

FINANCIAL EMPOWERMENT

Financial Empowerment Division

Joy Harris, Assistant Treasurer

Ashley Humphrey, Senior Director

The Treasury Department has a number of customer-focused programs that educate and support the financial lives of Tennesseans. To synergize Treasury's efforts to engage members of the state's retirement plans, political subdivisions and citizens of Tennessee, and empower them to improve their financial well-being, Treasury formed the Financial Empowerment Division in August of 2015.

The Financial Empowerment Division was created through a reorganization of existing resources. The programs in the Financial Empowerment Division include:

- ABLE TN
- Treasury Outreach Program
- Retire Ready Tennessee
 - ▶ Deferred Compensation
 - ▶ Optional Retirement Plan
- Tennessee Financial Literacy Commission
- College Savings Program
 - ▶ TNStars® College Savings 529 Program
 - ▶ Baccalaureate Education System Trust Prepaid Tuition Plan (BEST)
 - ▶ Tennessee Investments Preparing Scholars (TIPS)
- Chairs of Excellence Trust
- Certified Public Administrators Program
- Small and Minority-Owned Business Program



ABLE TN
ROY WEST, MANAGER
ABLETN.gov



One of the major highlights from 2015 was the successful passage of the Tennessee Achieving a Better Life Experience Act (ABLE TN) legislation. ABLE TN will permit individuals with disabilities and their families to save and invest private funds to pay for a variety of qualified expenses related to their disability. ABLE TN accounts are tax-advantaged, low cost investment accounts administered by the Tennessee Department of Treasury in accordance with federal law and regulations. Families and individuals are expected to begin taking advantage of this program in the summer of 2016.

TREASURY OUTREACH
DREW FREEMAN, DIRECTOR
treasury.tn.gov/outreach

The Treasury Outreach division was created in 2014 to increase and improve communication with local governments, employers, and retirement participants. Treasury has an Outreach representative in every region of the state. These three representatives forge relationships with individuals and organizations in county and local governments throughout the state.

Our three Outreach staff members who represent the Tennessee Treasury Department throughout the state are:

- Drew Freeman, East Tennessee
- Josh Thomas, Middle Tennessee
- Tim Joyce, West Tennessee



Treasury's Outreach division educates employers participating in our retirement plans on the options available that will best allow their employees to maximize the retirement benefits offered to them. The division also works with counties and local governments not yet participating in our retirement plan to provide them information about joining.

RETIRE READY TENNESSEERetireReadyTN.gov

Retire Ready Tennessee is Tennessee's retirement program, consisting of the Tennessee Consolidated Retirement System, the state's deferred compensation 401k and 457b plans, and retirement readiness education. The state retirement plan covers state employees, higher education employees, K-12 public school teachers, and almost 500 local governments. Retire Ready Tennessee places significant emphasis on a comprehensive approach to planning and saving for retirement. TCA 8-36-9 created the new hybrid retirement plan, which went into effect July 1, 2014. Treasury representatives are now authorized to offer participant financial education and counseling to help members make appropriate financial choices through all stages of their career in order to encourage financial readiness at retirement. Retire Ready Tennessee will also provide educational materials and tools for public use to encourage all Tennesseans to learn to make wise decisions in planning for retirement.

DEFERRED COMPENSATION PROGRAM**KACI LANTZ, DIRECTOR**treasury.tn.gov/dc

Tennessee's Deferred Compensation 401k and 457b plans are administered by Empower Retirement. The deferred compensation program provides employees the opportunity to take an active role in planning for their retirement through self-selected investment options. Employees can choose from an array of high quality investment options including target date funds which automatically shift from an aggressive to conservative allocation as the participant get closer to his/her retirement date. In FY 2015, the Treasury Managed Fund was created, allowing employees an opportunity to invest their deferred compensation account funds in a group trust invested along with the assets of the Tennessee Consolidated Retirement System.

