

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
MARCH 28, 2014

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
MARCH 28, 2014**

TABLE OF CONTENTS

Minutes of the Board of Trustees	3
Committee Minutes	
Administrative Committee.....	9
Audit Committee	11
Investment Committee.....	15
Optional Retirement Program.....	23
Statistical Reports	
Active Member Statistics	27
Retired Payroll Statistics	28
Refund Activity and Expenditures	30
Prior Service Activity	32
Disability Retirement Report	
Disability Statistical Report	35
Approved for Disability	37
Disapproved for Disability	43
TCRS Financial Report	47

**OPTIONAL RETIREMENT
PROGRAM**

ORP Contributions for the Year Ended

Description: New deposits for the 12 months ended

	ING	VALIC	TIAA-CREF	Total
	12/31/2013	12/31/2013	12/31/2013	12/31/2013
TN State Board of Regents System	\$ 10,994,188.00	\$ 8,324,938.29	\$ 28,994,168.96	\$48,313,295
University of Tennessee System	\$ 10,630,827.90	\$ 7,038,421.07	\$ 29,226,078.36	\$46,895,327
Total Contributions Received	\$ 21,625,015.90	\$ 15,363,359.36	\$ 58,220,247.32	\$95,208,623

ORP Active Participant Count for the Year Ended

Description: Individual lives with Active deposits to their account for the year

	ING	VALIC	TIAA CREF
	12/31/2013	12/31/2013	12/31/2013
TN State Board of Regents System	1,545	1,390	4,388
University of Tennessee System	1,502	1,171	3,886
Total Active Participants	3,047	2,561	8,274

TN ORP Asset Balances for the Year Ended

Description: Total Assets as of Date

	ING	VALIC	TIAA CREF	Total
	12/31/2013	12/31/2013	12/31/2013	12/31/2013
TN State Board of Regents System	\$ 110,821,144.83	\$ 147,440,044.67	\$ 999,086,139.25	\$1,257,347,329
University of Tennessee System	\$ 157,511,224.54	\$ 133,060,210.59	\$ 1,570,407,393.21	\$1,860,978,828
Total TN ORP Asset Balances	\$ 268,332,369.37	\$ 280,500,255.26	\$ 2,569,493,532.46	\$3,118,326,157

ORP Total Participants for the Year Ended

Description: Total TN ORP Participant's with accounts as of

	ING	VALIC	TIAA CREF
	12/31/2013	12/31/2013	12/31/2013
TN State Board of Regents System	1,501	2,567	12,401
University of Tennessee System	2,131	2,526	13,193
Total Participants for the Year	3,632	5,093	25,594

STATISTICAL REPORTS

ANALYSIS OF MEMBERS ACTIVELY CONTRIBUTING

	6/30/2012	9/30/2012	12/31/2012	3/31/2013	6/30/2013	9/30/2013	12/31/2013
Group I Members:							
(State & Higher Ed.)	56,566	55,824	56,670	55,797	56,008	55,609	55,909
Teachers	78,613	78,159	78,876	78,463	78,303	78,393	78,106
General Employees of Polisubs	80,784	78,934	80,311	79,934	79,984	77,592	76,931
General Assembly	129	128	129	128	128	127	128
County Officials	2	2	2	2	2	2	2
PSC							
County Judges	1	1	1	1	1	1	1
Attorneys General	648	649	645	650	656	671	669
Total Group I	216,743	213,697	216,634	214,975	215,082	212,395	211,746
Group II & Prior Class:							
Wildlife Officers	2	2	2	2	2	2	2
Highway Patrol	3	3	3	3	3	1	1
Firemen & Policemen- Political Subdivisions	16	13	17	15	14	13	12
Total Group II & Prior Class	21	18	22	20	19	16	15
Group III and Prior Class:							
State Judges	2	2	2	1	1	1	1
County Judges							
Attorneys General	5	4	5	5	4	4	4
County Officials	5	4	5	4	4	4	4
Total Group III & Prior Class	12	10	12	10	9	9	9
Group IV							
State Judges	182	182	181	182	183	184	184
Total Membership							
Contributing to TCRS	216,958	213,907	216,849	215,187	215,293	212,604	211,954
Teachers Contributing to ORP	11,575	11,546	11,569	11,610	11,627	11,688	11,659
Grand Totals	228,533	225,453	228,418	226,797	226,920	224,292	223,613

