

PROGRAM SERVICES

Program Services Division

Steve Summerall, Assistant Treasurer

- Tennessee Consolidated Retirement System
 - Membership
 - Contributions
 - Retirement Benefits
 - Eligibility
 - Death and Disability Benefits
 - Cost-of-Living Adjustments
 - Actuarial Valuation
 - Political Subdivisions
 - Social Security

- Flexible Benefits

- Risk Management and Claims Administration
 - Risk Management
 - ◆ Cyber Incident Response Plan (CIRP)
 - Claims Administration
 - ◆ Workers' Compensation
 - ◆ Tort Liability
 - ◆ Criminal Injuries Compensation
 - ◆ Sexual Assault Forensic Exam Reimbursement
 - ◆ Teacher's Excess Liability Coverage
 - ◆ Interlock Assistance Fund Reimbursement

- Unclaimed Property



TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

JILL BACHUS, DIRECTOR

JAMIE WAYMAN, ASSISTANT DIRECTOR

treasury.tn.gov/tcrs

The Tennessee Consolidated Retirement System (TCRS) was established July 1, 1972. Before the retirement system was consolidated, there were seven different public employee retirement systems. Qualified under 401 (a) of the Internal Revenue Code, TCRS is the defined benefit plan for state employees, higher education employees, teachers, and local government employees.

TCRS publishes a comprehensive annual report each year. The full report for the fiscal year ending June 30, 2015 can be accessed [here](#).

MEMBERSHIP

Membership in TCRS is a condition of employment for full-time state employees, teachers, general employees in higher education, and the employees of local governments that participate in TCRS. Membership is optional for certain part-time employees. Faculty employees and employees exempt from the Federal Fair Labor Standards Act in higher education may participate in either TCRS or an Optional Retirement Program (ORP), which is a defined contribution plan designed for faculty employees in institutions of higher education. Beginning July 1, 2014, new state employees and Tennessee public school teachers are enrolled in the hybrid pension plan, a plan comprised of the defined benefit managed by TCRS and deferred compensation components, where assets go into the state's 401 (k) plan.

As of June 30, 2015, there were 231,778 active members in TCRS, of which 20,182 were active members of the hybrid pension plan.

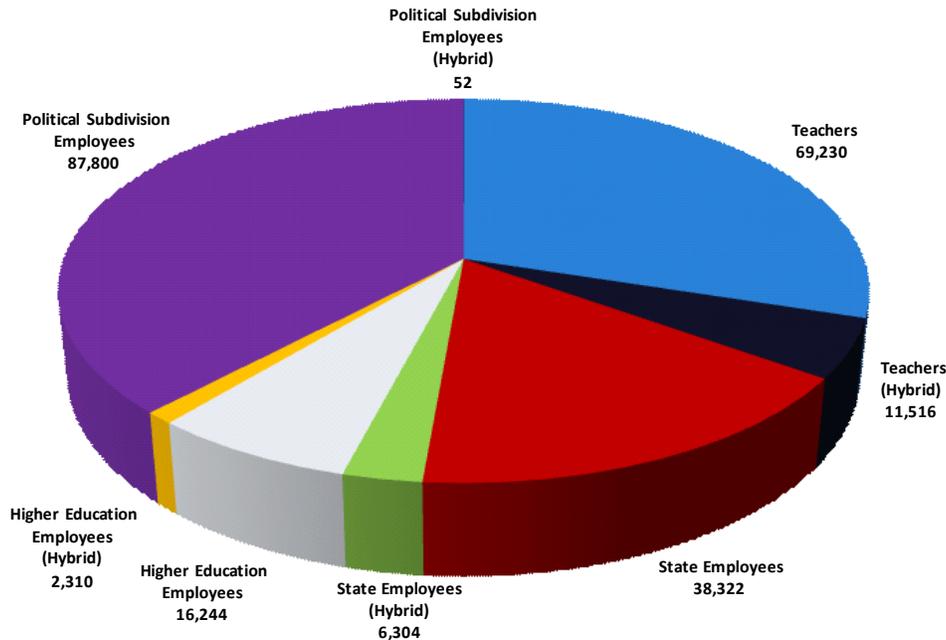
ACTIVE MEMBERS

FISCAL YEARS 2011-2015

Year	Teachers Legacy Pension Plan	Teachers Retirement Plan	Public Employee Retirement Plan						Total
	Teachers	Teachers (Hybrid)*	State Employees	State Employees (Hybrid)*	Higher Education Employees	Higher Education Employees (Hybrid)*	Political Subdivision Employees	Political Subdivision Employees (Hybrid)*	
2011	79,583	0	42,142	0	16,409	0	81,780	0	219,914
2012	73,449	0	42,171	0	16,693	0	78,180	0	210,493
2013	73,306	0	41,856	0	16,590	0	77,815	0	209,567
2014	78,506	0	40,581	0	16,829	0	78,144	0	214,060
2015	69,230	11,516	38,322	6,304	16,244	2,310	87,800	52	231,778

*Reflects one full year of eligibility.

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM



CONTRIBUTIONS

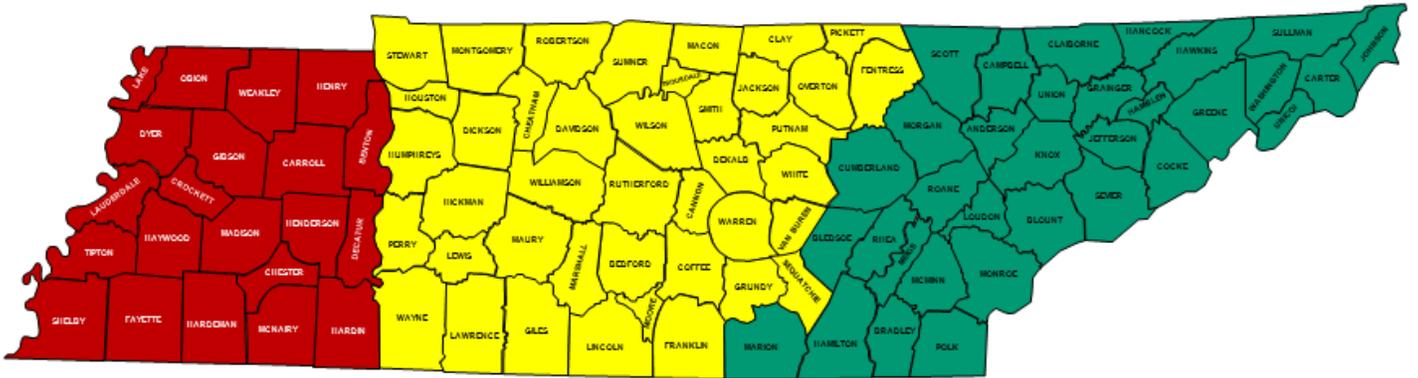
The funding of retirement benefits is financed by member contributions, employer contributions, and the earnings of the invested assets. The employee contributions of certain state employees and higher education employees are assumed by the state. State and Higher Education Employees hired after July 1, 2014 are contributory members. Local governments may adopt either contributory or noncontributory provisions for their employees. Tennessee public school teachers are contributory members of TCRS. Most employee contributions are assessed at 5% of salary, but may vary by classification.

