

PROGRAM SERVICES

Program Services Division
Steve Summerall, Assistant Treasurer

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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, 2016 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.

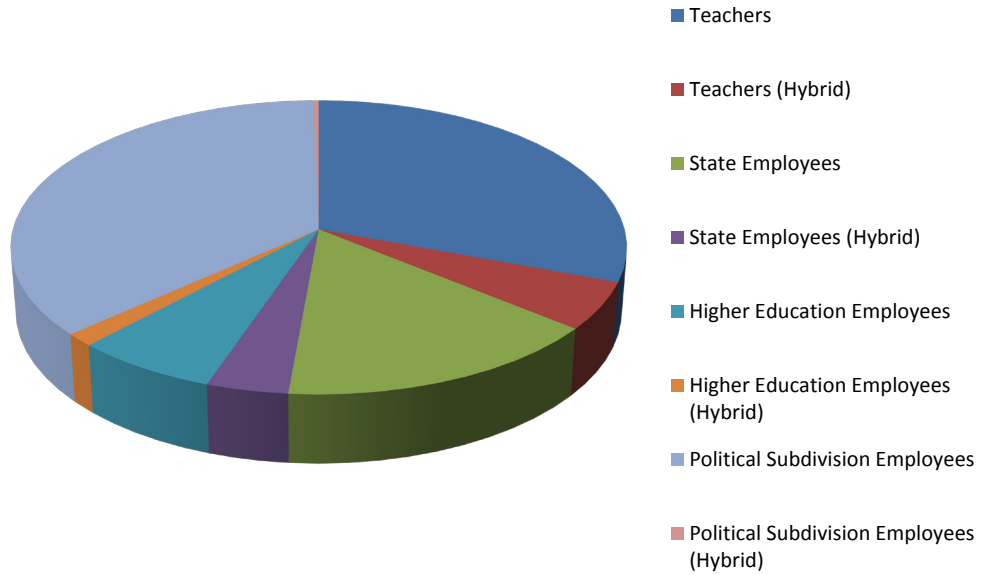
As of June 30, 2016, there were 213,714 active members in TCRS, of which 23,045 were active members of the hybrid pension plan.

ACTIVE MEMBERS

FISCAL YEARS 2011-2016

| Year | Teacher Legacy Pension Plan | Teachers Retirement Plan | Public Employee Retirement Plan | | | | | Total | |
|------|-----------------------------|--------------------------|-------------------------------------|-------------------------------------|--|--|--------|-------|---------|
| | Teachers (Hybrid) | State Employees (Hybrid) | Higher Education Employees (Hybrid) | Higher Education Employees (Hybrid) | Political Subdivision Employees (Hybrid) | Political Subdivision Employees (Hybrid) | | | |
| 2011 | 79,583 | - | 42,142 | - | 16,409 | - | 81,780 | - | 219,914 |
| 2012 | 73,449 | - | 42,171 | - | 16,693 | - | 78,180 | - | 210,493 |
| 2013 | 73,306 | - | 41,856 | - | 16,590 | - | 77,815 | - | 209,567 |
| 2014 | 78,506 | - | 40,581 | - | 16,829 | - | 78,144 | - | 214,060 |
| 2015 | 69,230 | 11,516 | 38,322 | 6,304 | 16,244 | 2,310 | 87,800 | 52 | 231,778 |
| 2016 | 65,614 | 11,159 | 33,070 | 8,208 | 14,439 | 2,966 | 77,546 | 712 | 213,714 |

