

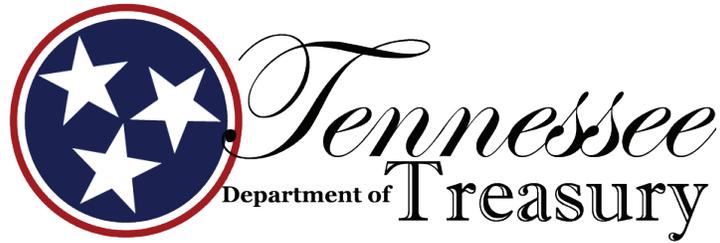
TENNESSEE DEPARTMENT OF TREASURY



2019 ANNUAL REPORT



INTRODUCTION



MISSION

To invest in the well-being of Tennesseans through exceptional financial leadership, management, service and education

VISION

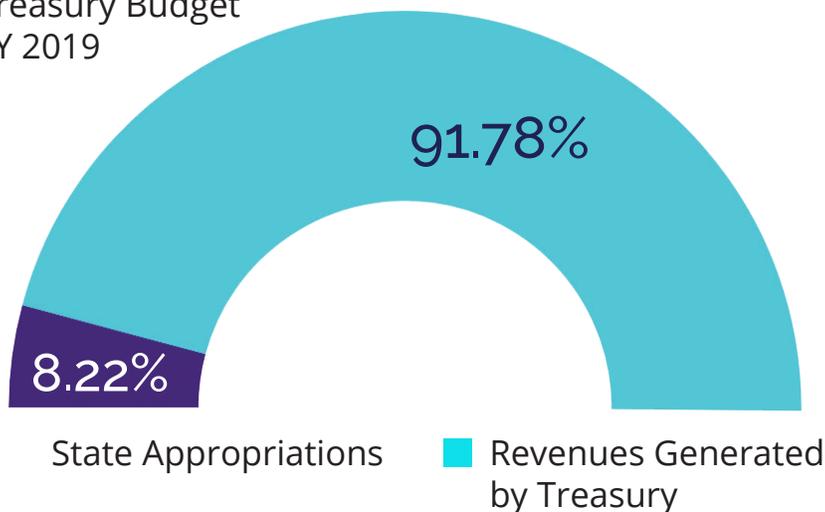
To enrich the lives of Tennesseans as a national leader in public financial stewardship

The Tennessee Department of Treasury is responsible for many of the financial operations of state government, including managing and overseeing more than \$75.7 billion in assets through its various investment programs. We administer the State's Retirement Program, RetireReadyTN, which combines the state pension plan, Tennessee Consolidated Retirement System, and the State's Deferred Compensation plan.

Treasury serves all Tennesseans by helping to educate and empower them to make smart financial choices and by providing public-serving programs in the areas of college savings, financial literacy, unclaimed property, criminal injuries compensation, risk management, and more.

For fiscal year 2019, the total budget for the Tennessee Department of Treasury was \$52,616,600 and the actual amount of expenditure was \$46,531,000. Treasury received total state appropriations of \$4,322,700 with the remaining \$48,293,900 of the budget funded from revenues generated by the Department.