The contribution rate for the employers participating in the retirement system is determined by an actuarial valuation performed by an independent actuarial firm. The contribution rates include funding for the basic benefit, the cost-of-living increase provisions, and amortization of any accrued liability. Employer contribution rates for local governments are individually determined. The contribution rates for both employer and employee for the year ending June 30, 2015 were as follows:

Legacy Plan			
		Employer	Employee
State and Higher Education	Defined Benefit Rate	15.03%	0%
	Defined Contribution Rate	n/a	n/a
Teacher	Defined Benefit Rate	9.04%	5.00%
	Defined Contribution Rate	n/a	n/a
ORP and Higher Education		10%	0%
Hybrid Plan			
State, Higher Education, and Teachers	Defined Benefit Rate	4.00%	5.00%
	Defined Contribution Rate	5.00%	2.00%
Totals		<u>9.00%</u>	<u>7.00%</u>
ORP (Higher Education Only)		9.00%	5.00%

RETIREMENT BENEFITS

TCRS paid benefits to 138,975 retirees, totaling \$2.2 billion in benefits paid in fiscal year 2015. Of those receiving a retirement benefit from TCRS, 93% currently reside in Tennessee. TCRS pays benefits to retirees in each of the 95 Tennessee counties.

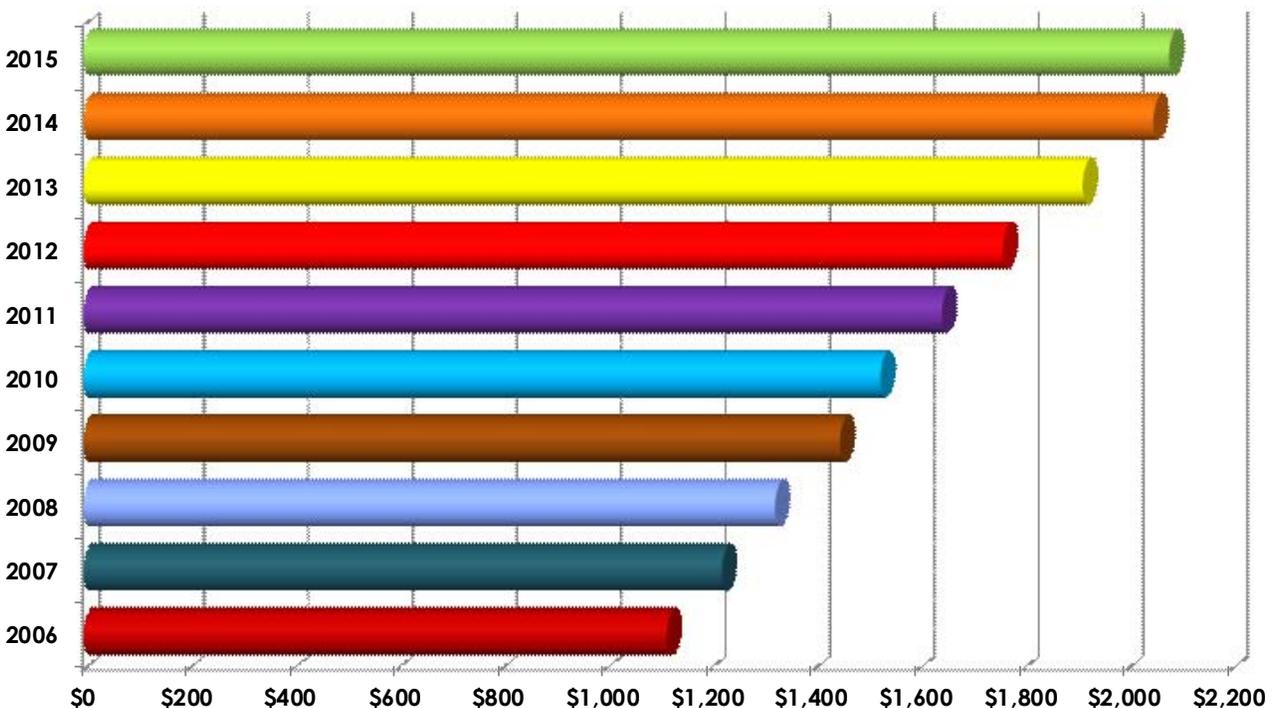


West Tennessee
 33 Counties
 50,509 Retirees
 \$768,594,482 Paid

Middle Tennessee
 41 Counties
 46,273 Retirees
 \$739,358,097 Paid

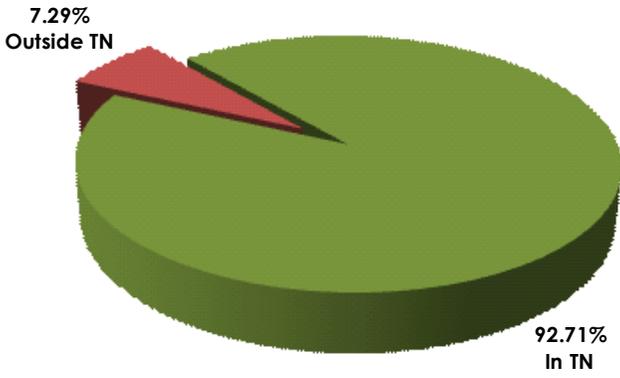
East Tennessee
 21 Counties
 31,301 Retirees
 \$528,498,857 Paid

**Annual Benefits Payments
 Fiscal Years 2006-2015
 (Dollars in Billions)**



TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

County	# of Retirees	Payments	County	# of Retirees	Payments	County	# of Retirees	Payments
Anderson	1,962	\$30,598,639	Grundy	331	\$ 4,654,837	Meigs	200	\$ 3,235,058
Bedford	745	10,726,266	Hamblen	1,270	20,221,162	Monroe	795	9,927,074
Benton	471	5,831,800	Hamilton	6,154	98,875,003	Montgomery	2,952	42,713,100
Bledsoe	471	5,455,671	Hancock	128	2,333,603	Moore	84	1,340,699
Blount	3,104	48,644,629	Hardeman	1,050	14,317,443	Morgan	600	7,406,496
Bradley	1,731	26,719,522	Hardin	682	9,154,854	Obion	891	12,025,914
Campbell	929	13,299,848	Hawkins	2,954	44,645,840	Overton	519	6,969,960
Cannon	383	4,973,917	Haywood	584	8,710,316	Perry	277	3,317,096
Carroll	750	10,973,749	Henderson	455	7,108,859	Pickett	137	1,663,163
Carter	3,603	52,609,393	Henry	911	12,362,460	Polk	308	4,298,146
Cheatham	715	11,050,612	Hickman	688	8,257,987	Putnam	2,661	38,848,215
Chester	540	7,768,069	Houston	134	1,879,524	Rhea	703	9,020,089
Claiborne	865	11,532,628	Humphreys	497	6,312,267	Roane	1,505	20,119,171
Clay	149	1,969,367	Jackson	223	2,580,013	Robertson	1,328	21,523,237
Cocke	771	10,532,023	Jefferson	1,327	19,725,377	Rutherford	4,025	69,423,970
Coffee	1,090	18,174,031	Johnson	552	5,228,918	Scott	504	6,154,771
Crockett	367	5,363,322	Knox	7,863	139,915,711	Sequatchie	341	4,102,481
Cumberland	1,127	13,729,369	Lake	288	3,181,780	Sevier	1,489	22,537,941
Davidson	9,899	184,797,983	Lauderdale	891	11,386,779	Shelby	14,435	284,371,840
Decatur	282	4,536,276	Lawrence	1,008	14,176,451	Smith	392	5,305,288
DeKalb	408	5,578,510	Lewis	310	3,595,865	Stewart	333	5,229,705
Dickson	1,049	17,366,106	Lincoln	773	10,267,829	Sullivan	1,880	29,924,600
Dyer	670	11,946,975	Loudon	975	15,837,052	Sumner	2,882	47,168,669
Fayette	914	13,706,181	Macon	314	4,776,463	Tipton	1,068	16,179,992
Fentress	471	6,236,992	Madison	2,903	45,774,253	Trousdale	188	2,569,377
Franklin	877	11,267,544	Marion	540	7,434,605	Unicoi	445	5,598,294
Gibson	1,377	20,320,964	Marshall	601	9,079,731	Union	277	3,536,305
Giles	550	8,676,108	Maury	1,455	23,858,511	Van Buren	212	2,205,813
Grainger	420	6,122,351	McMinn	988	14,865,574	Warren	972	13,646,638
Greene	2,311	33,072,075	McNairy	659	8,779,411	Washington	1,758	25,437,900
						Wayne	400	5,265,044
						Weakley	1,113	14,697,618
						White	711	9,063,219
						Williamson	2,950	54,061,438
						Wilson	2,239	34,684,070
							128,083	\$ 2,036,451,796



