

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
JUNE 28, 2019

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**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
JUNE 28, 2019**

TABLE OF CONTENTS

Minutes of the Board of Trustees	3
Committee Minutes	
Administrative Committee	9
Audit Committee	11
Investment Committee	15
TCRS Board of Trustee Appointment	23
Political Subdivision Seeking Membership	
City of Celina	27
City of Eagleville	33
City of South Fulton	39
South Giles Utility District	45
Upper Cumberland Local Workforce Development Board, Inc.	51
Statistical Reports	
Active Member Statistics	59
Retired Payroll Statistics	60
Refund Activity and Expenditures	62
Prior Service Activity	64
Disability Retirement Report	
Disability Statistical Report	69
Approved for Disability	71
Disapproved for Disability	77
TCRS Financial Report	81

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**MINUTES OF THE
BOARD OF TRUSTEES MEETING
MARCH 29, 2019**

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Minutes of the TCRS Board of Trustees Meeting on March 29, 2019

The Board of Trustees of the Tennessee Consolidated Retirement System met on Friday, March 29, 2019 at 10:06 a.m. The meeting was held in House Hearing Room III of the Cordell Hull Building with Chairman David Lillard presiding.

Chairman Lillard asked Mr. Wayman to conduct an attendance roll call. The following members were present: Chairman David Lillard, State Treasurer; Mr. Jamie Wayman, Director of TCRS; Mr. Justin Wilson, Comptroller of the Treasury; Mr. Tre Hargett, Secretary of State; Ms. Deborah Tate, Administrative Director of the Courts; Commissioner Stuart McWhorter, Department of Finance and Administration; Mr. Michael Barker, Mr. Bob Wormsley, Mr. Paul Varble, Mr. Ed Taylor, Mr. Alfred Laney, Ms. Patsy Moore, and Mr. Timothy Ellis.

TCRS Board of Trustees Appointments

Chairman Lillard welcomed our new board members Mr. Timothy Ellis, City of Goodlettsville; Commissioner Juan Williams, Department of Human Resources and Commissioner Stuart McWhorter, Department of Finance and Administration.

Approval of the November 30, 2018 Minutes of the Board of Trustees

On a motion by Mr. Laney and seconded by Mr. Barker, the minutes of the November 30, 2018 TCRS Board of Trustees meeting were unanimously approved.

Board of Trustees Committee Reports

Chairman Lillard recognized Mr. Wayman to review the administrative committee report. Mr. Wayman mentioned the committee discussed new board member appointments and upcoming terms and elections. Mr. Wayman provided a legislation update on bills impacting the retirement system. Ms. Mary Beth Franklyn provided an update on employer participation. Ms. Erica Nale provided an update on operations of the retirement system.

Chairman Lillard recognized Mr. Barker to review the audit committee report. Mr. Barker mentioned the committee approved minutes from the September 28, 2018 meeting. The committee recommended the approval of the audit committee charter. Mr. Barker mentioned the committee discussed other reports of different projects on which audit is currently working. No findings reported on GASB opinion letters, state audit opinion letters and audited financial statements. The committee also reviewed the risk assessment results. There was one report on the Comptroller Hotline but it did not impact the state.

Chairman Lillard provided the investment committee report. Chairman Lillard mentioned the committee approved several investment transactions on behalf of the retirement system. The investment committee discussed various aspects of investment operations.

Audit Committee Appointments

Chairman Lillard proposed and nominated to elect Mr. Timothy Ellis and Commissioner Juan Williams to the audit committee.

On a motion by Chairman Lillard and seconded by Mr. Barker, the Board approved the appointments of Mr. Ellis and Commissioner Williams to the audit committee with Mr. Ellis abstaining.

TCRS Audit Committee Charter

Chairman Lillard recognized Mr. Earle Pierce to review updates to the audit committee charter. Mr. Pierce mentioned the updates included a new section that provides the authority for the audit committee and it also updates the process of nominating audit committee members including chairman and the terms of service which is three years. Mr. Pierce mentioned formatting changes were updated. Mr. Barker mentioned it has been reviewed by the Comptroller and recommended for approval.