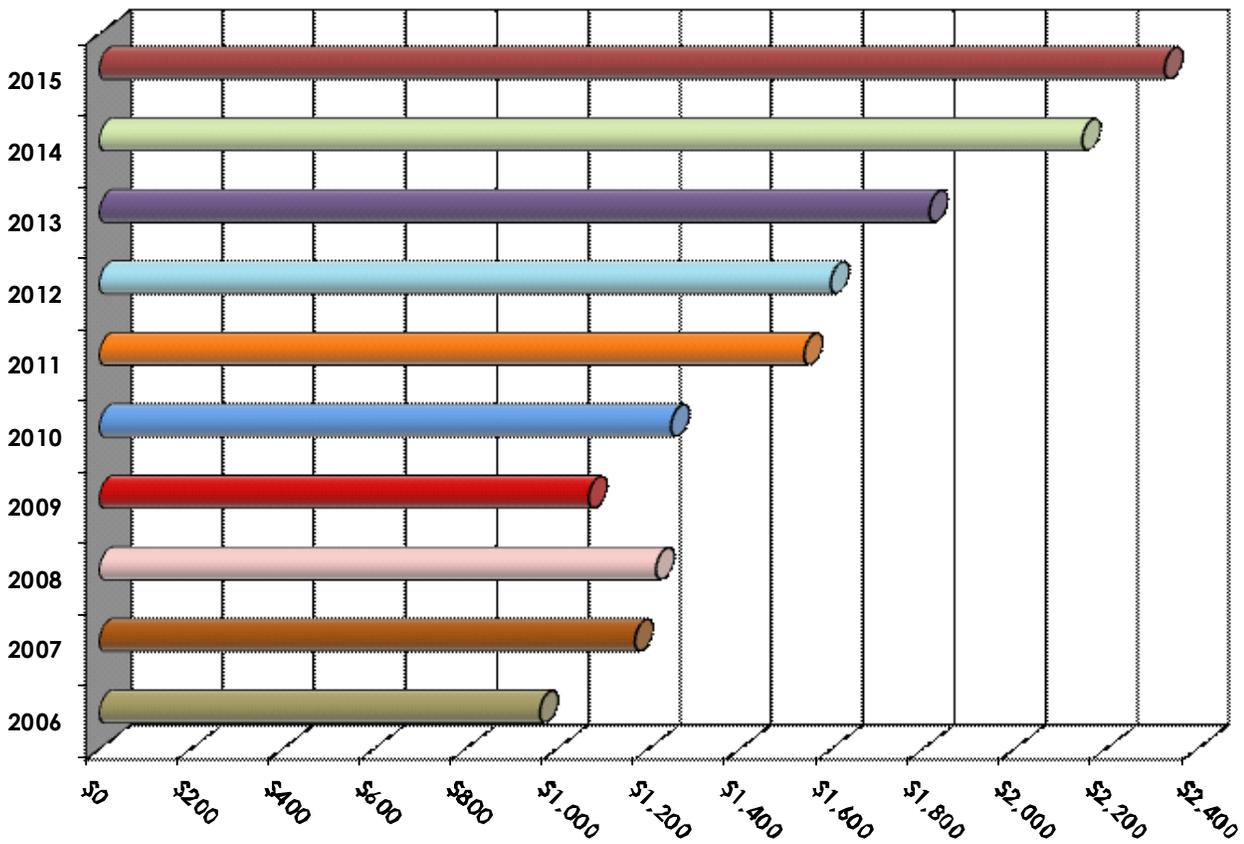
As of June 30, 2015, accounts were held by 77,390 individuals in the 401 (k) plan and 6,450 individuals in the 457 plan. At fiscal year end, 30,073 state employees, 9,635 University of Tennessee employees, 11,218 Tennessee Board of Regents and 581 Local Government employees were actively contributing to the 401(k) plan and 2,391 state employees, 774 University of Tennessee employees, 447 Tennessee Board of Regents and 85 Local Government employees were actively contributing to the 457 plan.

For the year ending June 30, 2015, contributions to the program totaled \$146.4 million. Contributions are wired for immediate crediting. At June 30, 2015, accumulated account balances totaled \$2.3 billion.