Payments to Recipients Living in Tennessee	\$ 2,036,451,796
Payments to Recipients Living Outside Tennessee	153,729,313
Total Payments	\$ 2,190,181,109

ELIGIBILITY

In the closed pension plan for state employees and teachers, which remains open for certain local government employees, the benefit accrual formula under the defined benefit plan is 1.575% based on a five-year average salary. Employees in this plan become eligible to retire from the TCRS at age 60 with five years of service or at any age with 30 years of service. State employees, teachers, and most political subdivision employees become vested after five years of service. A reduced retirement benefit is available to vested members at age 55 or upon completion of 25 years of service.

For the hybrid pension plan, the benefit accrual formula under the defined benefit plan is 1% based on a five year average salary. Eligibility to retire is age 65 or the Rule of 90 (where age and service equal 90). Employees participating in the defined benefit pension plan become vested after five years of service. In addition, employees have immediate vesting to contributions deposited in the deferred compensation plan. A reduced retirement benefit is available to vested members at age 60 or upon reaching the Rule of 80.

DEATH AND DISABILITY BENEFITS

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 benefits paid to active members whose disability is a result of an accident or injury occurring while the member was in the performance of duty.

Certain death benefits are available to the beneficiary(s) of a member who dies prior to retirement. At retirement, a member may select an optional benefit that is actuarially reduced so that his beneficiary may continue to receive a benefit after his death.

COST-OF-LIVING ADJUSTMENTS (COLA)

Cost-of-living adjustments (COLA) after retirement are based on the Consumer Price Index (CPI). If there is an increase in the CPI of as much as .5% in any calendar year, the retired member's benefit will be adjusted by an amount equal to the increase in the CPI, not to exceed 3% nor be less than 1%.

ACTUARIAL VALUATION

An actuarial valuation of the TCRS is performed by an independent actuarial firm every two years. Beginning July 1, 2015, the actuarial valuation will occur annually. The purpose of the valuation is to assess the funding status and to determine the funding requirements for the employers participating in the TCRS. The valuation was performed July 1, 2013 to establish the employer contribution rates effective July 1, 2014 through June 30, 2016. The TCRS Board of Trustees is responsible for adopting the employer contribution rates after reviewing the actuarial results. In addition to the actuarial valuation, an experience study is conducted every four years for the purpose of establishing actuarial and economic assumptions to be used in the actuarial valuation process.

Due to new Governmental Accounting Standards Board (GASB) pronouncements, an actuarial valuation was performed as of June 30, 2014 to determine the TCRS financial position. The net pension liability and funded percentage is as follows:

	<u>State</u>	<u>Teachers</u>	<u>Local Governments</u>
Net Pension Liability (Asset)	\$689.9 million	(\$16.2 million)	(\$171.5 million)
Funded Percentage	95.11%	100.08%	102.12%

Following are the assumptions used in the July 1, 2013 actuarial valuation of the plan:

Economic Assumptions

- (1) 7.5% annual return on investments
- (2) Graded salary scale reflecting plan experience
- (3) 3.5% annual increase in Social Security wage base

Actuarial Assumptions

- (1) Pre-Retirement mortality based on age and sex
- (2) Post-Retirement mortality based on age
- (3) Disability rate based on age
- (4) Turnover rate based on age and length of service
- (5) Retirement age distribution based on age and service

POLITICAL SUBDIVISIONS

Political subdivisions may participate in the TCRS if the chief governing body passes a resolution authorizing coverage and accepting the liability associated with the coverage. Each political subdivision is responsible for the retirement cost of its employees and, in addition to employer contributions, pays the TCRS a fee for TCRS administration.

POLITICAL SUBDIVISION PARTICIPATION

Participation as of June 30, 2015:

Cities	178
Counties	87
Utility Districts	71
Special School Districts	19
Local Education Agencies	5
Joint Ventures	22
Housing Authorities	11
911 Emergency Communication Districts	47
Miscellaneous Authorities	<u>57</u>
Total	<u>497</u>

The 2015 Comprehensive Annual Financial Report for TCRS can be accessed [here](#).

SOCIAL SECURITY

When the Social Security Act (the Act) passed in 1935, government employees were determined to be excluded from coverage. However, the option to voluntarily join Social Security and Medicare was made available to state and local governments effective January 1, 1951.

As part of the legal requirements of the Social Security Act, the State of Tennessee is required to appoint a State Social Security Administrator (SSSA). Since the establishment of the Old Age & Survivors Insurance Agency (OASI) in the early 1950s, there have been only six SSSAs administering Section 218 of the Act for Tennessee public employees. Section 218 relates to coverage agreements and modifications as well as to coverage determinations.

Prior to 1951, Social Security coverage was not available to public employees. Amendments to the Social Security Act made in 1950 allowed certain groups of state and local government employees who were not covered by an employer-sponsored retirement plan to voluntarily participate in Social Security. Amendments made in 1954 allowed coverage for public employees who were covered by an employer-sponsored retirement plan if federal referendum requirements were met.

The Tennessee Master Agreement was executed on August 16, 1951. It provided full Social Security coverage (retirement, survivors, disability and hospital insurance) to public employees who were not covered by an employer-sponsored retirement plan. A modification to the agreement, effective January 1, 1956, provided Social Security coverage to employees serving in positions which were then covered by the Tennessee State Retirement System and the Tennessee Teachers' Retirement System. After the Tennessee Consolidated Retirement System was established July 1, 1972, a statewide Social Security coverage referendum was held among eligible employees.

The 1985 Budget Reconciliation Act mandated Medicare hospital insurance coverage for public employees hired after March 31, 1986 who do not have full Social Security coverage. In January 1987, the Internal Revenue Service took over collection of state and local government employee FICA taxes. Prior to 1987, the State and local entities turned the money over to the State Administrator who then turned the collected taxes over to the Social Security Administration by depositing the funds in the nearest Federal Reserve Bank. The Omnibus Budget Reconciliation Act of 1990 (OBRA) generally mandated full Social Security coverage for state and local government employees who are not covered by an employer-sponsored retirement plan.

Effective in 1991, separate wage bases were implemented for Social Security and Medicare and separate reporting of withholding was required.

***Financial Statements for the
Tennessee Consolidated
Retirement System
can be found on pages 125-151.***

FLEXIBLE BENEFITS PLAN

treasury.tn.gov/flex

The Flexible Benefits Plan is an optional benefit plan that enables state employees to pay for certain expenses with tax-free salary. Authorized under Section 125 of the Internal Revenue Code, this plan allows employees to avoid income tax and Social Security tax on the portion of the upcoming year's salary they agree to set aside for that year's (1) group medical insurance premiums, (2) group dental insurance premiums, (3) out-of-pocket medical expenses and (4) dependent care expenses.