**RETIRED PAYROLL
STATISTICS
December 31, 2013**

	<u>Amount</u>	<u># of Retirees</u>
STATE EMPLOYEES	50,302,419.41	39563
STATE PAID JUDGES	831,450.13	184
COUNTY PAID JUDGES	338,350.17	99
ATTORNEY GENERALS	867,699.62	249
COUNTY OFFICIALS	397,855.46	200
PUBLIC SERVICE COMMISSIONERS	9,101.90	5
POLITICAL SUBDIVISIONS	25,143,690.37	32778
TEACHERS	88,760,669.45	43952
LOCAL TEACHERS	3,593,740.32	2005
GOVERNORS AND WIDOWS	30,330.00	5
AGED STATE EMPLOYEES	135.40	1
AGED TEACHERS	1,364.88	10
OTHERS	<u>0.00</u>	<u>127</u>
Total	\$170,276,807.11	119,178

RETIRED PAYROLL
July 1, 2013
through
December 31, 2013

	<u>Amount</u>	<u># of Retirees</u>
STATE EMPLOYEES	301,067,552.73	39563
STATE PAID JUDGES	4,969,599.05	184
COUNTY PAID JUDGES	2,112,563.16	99
ATTORNEY GENERALS	5,208,221.87	249
COUNTY OFFICIALS	2,414,027.61	200
PUBLIC SERVICE COMMISSIONERS	54,611.40	5
POLITICAL SUBDIVISIONS	150,723,090.95	32778
TEACHERS	535,222,432.70	43952
LOCAL TEACHERS	21,706,129.24	2005
GOVERNORS AND WIDOWS	181,980.00	5
AGED STATE EMPLOYEES	812.40	1
AGED TEACHERS	10,797.92	10
OTHERS	<u>180.82</u>	<u>127</u>
Total	\$1,023,671,999.85	119,178

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

**REFUND EXPENDITURES
2013-2014 FISCAL YEAR**

MONTH	MEMBER'S CONTRIBUTIONS	414(H) CONTRIBUTIONS	MEMBER'S INTEREST	EMPLOYER CONTRIBUTIONS	DEATH PAYMENTS	TOTAL
July	80,406.21	3,225,436.33	1,131,750.56	223,084.94	557,363.27	\$5,218,041.31
August	53,222.62	7,302,687.63	2,351,316.84	67,340.34	207,376.38	\$9,981,943.81
September	18,037.69	3,404,973.24	1,012,820.87	31,545.97	141,533.52	\$4,608,911.29
October	68,325.22	2,877,040.55	950,877.66	24,681.05	174,214.76	\$4,095,139.24
November	64,479.20	2,409,062.87	964,455.18	204,587.51	571,065.31	\$4,213,650.07
December	48,309.27	1,695,364.41	553,580.49	83,951.59	306,347.29	\$2,687,553.05
January						\$0.00
February						\$0.00
March						\$0.00
April						\$0.00
May						\$0.00
June						\$0.00
TOTAL	332,780.21	20,914,565.03	6,964,801.60	635,191.40	1,957,900.53	\$30,805,238.77

NUMBER OF MEMBERS REFUNDED

<u>Month</u>	<u>2007-08</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>
July	1,149	450	894	499	496	475	516
August	675	308	612	406	466	471	782
September	566	316	494	431	447	394	457
October	609	411	369	379	383	375	378
November	492	353	320	293	364	319	314
December	234	257	256	276	257	241	276
January	450	332	257	307	348	338	
February	308	310	242	265	312	335	
March	316	291	278	299	262	253	
April	308	311	687	277	346	311	
May	619	217	385	662	329	274	
June	843	340	360	406	339	336	
TOTAL	<u>6,569</u>	<u>3,896</u>	<u>5,154</u>	<u>4,500</u>	<u>4,349</u>	<u>4,122</u>	<u>2,723</u>

PRIOR SERVICE ACTIVITY
October 1, 2013 through December 31, 2013

State:	<u>Type of Service</u>	<u>No of Members</u>	<u>Years of Service</u>	<u>Amount</u>
	Backpayment	35	21	\$ 1,155
	Military	34	78	-
	Redeposit	3	10	45,318
	Totals	72	109	\$ 46,473

