469.50</u>
<b>Investment income</b>	
Net appreciation in fair value of investments	683,407,594.64
Interest, Dividends & Real Estate Income	937,288,241.19
Total investment income	1,620,695,835.83
Less: Investment expense	(22,546,369.14)
<b>Net income from investing activities</b>	<u>1,598,149,466.69</u>
<b>Securities lending activities</b>	
Securities lending income	23,543,905.77
Less: securities lending expense	(5,130,857.88)
<b>Net income from securities lending activities</b>	<u>18,413,047.89</u>
<b>Net investment income</b>	<u>1,616,562,514.58</u>
<b>TOTAL ADDITIONS</b>	<u>2,480,234,984.08</u>
<b>DEDUCTIONS</b>	
Annuity benefits	1,637,440,915.39
Death benefits	3,835,241.09
Refunds	36,092,337.87
Administrative expenses	9,051,122.48
<b>TOTAL DEDUCTIONS</b>	<u>1,686,419,616.83</u>
<b>NET INCREASE</b>	793,815,367.25
<b>NET POSITION RESTRICTED FOR PENSIONS</b>	
<b>BEGINNING OF YEAR</b>	<u>42,905,157,495.86</u>
<b>END OF YEAR</b>	<u>\$43,698,972,863.11</u>

*See Accompanying Notes to the Financial Statements*

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The Tennessee Consolidated Retirement System (TCRS) is a public employee retirement system comprised of defined benefit pension plans covering Tennessee State employees, including employees of the state's higher education systems, teachers, and employees of political subdivisions in Tennessee. The TCRS was established in 1972 by a statutory enactment of the Tennessee General Assembly. The provisions of the TCRS are codified in Tennessee Code Annotated Title 8, Chapters 34-37. In accordance with Tennessee Code Annotated Title 8, Chapter 34, Section 202, all funds invested, securities, cash, and other property of the TCRS are held in trust and can be expended only for the purposes of the trust. Although the assets for all pension plans within the TCRS are commingled for investment purposes, the assets of each separate plan may legally be used only for the payment of benefits to the members of that plan and for its administration, in accordance with the terms of the plan.

### **Note 1: Summary of Significant Accounting Policies**

**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 a pension trust fund in the *Tennessee Comprehensive Annual Financial Report*.

**Measurement focus and basis of accounting:** The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) 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 the accrual method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

Plan member and employer contributions are recognized in the period of time for which they are due, in accordance with legal provisions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

**Cash and cash equivalents:** Cash and cash equivalents includes cash, short-term investments with a maturity date within three months of the acquisition date, cash management pools, and cash invested in a short-term, open-end mutual fund under the contractual arrangement for master custody services. Cash received by the TCRS, that cannot be invested immediately in securities or is needed for operations, is invested in the State Pooled Investment Fund sponsored by the State of Tennessee and administered by the State Treasurer.

**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. In those years independent appraisals are not conducted, appraisals are completed internally by real estate advisors. The fair value of private equity investments is determined by the fund managers using various methodologies, as applicable under GAAP. In many cases, these valuations are additionally reviewed by advisory boards comprised of a subgroup of the fund's investors. These valuations are audited on an annual basis by independent accounting firms engaged by the private equity fund managers. Investment income includes realized and unrealized appreciation (depreciation) in the fair value of investments. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on trade-date basis. Real estate transactions are recorded in the financial statements at the time of closing.

**Capital assets:** Capital assets consist of internally generated computer software in development and in the first two phases of implementation, reported at historical cost less any applicable amortization. Capital assets are defined by the state as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of two years. Software in development was valued at \$17,978,338 at year end and will be amortized using the straight line method over the ten year estimated life of the system once a phase is implemented. The first phase

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Tennessee Consolidated Retirement System  
Notes to Financial Statements  
March 31, 2015

(document imaging) and second phase (retired payroll) of the computer software have been implemented at June 30, 2014 and amortization has been initiated. The final phase (active membership, employer membership, and accounting) of the computer software began implementation after June 30, 2014 and expected to be substantially completed by June 30, 2015. The computer software was valued at \$10,363,266 and amortization expense was \$1,204,036.