In exchange for its favorable tax treatment, the plan must comply with specific rules set forth by the Internal Revenue Code and Regulations. Employees must decide what they will purchase through the plan and how much they will spend before the year begins. State employees enrolled in a group health or dental insurance program are automatically enrolled in the insurance premium portion of the plan. Use of the other benefit options requires a new election each year.

Enrollment in the plan is for a full calendar year. Enrollments may not be changed after the year has begun unless the employee experiences a change in family status and reports that change promptly. Employees must use the amounts set aside in each category for corresponding expenses incurred during the year and any amount not used by the employee must be subject to forfeiture.

Effective January 1, 2009, the Flexible Benefits Plan offers employees the opportunity to open transportation and parking flexible benefits accounts as authorized by Section 132 of the Internal Revenue Code. These accounts benefit employees by allowing them to designate an amount, up to the established limitations, to be withheld from their paychecks as a pre-tax benefit. These deductions are exempt from Federal Income and Social Security taxes. Participation in this program will result in the employee having a lower tax obligation during each calendar year in which they participate.

Unlike medical and dependent care flexible benefits accounts, there is no requirement for new employees to enroll within 30 days of being hired and there is no annual enrollment period for existing employees. An employee may enroll in a transportation account and/or a parking account at any time during employment. Transportation and parking flexible benefits accounts can be terminated at any time by the employee.

At June 30, 2015, over 35,000 state employees were enrolled in one or more of the plan's four Section 125 options: 35,116 employees used the plan to pay medical insurance premiums, 28,050 paid dental insurance premiums, 3,417 used the medical expense reimbursement account and 357 used the dependent care reimbursement account. In addition, 223 and 51 state employees participated in the parking and transportation reimbursement accounts, respectively.

***Financial Statements for the
Flexible Benefits Plan
can be found on pages 97-98.***

DIVISIONS OF RISK MANAGEMENT AND CLAIMS ADMINISTRATION
RODNEY ESCOBAR, DIRECTOR
AMY DUNLAP, ASSISTANT DIRECTOR

RISK MANAGEMENT
treasury.tn.gov/risk

The State of Tennessee is self-insured and Risk Management oversees the purchase of insurance for various potential exposures, promotes loss prevention, and suggests and monitors safety initiatives among the State participants. The State contracts with private insurance brokers to research the insurance market and targets only highly-rated insurance carriers which are capable and willing to provide competitive insurance quotes for the state's various lines of coverage. This ensures the best possible coverage at the best rates, year after year. These ongoing efforts produce insurance coverage for all State-owned buildings and contents, including:

- losses due to flood and earthquake
- aviation
- fine arts
- boilers and inspection services
- cyber liability
- fidelity and crime protection against employee dishonesty

From July 1, 2014 to June 30, 2015, the State's total insured property values were \$20,566,483,500.

Loss prevention and control services are also provided for workers' compensation and tort liability.

See below chart for lines of insurance, coverages, limits, deductibles/self-insurance retention, and premiums:

LINE OF INSURANCE	COVERAGE	LIMIT	DEDUCTIBLE / SIR	PREMIUM	
*Builder's Risk	Covered Property at Scheduled Location	\$25,000,000	\$10,000	\$10,000	
	Property In Transit	\$500,000			
	Property at Temporary Locations	\$1,000,000			
	Ordinance or Law coverage A, B, & C	\$1,000,000			
	Earth Movement & Flood	<i>Specific for counties listed.</i>			<i>Specific for counties listed.</i>
Fine Arts	At Insured's Premises	\$75,000,000	N/A	\$38,000	
	Worldwide, any other location	\$25,000,000			
	In transit, on any one conveyance	\$25,000,000			\$35,190 (Premium)
	In any one loss/ disaster	\$75,000,000			\$2,810 (TRIA)
	Terrorism	\$75,000,000			

LINE OF INSURANCE	COVERAGE	LIMIT	DEDUCTIBLE / SIR	PREMIUM
Earthquake (New Madrid)	Per Occ/ Annual Agg	\$25,000,000 xs \$25,000,000	Primary Policy #17728109	\$290,000
Crime	Per Occ Employee Theft Per loss	\$3,000,000	\$100,000	\$86,166 Crime premium is locked for three years. Evidenced annual premium only.
	Per Occ Forgery or Alteration	\$3,000,000	\$100,000	
	Per Occ Inside Premises Theft or Money & Securities	\$3,000,000	\$100,000	
	Per Occ Inside Premises Robbery, Safe Burglary, Other Property	\$3,000,000	\$100,000	
	Per Occ Outside the Premises	\$3,000,000	\$100,000	
	Per Occ Computer Fraud	\$3,000,000	\$100,000	
	Per Occ Funds Transfer Fraud	\$3,000,000	\$100,000	
	Per Occ Money Orders & Counterfeit Paper Currency	\$3,000,000	\$100,000	
Cyber Liability	Multimedia Liability	\$5,000,000	\$500,000	\$242,175.00 \$242,000 (Premium) \$175 (Policy Fee)
	Security and Privacy	\$5,000,000	\$500,000	
	Privacy Regulatory Defense/Penalties	\$5,000,000	\$500,000	
	Privacy Breach Response Costs	\$3,000,000	\$500,000	
	Network Asset Protection*	\$1,000,000	\$500,000	
	Cyber Extortion	\$5,000,000	\$500,000	
	Cyber Terrorism	\$5,000,000	\$500,000	

LINE OF INSURANCE	COVERAGE	LIMIT	DEDUCTIBLE / SIR	PREMIUM
Property	Total Insured Values (TIV)	\$19,362,348,300		
	Per Occurrence	\$750,000,000		\$4,908,541.00
	Per Occ/ Agg Earthquake	\$50,000,000		\$4,869,991 (Premium includes Engineering and TRIA - below)
	Per Occ/ Agg Earthquake (New Madrid Zones)	\$25,000,000	\$10,000,000 Per Occ Flood & Earthquake	\$38,550 (Engineering Services)
	Per Occ/ Agg Flood	\$50,000,000	\$25,000 Per Occ/ \$10,000,000 Ann Agg	\$140,740 (TRIA)
	Per Occ/ Agg Flood (Special Flood Areas)	\$25,000,000		
	Per Occ Accounts Receivable	\$25,000,000		Rate of 0.0244 is locked for two years provided certain subjectivities are met. Please see the policy for full details.
	Per Occ Newly Acquired Locations	\$25,000,000		
	Per Occ Business Interruption/ Extra Expense	\$100,000,000		
	Per Occ EDP	\$25,000,000		
	Per Occ Terrorism	\$250,000,000		

**Note: On May 8, 2012, the Board of Claims adopted a requirement for contractors shall provide Builders Risk Insurance Coverage for all construction contracts. The State no longer provides this coverage for State construction projects.*

CYBER INCIDENT RESPONSE PLAN (CIRP)

The Board of Claims authorized Risk Management to purchase a cyber liability insurance policy to cover all agencies of General Government, the University of Tennessee higher education system, and the Tennessee Board of Regents higher education system effective July 1, 2013. The cyber insurance policy covers items such as privacy breach response costs including customer notification and credit monitoring with a \$3 million aggregate limit, security and privacy liability with a \$5 million aggregate limit, and network asset protection that has a \$1 million aggregate limit. The insurance deductible for the Cyber Policy is \$500,000 per occurrence. In 2014-2015FY, Risk Management developed a Cyber Incident Response Plan (CIRP) that is designed to assist all State agencies, Tennessee Board of Regents, and the University of Tennessee in the event of a cyber-incident involving a data breach of personal identifiable information, health information, business account information, and educational information. Cyber Incident Response Plan (CIRP) is used as a structured guide in the event an agency and/or higher learning institution experiences a cyber-incident. The CIRP will help these state entities with assessing, reviewing, responding to, and recovering from the adverse effects of cyber-incidents, and ensure that the State complies with the terms and conditions of its cyber liability insurance policy necessary for reimbursement. The Cyber Incident Response Plan was reviewed by Strategic Technology Solutions, Comptroller's Office, and the Treasury Department. The Cyber Incident Response Plan is projected to be disseminated statewide in January 2016.