On a motion by Mr. Barker and seconded by Mr. Taylor, the Board unanimously approved the TCRS Audit Committee Charter.

Investment Report

Chairman Lillard called on Mr. Michael Brakebill to give an overview of the Investment Report. Mr. Brakebill reviewed the Verus Executive Summary Report, which showed the fund ended the second quarter of fiscal year 2019 with \$47.3 billion in assets. Since the end of fiscal year 2018, the portfolio has declined by \$2.5 billion because of benefit payments and a -6.1% return in the December quarter. The environment for returns in the quarter was very challenging with domestic equities down 14.7% and international equities down 11.6%. The negative performance in equities was offset by all other asset classes, which produced flat to modestly positive returns. On a relative basis, the Real Estate and Strategic Lending portfolios outperformed their benchmarks, the Fixed Income group performed in line, and Private Equity and Public Equity portfolios underperformed. While the environment was challenging for absolute and relative performance, overall the fund beat 70% of peers during the period.

Mr. Brakebill continued by mentioning that staff bought US Equities in late December and since the end of the quarter, performance has recovered significantly.

Mr. Brakebill highlighted the strong recent and long term performance in private equity and real estate, both on a relative and absolute basis. Mr. Brakebill then discussed the progress made year over year to increase the allocation to alternatives, such as Real Estate, Private Equity, and Strategic Lending. Over the long term the target allocation for each asset class is 10% and at the end of the quarter, the allocation to Real Estate, Private Equity, and Strategic Lending was 9.1%, 6.4%, and 5.7%, respectively.

Mr. Brakebill noted that while the performance in the quarter was discouraging, there have been only three fiscal years with a negative return throughout the entire history of the plan.

Actuarial Valuation Presentation

Chairman Lillard introduced Mr. Justin Thacker from Findley to review the actuarial valuation presentation on the Hybrid plan. Mr. Thacker noted the purpose of the actuarial valuation is to determine employer contribution rates for the defined benefit component of the Hybrid plan and

examine the financial health of the plan. He also mentioned that there is a separate process and reporting for GASB 67/68 information.

As determined by the July 1, 2018 actuarial valuation, the employer actuarially determined contribution (ADC) rate for the Hybrid plan will be as follows: for the state general employees the rate will be 1.73%, the public safety bridge rate will be .84%, state judges rate will be 7.31% and the rate for teachers will be 2.03%. The overall total weighted average employer rate will be 4.00%. The total employer contribution rate will be broken down as follows: the state general employee rate will be 3.96%, the public safety bridge rate will be .84%, state judges rates will be 7.31%, and the rate for teachers will be 4.00%. The new employer contribution rates will go into effect July 1, 2019.

On a motion by Chairman Lillard and seconded by Mr. Varble, the Board unanimously approved the new employer contribution rates.

Other Business

Chairman Lillard reminded Board members that a Board educational session will take place after the meeting.

Adjournment

Chairman Lillard announced the completion of the business at hand and asked if there was any other business to come before the Board.

On a motion by Mr. Wormsley and seconded by Mr. Laney, the Board unanimously approved the TCRS Board of Trustees motion to adjourn.

With no other business, the Board of Trustees adjourned at 11:03 a.m. on March 29, 2019.

Respectfully Submitted,

**Jamie Wayman
Director, TCRS**

Approved:

**David H. Lillard, Jr.
Chairman of the Board**

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COMMITTEE MINUTES

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Minutes of the Administrative Committee

March 29, 2019

The Administrative Committee of the Board of Trustees of the Tennessee Consolidated Retirement System met on Friday, March 29, 2019 at 9:00 a.m. The meeting was held in Conference Room C, Fifth Floor Cordell Hull Building, with Director Jamie Wayman presiding.

The following members were present: Mr. Paul Varble, Mr. Alfred Laney, Ms. Patsy Moore, and Ms. Deborah Taylor Tate.

Approval of the November 30, 2018 Minutes of the TCRS Administrative Committee

On a motion by Ms. Tate and seconded by Mr. Varble, the minutes of the November 30, 2018, TCRS Administrative Committee meeting were unanimously approved.