Teachers:	<u>Type of Service</u>	<u>No of Members</u>	<u>Years of Service</u>	<u>Amount</u>
	Backpayment	17	4	\$ 343,730
	Military	7	14	-
	Redeposit	20	154	418,240
	Totals	44	172	\$ 761,970

Higher Education:	<u>Type of Service</u>	<u>No of Members</u>	<u>Years of Service</u>	<u>Amount</u>
	Backpayment	79	83	\$ 25,650
	Military	10	19	-
	Redeposit	5	22	119,884
	Totals	94	124	\$ 145,535

Political Subdivisions:	<u>Type of Service</u>	<u>No of Members</u>	<u>Years of Service</u>	<u>Amount</u>
	Backpayment	167	236	\$ 84,074
	Military	21	48	-
	Redeposit	8	31	56,504
	Totals	196	315	\$ 140,578

Grand Totals:	<u>Type of Service</u>	<u>No of Members</u>	<u>Years of Service</u>	<u>Amount</u>
	Backpayment	298	344	\$ 454,609
	Military	72	159	-
	Redeposit	36	217	639,947
	Totals	406	720	\$ 1,094,555

DISABILITY RETIREMENT REPORT

Disability Statistical Report

Second Quarter 13-14

Disability Applications Received	October	34
	November	21
	December	<u>20</u>
	TOTAL	75
Initial Claims Approved	October	22
	November	18
	December	<u>19</u>
	TOTAL	59
Initial Claims Disapproved	October	10
	November	07
	December	<u>11</u>
	TOTAL	28
Initial Claims Approved after Reconsideration		04
Initial Claims Disapproved after Reconsideration		04
Re-Evaluation Claims Approved		33
Re-Evaluation claims Disapproved		01
Cases Referred to Vocational Rehabilitation		0

**APPROVED FOR DISABILITY
SECOND QUARTER
2013-2014**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt.	Mo. Ben.	Disability Summary
SS-ORD.	NO	NO	57	POL SUB	OPERATOR	10	\$32,298	A	\$480	PARAPLEGIA
ORD.	YES	YES	40	STATE	DIRECTOR	18	\$51,003	A	\$1,205	ANXIETY, DEPRESSION, PANIC ATTACKS
SS-ORD.	NO	YES	58	TEACHER	TEACHER	21	\$61,766	D	\$1,400	COLONIC INERTIA, COLECTOMY W/ILEOSTOMY
ORD.	NO	NO	57	POL SUB	TEACHER'S ASSISTANT	25	\$17,528	A	\$518	CERVICAL/LUMBAR DISC DISEASE, BORDERLINE MS
SS-ORD.	YES	NO	50	POL SUB	FIREMAN	11	\$39,611	C	\$875	METASTATIC BLADDER CANCER
ORD.	NO	NO	53	POL SUB	BUS DRIVER	16	\$15,829	A	\$374	PTSD, MAJOR DEPRESSIVE D/O, PANIC ATTACKS, ADHD
ORD.	NO	NO	54	STATE	NURSE	16	\$57,701	D	\$1,211	MAJOR DEPRESSIVE D/O W/PSYCHOTIC FEATURES, PANIC D/O
ORD.	NO	NO	57	STATE	MAINTENANCE WORKER	6	\$23,389	B	\$216	CERVICAL DISC DISEASE, CERVICAL CORD DAMAGE W/SPASTICITY
SS-ORD.	NO	NO	51	TEACHER	TEACHER	10	\$51,486	D	\$960	GENERALIZED PARESTHESIA, GAIT ABNORMALITY, WEAKNESS, PAIN, SENSORY LOSS
ORD.	YES	YES	42	TEACHER	TEACHER	14	\$50,391	B	\$1,092	VAGINAL CANCER, CHRONIC PAIN
SS-ORD.	NO	NO	58	POL SUB	TEACHER'S ASSISTANT	12	\$13,206	B	\$176	OVARIAN CANCER
SS-ORD.	NO	NO	53	STATE	MAINTNANCE WORKER	26	\$34,061	A	\$1,053	PLEXIFORM NEUROFIBROMA, SCIATICA
ORD.	NO	NO	56	POL SUB	LABORER	22	\$27,728	E	\$643	DDD, BACK PAIN, HTN