Note: On January 7, 2016, the Cyber Incident Response Plan was signed by Treasurer Lillard and submitted to all state entities.

***Financial Statements for the
Risk Management Fund
can be found on pages 107-111.***

CLAIMS ADMINISTRATION

treasury.tn.gov/ClaimsAdmin

Claims Administration reviews and makes determinations on claims made against the State (workers' compensation by state employees, employee property damage, and tort liability), as well as claims filed for criminal injuries compensation, sexual assault forensic examination reimbursement and interlock reimbursement. The division also provides support to the Board of Claims.

WORKERS' COMPENSATION

treasury.tn.gov/wc

The division contracts with a third-party administrator for the processing of workers' compensation claims and provides managed-care services to all state employees who are injured while performing their daily work duties. The current third-party administrator, Corvel, administers a provider network for medical treatment to ensure the best quality care for assisting injured employees with their recovery process. Managed-care services also provide 24/7 nurse triage, pre-certification for inpatient hospital care, bill review, large case management, and other services to appropriately manage the costs of workers' compensation claims.

**Since a mandated fee schedule became effective in 2006, a preferred provider network has allowed the State to negotiate further savings after that mandatory reduction. In addition, the pharmacy network program for state employees and higher education employees generated savings on pharmacy expenses through discounts, utilization review, use of generic drugs, lower-cost home delivery, and monitoring for abuse/misuse of employees and medical prescribers.*

Our ultimate goals are to assist the injured employee with their recovery process, to provide access to exceptional medical services and providers, and to ensure excellent customer service during the entire workers' compensation process.

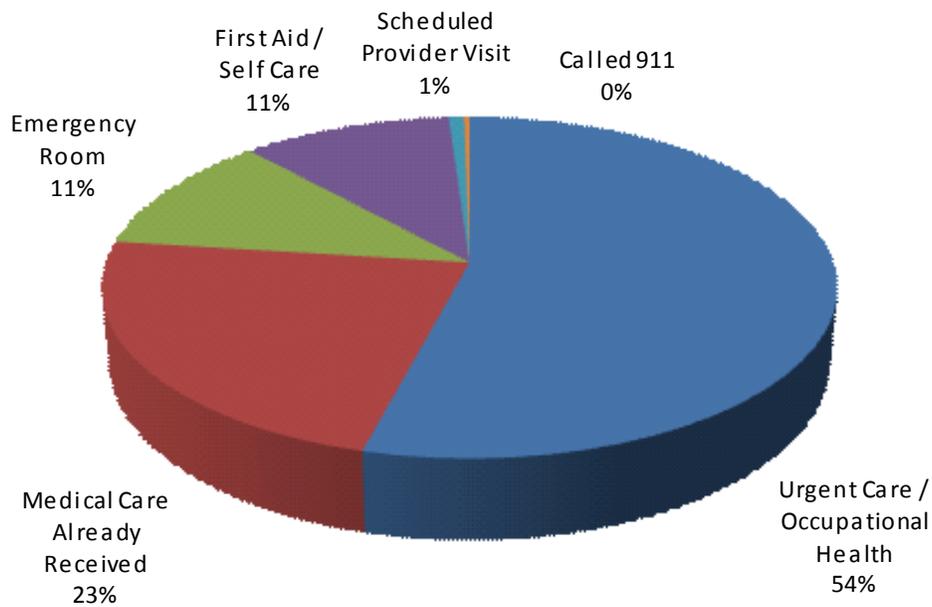
WORKERS' COMPENSATION PROGRAM HIGHLIGHTS DURING CONTRACT YEAR OF SEPTEMBER 1, 2014 - AUGUST 31, 2015

- Implementation of a 24/7 nurse triage to promote immediate medical care for injured employee, reduce emergency room visits to treat minor injuries, provide a professional registered nurse to direct care instead of employer, reduce overall medical costs, and increase reporting of workplace injuries to reduce lag time notification to employer and TPA that assists with expediting initial medical treatment and follow up medical care for injured employee.

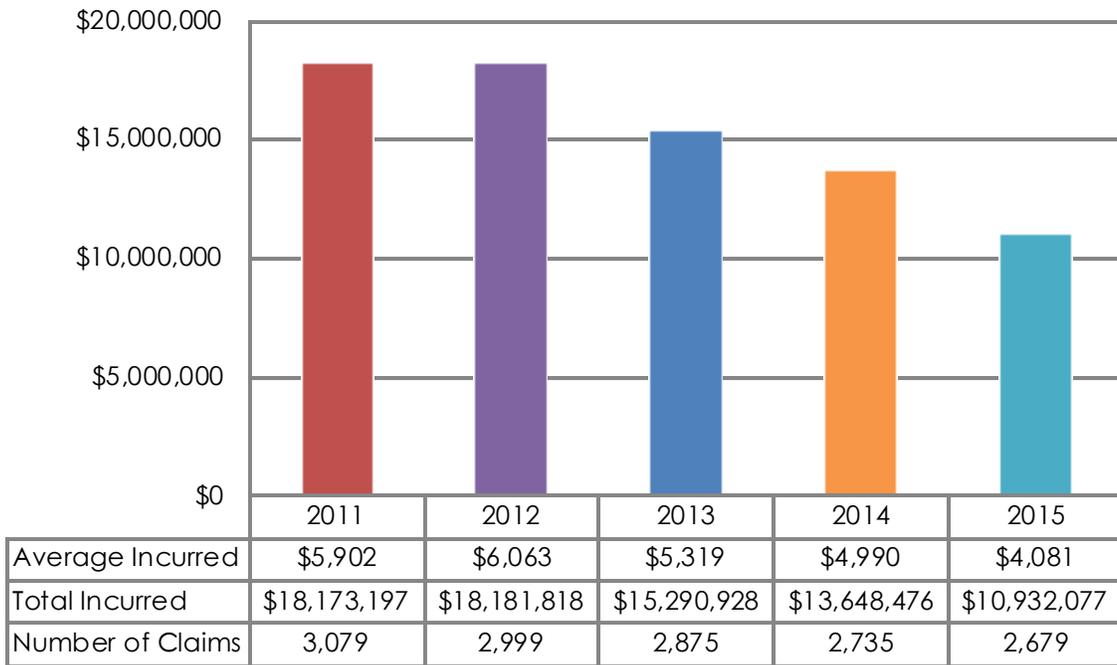
The following illustrates utilization and outcomes of 24/7 nurse triage.

- ★ There were 3,258 calls to 24/7 Nurse Triage.
- ★ 1,077 of these calls (33%) resulted in Incidents Only (no medical treatment/Report only).
- ★ 81% of the average monthly reported claim volume in the fourth quarter of this past contract year had gone through the 24/7 Nurse Triage.