New Board Members

Mr. Wayman shared with the Committee that there would be new Board members introduced in the full Board meeting. He also discussed with the Committee that eight positions on the Board would be up for reappointment or reelection this year, with those positions' current terms expiring June 30, 2019. Ms. Courtney Hess, Senior Manager of Retirement Policy and Compliance, updated the Committee on the election process for the state employee representatives on the Board, noting that the online voting for these elections will occur in May. Mr. Wayman and the Committee discussed the appointment process for positions on the Board.

Legislative Update

Mr. Wayman updated the Committee on five proposed bills potentially impacting TCRS that are being heard in the General Assembly. The five bills have all been heard by the Council on Pensions and Insurance and are in standing committees. Bills that received positive recommendations from the Council on Pensions and Insurance include the TCRS Housekeeping bill; a bill that would provide death benefits to the spouse, if designated as beneficiary, of a member who dies in service and is vested; and a bill that would give police officers and firefighters the option to retire after twenty-five years of service, regardless of age. Bills that received negative recommendations from the Council on Pensions and Insurance include a bill that would transfer the fire and arson investigators from the Department of Commerce and Insurance to the Tennessee Bureau of Investigation, designating them as state police officers subject to mandatory retirement and the bridge benefit; and a bill that would make park rangers subject to mandatory retirement and the bridge benefit.

Operations Update

Ms. Mary Beth Franklyn, Director of Employer Reporting and Customer Service, discussed the number of phone calls and meetings with participants and employers during the calendar year 2018. Over 174,000 member phone calls were answered and 1,200 group meetings for members were held during the time period, and there were 865 group presentations with local government employers. Additionally, she shared that her team has had successful efforts working with state Human Resources departments and has held 632 meetings with local education agency employers. Ms. Franklyn shared that over 15,000 benefit estimates were provided to members in 2018, with an average time of completion of 5.5 days.

Ms. Franklyn also discussed with the Committee the new process for evaluation of disability retirement applications. Following a Request for Proposals, TCRS contracted with the University of Massachusetts Medical School for physician review of applications for disability retirement, with recommendations provided to TCRS. Ms. Franklyn shared that the new process began in early March and the intent for it to be more efficient for members. She also discussed the statistical report on disability applications and the upcoming plans to provide reports with more aggregate data for the Committee in the future.

Next Ms. Erica Nale, Assistant Director of TCRS, shared an update on TCRS operations. Ms. Nale discussed the publication of the 2018 Comprehensive Annual Financial Report to the new Treasury Department website. Ms. Nale also shared with the Committee that member contribution refund applications have increased, which is anticipated due to more members being contributory under the Hybrid Plan. She shared that TCRS will see, as is typical annually, a higher volume of retirement applications in the coming months. Ms. Nale discussed that during the January-March time period, approximately 50% of retirement applications have been submitted online. She shared that TCRS will be working this year on additional services that may be provided online to members in the future. Ms. Nale also discussed the work TCRS is doing to enhance its ability to prevent overpayments due to death of members through additional tools.

Mr. Wayman added that goals of online retirement are reducing data entry time and error risk, as well as being able to provide a status of where an application is in progress. Mr. Wayman also mentioned that the TCRS Housekeeping bill contains a provision authorizing TCRS to require online submission of applications at a time designated by the State Treasurer.

Other Business

Mr. Wayman shared with the Committee that the employer contribution rates for the Legacy Plan for state employees and teachers were approved by the Board at the November 30 meeting, and that the employer rates for the Hybrid Plan for state employees and teachers would be presented at this Board meeting.

Adjournment

With no other business, the Administrative Committee of the Board of Trustees adjourned at 9:56 a.m. on March 29, 2019.

Respectfully Submitted,

Erica Nale

Assistant Director, TCRS

Approved:

James E. Wayman

Administrative Committee Chair

**AUDIT COMMITTEE MEETING MINUTES
OF TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS)
March 29, 2019**

The Tennessee Consolidated Retirement System (TCRS) Audit Committee for the Board of Trustees met on Friday, March 29, 2019. The meeting began at 8:03 a.m. in the Cordell Hull Building, 8th floor, Conference Room C. Chairman Barker recognized Tim Ellis, City Manager for Goodlettsville as a visitor and future member of the Audit Committee.