DEFERRED COMPENSATION CONTRIBUTIONS AND MARKET VALUE
FISCAL YEAR 2015

	Contributions FY 2014-2015	Market Value June 30, 2015
Plan I (457)		
Allianz	\$ 617,945	\$ 2,333,416
American General	3,294	336,567
Brown Capital	650,670	3,453,401
Calvert	566,545	<i>(closed)</i>
Columbia	1,563,714	7,275,631
Dimensional	815,486	4,784,940
Fidelity	8,327,381	146,401,928
Invesco	591,047	4,551,416
Nationwide	992,415	16,259,920
TD Ameritrade	0	556,475
Vanguard	10,535,504	67,958,546
Voya	4,011,225	47,470,420
Western Assets	51,395	8,805,431
	<u>\$ 28,726,621</u>	<u>\$ 310,188,091</u>
Plan II (401K)		
Allianz	\$ 1,656,892	\$ 14,207,861
Brown Capital	2,034,340	14,358,468
Calvert	3,045,984	<i>(closed)</i>
Columbia	5,612,181	42,967,945
Dimensional	2,633,215	17,748,977
Fidelity	54,632,050	1,192,193,801
Invesco	1,702,786	20,474,195
Nationwide	8,468,394	116,741,273
TD Ameritrade	0	3,079,684
Vanguard	57,180,601	299,700,426
Voya	15,469,012	245,249,549
Western Assets	291,765	52,183,147
	<u>\$ 152,727,220</u>	<u>\$ 2,018,905,326</u>
Total for Both Plans	<u>\$ 181,453,841</u>	<u>\$ 2,329,093,417</u>

DEFERRED COMPENSATION PROGRAM ASSETS
EXPRESSED IN MILLIONS
FISCAL YEARS 2006-2015



OPTIONAL RETIREMENT PLAN

KACI LANTZ, DIRECTOR

treasury.tn.gov/orp

The Optional Retirement Plan is a defined contribution plan. Investments are participant-directed and selected from options offered through the plan service providers using bundled contracts. ORP plan investment management and administrative services are offered by third-party administrators. Contributions to ORP for the year ended June 30, 2015 were \$100 million and ORP assets were \$3.30 billion. There were 11,588 ORP participants at June 30, 2015.