**APPROVED FOR DISABILITY
SECOND QUARTER
2013-2014**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt.	Mo. Ben.	Disability Summary
SS-ORD.	NO	YES	52	STATE	PSYCH TECH.	23	\$29,804	A	\$829	CARPAL TUNNEL SYNDROME, TRIGGER FINGERS
SS-ORD.	NO	NO	52	POL SUB	DIRECTOR	9	\$20,102	A	\$412	FIBROMYALGIA, OA OF KNEES, CHRONIC PAIN, DM II, DEPRESSION
ORD.	YES	NO	43	STATE	INTERVIEWER	5	\$27,824	A	\$657	MAJOR DEPRESSION, BIPOLAR D/O, ANXIETY
ORD.	NO	NO	59	STATE	ADMINISTRATIVE ASSISTANT	6	\$41,390	A	\$488	MICROSCOPIC COLITIS
ORD.	NO	NO	58	STATE	PROGRAMER	16	\$68,218	A	\$1,488	S/P LUNG CANCER W/CHEMO, PERIPHERAL NEUROPATHY, CHRONIC PAIN
ORD.	NO	NO	54	POL SUB	NURSING ASSISTANT	12	\$22,029	B	\$416	MS, CHRONIC PAIN, HTN, ANXIETY
ORD.	YES	NO	42	STATE	HABILITATION TECH.	23	\$38,782	A	\$1,065	GASTRIC CANCER
ORD.	YES	NO	49	POL SUB	LABORER	6	\$20,263	A	\$409	CERVICAL SPONDYLOSIS W/RADICULOPATHY
ORD.	NO	NO	52	STATE	PSYCH. TECH	23	\$15,236	B	\$1,251	ESRD W/HEMODIALYSIS
INACT.	NO	NO	45	POL SUB	PARAMEDIC	8	\$35,637	A	\$94	LUMBAR DISC DISEASE, L-SHOULDER TEAR, CHRONIC PAIN
ORD.	NO	NO	54	POL SUB	LABORER	16	\$21,886	A	\$517	BILATERAL KNEE PAIN, COPD, PVD, OSA, DEPRESSION
ORD.	NO	NO	58	POL SUB	MAINTNANCE WORKER	10	\$48,092	A	\$653	COPD, CHRONIC BRONCHITIS, FIBROSIS
SS-ORD.	YES	NO	50	POL SUB	FOOD SERVICE	17	\$16,315	A	\$385	MAJOR DEPRESSION, ANXIETY D/O, DDD, CHRONIC PAIN

**APPROVED FOR DISABILITY
SECOND QUARTER
2013-2014**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt.	Mo. Ben.	Disability Summary
ORD.	YES	NO	46	TEACHER	TEACHER	20	\$48,847	A	\$1,159	LEUKEMIA, MEMORY LOSS
ORD.	NO	NO	58	STATE	CUSTODIAN	8	\$17,633	A	\$215	CERVICAL STENOSIS, CHRONIC PAIN
ORD.	NO	NO	51	POL SUB	DIRECTOR	17	\$36,717	A	\$867	S/P SUBDURAL HEMORRHAGE, SCLERODERMA, LUPUS, RA, PANCYTOPENIA
ORD.	NO	NO	57	POL SUB	SERVICE ASSISTANT	18	\$19,759	B	\$412	SEVERE MVA W/TRAUMA TO MULTIPLE AREAS
ORD.	YES	YES	47	POL SUB	CASHIER	16	\$13,204	A	\$312	DDD, STENOSIS, BULGING DISC, CHRONIC BACK PAIN, DECREASED ROM
ORD.	NO	NO	53	TEACHER	TEACHER	19	\$49,025	B	\$1,014	ALZHEIMER'S DISEASE, DEMENTIA, RA, DM
ORD.	NO	NO	55	POL SUB	LABORER	14	\$34,020	B	\$695	MAJOR DEPRESSIVE D/O
SS-INACT.	NO	NO	53	STATE	SECRETARY	22	\$27,760	B	\$456	MS
ORD.	YES	NO	47	STATE	CUSTODIAN	5	\$14,969	A	\$321	MYOTONIC MUSCULAR DYSTROPHY
SS-ORD.	NO	NO	55	STATE	ELIGIBILITY COUNSELOR	21	\$42,068	B	\$768	STAGE III RENAL CANCER
SS-ORD.	YES	NO	45	POL SUB	BOOK KEEPER	10	\$44,829	A	\$1,059	MULTIPLE MYELOMA W/MULTIPLE CYCLES OF CHEMOTHERAPY/RADIATION
SS-ORD.	NO	NO	58	STATE	THERAPY TECH	19	\$37,939	A	\$896	L-LOWER LIMB CAUSALGIA, LUMBAR RADICULOPATHY, & LOW BACK PAIN
SS-ORD.	NO	NO	58	POL SUB	CAPTAIN	16	\$53,022	A	\$1,133	COLON CANCER