The following committee members were present:

- Chairman Michael Barker
- Ed Taylor, TCRS Board Member
- Tre Hargett, TN Secretary of State

Others present were:

- David H. Lillard, Jr., TN State Treasurer
- Earle Pierce, Director of Internal Audit, TN Treasury
- Jennifer Selliers, Director of Internal Compliance, TN Treasury
- Tim Ellis, Goodlettsville City Manager
- Jamie Wayman, Director of TCRS
- Alison Cleaves, Assistant Treasurer for Legal, Compliance & Audit, TN Treasury

Call Meeting to Order

Chairman Barker called the meeting to order and presented the minutes from the September 28, 2018 Audit Committee meeting for approval. Secretary Hargett motioned to accept the minutes as presented and Chairman Barker seconded the motion. The minutes were unanimously approved from the September 2018 Audit Committee meeting.

Revised TCRS Audit Committee Charter

Mr. Pierce presented a revised Audit Committee charter for the Committee to consider and adopt. Mr. Pierce highlighted changes including a new section which outlines the authority of the Committee as well as the nomination process for committee members and their term of service. Other revisions including formatting changes. The charter revisions were based upon best practices of the Institute of Internal Auditors, the Tennessee Comptroller guidelines for audit committee charters as well as requirements of Tennessee Code Annotated (TCA). Mr. Pierce noted the revised charter had already been approved by the TN Comptroller. Chairman Barker made a motion to approve the revised Audit Committee charter and Secretary Hargett seconded the motion. The revised TCRS Audit Committee charter was unanimously approved.

Internal Audit Results

Earle Pierce presented the final results for the 2018 Investments Division Incentive Compensation Review. Discussion included a review of audit results as well as recommendations for improvement in the annual process. Chief Investment Officer Michael Brakebill provided the Committee with some background on the incentive compensation process for the Investment staff as well as Investment management's efforts to improve the process over the past five years. Mr. Brakebill also provided some information on the process of calculating the incentive payments.

Mr. Pierce reviewed a list of completed audits since the last Audit Committee meeting in September 2018. This included a list of audit analytics completed on a monthly and quarterly basis. Mr. Pierce discussed the death overpayment analytic and asked TCRS Director Jamie Wayman to provide additional information on the new service they are using to find more member deaths in states not covered by their current vendors.

Current Projects for TCRS

Mr. Pierce reviewed a list of current TCRS audit projects as well as those in the planning phase. This included preparing for the 2018 GASB 68 audit to be performed by State Audit starting next month.

2017 GASB 68 Audit Opinion Letters & 2018 TCRS Financial Statement Audit Results

Mr. Pierce introduced State Auditor Randy Salt to present the 2017 GASB 68 Audit Opinion letters and the 2018 audited financial statements for TCRS. Mr. Salt discussed the purpose of the audits as well as the results which included unmodified opinions and no audit findings. Mr. Salt stated his appreciation of Treasury personnel who assistance them each year with these audits.

Comptroller's Hotline

Mr. Pierce informed the Committee there were no official hotline submissions for TCRS since the last committee meeting in September 2018; however, there was one instance where a Clarksville-Montgomery education employee called Investigator Scott Udulutch at the Comptroller's Office about issues with pre-tax payroll deductions which she thought were deducted from her paycheck incorrectly by TCRS. Further follow up with the Director of TCRS and the Director of Deferred Compensation revealed the educator's employer had incorrectly deducted her 401k contributions and later deducted additional taxes from her paycheck to correct a previous error.

Other Business

Chairman Barker asked Treasurer Lillard to provide an update to the Committee. Treasurer Lillard brought up the subject of on-line retirement applications. TCRS Director Jamie Wayman provided

additional details for the on-line retirement application process including the increase in the percentage of on-line applications TCRS has received on a monthly basis since the process was initiated in August 2018.