Treasury Budget
FY 2019



Total Budget

\$52.6 million

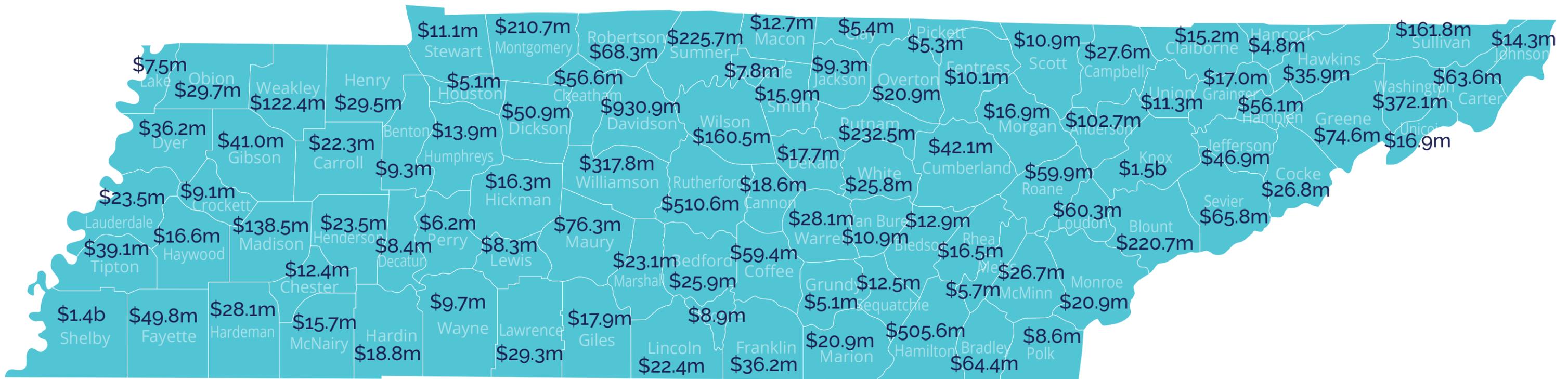
Actual Expenditures

\$46.5 million



ECONOMIC IMPACT ACROSS THE STATE

The Tennessee Department of Treasury works every day to benefit citizens across Tennessee by enhancing the State's financial resources through investments and financial management. From saving for college and retirement to finding unclaimed property, Treasury provides resources, services, and education to help grow the per capita income of families in Tennessee. The Economic Impact map below displays the financial significance of Treasury services and programs in each of Tennessee's 95 counties for the fiscal year ended June 30, 2019.



The amount calculated above includes money saved and interest earned by Tennesseans, as well as payments made to individuals by Treasury programs in each county. These programs include:

- Total assets in TNStars College Savings 529 Program accounts as of June 30, 2019
- Total assets in ABLE TN accounts as of June 30, 2019
- Total assets in RetireReadyTN 401(k), 457(b), and ORP accounts as of June 30, 2019
- Criminal Injuries Compensation and SAFE claims paid during FY19
- Tort Liability/Employee Property Damage claims paid during FY19
- EMIF (Electronic Monitoring Indigency Fund) claims paid during FY19
- Tennessee Consolidated Retirement System (TCRS) benefits paid during FY19
- Unclaimed Property returned during FY19



FINANCIAL LEADERSHIP

INVESTMENTS

The Tennessee Department of Treasury's Investment Division is comprised of 35 professionals with extensive education, professional training, and 36 professional designations to manage its investments. The department achieves investment returns consistent with its peers while maintaining an investment expense that is among the lowest in the southeast.

Selected Funds Managed Internally by the Treasury Investment Division:

We support state initiatives with investment management and investment insight for a diverse set of programs:

Tennessee Promise **\$595 m**

Baccalaureate Education System Trust **\$15.9 m**

Intermediate Term Investment Fund **\$311 m**

Chairs of Excellence **\$352 m**

Qualified School Construction Bonds **\$213.6 m**

Optional Retirement Plan **\$3.8 b**

401(k)/457(b) plans **\$3.9 b**

Tennessee Consolidated Retirement System Trust (TCRS)

The largest fund managed by Treasury is the Tennessee Consolidated Retirement System. Investment objectives for TCRS are to obtain the highest available return on investments consistent with preservation of the principal, while maintaining sufficient liquidity to react to the changing environment and pay beneficiaries in a timely manner. As of June 30, 2019, the market value of the TCRS fund was approximately \$52.1 billion.

State Pooled Investment Fund (SPIF) and the Local Government Investment Pool (LGIP)

The Treasury Department manages short-term investments for state and local governments through the State Pooled Investment Fund (SPIF) and the Local Government Investment Pool (LGIP). The SPIF, with a June 30, 2019 balance of approximately \$14.1 billion, includes the state's cash, dedicated reserves and trust funds, and the balance of the LGIP of approximately \$3.2 billion. The LGIP provides short-term cash management to participating local governments.

Tennessee Promise Endowment Trust

As of June 30, 2019, the Tennessee Promise Endowment Trust had a market value of \$595 million.