**APPROVED FOR DISABILITY
SECOND QUARTER
2013-2014**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt.	Mo. Ben.	Disability Summary
SS-ORD.	NO	NO	59	POL SUB	MECHANIC	10	\$27,939	D	\$341	COPD, CABG, AORTIC VALVE REPLACEMENT, DM II, PCI, SLEEP APNEA, & PVD
ORD.	YES	NO	42	POL SUB	CORPORAL	5	\$31,416	A	\$742	POST LAMINECTOMY SYNDROME, CHRONIC PAIN, DECREASED ROM
ORD.	NO	YES	56	STATE	OFFICER	26	\$46,044	A	\$1,428	BILATERAL HEEL FRACTURES, POST TRAUMATIC ARTHRITIS
ORD.	NO	NO	57	TEACHER	TEACHER	13	\$50,815	D	\$816	EPILEPSY, CHIARI MALFORMATION, TRIGEMINAL NEURALGIA, SEIZURE D/O, OSTEOPEITROSIS
ORD.	NO	NO	51	STATE	OFFICER	6	\$28,445	A	\$501	RECURRENT COMPLEX SEIZURE D/O
ACC.	NO	NO	54	POL SUB	LABORER	17	\$26,143	A	\$762	LUMBAR DDD W/L4 DISC HERNIATION
SS-ORD.	NO	NO	59	STATE	SUPERVISOR	8	\$29,280	A	\$346	METASTASIZED STAGE IV BREAST CANCER
ORD.	NO	YES	59	TEACHER	TEACHER	20	\$44,733	E	\$987	COPD, EOSINOPHILIA LUNG DISEASE, DYSPNEA, RECURRENT RESPIRATORY INFECTIONS
SS-ORD.	NO	NO	57	STATE	TEACHER	7	\$36,888	E	\$414	RA, FIBROMYALGIA, DDD
ORD.	NO	NO	56	POL SUB	TEACHER'S ASSISTANT	24	\$18,459	A	\$532	MAJOR DEPRESSION, ANXIETY D/O
ORD.	NO	NO	55	STATE	CUSTODIAN	11	\$30,900	A	\$590	COPD, HTN, SLEEP APNEA, EMPHYSEMA
ORD.	YES	NO	39	TEACHER	TEACHER	9	\$45,023	B	\$999	CYSTIC FIBROSIS, DOUBLE LUNG TRANSPLANT
SS-ORD.	NO	NO	53	POL SUB	CLERK	21	\$36,612	A	\$948	CRYPTOGENIC CVA, CARDIOMYOPATHY

**APPROVED FOR DISABILITY
SECOND QUARTER
2013-2014**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt.	Mo. Ben.	Disability Summary
ORD.	YES	NO	47	POL SUB	MECHANIC	5	\$25,331	A	\$536	SEVERE HEAD TRAUMA
ORD.	YES	NO	44	STATE	PHYSICAL THERAPIST	7	\$39,252	A	\$927	BIPOLAR D/O, SEVERE DEPRESSION, OCD
SS-ORD.	NO	NO	57	POL SUB	MAINTENANCE WORKER	11	\$25,094	D	\$345	T-CELL LYMPHOMA
ORD.	NO	NO	56	POL SUB	DISPATCHER	10	\$34,354	A	\$568	COPD, OXYGEN DEPENDENT
ORD.	NO	NO	54	STATE	INSTRUCTOR	6	\$36,218	D	\$452	ALZHEIMER'S DISEASE
INACT.	NO	NO	53	POL SUB	SUPERVISOR	5	\$22,404	A	\$28	THORACIC/LUMBAR PAIN, DISC DISPLACEMENT, DM, MORBID OBESITY
ORD.	YES	NO	56	STATE	MAINTNANCE WORKER	10	\$25,268	B	\$347	SHOULDER/NECK PAIN, ROTATOR CUFF SPRAIN