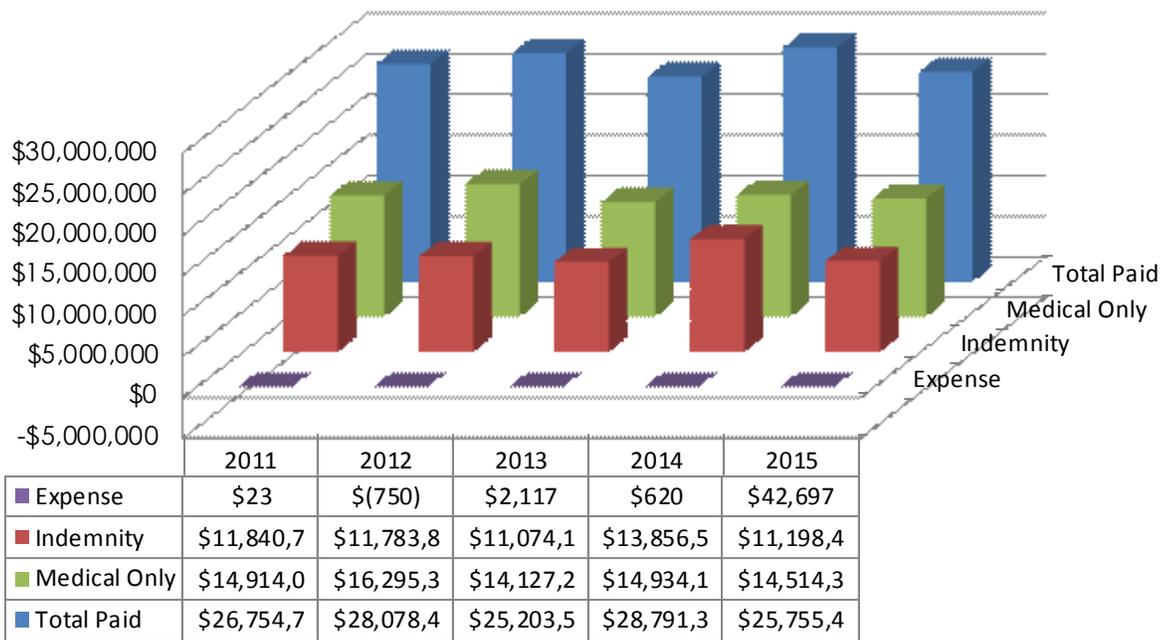
24/7 Recommendations	Claim Count	Average Incurred	Percentage
Urgent Care / Occupational Health (Walk-In)	1,184	\$ 3,380	54%
Treatment Sought Before 24/7 Call	503	5,129	23%
Emergency Room	247	3,600	11%
First Aid / Self Care	233	3,449	11%
Scheduled Provider Visit	17	9,160	1%
Called 911	6	23,070	0%
Total	2,190	\$ 47,788	100%



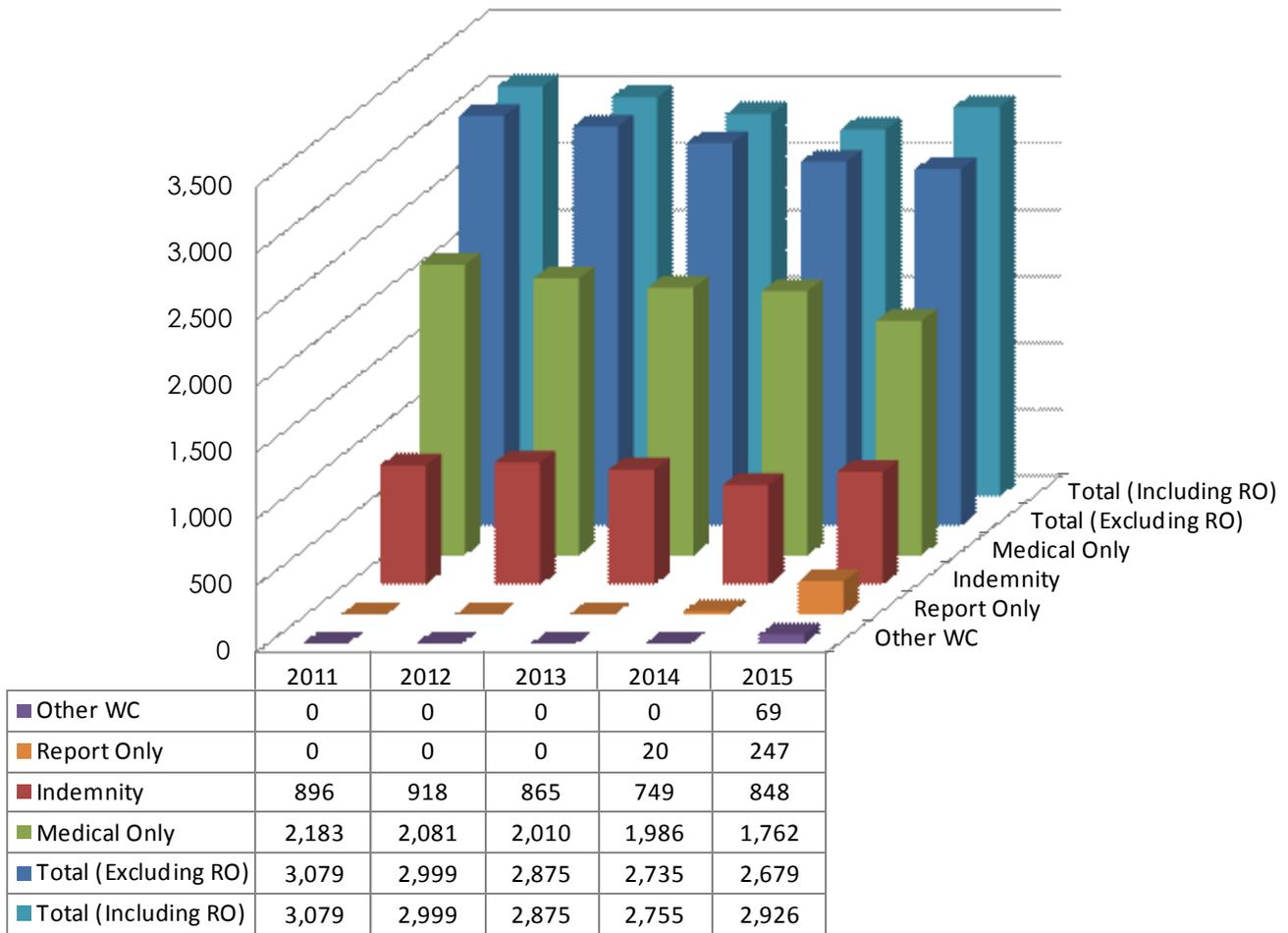
- Total Incurred Decreased by \$2.7 Million (or 20%).



- Total Paid Decreased by \$3 million (or 10.5%) from Previous Contract Year.



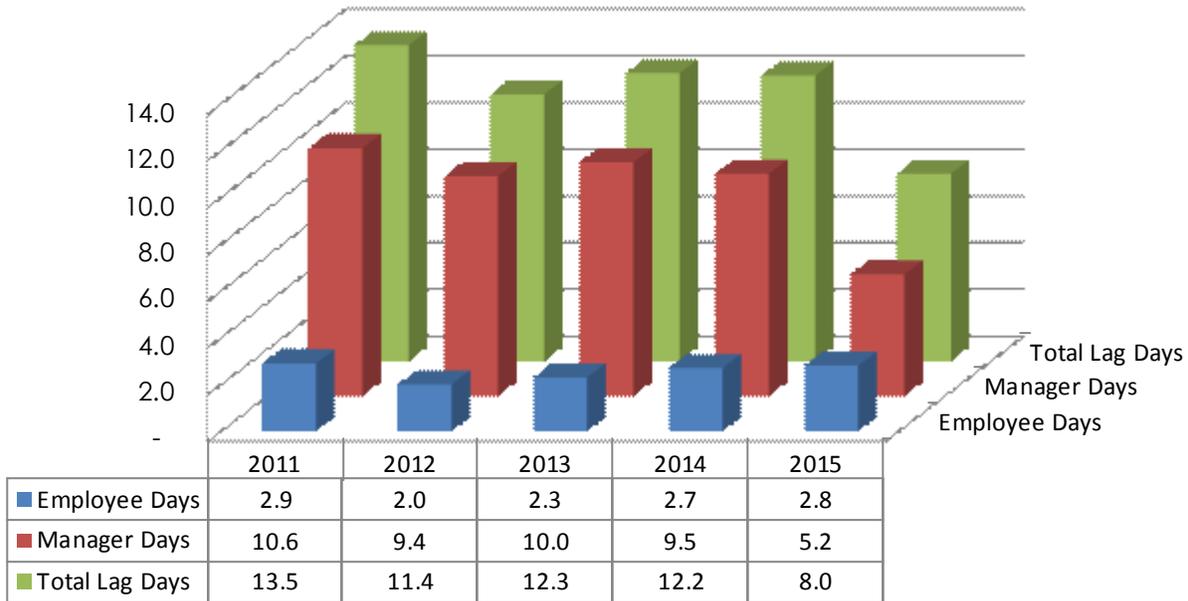
- Total Number of Indemnity and Medical Only Claims have Decreased by 2%.