ACTIVE MEMBERS



CONTRIBUTIONS

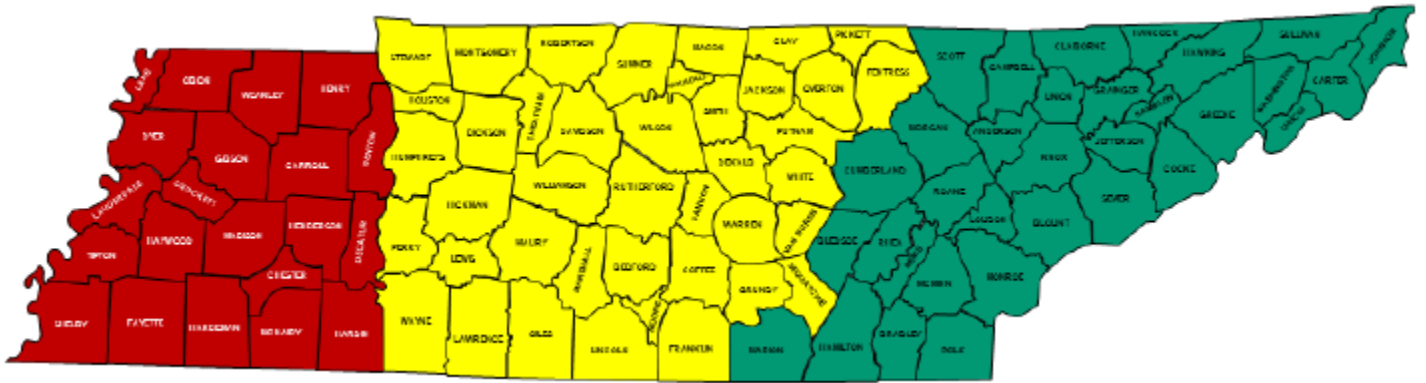
The funding of retirement benefits is financed by member contributions, employer contributions, and the earnings of the invested assets. The employee contributions of certain state employees and higher education employees are assumed by the state. State and Higher Education Employees hired after July 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, 2016 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 | | | |
| | | Employer | Employee |
| 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

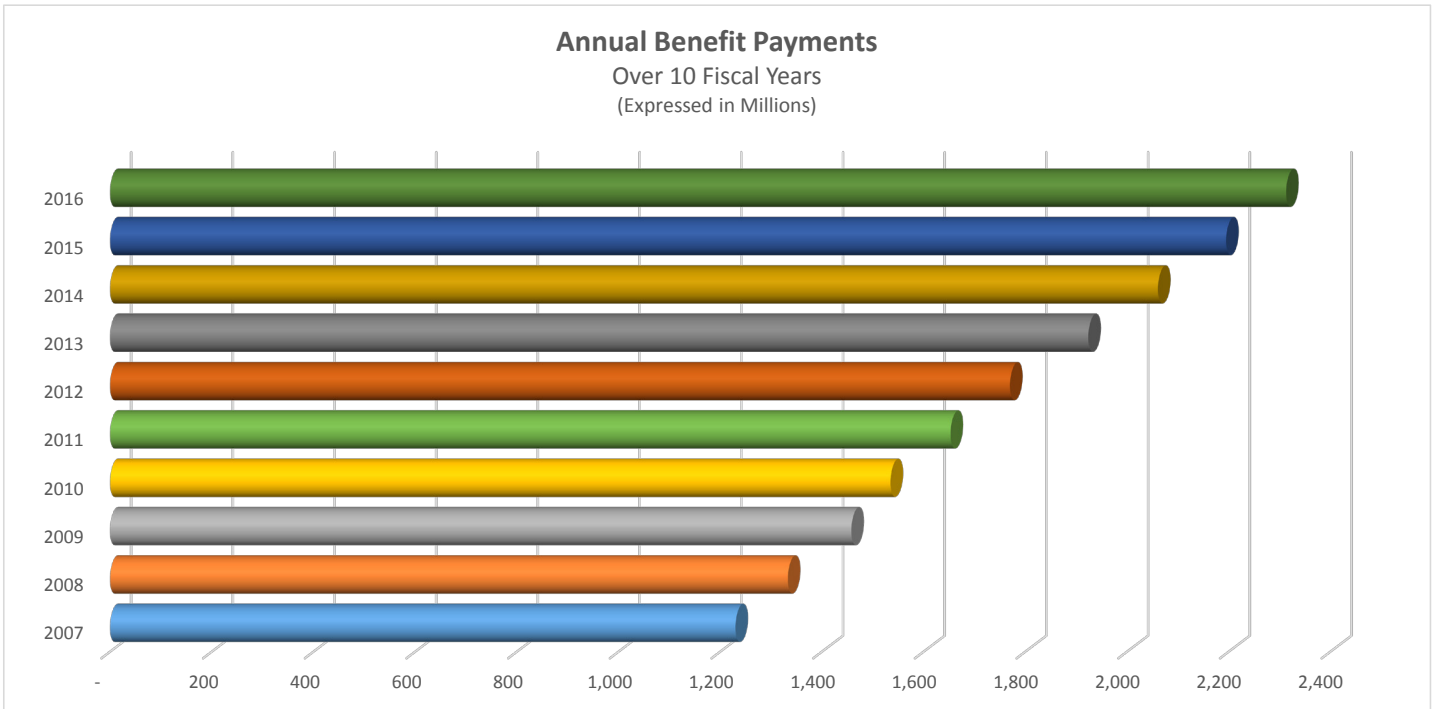
TCRS paid benefits to 149,315 retirees, totaling \$2.3 billion in benefits paid in fiscal year 2016. Of those receiving a retirement benefit from TCRS, 93% currently reside in Tennessee. TCRS pays benefits to retirees in each of the 95 Tennessee counties.