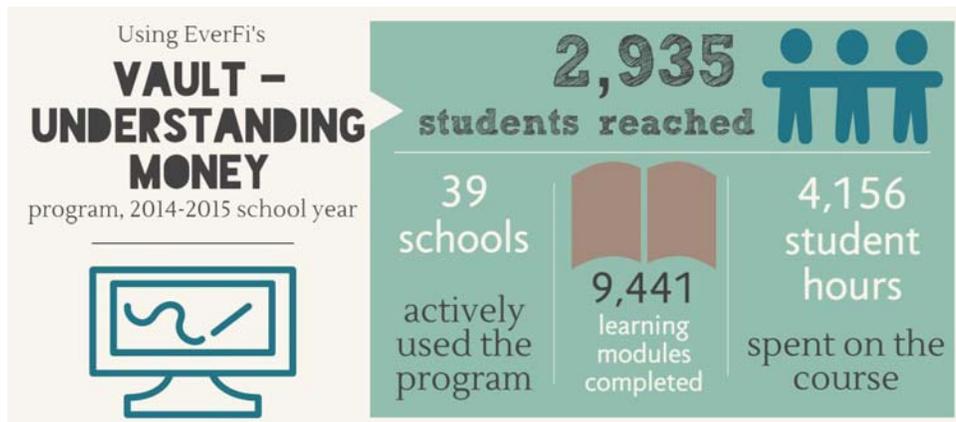
TENNESSEE FINANCIAL LITERACY COMMISSION

JAMES ARMISTEAD, MANAGER

TNFLC.org

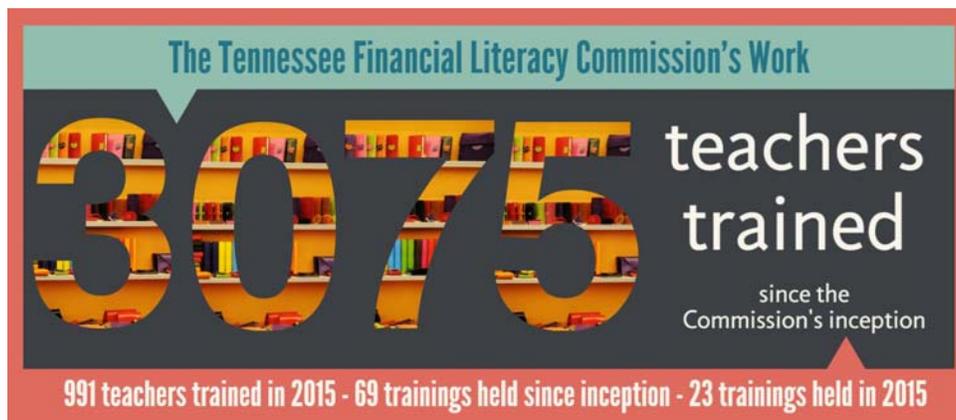


The Tennessee Financial Literacy Commission (TNFLC) was formed in 2010 with the mission to equip Tennesseans to make sound financial decisions when it comes to planning, saving and investing. To fulfil its mission, the TNFLC trains elementary and middle school teachers throughout the state to incorporate *Financial Fitness for Life*® curriculum into their classrooms. Trainings are held in the form of one-day summits and in-service trainings that any school system in the state can request. All trainings are free of charge, and teachers who attend receive a free set of curriculum. Since 2012, the TNFLC has given 3,075 teachers the resources, knowledge and confidence to explore vital financial literacy concepts with their students. To supplement the curriculum, the TNFLC also provides Tennessee teachers with access to Vault – Understanding Money, an online, interactive tool developed by Everfi which allows students to independently progress through fun and engaging modules.



The TNFLC is a 501 (c) (3) non-profit organization that is administratively attached to the Tennessee Department of Treasury. The majority of the TNFLC’s funding comes from donations from the business community throughout the state as well as private individuals. Per statute, the TNFLC releases an annual report to the general assembly each year in February.

We encourage you to view the “[Tennessee Financial Literacy Commission 2016 Progress Report](#)” for more detailed information relating to the work being accomplished by the TNFLC.