SERVICE AND EDUCATION

RETIREREADYTN

Treasury protects the retirement of more than 220,000 current state and higher education employees, K-12 teachers and employees of participating local governments, as well as more than 144,000 retirees. RetireReadyTN is the state's retirement program, combining the strengths of a defined benefit plan provided by the Tennessee Consolidated Retirement System (TCRS), deferred compensation 401(k) and 457(b) plans, and retirement readiness education. We strive to empower public employees to take actionable steps toward preparing for the future.

RetireReadyTN takes pride in offering comprehensive financial education and retirement counseling to all members. Members can meet with any of the 15 local retirement plan advisors for assistance with retirement planning or to discuss any other financial planning needs. These services are provided to members at no additional fee. RetireReadyTN Plan Advisors conduct group meetings for employers, individual retirement counseling sessions for those within three years of retirement, and individual retirement readiness reviews for all members at any point in their career.

In fiscal year 2019, RetireReadyTN Plan Advisors conducted:

- 1,326 Group Meetings with a total of 31,767 Group Meeting Attendees
- 18,470 One-on-One Meetings

The RetireReadyTN Call Center answered a total of 147,894 calls in fiscal year 2019, with 88% answered within 90 seconds. The average call score was 4.59 out of 5.

RETIRE READY



Field Activity FY 2019



1,326
Group Meetings

31,767
Group Meeting
Attendees 



18,470
One-on-One Meetings

Call Center Performance FY 2019



total calls answered **147,894**
answered within 90 seconds **88%**
average call score (out of 5) **4.59**

SERVICE AND EDUCATION

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS)

One of the top three best-funded pension plans in the country, the Tennessee Consolidated Retirement System (TCRS) portfolio was valued at \$52.1 billion at the end of fiscal year 2019. The final investment return for fiscal year 2019 was 7.54% as estimated by investment staff, compared to an actuarial assumption of 7.25%. Net investment income for fiscal year 2019 totaled \$3.66 billion (unaudited). Member and employer contributions made during fiscal year 2019 to fund the benefits promised to members totaled \$1.46 billion (unaudited).



Active Members in the Legacy Plan
(closed to new members on June 30, 2014)

169,053

Active Members in the Hybrid Plan

46,479

Retired Members

144,606

In fiscal year 2019, TCRS paid a total of \$2.6 billion to 144,606 retirees, 92% of whom remain in Tennessee. TCRS received a total of 8,415 retirement applications in fiscal year 2019. Since the launch of our online retirement application in October 2018, approximately 50% of retirement applications have been received online.



For every \$100 paid out to retirees, \$66.33 comes from investment earnings.

8.47%
employee
contributions

TCRS paid
\$2.6 billion



in benefits to **144,606**
retirees

92% of TCRS retirees
remain in Tennessee

GASB Funded Status FY 2019

	Assets	Liabilities	Funded %
State Legacy	\$ 14,973,256,303	\$ 16,588,668,319	90.26%
State Hybrid	157,677,137	119,104,049	132.39%
Teacher Legacy	24,028,523,459	23,676,631,927	101.49%
Teacher Hybrid	213,542,789	168,189,991	126.97%
Political Subdivisions*	10,339,462,798	10,157,051,556	101.80%

*In the aggregate. Each Political Subdivision is a separate liability pool.



SERVICE AND EDUCATION

DEFERRED COMPENSATION

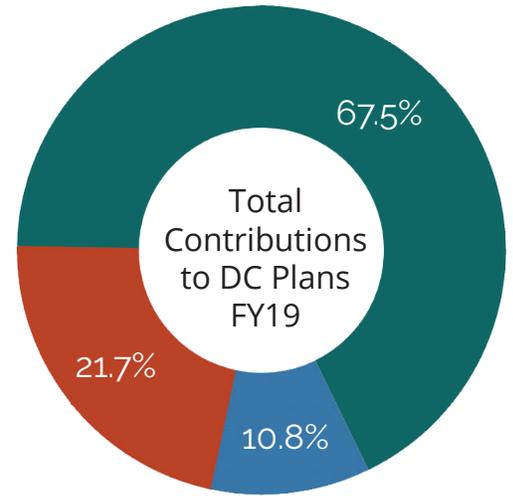
The State Deferred Compensation Plan consists of a 401(k) and a 457(b) plan. In fiscal year 2019, there were \$346.5 million in contributions made to the 401(k) plan and \$55.4 million in contributions to the 457(b) plan.