Adjournment

Secretary Hargett motioned to adjourn and Ed Taylor seconded the motion. The motion to adjourn was unanimously approved. The meeting adjourned at approximately 8:52 a.m.

Meeting minutes documented by

Earle Pierce, CPA, CIA, CRMA
Director of Internal Audit
Tennessee Department of Treasury

Approved by:

Michael Barker
Chairman of the Audit Committee

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Minutes of the Meeting of the Investment Committee
March 29, 2019

The Investment Committee of the Tennessee Consolidated Retirement System (TCRS) met on March 29, 2019 in the State Capitol. The Honorable David H. Lillard, Jr., State Treasurer, called the meeting to order at 9:00 AM. Investment Committee members in attendance included: Honorable David H. Lillard, Jr., Honorable Tre Hargett, Secretary of State; Mr. Bob Wormsley, President/CEO of Local Government Insurance Pool; Mr. Bill Kemp, Sumner County Clerk; Honorable Stuart McWhorter, Commissioner of the Department of Finance and Administration. Additional attendees included: Michael Brakebill, Chief Investment Officer; Derrick Dagnan, Deputy Chief Investment Officer; Daniel Crews, Director of Private Equity; Carrie Green, Director of Equities; JP Rachmaninoff, Director of Real Estate; Matthew Haitas, Senior Portfolio Manager; Jeff Dunn, Senior Portfolio Manager; Grant Leslie, Senior Portfolio Manager; Tim McClure, Director of Cash Management and Assistant CIO; Jennifer Selliers, Investment Compliance Officer; Andrew Messer, Compliance Analyst; Jay Bullie, Senior Credit Analyst.

The meeting began with the Honorable David H. Lillard, Jr. introducing the new Commissioner of Finance and Administration, Stuart McWhorter, who is the newest member of the investment committee. The attending investment professionals proceeded to fully introduce their individual roles and responsibilities to the committee. The committee then approved minutes for the two previous committee meetings on November 30, 2018 and February 14, 2019. Mr. Wormsley motioned to approve the minutes and it was seconded by Mr. Bill Kemp.

Mr. Jeff Dunn presented a request for a new investment for the Strategic Lending Portfolio. Mr. Dunn recommended a commitment of up to \$150 million to Taurus Mining Finance Fund No. 2, L.P. Taurus's investment strategy is to invest in late stage mine development financing and refinancing opportunities. The underlying commodities targeted by the fund include base metals, industrial minerals, precious metals and steel raw materials. The team has deep financial and industry experience in the mining sector and will continue to deploy an investment strategy that has been successful in previous funds. TCRS previously committed \$75 million to Taurus Mining Finance Fund 1 and \$40 million to the Taurus Mining Finance Annex Fund. Mr. Dunn highlighted key aspects of the existing Taurus platform, previous risk adjusted returns, fund terms, and areas of risk or concern.

Mr. Bob Wormsley motioned to approve Taurus Mining Finance Fund No. 2, L.P. and it was seconded by Secretary Hargett. The committee approved the \$150 million investment by unanimous voice vote.

A notification of investment in Livingbridge Enterprise III L.P. was given to the Investment Committee by Mr. Daniel Crews. The investment commitment of £40 million was approved by Treasurer Lillard on December 12, 2018. The investment represents a tactical investment in a growth oriented European private equity manager specializing in the United Kingdom market. Livingbridge is an existing relationship.

The next investment considered was a commitment of up to \$200 million to Advent International GPE IX, L.P., for the Private Equity portfolio. Mr. Grant Leslie reviewed the investment strategy,

return profile, key terms, investment concerns, and the history of the firm. The firm is a control-oriented, large global buyout manager that seeks to create value for investors by growing the earnings of its portfolio companies in five sectors: business & financial services; healthcare; industrial; retail, consumer & leisure; and Technology, media and telecom. Advent plans to hold 30-35 positions in each fund. Based on a favorable track record and favorable diligence, Staff recommended expanding the current relationship with Advent to include fund IX.