West Tennessee
21 Counties
32,855 Retirees
\$558,830,091 Paid

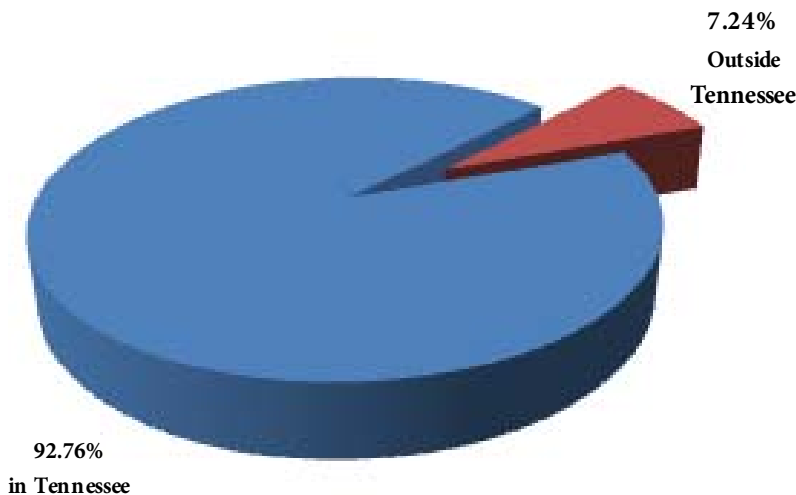
Middle Tennessee
41 Counties
48,808 Retirees
\$798,168,073 Paid