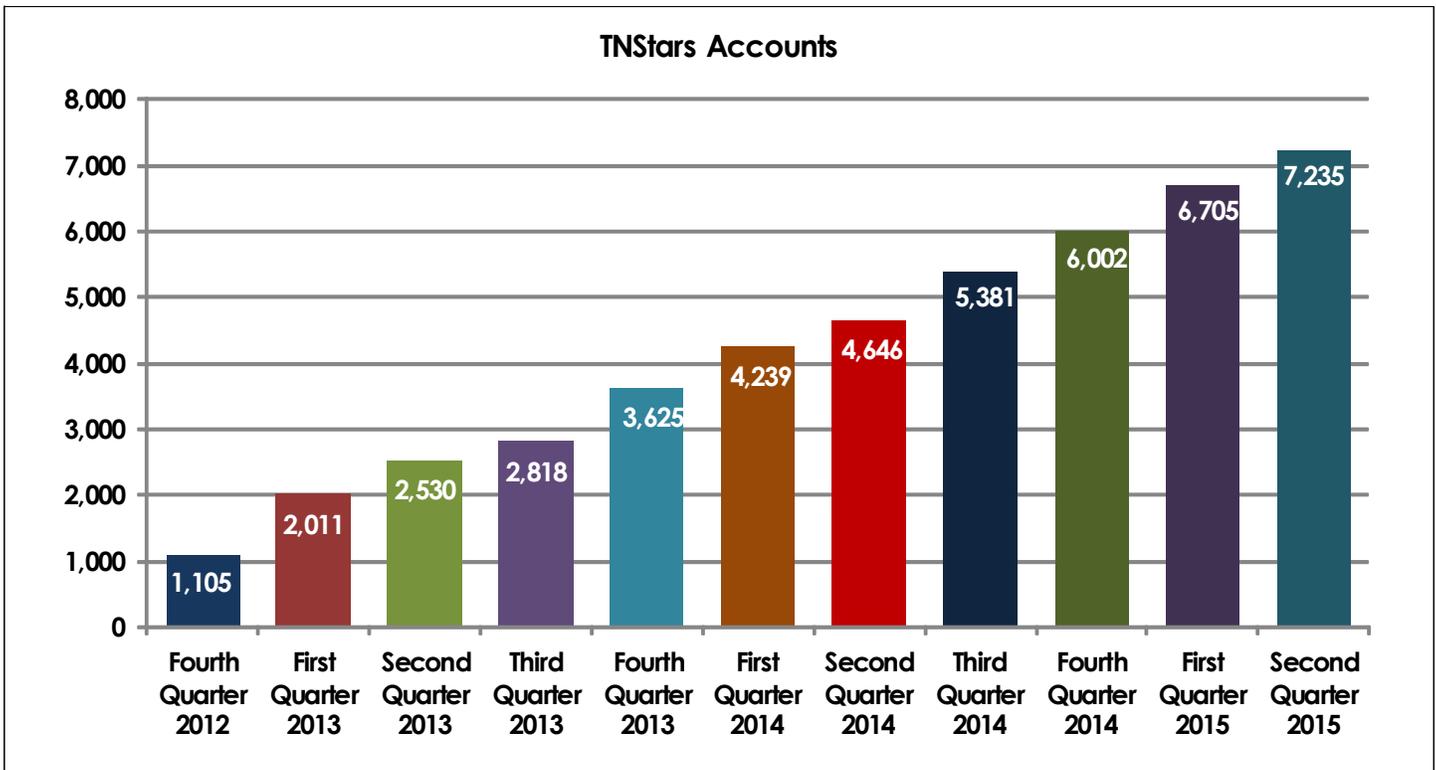
COLLEGE SAVINGS PROGRAM
LAKESHA PAGE, DIRECTOR

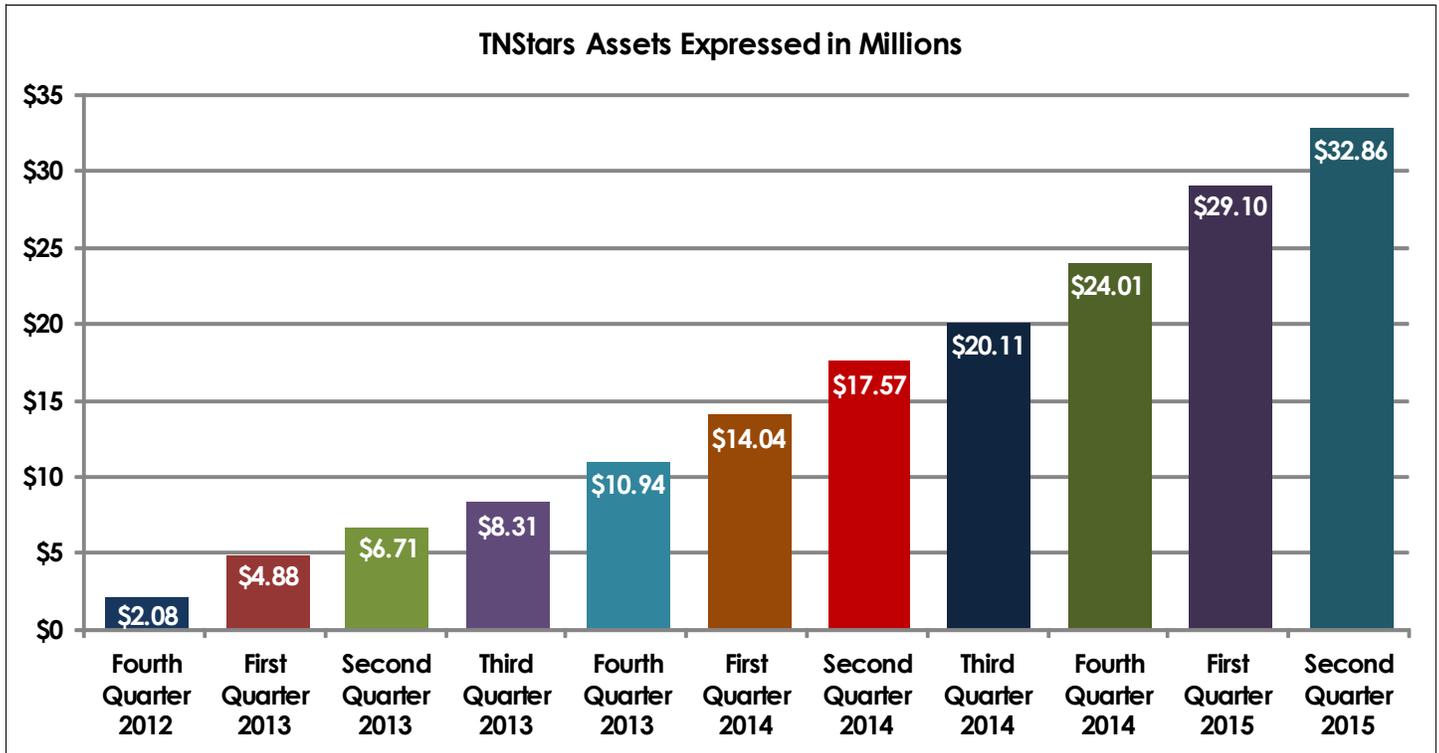


TNStars® COLLEGE SAVINGS 529 PROGRAM
tnstars.com

Treasurer Lillard understands that higher education plays a critical role in the need for a highly-skilled workforce in today's economy. In order to help more Tennesseans achieve the level of education necessary for a successful career, the Tennessee Treasury Department launched the TNStars® College Savings 529 Program. TNStars® has quickly become one of the highest-ranked programs in the country for investment performance by SavingForCollege.com. TNStars® offers families and friends a simple, tax-advantaged, low cost way to save and invest for future college expenses.

Financial Statements for the TNStars College Savings 529 Program can be found on pages 162-166.





BACCALAUREATE EDUCATION SYSTEM TRUST PREPAID TUITION PLAN

treasury.tn.gov/best

The Baccalaureate Education System Trust (BEST) Prepaid Tuition Plan was enacted in 1995 and implemented in 1997. The BEST prepaid tuition plan allowed families to purchase units valued at tuition rates at the time of purchase and paid out at future tuition rates. Due to the rising cost of tuition outpacing investment performance nationwide, many prepaid plans have taken action to close or suspend plans. In November 2010, the BEST Board of Trustees suspended the selling of units. In November 2015, the BEST Board of Trustees terminated the plan for individuals not eligible to remain in the plan under state law. The recommendation to terminate the plan was based on the assessment that the plan was financially unfeasible and not beneficial to the citizens of this State or to the State itself. Furthermore, Tennesseans now have the opportunity to take advantage of an excellent alternative for investing for higher education expenses through the TNStars College Savings 529 Program. Going forward, we will no longer report on this status of the plan, except to provide financial reports.

The Baccalaureate Education System Trust portfolio can be found on page 64, and Financial Statements can be found on pages 76-78.

TENNESSEE INVESTMENTS PREPARING SCHOLARS (TIPS)

tnstars.com/tips