Faculty and exempt employees of the University of Tennessee or the Tennessee Board of Regents may choose to participate in the Optional Retirement Plan (ORP), a defined contribution plan which had total contributions of \$111.2 million in FY19.

Total contributions made to all deferred compensation plans in fiscal year 2019 totaled \$513.1 million.

- 148,755 participants in the 401(k) plan
- 12,618 participants in the 457(b) plan
- 37,493 participants in the ORP
- As of June 30, 2019, 40,869 teachers are participating in the 401(k) plan, a 22.7% increase over the prior year
- 311 local governments are currently participating in the DC plan as of June 30, 2019

Overall assets in the 401(k), 457(b), and ORP totaled \$7.8 billion as of June 30, 2019.



■ 401(k) ■ 457(b) ■ ORP

Deferred Compensation Total Assets as of June 30, 2019

401(k)/457(b)	\$3,969,517,159
Optional Retirement Plan (ORP)	\$3,837,707,434
Total	\$7,807,224,593

OUTREACH

Treasury Outreach has representatives in every region of the state working to increase and improve communications with local governments, employers, and retirement participants. The Outreach division educates employers participating in our retirement plans on the best retirement options for their employees and also works with counties and local governments not yet participating in our retirement plan to provide them with information about joining.

For fiscal year 2019 Outreach made a concentrated effort to begin visiting State and Higher Education employers, making a total of 133 employer visits with State agencies and 50 employer visits with Higher Education institutions.

Outreach was also integral in the number of local government agencies adopting the State's 401(k)/457(b) plans. In fiscal year 2019, 48 local governments adopted the deferred compensation plan.

Total Outreach Visits with Employers in FY19 **909**



Total Outreach Visits with School Districts in FY19 **46**



SERVICE AND EDUCATION

TENNESSEE FINANCIAL LITERACY COMMISSION (TNFLC)



The Tennessee Financial Literacy Commission (TNFLC) strives to improve the lives of Tennesseans through financial literacy by providing innovative educational resources to Tennessee schools and families.



In the fall of 2018, TNFLC launched *My Classroom Economy*, created by The Vanguard Group. This uniquely innovative classroom behavioral management program is designed to instill basic financial responsibility and teach the value of delayed gratification. Classroom educators enjoy the inherent behavioral and motivational impact of the program while students acquire a real-life financial understanding through experiential learning.

The Tennessee Financial Literacy Commission continued to provide training to teachers across the state in the *Financial Fitness for Life*® curriculum. In fiscal year 2019, TNFLC trained 198 teachers, bringing the total number of teachers trained in the curriculum to 4,546 since the beginning of the program.

7,850 enrollments in the *Financial Empowerment Resource Library* since the beginning of the program

4,546 teachers trained in *Financial Fitness for Life*® curriculum since the beginning of the program



The Commission also continues to help schools across the state implement the *Vault - Understanding Money* program, an education-based online tool for elementary and middle school-aged students. Vault is being utilized in 249 schools, engaging over 8,800 students during this fiscal year alone. Since the beginning of the program, 31,586 students have been trained in *Vault*. This program has yielded a 42% improvement in test scores statewide.

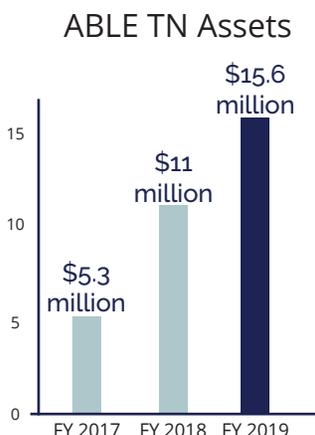
The Tennessee Financial Literacy Commission continues to provide Tennesseans of all ages with a free resource for financial education in the form of online interactive learning modules. The *Financial Empowerment Resource Library* includes 18 online modules to help adults navigate life's important financial milestones like saving for retirement, buying a home, and sending a child to college.