East Tennessee
33 Counties
52,672 Retirees
\$817,972,766 Paid



TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

| County | Retirees | Payments | County | Retirees | Payments | County | Retirees | Payments |
|------------|----------|---------------|------------|----------|--------------|------------|----------|--------------|
| Anderson | 1,994 | \$ 32,269,134 | Grainger | 451 | \$ 6,395,943 | Marshall | 647 | \$ 9,879,850 |
| Bedford | 784 | 11,686,948 | Greene | 2,410 | 35,376,479 | Maury | 1,534 | 25,831,330 |
| Benton | 489 | 5,875,872 | Grundy | 350 | 4,868,990 | McMinn | 1,038 | 15,370,549 |
| Bledsoe | 470 | 5,705,549 | Hamblen | 1,328 | 21,227,261 | McNairy | 694 | 9,413,395 |
| Blount | 3,172 | 53,001,215 | Hamilton | 6,507 | 105,453,772 | Meigs | 206 | 3,378,051 |
| Bradley | 1,843 | 28,763,214 | Hancock | 133 | 2,384,052 | Monroe | 812 | 11,003,950 |
| Campbell | 957 | 14,339,625 | Hardeman | 1,087 | 15,101,944 | Montgomery | 3,135 | 45,831,735 |
| Cannon | 386 | 5,210,520 | Hardin | 741 | 9,832,205 | Moore | 94 | 1,440,139 |
| Carroll | 803 | 12,033,502 | Hawkins | 2,941 | 44,910,486 | Morgan | 607 | 7,828,009 |
| Carter | 3,611 | 52,593,619 | Haywood | 624 | 9,602,030 | Obion | 926 | 12,718,820 |
| Cheatham | 757 | 12,004,360 | Henderson | 477 | 7,613,204 | Overton | 560 | 7,453,817 |
| Chester | 541 | 7,619,382 | Henry | 964 | 13,134,381 | Perry | 280 | 3,446,934 |
| Claiborne | 902 | 11,812,526 | Hickman | 728 | 8,942,015 | Pickett | 142 | 1,799,510 |
| Clay | 159 | 2,177,333 | Houston | 136 | 2,036,761 | Polk | 304 | 4,501,980 |
| Cocke | 777 | 11,213,567 | Humphreys | 509 | 6,794,427 | Putnam | 2,813 | 42,227,686 |
| Coffee | 1,136 | 18,904,377 | Jackson | 241 | 2,862,540 | Rhea | 736 | 9,667,711 |
| Crockett | 374 | 5,717,387 | Jefferson | 1,366 | 20,528,532 | Roane | 1,574 | 21,548,866 |
| Cumberland | 1,206 | 15,533,097 | Johnson | 572 | 5,350,715 | Robertson | 1,432 | 23,734,360 |
| Davidson | 10,239 | 198,743,030 | Knox | 8,215 | 149,397,043 | Rutherford | 4,305 | 75,877,181 |
| Decatur | 297 | 4,997,113 | Lake | 292 | 3,515,003 | Scott | 539 | 6,587,104 |
| DeKalb | 449 | 6,158,053 | Lauderdale | 930 | 12,497,546 | Sequatchie | 360 | 4,409,171 |
| Dickson | 1,105 | 18,248,627 | Lawrence | 1,068 | 14,543,703 | Sevier | 1,596 | 24,435,334 |
| Dyer | 696 | 12,330,655 | Lewis | 327 | 3,910,562 | Shelby | 15,203 | 298,317,154 |
| Fayette | 975 | 14,955,395 | Lincoln | 820 | 10,745,429 | Smith | 426 | 5,811,115 |
| Fentress | 495 | 6,622,658 | Loudon | 1,009 | 16,688,030 | Stewart | 340 | 5,429,015 |
| Franklin | 930 | 12,189,199 | Macon | 335 | 5,169,087 | Sullivan | 2,058 | 33,583,984 |
| Gibson | 1,413 | 21,000,585 | Madison | 3,002 | 49,157,881 | Sumner | 3,104 | 52,672,786 |
| Giles | 574 | 8,830,288 | Marion | 572 | 7,953,859 | Tipton | 1,140 | 17,584,235 |



| | | |
|-------------------------|----------------|------------------------|
| Unicoi | 469 | 5,778,150 |
| Union | 276 | 3,820,508 |
| Van Buren | 220 | 2,359,441 |
| Warren | 985 | 14,353,566 |
| Washington | 2,021 | 29,570,853 |
| Wayne | 425 | 5,155,353 |
| Weakley | 1,187 | 15,812,403 |
| White | 750 | 9,624,837 |
| Williamson | 3,099 | 58,703,428 |
| Wilson | 2,431 | 38,734,698 |
| Tennessee Recipients | 134,335 | \$2,174,970,930 |
| Out-of-State Recipients | 11,990 | 169,664,884 |
| Totals | 146,325 | \$2,344,635,814 |

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 the member's 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.

An actuarial valuation was performed as of June 30, 2015 to determine the TCRS financial position. The net pension liability and funded percentage is as follows:

| | State | | Teacher | | Local |
|--------------------------------------|-----------|---------|---------|---------|-------------------------|
| | Closed | Hybrid | Closed | Hybrid | Government Aggregate |
| Net Pension Liability (Asset) | \$1,289.0 | (\$2.8) | \$41.0 | (\$4.0) | \$4.8 |
| Funded Percentage | 91.26% | 142.55% | 99.81% | 127.46% | 99.94% |

(expressed in millions)

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, 2016:

| | |
|---------------------------------------|------------|
| Cities | 179 |
| Counties | 87 |
| Utility Districts | 71 |
| Special School Districts | 19 |
| Local Education Agencies | 6 |
| Joint Ventures | 22 |
| Housing Authorities | 12 |
| 911 Emergency Communication Districts | 48 |
| Miscellaneous Authorities | <u>57</u> |
| Total | <u>501</u> |

*The 2016 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 in the Comprehensive
Annual Financial Report [here](#).*

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, 2016, over 34,000 state employees were enrolled in one or more of the plan's four Section 125 options: 34,763 employees used the plan to pay medical insurance premiums, 28,029 paid dental insurance premiums, 3,229 used the medical expense reimbursement account and 381 used the dependent care reimbursement account. In addition, 220 and 50 state employees participated in the parking and transportation reimbursement accounts, respectively.