The TIPS matching grant program was created to offer incentives to Tennessee residents with household incomes up to 250% of the federal poverty guidelines to participate in the TNStars College Savings 529 Program. When a TNStars participant enrolls a beneficiary in the TIPS program, the state will contribute a 4:1 match based on contributions from the participant during the annual qualifying period. Beneficiaries are eligible to receive a maximum match of \$500 per year for up to three years. State contributions are placed in an age-based investment options and withdrawals are restricted to post-secondary education expenses.



In its inaugural qualifying year ending June 30, 2015, the TIPS program helped Tennessee families to open new TNStars accounts for 163 children who received a TIPS matching grant program incentive. Families that participated during this initial nine-month qualifying period had an average household income of \$33,196.14 per year. During the qualifying period, these families contributed a total of \$56,643.95 to their TNStars accounts. The average family contribution was \$347 per account, and 140 accounts received the full \$500 matching contribution.

New Accounts Opened During Inaugural Qualifying Period October 1, 2014 – June 30, 2015		
Number of Accounts	Amount of Matching Funds	Contribution Amount (at least)
11	\$ 100	\$ 25
9	\$ 200	\$ 50
3	\$ 400	\$ 100
140	\$ 500	\$ 125

Tennessee Code Annotated, Section 65-5-113 allows some funds to be transferred from the small and minority-owned business assistance program to the board of trustees of the baccalaureate education system trust fund program to be utilized in an incentive plan for low-income individuals. The TIPS program was created to take advantage of those funds to help low-income families save for post-secondary education expenses.

CHAIRS OF EXCELLENCE PROGRAM
JAYE CHAVIS, ADMINISTRATOR

The Chairs of Excellence (COE) Trust was envisioned as an accessible source of funding for universities seeking to attract top academic talent through endowed professorships. The program is open to each of Tennessee's public four-year colleges and universities as well as the UT Space Institute. Under the program, a chair is established through private donations combined with matching contributions from the state. State law mandates that the corpus of the trust may not be expended for any purposes; therefore, distributions are made solely through investment earnings. While funds deposited by members of the public, businesses or foundations may be invested in equity securities, state funds are restricted to investment in fixed income securities. Since the beginning of the program in 1984, there have been 99 chairs created, with state appropriations totaling \$44.4 million and matching contributions totaling \$56.0 million.