**Adoption of new Accounting Pronouncement:** During the year ended June 30, 2014, the TCRS financial statements included the adoption of GASB Statement No. 67 which addresses accounting and financial reporting requirements for pension plans. The requirements for GASB Statement No. 67 necessitate changes in presentation of the financial statements, notes to the financial statements, and required supplementary information. Significant changes include an actuarial calculation of total pension liability and net pension liability. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures. The implementation of GASB Statement No. 67 did not significantly impact the accounting for accounts receivable and investment balances. This pronouncement also resulted in renaming the statement of plan net position as the statement of fiduciary net position, and the statement of changes in plan net position as the statement of changes in fiduciary net position. The total pension liability, determined in accordance with GASB Statement No. 67, is presented in Note 4 for the cost-sharing Teacher Legacy Pension Plan.

## Note 2: Plan Descriptions

**Plan administration:** The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS.

As of the statement date, there were two defined benefit pension plans within the TCRS. The Public Employee Retirement Plan is an agent, multiple-employer defined benefit pension plan for state government employees and political subdivisions electing to participate in the TCRS. An agent plan is one in which the liabilities are legally separate for each participating employer. Each participating employer is legally responsible for the pension benefits accruing on behalf of their employees only. The Teacher Legacy Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan for teachers of LEAs. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan becomes effective for teachers employed by LEAs after June 30, 2014.

The general administration and responsibility for proper operation of the TCRS plans are vested in a 20 member Board of Trustees, consisting of 18 voting members and two non-voting members. The Board has nine ex-officio members, two of whom are non-voting. The seven voting ex-officio members are the State Treasurer, Secretary of State, Comptroller of the Treasury, Commissioner of Finance and Administration, Commissioner of Human Resources, Director of the TCRS, and the Administrative Director of the Courts. The two non-voting ex-officio members are the chair and vice-chair of the Legislative Council on Pensions and Insurance.

Three active teacher members, one from each grand division of the state, and a retired teacher member are selected for three year terms by the Speaker of the House of Representatives and the Speaker of the Senate. Two active state employee members, who are from departments other than those represented by ex-officio members, are elected by state employees for three year terms. A board member is appointed for a two year term by each of the following organizations: Tennessee County Services, Tennessee Municipal League, and the Tennessee County Officials Association. Two members, a public safety employee and a retired state employee, are appointed by the Governor for two year terms. All members must be vested members of the TCRS, except for ex-officio members.

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**Plan membership:** At June 30, 2014, the membership of the pension plans consisted of the following:

	<u>Public Employee Retirement Plan</u>	<u>Teacher Legacy Pension Plan</u>	<u>Total</u>
Inactive plan members or beneficiaries currently receiving benefits	87,422	45,869	133,291
Inactive vested plan members entitled to but not yet receiving benefits	32,787	6,347	39,134
Inactive non-vested plan members entitled to refund of member account balance	28,341	16,334	44,675
Active plan members	135,554	78,506	214,060
Total membership	<u>284,104</u>	<u>147,056</u>	<u>429,032</u>
Number of participating employers	508	144	652

*Membership above includes all plans whether open or closed.*

**Benefits provided:** The TCRS provides retirement, disability, and death benefits. The benefits of the TCRS are established by state law (Tennessee Code Annotated, Title 8, Chapters 34-37). In general, the benefits may be amended prospectively by the General Assembly for employees becoming members of the TCRS after June 30, 2014. Amendments of benefits for employees becoming members before July 1, 2014 may be restricted by precedent established by the Tennessee Supreme Court.

#### ***Teacher Legacy Pension Plan***

Members of the Teacher Legacy Pension Plan are eligible to retire at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Plan members are entitled to receive unreduced service retirement benefits which are determined to be 1.575 percent of the member's highest five consecutive year average compensation multiplied by the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent.