*Financial Statements for the
Flexible Benefits Plan
can be found on pages 96-97.*

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
- stand alone terrorism

*From July 1, 2015 to June 30, 2016,
the State's total insured property
values were \$21,135,905,300.*

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

Program Highlights

- Origami Risk is developing a new comprehensive system to house data for all of Risk Management and Claims Administration programs. This is a Risk Management Information System (RMIS) platform in use in nearly all other states. We believe this will modernize our collection of data in a very efficient way to enable us to address Risk Management in the most effective way possible with the best tools offered at this time. The foundation will provide agencies a first-hand comprehensive view of their data for the first time and, around that concept, we can build on the idea of having a true enterprise risk model where agencies will have the means and incentive to reduce risk and losses by an awareness of their losses and exposures 24/7. In the long run, we hope to map trends to prevent losses better and reduce the costs of the ones we are unable to prevent.
- Annually, our broker (AON) approaches the insurance marketplace and we have successfully completed policy renewals, with all of the effective dates coinciding July 1. The aviation coverage was expanded to include an Aviation Drone Policy and a Non-Owned Aircraft Policy. Cyber coverage was increased from \$5m to \$10m.

See below chart for lines of insurance and limits:

| Lines of Insurance Coverage for Fiscal Year 2016 | |
|--|---------------|
| Lines of Coverage* | Limits |
| Property | \$750,000,000 |
| Fine Arts | \$75,000,000 |
| Earthquake (New Madrid) | \$25,000,000 |
| Excess Earthquake | \$25,000,000 |
| Crime | \$3,000,000 |
| Errors & Omissions Liability | \$3,000,000 |
| Cyber Liability | \$5,000,000 |
| <i>*Sublimits may apply depending on the incident and/or damage.</i> | |

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 \$5 million aggregate limit and excess limits of an additional \$5 million, security and privacy liability with a \$5 million aggregate limit, and network asset protection that has a \$5 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 was disseminated statewide in 2016.

*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.

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 Claims Filed in FY 2016: 2,661

Workers Compensation Claims Paid in FY 2016: \$27M

Program Highlights

- Workers' Compensation has implemented a Return to Work (RTW) Policy encouraging every State agency to create a RTW Program. In Fiscal Year 2016, this policy and concept was rolled out to all agencies through a series of training sessions, after a successful pilot with the Department of Correction during the year prior.
- Workers' Compensation has implemented a Lag Time Incentive so that agencies are encouraged to have ownership and properly implement the principles of the current workers' compensation model.

These changes, along with CorVel's file management, have resulted in a decrease in incurred expenses, which totals a 36% reduction.

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.

Tort/Employee Property Damage claims filed in FY 2016: 2,164

Tort/Employee Property Damage claims paid in FY 2016: \$4.1M

Program Highlights

- Origami Risk system is being developed as explained under Risk Management section.
- During Fiscal Year 2016, Tort Liability began the process of considering use of a third party administrator for the handling of certain tort claims filed against the State. A contract is expected to be pursued in Fiscal Year 2017.

The division operates in conjunction with the Attorney General's Office and the Tennessee Claims Commission in this claims process. See [Claims Administration Claims and Payment Activity](#) chart for additional information about claims and payments in fiscal year 2016.

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 2016

Claims Activity

| | |
|--------------------------------|----------------------|
| Worker's Compensation Claims | |
| Medical Payments | \$ 15,509,790 |
| Permanent Disability | 8,784,486 |
| Temporary Disability | 2,535,373 |
| Death Payments | 171,461 |
| Subtotal | <u>27,001,110</u> |
| Employee Property Damage | <u>9,589</u> |
| Tort Claims | |
| Bodily Injury Payments | 2,096,192 |
| Death Payments | 1,057,500 |
| Property Damage Payments | 980,332 |
| Subtotal | <u>4,134,024</u> |
| Total Claims Against the State | <u>\$ 31,144,723</u> |

FIVE-YEAR CLAIMS HISTORY
FISCAL YEARS 2012-2016

| Fiscal Year | Amount of Claims Paid |
|-------------|-----------------------|
| 2016 | \$ 31,144,723 |
| 2015 | 30,544,818 |
| 2014 | 31,241,864 |
| 2013 | 30,447,464 |
| 2012 | 34,186,267 |

CLAIMS FILED BY PROGRAM
FISCAL YEARS 2012-2016

| Fiscal Year | Workers' Compensation | Employee Property Damage | Tort | Total |
|-------------|--------------------------|-----------------------------|-------|-------|
| 2016 | 2,661 | 68 | 2,096 | 4,825 |
| 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 |

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 \$31,900 plus attorney’s fees, when applicable. Since the first claims were paid in 1982, the program has awarded a total of more than \$291 million to crime victims.