**DISAPPROVED FOR DISABILITY
SECOND QUARTER
2013-2014**

Type	Re-C	Age	Employer	Position	SVC	Disability Summary	Reason Denied
ORD.	NO	52	TEACHER	TEACHER	19	SHOULDER INJURY, CERVICAL DISC DISEASE, & LUMBAR DDD	LIMITED TO SED WRA
ORD.	NO	52	STATE	CORRECTIONAL OFFICER	6	TYPE TWO DIABETES, SEVERE NEUROPATHY, & KNEE REPLACEMENT	CAP OF SED WRA
ORD.	YES	48	TEACHER	TEACHER	16	SJOREN'S SYNDROME, DVT'S DYSTOLIC HEART FAILURE, & FIBROMYALGIA	CAP OF LGT WRA
ORD.	NO	55	STATE	MAINTENANCE WORKER	7	S/P R-HIP REPLACEMENT, & BILATERAL KNEE REPLACEMENTS	CAP SED-MED WRA
ORD.	NO	49	STATE	TRANSPORTATION ASSISTANT	9	DDD, FIBROMYALGIA, & CERVICALGIA	CAP OF SED WRA
ORD.	NO	48	POL SUB	HAMILTON	19	MULTIPLE SCLEROSIS	CAP OF LGT WRA
ACC.	NO	44	POL SUB	DEPUTY	19	S/P L4-5 LAMINECTOMY, LUMBAGO, CERVICALGIA, & CHRONIC BACK PAIN	CAP LGT-MED WRA
ORD.	NO	44	POL SUB	BUS DRIVER	13	ARNOLD-CHIARI MALFORMATION & CERVICALGIA W/NECK PAIN	CAP SED-LGT WRA, CAP DIFFERENT WRA
ORD.	NO	54	TEACHER	TEACHER	21	DEPRESSION/ANXIETY, & BI-POLAR DISORDER	CAP LGT-MED WRA
ORD.	YES	47	POL SUB	DISPATCHER	8	CERVICAL SPONDYLOSIS, CARPEL TUNNEL, & CHRONIC PAIN	CAP SED-LGT WRA
ORD.	NO	37	STATE	OFFICER III	13	LUMBAR SPONDYLOSIS, FACET SYNDROME, & CERVICAL DDD	CAP SED-LGT WRA
INACT.	NO	52	POL SUB	EQUIPMENT OPERATOR	8	PELVIC FRACTURE, BLADDER RUPTURE, & PTSD	CAP OF SED WRA
INACT.	YES	52	POL SUB	EQUIPMENT OPERATOR	8	PELVIC FRACTURE, BLADDER RUPTURE, & PTSD	CAP OF SED WRA
ORD.	NO	52	TEACHER	TEACHER	14	CROHN'S DISEASE, HNP, CHRONIC PAIN, & MAJOR DEPRESSION	CAP SED TO LGT WRA
ORD.	NO	49	POL SUB	NURSE MANAGER	9	FATIGUE & PAIN, LYME DISEASE, & FIBROMYALGIA	CAP OF LGT WRA
ACC.	NO	59	STATE	CORRECTIONAL OFFICER	7	BACK PAIN, DIABETES, & HYPERTENSION	CAP OF LGT WRA