- Average Incurred Indemnity Claims Decreased 31.5% Over Prior Contract Year.

	Injury Year (FYE)				
	2011	2012	2013	2014	2015
Indemnity and Medical Only Claims	\$ 19,095	\$ 18,958	\$ 16,873	\$ 17,060	\$ 11,973
Indemnity Claims	18,777	18,289	16,265	16,356	11,198
Average Indemnity	9,229	8,180	8,090	7,515	3,908
Average Medical	9,541	10,109	8,175	8,842	7,287
Average ALAE	7	0	0	0	3
Average Other	0	0	0	0	0
Medical Only Claims	318	669	608	704	775

- Reporting of an Injury or Lag Time has Decreased by 34%.



TORT LIABILITY

treasury.tn.gov/ClaimsAdmin

State law provides a method for persons who have been allegedly damaged by the state to file a claim for documented damages; if appropriate, the claimant may be compensated for their loss or damage. Claims are paid through the Risk Management Fund. This fund is supported by premiums paid by each state department, agency and institution based on actuarial analysis. Examples of claims filed against the state include:

- the negligent operation of motor vehicles or machinery
- negligent care, custody and control of persons or property
- professional malpractice
- workers' compensation claims by state employees
- dangerous conditions on state-maintained highways and bridges
- nuisances created or maintained by the state.

The division operates in conjunction with the Attorney General's Office and the Tennessee Claims Commission in this claims process. See link to Claims Administration Claims and Payment Activity chart for additional information about claims and payments in FY 2015.

The Claims division's commitment and purpose is to be responsive, to provide exceptional service, and to build and maintain partnerships with the people we serve.

CLAIMS AND PAYMENT ACTIVITY
FISCAL YEAR 2015

Claims Activity

Worker's Compensation Claims	
Medical Payments	\$ 14,528,347
Permanent Disability	8,312,299
Temporary Disability	3,518,651
Death Payments	<u>189,348</u>
Subtotal	<u>26,548,645</u>
Employee Property Damage	<u>18,276</u>
Tort Claims	
Bodily Injury Payments	2,233,298
Death Payments	812,500
Property Damage Payments	<u>932,099</u>
Subtotal	<u>3,977,897</u>
Total Claims Against the State	<u><u>\$ 30,544,818</u></u>

FIVE-YEAR CLAIMS HISTORY
FISCAL YEARS 2011-2015

Fiscal Year	Amount of Claims Paid
2015	\$ 30,544,818
2014	31,241,864
2013	30,447,464
2012	34,186,267
2011	31,249,686

CLAIMS FILED BY PROGRAM
FISCAL YEARS 2011-2015

Fiscal Year	Workers' Compensation	Employee Property Damage	Tort	Total
2015	2,679	77	2,821	5,577
2014	2,908	66	1,788	4,762
2013	3,078	94	1,616	4,788
2012	3,127	89	1,683	4,899
2011	3,296	132	1,708	5,136

CRIMINAL INJURIES COMPENSATION FUND

treasury.tn.gov/injury

One of the programs operated through the Division of Claims Administration, the Criminal Injuries Compensation ("CIC") Program, provides financial assistance that defrays the costs of medical services, loss of earnings, burial costs, and other pecuniary losses to either an innocent victim of a crime or to the dependents of a deceased victim.

Applications for Criminal Injuries Compensation are filed with the division and staff reviews the application to determine whether it is properly supported and eligible. This process includes obtaining supporting information from the appropriate District Attorney's office. Eligible payments are issued promptly and are payable directly to the service provider if the bill is unpaid, to the victim for out-of-pocket expenses and, if appropriate, his or her attorney. The current maximum overall benefit is \$30,000 plus attorney's fees, when applicable. Since the first claims were paid in 1982, the program has awarded a total of more than \$278 million to crime victims.

The division revised and simplified program brochures this year, and they are available in English and Spanish. Public awareness efforts have been expanded to include quarterly training of advocates across the state, attendance at victim-oriented events, and continuing to provide Internet-based program information. See the link to CICF Source of Funds chart, Claims Received chart and, when ready, Claims Paid chart for information concerning CIC Fund activities for FY 2015.

Financial Statements for the Criminal Injuries Compensation Fund can be found on pages 90-94.

SEXUAL ASSAULT FORENSIC EXAM REIMBURSEMENT (SAFE)

The Criminal Injuries Compensation Fund also funds reimbursement to facilities that perform sexual assault forensic exams for evidence collection concerning victims of certain sexually-oriented crimes. Facilities must bill the Fund (not the victim) and cannot seek any additional payment from the victim after payment by the Fund. Payment is up to a maximum of \$750 for such services for crimes occurring on or after July 1, 2007. See link to CICF Revenue chart, Claims Received chart and, Claims Paid chart for information concerning SAFE claims and payments for FY 2015.

SOURCES OF FUNDS

FISCAL YEARS 2013-2015

Source	2013		2014		2015	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Fines	\$ 6,474,210	42%	\$ 6,305,576	46%	\$ 6,273,466	48%
Federal Funds	5,650,000	36%	4,937,000	36%	4,408,000	33%
Probation Fees	2,261,368	14%	1,973,221	15%	2,130,431	16%
Bond Forfeitures	1,210,601	8%	368,841	3%	342,329	3%
Other	19,991	0%	9,049	0%	9,569	0%
Total	\$15,616,170	100%	\$13,593,687	100%	\$13,163,795	100%

**CLAIMS PAID BY CRIME OR CLAIM TYPE
FISCAL YEAR 2015**

<u>Crime or Claim Type</u>	<u>Number Paid</u>	<u>Percentage of Total Claims</u>	<u>Amount Paid</u>	<u>Percentage of Total Paid</u>
Assault	804	21.7%	\$ 5,562,658	45.0%
Homicide	320	8.6%	2,571,771	20.8%
Child Sexual Abuse	242	6.5%	590,454	4.8%
Robbery by Force	180	4.9%	1,189,003	9.6%
Adult Sexual Assault	139	3.7%	378,894	3.1%
DUI	42	1.1%	461,333	3.7%
Hit and Run	27	0.7%	194,202	1.6%
Vehicular (Non-DUI)	9	0.2%	61,484	0.5%
Arson	1	0.0%	8,616	0.1%
Child Physical Abuse	1	0.0%	1,368	0.0%
Kidnapping	1	0.0%	450	0.0%
Subtotal	1,766	47.6%	\$ 11,020,233	89.1%
Forensic Exam	1,943	52.4%	1,351,653	10.9%
Grand Total	<u>3,709</u>	<u>100.0%</u>	<u>\$ 12,371,886</u>	<u>100.0%</u>

TEACHER'S EXCESS LIABILITY COVERAGE

In 2015, the General Assembly passed the Educator's Liability Act to provide qualifying teachers excess liability coverage. The Act created the Tennessee Educator Liability Fund, which will serve our educators and student teachers which provides excess liability coverage automatically to teachers and student teachers at no cost.