*Financial Statements for the
Criminal Injuries Compensation Fund
can be found on pages 89-93.*

The division revised and simplified application forms 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.

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 \$1,000 for such services for crimes occurring on or after July 1, 2016.

CRIMINAL INJURIES COMPENSATION FUND

SOURCES OF FUNDS

FISCAL YEARS 2014-2016

| Source | 2014 | | 2015 | | 2016 | |
|------------------|----------------------|-------------|----------------------|-------------|----------------------|-------------|
| | Amount | Percentage | Amount | Percentage | Amount | Percentage |
| Fines | \$ 6,305,576 | 46% | \$ 6,273,466 | 48% | \$ 6,182,981 | 49% |
| Federal Funds | 4,937,000 | 36% | 4,408,000 | 33% | 3,622,000 | 29% |
| Probation Fees | 1,973,221 | 15% | 2,130,431 | 16% | 2,010,027 | 16% |
| Bond Forfeitures | 368,841 | 3% | 342,329 | 3% | 804,536 | 6% |
| Other | 9,049 | 0% | 9,569 | 0% | 25,000 | 0% |
| Total | \$ 13,593,687 | 100% | \$ 13,163,795 | 100% | \$ 12,644,544 | 100% |

**CLAIMS PAID BY CRIME OR CLAIM TYPE
FISCAL YEAR 2016**

| <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 | 692 | 14.6% | \$ 4,684,677 | 39.0% |
| Homicide | 309 | 6.5% | 2,291,378 | 19.1% |
| Child Sexual Abuse | 279 | 5.9% | 683,095 | 5.7% |
| Robbery by Force | 186 | 3.9% | 1,069,358 | 8.9% |
| Adult Sexual Assault | 166 | 3.5% | 403,188 | 3.4% |
| DUI | 48 | 1.0% | 318,538 | 2.7% |
| Hit and Run | 24 | 0.5% | 177,125 | 1.5% |
| Vehicular (Non-DUI) | 11 | 0.2% | 115,022 | 1.0% |
| Kidnapping | 2 | 0.0% | 5,497 | 0.0% |
| Child Physical Abuse | 1 | 0.0% | 139,553 | 1.2% |
| Subtotal | 1,718 | 36.3% | \$ 9,887,431 | 82.4% |
| Forensic Exam | 3,019 | 63.7% | 2,110,152 | 17.6% |
| Grand Total | 4,737 | 100.0% | \$ 11,997,583 | 100.0% |

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, which 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 974 payments for 79 participants in FY2016 totaling \$112,356.

| Interlock Assistance Fund Management Report Fiscal Year 2016 | | | | |
|---|--------------------|-----------------|-------------------|-----------------------|
| <u>Total Fund Activity</u> | <u>Collections</u> | <u>Interest</u> | <u>Payments</u> | <u>Total Activity</u> |
| July | \$ 0 | \$ 0 | \$ (10,985) | \$ 10,985 |
| August | 35,279 | 0 | 0 | 35,279 |
| September | 28,370 | 0 | 14,026 | 14,344 |
| October | 7,004 | 0 | 0 | 7,004 |
| November | 32,392 | 0 | 3,084 | 29,308 |
| December | 30,117 | 0 | 21,439 | 8,678 |
| January | 30,808 | 0 | 0 | 30,808 |
| February | 25,357 | 648 | 8,354 | 17,651 |
| March | 28,174 | 765 | 15,497 | 13,442 |
| April | 38,808 | 306 | 0 | 39,115 |
| May | 36,590 | 293 | 91 | 36,793 |
| June | 64,881 | 664 | 60,851 | 4,694 |
| Current Year Totals | <u>\$ 357,780</u> | <u>\$ 2,677</u> | <u>\$ 112,356</u> | <u>\$ 248,101</u> |
| Total Fund Balance | | | | |
| Prior Year Fund Balance | | | \$ 1,010,152 | |
| Surplus Distribution | | | 0 | |
| Current Year Activity | | | | |
| | Surplus Allocation | (500,000) | | |
| | Collections | 357,780 | | |
| | Interest | 2,677 | | |
| | Payments | (112,356) | (251,899) | |
| Total Fund Balance | | | <u>\$ 758,253</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/index.html.