**DISAPPROVED FOR DISABILITY
SECOND QUARTER
2013-2014**

Type	Re-C	Age	Employer	Position	SVC	Disability Summary	Reason Denied
ORD.	NO	53	STATE	CORRECTIONAL OFFICER	6	COPD, EMPHYSEMA, KNEE PAIN, & BACK PAIN	CAP OF SED WRA
ORD.	NO	43	POL SUB	EDUCATIONAL ASSISTANT	6	CARDIOMYOPATHY, & CHF	CAP LGT WRA
ORD.	NO	53	STATE	SUPERVISOR IV	5	OBESITY, CERVICAL SPONDYLOSIS, & LUMBAR SPINE STENOSIS	CAP OF LGT WRA
ORD.	NO	52	TEACHER	TEACHER	11	CAD, HTN, ASTHMA, OSA, MILD PARKINSON'S DISEASE, DEPRESSION & ANXIETY	CAP SED-MED WRA
ACC.	NO	47	POL SUB	LPN	1	URINARY AND BOWEL INCONTINANCE, VAGINAL PROLAPSE, DEPRESSION	CAP OF SED WRA
INACT.	YES	47	POL SUB	MEDIC	21	SPINAL CORD LESION, & UNSTABLE BALANCE	CAP OF SED WRA
ACC.	YES	43	TEACHER	TEACHER	15	S/P MULTIPLE OJA'S RESULTING IN HNP, PTSD, ANXIETY & PANIC D/O	CAP SED-MED WRA/CHANGE OF WRA ENVIRONMENT POSSIBLE
ORD.	YES	43	TEACHER	TEACHER	15	BIPOLAR DISORDER, DEPRESSION, SOCIAL ANXIETY, & AGORAPHOBIA	CAP OF SED WRA
ORD.	NO	55	POL SUB	TEACHER'S AIDE/BUS DRIVER	6	SEIZURES, & CERVICAL DYSTONIA	CAP SED-MED WRA
ORD.	NO	35	STATE	CORRECTIONAL OFFICER	11	CHRONIC L-ANKLE/FOOT SPRAIN, & GERD	CAP SED-MED WRA
ORD.	NO	52	STATE	PROBATION OFFICER	11	LUMBAR DDD	LIMITED TO SED WRA

FINANCIAL STATEMENTS

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
STATEMENT OF PLAN NET ASSETS
AS OF DECEMBER 31, 2013

ASSETS	
Cash and cash equivalents	\$287,744,390.48
<hr/>	
Receivables	
Member receivable	610,761.72
Employer receivable	903,048.36
Accrued interest receivable	91,326,662.05
Accrued dividends receivable	38,026,328.80
Real estate income receivable	1,594,236.40
Investments sold	467,927,532.44
Total receivables	<hr/> 600,388,569.77 <hr/>
Investments, at fair value	
Short-term securities	28,720,039.99
Government securities	8,495,092,072.93
Corporate securities	5,361,051,960.85
Corporate stocks	23,640,770,748.99
Private Equities	695,143,293.76
Real estate	2,013,319,375.86
Total investments	<hr/> 40,234,097,492.38 <hr/>
Capital Assets (net)	<hr/> 21,887,170.02 <hr/>
 TOTAL ASSETS	 <hr/> 41,144,117,622.65 <hr/>
LIABILITIES	
Retired payroll payable	263,128.00
Retiree insurance premium payable	8,299,117.98
Accounts payable	312,024.51
Investments purchased	775,718,028.85
TOTAL LIABILITIES	<hr/> 784,592,299.34 <hr/>
 NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	 \$ 40,359,525,323.31 <hr/> <hr/>

See Accompanying Notes to the Financial Statements

UNAUDITED

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
STATEMENT OF CHANGES IN PLAN NET ASSETS
JULY 1, 2013 THROUGH DECEMBER 31, 2013**

ADDITIONS	
Contributions	
Member contributions	\$103,038,809.26
Employer contributions	429,784,899.00
Total contributions	<u>532,823,708.26</u>
Investment income	
Net Appreciation in fair value of investments	2,830,640,370.65
Interest	232,748,271.87
Dividends	222,357,610.47
Real Estate income, net of operating expenses	46,059,678.67
Total investment income	<u>3,331,805,931.66</u>
Less: Investment expense	(10,465,986.37)
Net investment income	<u>3,321,339,945.29</u>
TOTAL ADDITIONS	<u>3,854,163,653.55</u>
DEDUCTIONS	
Annuity benefits	1,023,383,350.43
Death benefits	1,883,667.92
Refunds	26,523,828.31
Administrative expenses	7,752,846.02
TOTAL DEDUCTIONS	<u>1,059,543,692.68</u>
NET INCREASE	2,794,619,960.87
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
JULY 1, 2013	37,564,905,362.44
DECEMBER 31, 2013	<u>\$40,359,525,323.31</u>

See Accompanying Notes to the Financial Statements

UNAUDITED

Tennessee Consolidated Retirement System
Notes to the Financial Statements
December 31, 2013

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 includes cash and short-term investments with a maturity date within three months of the acquisition date. Cash management pools are included 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 Assets and 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. The fair value of private equity investments is determined by the fund managers using various methodologies as applicable under Generally Accepted Accounting Principles. 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.