FIVE-YEAR HISTORY FISCAL YEARS 2011-2015			
Fiscal Year	Investment Income/(Loss)	Total Spending of the Chairs	Asset Balance
2015	\$ 9,443,435	\$7,491,744	\$ 296,264,116
2014	41,908,051	7,128,688	294,554,531
2013	23,379,827	7,129,665	261,807,326
2012	10,300,357	7,108,557	245,745,038
2011	34,346,000	6,561,577	243,105,645

The Chairs of Excellence portfolio can be found on page 65, and Financial Statements can be found on pages 81-87.

AUTHORIZED CHAIRS OF EXCELLENCE

The University of Tennessee

Chattanooga

Cline COE in Rehabilitation Technology	McKee COE in Learning
COE in Judaic Studies	Miller COE in Management and Technology
Frierson COE in Business Leadership	Sun Trust Bank COE in the Humanities
Harris COE in Business	Unum COE in Applied Mathematics
Lyndhurst COE in Arts Education	West COE in Communications and Public Affairs

Knoxville

Blasingame COE in Agricultural Policy Studies	Gore Hunger COE in Environmental Studies
Bruce COE in Business Policy	Holly COE in Political Economy
Clayton Homes COE in Finance	Lincoln COE in Physics
COE in English	Pilot COE in Management
COE in Science, Technology and Medical Writing	Racheff Chair of Material Science and Engineering
Condra COE in Computer Integrated Engineering and Manufacturing	Racheff Chair of Ornamental Horticulture
Condra COE in Power Electronics Applications	Schmitt COE in History
Goodrich COE in Civil Engineering	Shumway COE in Romance Languages

Martin

Dunagan COE in Banking	Parker COE in Food and Fiber Industries
Hendrix COE in Free Enterprise and Economics	

Memphis

Bronstein COE in Cardiovascular Physiology	LeBonheur COE in Pediatrics (II)
Crippled Children's Hospital COE in Biomedical Engineering	Muirhead COE in Pathology
Dunavant COE in Pediatrics	Plough COE in Pediatrics
Federal Express COE in Pediatrics	Semmes-Murphey COE in Neurology
First Tennessee Bank COE in Pediatrics	Soloway COE in Urology
Gerwin COE in Physiology	UT Medical Group COE in Obstetrics and Gynecology
Goodman COE in Medicine	Van Vleet COE in Biochemistry
Hyde COE in Rehabilitation Engineering	Van Vleet COE in Microbiology and Immunology
LeBonheur COE in Pediatrics	Van Vleet COE in Pharmacology
	Van Vleet COE in Virology

Space Institute

Boling COE in Space Propulsion	H. H. Arnold COE in Computational Mechanics
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AUTHORIZED CHAIRS OF EXCELLENCE

Tennessee Board of Regents

Austin Peay State University

Acuff COE in Creative Arts	Harper/James and Bourne COE in Business
APSU Foundation Chair of Free Enterprise	Reuther COE in Nursing

East Tennessee State University

AFG Industries COE in Business and Technology	Leeanne Brown and Universities Physicians Group
Basler COE for Integration of Arts, Rhetoric and Sciences	COE in General Pediatrics
Dishner COE in Medicine	Long Chair of Surgical Research
Harris COE in Business	Quillen COE in Teaching and Learning
	Quillen COE of Medicine in Geriatrics and Gerontology

Middle Tennessee State University

Adams COE in Health Care Services	Murfree Chair of Dyslexic Studies
Jones Chair of Free Enterprise	National Healthcorp COE in Nursing
Jones COE in Urban and Regional Planning	Russell COE in Manufacturing Excellence
Miller COE in Equine Health	Seigenthaler Chair of First Amendment Studies
Miller COE in Equine Reproductive Physiology	

Tennessee State University

COE in Banking and Finance	Frist COE in Business Administration
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Tennessee Technological University

Mayberry Chair of Business Administration	Owen Chair of Business Administration
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University of Memphis