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 2016

During the period July 1, 2015 through June 30, 2016, \$82.6 million of cash property was turned over to the Treasurer. This includes \$9.7 million remitted by third-party audit organizations from out-of-state, non-reporting holders for Tennessee residents. An additional \$19.3 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 | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Retailers, Services, Telecommunications, Colleges | 31% | 12% | 18% | 14% | 19% |
| Insurance Companies | 27% | 48% | 32% | 49% | 22% |
| Financial Institutions | 20% | 18% | 28% | 18% | 30% |
| Cities and Counties | 8% | 9% | 5% | 8% | 5% |
| Securities and Brokerage Firms | 4% | 2% | 2% | 2% | 7% |
| Corporations, Transportation, Manufacturing, Natural Resources | 3% | 4% | 4% | 3% | 7% |
| Utilities | 3% | 3% | 4% | 2% | 4% |
| Hospitals and Health Care | 3% | 3% | 4% | 3% | 5% |
| Other States, Escheat and Other | 1% | 1% | 3% | 1% | 1% |
| Total | 100% | 100% | 100% | 100% | 100% |

UNCLAIMED PROPERTY RETURNED TO CLAIMANTS IN 2016

During the period July 1, 2015 through June 30, 2016, \$34.1 million of cash property was returned by the Unclaimed Property Division to the owners or their heirs, local governments and reciprocal states. The Unclaimed Property Division returned a record-breaking 41,827 claims, up from 32,587 the year prior.

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 | Claim Count | Average Claim Value |
| Website Inquiries | \$ 15,681,864.36 | 22,467 | \$ 698.00 |
| Advertisement | 3,930,805.59 | 7,350 | 534.80 |
| Staff or Other Outreach | 3,398,313.83 | 7,329 | 463.68 |
| Independent Locator | 2,370,127.90 | 179 | 13,240.94 |
| Mailings to Last Known Address | 2,068,292.21 | 3,161 | 654.32 |
| Holder Referral or Reimbursement | 1,769,433.60 | 935 | 1,892.44 |
| Match with Dept. of Labor and Workforce Records | 255,093.87 | 329 | 775.36 |
| Total Claim Payments | \$ 29,473,931.36 | 41,750 | \$ 2,608.51 |
| Interstate Exchanges | 3,648,298.90 | 47 | |
| Refunds to Local Governments* | 1,007,211.94 | 30 | |
| Total Payments | \$ 34,129,442.20 | 41,827 | |

**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, \$1.184 billion in unclaimed property has been reported to the Treasurer and \$395.4 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 | | | | |
|--|--------------------------|---------------|---------------|---------------|---------------|
| | FISCAL YEARS 2012 - 2016 | | | | |
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Number of Holders Reporting | 7,381 | 7,918 | 7,071 | 7,177 | 7,236 |
| Number of Properties Received | 835,554 | 849,434 | 666,385 | 563,506 | 498,009 |
| Cash Received (not including shares sold) | \$ 82,556,490 | \$ 93,913,035 | \$ 63,123,121 | \$ 91,538,109 | \$ 56,866,754 |
| Number of Shares Received | 10,443,187 | 10,546,004 | 3,211,927 | 3,578,919 | 3,682,696 |
| Value of Shares Sold | \$ 19,359,930 | \$ 2,042,382 | \$ 14,948,614 | \$ 8,150,890 | \$ 8,189,532 |
| Number of Claims Paid | 41,827 | 32,587 | 30,435 | 19,889 | 14,800 |
| Cash Paid | \$ 34,129,442 | \$ 40,439,826 | \$ 26,180,732 | \$ 27,694,701 | \$ 20,726,913 |
| Shares Paid | 310,790 | 222,246 | 189,659 | 343,116 | 150,722 |