ABLE TN

ABLE TN, one of the nation's first Achieving a Better Life Experience programs to launch, celebrated its third anniversary in June 2019. *ABLE TN* provides a valuable resource to help individuals with disabilities save for future expenses.

At the end of fiscal year 2019, *ABLE TN* account holders had saved more than \$15.6 million in 1,951 accounts.

During fiscal year 2019, \$5.3 million was contributed to *ABLE TN* accounts and 325 new accounts were established by Tennesseans.



ABLE TN account holders have saved over **\$15.6 million** in 1,951 accounts



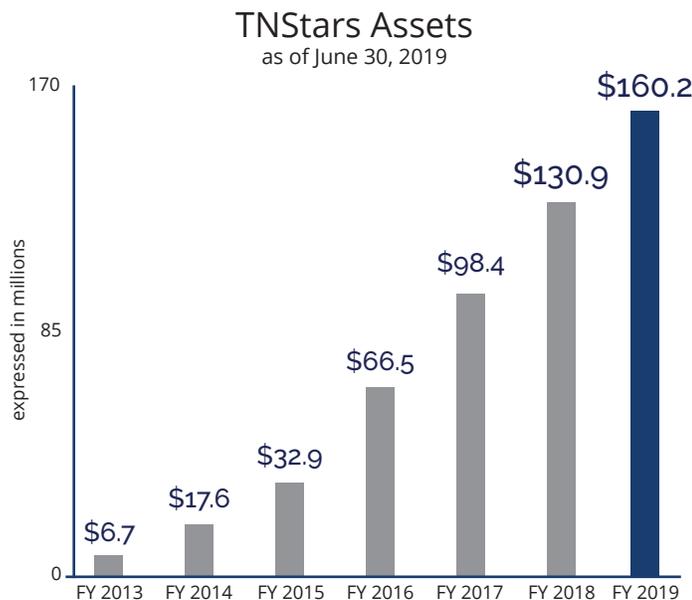
SERVICE AND EDUCATION

TNSTARS COLLEGE SAVINGS 529 PROGRAM



The TNStars College Savings 529 Program helps families save money for college expenses by offering high quality investment options at a low cost. TNStars ended fiscal year 2019 with \$160.2 million in assets across 16,897 funded accounts.

During College Savings Month in September 2018, the program received 5,104 entries into the Scholarship Giveaway and awarded three \$529 scholarships to three lucky Tennessee children. During the holiday season, the program gave away \$1,000 scholarships to ten Tennessee children, selected randomly from across each grand division of the state. Overall, there were a total of 5,565 entries, making this the most entered TNStars scholarship to date.

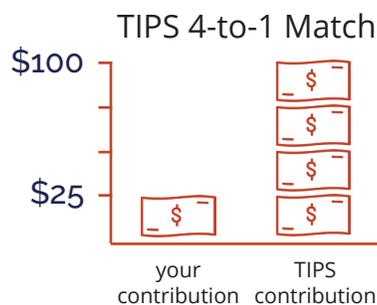


TENNESSEE INVESTMENTS PREPARING SCHOLARS (TIPS)

The Tennessee Investments Preparing Scholars (TIPS) program encourages families to save for the growing costs associated with post-secondary education by offering a 4-to-1 matching grant incentive. In its fourth qualifying year ending June 30, 2019, the TIPS program helped Tennessee families open new TNStars accounts for 108 beneficiaries.



- During fiscal year 2019, TIPS families contributed a total of \$83,097 to their TNStars accounts.
- There were a total of 250 beneficiaries, including 142 repeat participants and 108 new beneficiaries for fiscal year 2019.
- 225 accounts have received the full \$500 matching contribution.



173 beneficiaries have received the full match of \$1,500 over 3 years

VOLUNTEER PUBLIC EDUCATION TRUST

The Volunteer Public Education Trust was established in 1985 to allow contributions to a perpetual trust fund with the income from the fund supporting Tennessee K-12 public education. The Tennessee General Assembly enacted legislation updating the fund and also granted broader investment authority to allow more robust earnings from the fund in the future. The legislation authorizes the State Treasurer to accept contributions from any individual, association, trust, corporation, partnership, firm, venture, organization, governmental entity and political subdivision towards K-12 public education. Donors will have the option of directing a donation for a specific Local Education Agency (School District).