Arthur Andersen Company Alumni COE in Accounting	Herff COE in Law
Bornblum COE in Judaic Studies	Lowenberg COE in Nursing
COE in Art History	Moss COE in Computer Science
COE in Free Enterprise Management	Moss COE in Philosophy
Federal Express COE in Management Information Systems	Moss COE in Psychology
Feinstone COE in Molecular Biology	Moss COE in Urban Education
Fogelman COE in Real Estate	Plough COE in Audiology and Speech Language Pathology
Hardin COE in Combinatorics	Sales and Marketing Executives of Memphis COE in Sales
Hardin COE in Economics/Managerial Journalism	Shelby County Government COE in International Economics
Herff COE in Biomedical Engineering	Sparks COE in International Relations
Herff COE in Computer Engineering	Thompson-Hill COE in Accounting
	Wang COE in International Business
	Wunderlich COE in Finance

CERTIFIED PUBLIC ADMINISTRATORS PROGRAM
JAYE CHAVIS, ADMINISTRATOR

The University of Tennessee Institute for Public Service administers the "County Official's Certificate Training Program Act." Certain full-time county officials are eligible for an educational incentive payment if the officials have completed the continuing education requirements of the program. Educational incentive payments are issued annually by the Department of Treasury based on a list of eligible recipients provided by The UT Institute for Public Service.

The following table outlines county officials receiving payment in October, 2014 based on job type.

County Official	Number Receiving Payment	County Official	Number Receiving Payment
Register of Deeds	57	Chief Administrative Officer of Highways	12
Trustee	54	Sheriff	5
Clerk & Master	47	Juvenile Court Clerk	3
County Clerk	47	Criminal Court Clerk	2
Circuit Court Clerk	43	General Sessions Court Clerk	1
County Mayor/County Executive	32	Probate Court Clerk	0
Assessor of Property	22	Total	<u>325</u>

The table below outlines a five-year history of educational incentive payments. Payment amount are determined by the program's annual state appropriate divided by the number of eligible recipients in that year.

Fiscal Year Ended June 30	Recipients	Amount Paid Per Recipient	Total Payments
2015	325	\$ 1,253	\$ 407,225
2014	327	1,249	408,423
2013	328	1,242	407,376
2012	299	1,362	407,238
2011	332	1,223	406,036

Each county is encouraged and authorized to provide, through its annual budget, for an additional payment of an annual educational incentive to employees who have attained the "Certified Public Administrator" designation. This incentive is not to exceed \$3,000 less any incentive payment made by the Department of Treasury. Such payments shall be paid by the county by October 31 of each year. The County Mayors shall provide to the State Treasurer the amount of any educational incentive paid by the county and the number of persons receiving such incentive. Summary information is provided below:

Number of Counties that Provided an Incentive	15
Number of Counties that Did Not Provide an Incentive	62
Number of Counties that Did Not Provide Information	<u>18</u>
Total	95
Total Amount of Incentives Paid	\$254,851
Total Number of Recipients	168
Average Incentive Payment	\$ 1,517

SMALL AND MINORITY-OWNED BUSINESS ASSISTANCE PROGRAM

SMALL AND MINORITY-OWNED BUSINESS (SMOB) ASSISTANCE PROGRAM

JAYE CHAVIS, ADMINISTRATOR

treasury.tn.gov/smob

The Treasury Department administers the daily operations of the SMOB program and oversees activities of the lenders who make loans to businesses that qualify for participation. The principle function of the SMOB Program is to provide a significant state-wide platform through a support structure that fosters the expansion of small and minority-owned businesses in Tennessee. The SMOB program consists of two components: loans and program services.

Lenders for the SMOB program:

- Chattanooga Neighborhood Enterprises
- East Tennessee Development District
- Nashville Minority Business Development Loan Fund
- Pathway Lending
- South Central Tennessee Development District
- Tri-State Bank of Memphis

OUTSTANDING LOANS AS OF JUNE 30, 2015				
Race	Male	Female	Number of Loans	Total Loans By Race
African-American	\$210,737	\$537,637	21	\$ 748,374
White	284,286	134,851	10	419,137
Other	<u>31,760</u>	<u>0</u>	<u>1</u>	<u>31,760</u>
Total Loans	<u>\$526,783</u>	<u>\$672,488</u>	<u>32</u>	<u>\$1,199,271</u>

To find more information about the SMOB program, please visit treasury.tn.gov/smob.