#### ***Public Employee Retirement Plan***

State employees are eligible to retire at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Plan members are entitled to receive unreduced service retirement benefits which are

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Tennessee Consolidated Retirement System  
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determined to be 1.575 percent of the member's highest 5 consecutive year average compensation multiplied by the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic COLAs after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the CPI during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. There are additional classes of employees that include state judges, elected members of the general assembly, and public safety officers which have different benefit structures and eligibility requirements. These classifications represent an immaterial percentage of the state employee membership.

For political subdivision employees, there are various tiers of benefits and eligibility requirements. Each political subdivision adopts the benefit structure that the entity provides to its employees. Unreduced service retirement benefits are determined using a multiplier (1.575%, 1.5%, 1.4%, or 1%) of the member's highest 5 consecutive year average compensation multiplied by the member's years of service credit. Plan member benefits calculated using the 1.575 percent or 1.5 percent multiplier are eligible to retire at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Plan member benefits calculated using the 1.4 percent or 1 percent multiplier are eligible to retire at age 65 with 5 years of service credit or under the rule of 90 (where age plus service credit equals 90). Plan members are eligible for service related disability benefits regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. If adopted as a benefit provision by the political subdivision, member and beneficiary annuitants are entitled to automatic COLAs after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the CPI during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. There are additional classes of employees, local judges, elected officials, and public safety officers, which may have different benefit structures and eligibility requirements. These classifications represent an immaterial percentage of the political subdivisions' membership.

**Contributions:** Pursuant to Tennessee Code Annotated Title 8, Chapter 37, the Board of Trustees adopts an actuarially determined contribution (ADC) for each participating employer, as recommended by an independent actuary following an actuarial valuation.

For the Teacher Legacy Pension Plan, LEAs are required by statute to contribute the ADC. The ADC is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, the unfunded accrued liability, and the cost of administration. Teachers are required by statute to contribute 5 percent of salary. For the year ended June 30, 2014, the required ADC for LEAs was 8.88 percent of covered-employee payroll. The ADC increases to 9.04 percent for the two year period beginning July 1, 2014.

For the Public Employee Retirement Plan, each governmental entity is required by statute to contribute the ADC. The ADC is the estimated amount necessary to finance the costs of benefits earned by plan members during the plan year, the unfunded accrued liability, and the cost of administration. For the year ended June 30, 2014, the required ADC varied for each participating employer ranging from zero to 66.61 percent. For the two year period beginning July 1, 2014, the ADC ranged from zero to 66.61 percent. By statute, state employees are noncontributory. As adopted by the governmental entity, political subdivision employees may be noncontributory, contribute 2.5 percent of salary, or contribute 5 percent of salary.

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### **Note 3: Deposits and Investments**

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

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

- a. The total sum invested in common and preferred stocks shall not exceed seventy-five percent (75 percent) of the total of the funds of the retirement system.
- b. The total sum invested in notes and bonds or other fixed income securities exceeding one year in maturity shall not exceed seventy-five percent (75 percent) of the total funds of the retirement system.
- c. Within the restrictions in (a) and (b) above, an amount not to exceed twenty-five percent (25 percent) of the total of the funds of the retirement system may be invested in securities of the same kinds, classes, and investment grades as those otherwise eligible for investment in various approved foreign countries, provided that such percentage may be increased by the board with the subsequent approval of the council on pensions and insurance.
- d. Within the restrictions in (a) and (b) above, funds may be invested in Canadian securities which are substantially of the same kinds, classes and investment grades as those otherwise eligible for investment.
- 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 ten percent (10 percent) of the market value of total assets.

State statute also authorizes the TCRS to invest in forward contracts to hedge its foreign currency exposure and to purchase or sell domestic equity 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 ten percent (10 percent) of the market value of total assets. Gross exposure to approved fixed income financial instruments will be limited to 10% of the market value of the System's total assets for risk mitigating positions and 10% for risk positions. Position sizes will be measured by notional amounts. Options will be measured in their notional equivalents.