SERVICE TO THE PUBLIC



UNCLAIMED PROPERTY

Unclaimed property is money that has been turned over to the state by businesses and organizations who cannot locate the owners. This includes intangible assets such as bank accounts, stock certificates, checks, unclaimed wages, refunds, and gift certificates. The Tennessee Treasury's Unclaimed Property Division serves as a consumer protection program working to reunite this money with its rightful owner. At the end of fiscal year 2019, there was \$976.8 million available to claim.



62,549

claims returned resulting in

\$65.4 million paid to claimants

Amount Waiting to Be Claimed
as of June 30, 2019



\$976.8 million



Representatives from the Unclaimed Property Division help attendees of the Grainger County Tomato Festival in Rutledge, TN search for unclaimed property in July 2018.

In fiscal year 2019, the Unclaimed Property Division returned a record 62,549 claims, resulting in \$65.4 million paid to claimants. Representatives from the Division traveled across the state to reach Tennesseans at their hometown fairs and festivals to help them search for their missing money and file claims on the spot. In fiscal year 2019, Unclaimed Property attended five outreach events across the state.

Due to recent legislation that moved the annual reporting date from May 1st to November 1st, there was no reporting period for fiscal year 2019. The first November 1st date will be a transitional date to include 18 months of reporting (January 1, 2018 - June 30, 2019). Going forward, it will cover the preceding fiscal year.

GIFT-A-TAG PROGRAM

Treasury administers the Gift-A-Tag program, which allows individuals to purchase vouchers that can be used towards specialty or personalized license plates, which benefit the Tennessee Arts Commission. These vouchers are similar to gift cards and can either be emailed directly to the recipient or printed and given to a loved one. The recipient can redeem the voucher at their local County Clerk's Office when purchasing their plates.

CRIMINAL INJURIES COMPENSATION FUND (CIC) & SEXUAL ASSAULT FORENSIC EXAMS (SAFE)

Claims Filed

5,170

Claims Paid

3,988

Amount Paid

\$11.8 million



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. Established also under the Fund is a process that provides reimbursement to facilities that perform sexual assault forensic exams (SAFE) for evidence collection concerning victims of certain sexually-oriented crimes. Facilities must bill the SAFE Program (not the victim) and cannot seek any additional payment from the victim after payment.

In fiscal year 2019 CIC provided training to 419 victim advocates from 184 agencies. CIC also provided training to 499 law enforcement officials from 151 agencies.



FINANCIAL MANAGEMENT FOR THE STATE

CLAIMS AND RISK MANAGEMENT

The responsibilities of the Division of Claims and Risk Management include protecting the financial integrity of all State-owned assets, maintaining a safe working environment for state employees and the general public, making 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 the Electronic Monitoring Indigency Fund. The division also provides support to the Board of Claims.

In fiscal year 2019, the Division successfully implemented two modules of our new risk management system, Origami, to provide more efficient claims entry and processing through the use of an online portal, automated notifications, and efficient payment structure. These have directly affected and already improved the Electronic Monitoring Indigency Fund and the tort liability program claims processes.

As of January 2019, the insured property value for the State was \$25 billion.

Cyber Incident Response Plan (CIRP)

The Cyber Incident Response Plan (CIRP) is designed to assist all State agencies, Tennessee Board of Regents, the six locally-governed institutions, 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. 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.

Electronic Monitoring Indigency Fund

The Electronic Monitoring Indigency Fund (EMIF), formerly DUI Monitoring Fund, provides financial reimbursement to certified interlock installers and other alcohol and drug monitoring device companies for qualifying indigent participants required to have alcohol and drug monitoring/interlock or location monitoring devices as the result of a court order. EMIF paid 8,117 invoices in fiscal year 2019, totaling \$1.04 million.

Workers' Compensation

In the past year, the Division has worked with CorVel, the State's third-party administrator, to continue decreases in expenditures on claims for workers' compensation. The amount paid out from the fund in fiscal year 2019 was \$16.8 million, a decrease in expenditures of \$2.4 million from last fiscal year.