The Claims Administration will be administering this program for all covered educators that file a claim to the Teacher's Liability Fund. Forms and information are on the division's website, treasury.tn.gov/ClaimsAdmin.

INTERLOCK ASSISTANCE FUND

The Interlock Assistance Fund ("IAF") provides financial reimbursement to certified interlock installers for qualifying indigent participants required to have the device. An interlock ignition device is a mechanism installed in a vehicle requiring the driver to deliver a breath sample before the vehicle can be started in order to deter drinking and driving.

The interlock ignition program is under the oversight of the Tennessee Department of Safety and Homeland Security, who is responsible for the certification of providers, and awareness of the program. The Division of Claims Administration administers the reimbursement process for invoices filed by vendors through the Interlock Assistance Fund.

For participants who are eligible for assistance under IAF, the providers file invoices for reimbursement with the Division of Claims Administration along with supporting information during the period the device is required. Reimbursable services include installation, lease, maintenance, and removal of the device. The IAF made 773 payments for 121 participants in FY2015 totaling \$73,576.

INTERLOCK ASSISTANCE FUND MANAGEMENT REPORT FISCAL YEAR 2015				
<u>Total Fund Activity</u>	<u>Collections</u>	<u>Interest</u>	<u>Payments</u>	<u>Total Activity</u>
July	\$ 0	\$ 0	\$ 6,248	\$ (6,248)
August	30,478	0	5,015	25,463
September	0	0	1,026	(1,026)
October	46,454	0	7,853	38,601
November	32,187	0	6,047	26,140
December	29,976	226	7,601	22,601
January	23,542	62	11,933	11,671
February	25,919	71	2,792	23,197
March	27,475	72	0	27,546
April	36,638	74	0	36,713
May	40,422	67	60	40,428
June	74,305	152	31,833	42,624
Current Year Totals	<u>\$ 367,395</u>	<u>\$ 723</u>	<u>\$ 80,407</u>	<u>\$ 287,711</u>
Prior Year Fund Balance				\$ 715,610
Current Year Activity				
Collections				367,395
Interest				723
Payments				(80,407)
Total Fund Balance				<u>\$ 1,003,321</u>

UNCLAIMED PROPERTY DIVISION

JOHN GABRIEL, DIRECTOR

treasury.tn.gov/unclaim

Unclaimed property is money that has been turned over to the State by businesses and organizations who cannot locate the rightful owners. Every year, millions of missing dollars are turned over, and the Unclaimed Property Division works to return unclaimed property to the rightful owner.

The Uniform Disposition of Unclaimed Property Act of 1978 provides that property that an organization or individual is holding for another person will be delivered to the State Treasurer for custody if the holder of the property has had no contact with the owner for a period of time, normally five years, and if the holder cannot locate the owner. Once property is delivered, the Treasurer utilizes various techniques to locate the owners. There is no time limit on claiming this property.

UNCLAIMED PROPERTY REMITTED BY HOLDERS IN 2015

During the period July 1, 2014 through June 30, 2015, \$89.8 million of cash property was turned over to the Treasurer. This includes \$30.8 million remitted by third-party audit organizations from out-of-state, non-reporting holders for Tennessee residents. An additional \$2.0 million in proceeds from stock sales was recognized as revenue.

Entities with property to report to Tennessee's Unclaimed Property Division obtain forms, instructions, free software, and other valuable data from the division's website, treasury.tn.gov/unclaim. Many entities have expressed their appreciation for this easy access to reporting tools.

Sources of Unclaimed Property					
	2015	2014	2013	2012	2011
Insurance Companies	48%	32%	49%	22%	16%
Financial Institutions	18%	28%	18%	30%	27%
Retailers, Services, Telecommunications, Colleges	12%	18%	14%	19%	10%
Cities and Counties	9%	5%	8%	5%	8%
Corporations, Transportation, Manufacturing, Natural Resources	4%	4%	3%	7%	15%
Hospitals and Healthcare	3%	4%	3%	5%	5%
Utilities	3%	4%	2%	4%	6%
Securities and Brokerage Firms	2%	2%	2%	7%	10%
Other States, Escheat and Other	1%	3%	1%	1%	3%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

UNCLAIMED PROPERTY RETURNED TO CLAIMANTS IN 2015

During the period July 1, 2014 through June 30, 2015, \$40.4 million of cash property was returned by the Unclaimed Property Division to the owners or their heirs, local governments and reciprocal states, a 53% increase from the fiscal year ending June 30, 2014.

The Treasurer utilizes various methods to locate owners of unclaimed property. Initially, notification is sent to the last known address of each owner. If no response is received, additional search efforts are made through Department of Labor and Workforce Development records, telephone directories, drivers' license records, external locate research tool, and other sources. Finally, the names of owners and last known addresses are advertised in newspapers throughout the state.

UNCLAIMED PROPERTY DIVISION

Methods Used to Return Property			
Location Method	Value of Claims	Number of Accounts	Average Claim Value
Website Inquiries	\$14,087,304	15,197	\$ 927
Mailings to Last Known Address	7,543,047	10,104	747
Independent Locator	4,712,755	176	26,777
Staff or Other Outreach	4,142,500	2,293	1,807
Holder Referral or Reimbursement	3,275,626	1,147	2,856
Match with Dept. of Labor and Work Force Records	1,611,022	3,139	513
Advertisement	277,577	452	614
Total Claim Payments	\$35,649,831	32,508	\$1,097
Interstate Exchanges	2,820,831	46	
Refunds to Local Governments*	1,977,397	33	
Total Payments	\$40,448,059	32,587	

*Any local government in Tennessee that turns over unclaimed property to the state may request that the property be returned to the local government for safekeeping after it has been held by the state for 18 months.

*Tennessee has reciprocal agreements with other unclaimed property programs in other states to exchange property held by one state for owners with a last known address in the other state.

A searchable database of the owners' names is available on the division's Internet site: ClaimItTN.gov. In addition, the owners' names are available on the national website, Missing Money, at www.missingmoney.com.

Since the program began operations in 1979, \$1.082 billion in unclaimed property has been reported to the Treasurer and \$361.2 million has been returned to owners, heirs, local governments, and reciprocal states.

After all location techniques are employed, the Unclaimed Property Division is able to return approximately 60% of property that is turned over with an owner's name.

Activity					
	2015	2014	2013	2012	2011
Number of Holders Reporting	7,918	7,071	7,177	7,236	7,577
Number of Properties Received	849,434	666,385	563,506	498,009	529,502
Cash Received (not including shares sold)	\$89,822,214	\$75,240,858	\$92,029,270	\$58,945,857	\$60,128,207
Number of Shares Received	10,546,004	3,211,927	3,578,919	3,682,696	13,412,891
Value of Shares Sold	\$ 2,042,382	\$ 2,830,877	\$ 7,659,728	\$ 8,189,532	\$11,408,829
Number of Claims Paid	32,587	30,435	19,889	14,800	18,884
Cash Paid	\$40,448,059	\$26,314,962	\$27,694,701	\$20,727,732	\$23,663,331
Shares Paid	222,246	189,659	343,116	150,722	234,684