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**Investment policy:** The TCRS investment authority is established pursuant to Tennessee Code Annotated Title 8, Chapter 37. The statute provides the Board of Trustees with the responsibility to establish the investment policy of the TCRS. The investment policy may be amended by the Board. The TCRS plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided by the TCRS. The following was the TCRS Board’s adopted asset allocation policy as of June 30, 2014:

Authorized Asset Class	Target Allocation
U.S. equity	33%
Canadian equity	4%
Developed market international equity	13%
Emerging market international equity	5%
Private equity	3%
U.S. fixed income	25%
Inflation indexed fixed income	4%
International fixed income	0%
Strategic lending	5%
Real estate	7%
Short-term securities	1%
Total	100%

**Securities Lending:** The TCRS is authorized to invest in securities lending investments by TCA 8-37-104(a)(6) with the terms established in the investment policy whereby TCRS loans securities to brokers and dealers (borrower) and in turn, TCRS receives cash as collateral. TCRS pays the borrower interest on the collateral received and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower. Loans are limited to no more than thirty percent (30%) of the market value of the total assets in the TCRS portfolio and provided further that such loans are secured by collateral. Securities received as collateral hereunder shall have a market value equal to at least one hundred two percent (102%) of the market value of the loaned domestic security or one hundred five percent (105%) of any foreign security. Cash received as collateral shall equal at least one hundred percent (100%) of the market value of the loaned securities and may be invested by or on behalf of the TCRS in any instrument the TCRS may be directly invested. Cash Collateral is held in the TCRS name and is not subject to custodial credit risk. During the year there were no violations of legal or contractual provisions by the TCRS.

The TCRS securities lending program is managed by a third party lending agent, Deutsche Bank AG. The TCRS may loan any debt or equity securities which is owned by TCRS.

**Rate of Return:** For the year ending June 30, 2014, the money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.49 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Alternative Investments:** The TCRS has investments in private equity funds and real estate with an estimated fair value of \$3,379,369,542 at June 30, 2014. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material. Title to real property invested in by TCRS is held by real estate investment holding companies.

**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

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standby commercial paper purchaser, the TCRS receives an annual fee of 25 basis points on the \$350 million maximum issuance under this agreement during times when both Moody's and Standard and Poor's investment ratings assigned to the State of Tennessee's general obligation bonds are Aaa and AAA respectively, 40 basis points during times when either Moody's or Standard and Poor's has assigned ratings of Aa and AA respectively, or 75 basis points during times when either Moody's or Standard and Poor's has assigned ratings lower than Aa and AA respectively. In the unlikely event that the TCRS would be called upon to purchase the commercial paper, the TCRS would receive interest at a rate equal to prime plus 75 basis points during the first 30 consecutive days, plus an additional 50 basis points for each consecutive 30 days thereafter, up to a maximum rate allowed by state law.

**Note 4: Net Pension Asset of the Teacher Legacy Pension Plan for Local Education Agencies**

The components of net pension liability of the Teacher Legacy Pension Plan at June 30, 2014, were as follows:

Total pension liability	\$ 21,151,860,511
Plan fiduciary net position	<u>\$ 21,214,973,134</u>
Net pension asset	<u>\$ 63,112,623</u>
Fiduciary net position as a percentage of the total pension liability	100.30%

**Actuarial assumptions:** The total pension liability was determined by an actuarial valuation as of July 1, 2013, updated to roll forward to June 30, 2014, using the following actuarial assumptions applied to all prior periods included in the measurement:

<b>Inflation</b>	3.0 percent
<b>Salary Increases</b>	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
<b>Investment Rate of Return</b>	7.5 percent, net of pension plan investment income, including inflation
<b>Cost of Living Adjustment</b>	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study plus some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the July 1, 2013 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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Asset Class	Long-Term Expected Real Rate of Return	Target Allocations
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three techniques described above.

**Discount rate:** The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions from plan members will be made at the statutorily required contribution rates and that employer contributions from LEAs will be made at the actuarially determined rate as required by statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of net pension liability (asset) to changes in the discount rate:** The following presents the Teacher Legacy Pension Plan’s net pension liability for LEAs using the discount rate of 7.5 percent, as well as what its net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1 percent Decrease (6.5%)	Current Discount Rate (7.5%)	1 percent Increase (8.5%)
Net pension liability (asset)	\$ 2,677,321,642	\$(63,162,340)	\$ (2,332,660,416)

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