Tort Liability and Employee Property Damage

In fiscal year 2019, the Treasury Department successfully completed implementation of the Tort Auto-Accident Liability Program. This program includes a centralized call center for state employees to report auto accidents involving a citizen's vehicle. This program has improved customer service and provides professional adjusting services for auto claims to industry standards.

Workers' Compensation

Expenditures in FY19 decreased by
\$2.4 million
from the previous year



Claims Filed
2,672

Claims Paid
1,986

Amount Paid
\$16.8 million

Tort Liability and Employee Property Damage

Claims Filed
2,563

Claims Paid
557

Amount Paid
\$6.3 million

TREASURY AT-A-GLANCE

FISCAL YEAR 2019



OVERALL ASSETS MANAGED BY TREASURY **\$75.7 billion**

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS)



Total Value of
Tennessee Consolidated
Retirement System
\$52.1 billion

\$2.6 billion

in benefits paid to



144,606
retirees

DEFERRED COMPENSATION

Total Assets in DC Plans
(401(k), 457(b), and ORP)

\$7.8 billion



22.7%

more teachers
participating in the 401(k)

TOTAL VALUE OF STATE POOLED INVESTMENT FUND (SPIF)

SPIF includes the Local Government Investment Pool (LGIP)

\$14.1 billion

TENNESSEE FINANCIAL LITERACY COMMISSION



4,546

teachers trained in *Financial Fitness for Life*[®] curriculum since the beginning of the program



7,850

enrollments in the *Financial Empowerment Resource Library*

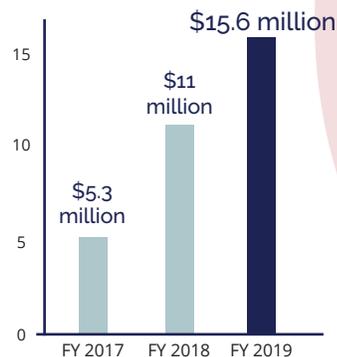
students trained in *Vault - Understanding Money* since the beginning of the program

31,586

ABLE TN



ABLE TN account holders have saved over
\$15.6 million
in 1,951 accounts



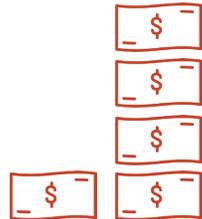
TNSTARS COLLEGE SAVINGS 529 PROGRAM



TNStars account holders
have saved over **\$160.2 million**
in 16,897 accounts



TENNESSEE INVESTMENTS PREPARING SCHOLARS (TIPS)



During FY19, TIPS families
contributed a total of

\$83,097

to their TNStars accounts

UNCLAIMED PROPERTY



62,549
claims returned
resulting in

\$65.4 million paid to
claimants

Amount Waiting
to Be Claimed
as of June 30, 2019

**\$976.8
million**



CRIMINAL INJURIES COMPENSATION (CIC) & SEXUAL ASSAULT FORENSIC EXAMS (SAFE)

Claims Filed

5,170

Claims Paid

3,988



Amount Paid

**\$11.8
million**

CLAIMS AND RISK MANAGEMENT

Insured Property Value for the State
as of January 2019

\$25 billion

Workers' Compensation

Claims Filed

2,672

Claims Paid

1,986

Amount Paid

\$16.8 million

Expenditures in
FY19 decreased by

\$2.4 million

from the previous year



Tort Liability and Employee Property Damage

Claims Filed

2,563

Claims Paid

557

Amount Paid

\$6.3 million

TENNESSEE DEPARTMENT OF TREASURY

DAVID H. LILLARD, JR., STATE TREASURER

1ST FLOOR STATE CAPITOL

NASHVILLE, TN 37243

615-741-2956

TREASURY.TN.GOV

The Tennessee Department of Treasury's operating divisions are housed in the Andrew Jackson State Office Building. For more information, visit treasury.tn.gov.

CONNECT WITH US



@TNTreasuryDept

@RetireReadyTN

@TNStars529

@ABLETennessee



@TNTreasury

@RetireReadyTN

@TNStars529

@ABLETN

@TennesseeConsolidatedRetirementSystem