UNAUDITED

Tennessee Consolidated Retirement System
Notes to the Financial Statements
December 31, 2013

5. **Capital Assets** - Capital assets consist of internally generated computer software in development and the completed phases of internally generated computer software, which are 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 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 of the computer software was implemented during the fiscal year ended June 30, 2012 and the second phase was implemented during the fiscal year ended June 30, 2013. Amortization of both these phases has been reflected in the statements.

B. PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION

At July 1, 2011, the date of the latest actuarial valuation, the membership of each plan consisted of the following:

	SETHEEPP	PSPP
Retirees and beneficiaries currently receiving benefits	83,041	33,544
Terminated members entitled to but not receiving benefits	22,867	9,758
Current active members	<u>135,588</u>	<u>79,488</u>
Total	241,496	122,790
Number of participating employers	140	482

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

Tennessee Consolidated Retirement System
Notes to the Financial Statements
December 31, 2013

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 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 SETHEEPP 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 SETHEEPP. 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

Tennessee Consolidated Retirement System
Notes to the Financial Statements
December 31, 2013

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.

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 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.

Tennessee Consolidated Retirement System
Notes to the Financial Statements
December 31, 2013

- 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 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.

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.

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.

Derivatives - The TCRS may buy or sell fixed income and equity index futures contracts for the purposes of making asset allocation changes in an efficient and cost effective manner and to improve liquidity. Gains (losses) on equity index futures hedge losses (gains) produced by any deviation from the TCRS' target equity allocation. The gains and losses resulting from daily fluctuations in the fair value of the outstanding futures contract are settled daily, on the following day, and a receivable or payable is established for any unsettled gain or loss as of the financial statement date. TCRS was under contract for fixed income and equity index futures and the resulting payable is reflected in the financial statements at fair value.

Tennessee Consolidated Retirement System
Notes to the Financial Statements
December 31, 2013

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. Forward currency forward contracts expose the TCRS to foreign currency risk as they are denominated in foreign currency. Any unrealized gain on foreign currency forward contracts has been reflected in the financial statements as an investment. The notional amount of the foreign currency forward contracts has been reflected in the financial statements as a receivable and a payable. Any unrealized loss on foreign currency forward contracts has been included in the payable established for the contracts.

The TCRS is authorized to invest in To Be Announced (TBA) mortgage backed securities similar to the foreign currency forward contracts. The TCRS enters into agreements to purchase pools of mortgage backed securities prior to the actual security being identified. The TCRS will roll this agreement prior to settlement date to avoid taking delivery of the security. Any unrealized gain on TBA mortgage backed securities has been reflected in the financial statements as an investment. Any unrealized loss on TBA mortgage backed securities has been included in the payable established for the mortgages. The notional amounts of these agreements have been included in the financial statements as a receivable and a payable. The TCRS invests in these derivatives to adjust its exposure to mortgage coupon risk and to replicate the return on mortgage backed securities portfolios without actually purchasing the security.

The TCRS is authorized to enter into option contracts and any income earned on option contracts has been included as investment income on the statement.

The fair values of foreign currency forward contracts are estimated based on the present value of their estimated future cash flows. Futures contracts and TBA mortgage backed securities are exchange traded and their price is based on quoted market prices at year end. It is the TCRS policy to conduct derivative transactions through the custodian bank and high quality money center banks or brokerage firms. The credit risk of foreign currency forward contracts is managed by limiting the term of the forward contracts and restricting the trading to high quality banks. The credit risk of futures contracts is managed by maintaining a daily variation margin.

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 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

Tennessee Consolidated Retirement System
Notes to the Financial Statements
December 31, 2013

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.