Commissioner Stuart McWhorter motioned to approve the investment and it was seconded by Mr. Bob Wormsley. The committee approved the commitment of up to \$200 million to Advent International GPE IX, L.P. by unanimous voice vote.

Mr. Daniel Crews presented a recommendation to commit up to \$200 million for TA XIII, L.P. for the Private Equity portfolio. TA primarily deploys a buyout strategy focused primarily on growth-oriented companies in the technology, healthcare, financial services, consumer, and business services sectors. TA is an existing relationship. Staff recommended continuing the relationship based on favorable operational and financial due diligence of the long investment track record, fund terms, strategy, team, and investment concerns. Additionally, Mr. Crews highlighted the large general partner investment, fund transparency, fee structure, and other terms that create a strong alignment of interests with TCRS.

The chair moved to approve the investment and it was seconded by Secretary Hargett. The committee approved the commitment of up to \$200 million to TA XIII, L.P. by unanimous voice vote.

Mr. Crews then presented a recommendation to commit up to €150 million to The Seventh Cinven Fund, L.P. for the Private Equity portfolio. The fund's manager has a 27 year history in the leveraged buyout sector. Cinven primarily invests in European firms with a greater than €300 million enterprise value. The firm has a long track record of outperformance for previous funds. The only fund to experience performance issues, The Fourth Cinven Fund, experienced idiosyncratic sector issues associated with the Global Financial Crisis. This performance misstep necessitated sweeping business improvements in the areas of financial underwriting, capital discipline, investment committee overhaul and revamped surveillance process. The changes resulted in noticeable investment improvement from that point on. Cinven is an existing relationship for TCRS. Staff recommended continuing the relationship based on favorable operational and financial due diligence of the long investment track record, fund terms, strategy, team, and investment concerns.

The chair moved to approve the investment and it was seconded by Commissioner Stuart McWhorter. The committee approved the commitment of up to €150 million to The Seventh Cinven Fund L.P. by unanimous voice vote.

The final request that the investment committee reviewed was a recommendation to commit up to \$200 million to a Pathway Private Equity Co-Investment Separate Account for the Private Equity portfolio. Mr. Grant Leslie presented the key diligence items, terms, and structure of this new relationship. The firm has a history of creating separately managed accounts for public pensions and operates commingled co-investment funds. Pathway will exercise discretion within a

structured investment plan to deploy capital into co-investment opportunities within TCRS's current private equity manager roster. This structure allows TCRS to prudently control deployment across vintage years, company, sector, and strategy. The main benefit of this strategy is a dramatic reduction in the fee burden of private equity investments.

The chair moved to approve the investment and it was seconded by Secretary Hargett. The committee approved the commitment of up to \$200 million to the Pathway Private Equity Co-Investment Separate Account by unanimous voice vote.

The meeting ended with Mr. Brakebill reviewing TCRS initiatives, organizational personnel changes, operational process updates, and the TCRS quarterly performance review was deferred to the Board of Trustees Meeting, which immediately followed the Investment Committee Meeting.

Treasurer Lillard then adjourned the meeting at 11:00 AM.

Respectfully submitted,

/s/Michael Brakebill
Michael Brakebill
Chief Investment Officer

APPROVED:

David H. Lillard, Jr. Chairman
TCRS Board of Trustees

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Minutes of the Meeting of the Investment Committee
May 14, 2019

The Investment Committee of the Tennessee Consolidated Retirement System (TCRS) met on May 14, 2019 in the State Capitol. The Honorable David H. Lillard, Jr., State Treasurer, called the meeting to order at 10:00 AM. Investment Committee members in attendance included: Honorable David H. Lillard, Jr., State Treasurer; Honorable Tre Hargett, Secretary of State; Honorable Stuart McWhorter, Commissioner of the Department of Finance and Administration; Mr. Bill Kemp, Sumner County Clerk. Additional attendees included: Michael Brakebill, Chief Investment Officer; Derrick Dagnan, Deputy Chief Investment Officer; Daniel Crews, Director of Private Equity; Grant Leslie, Senior Portfolio Manager; Stephen Wright, Senior Real Estate Analyst; Andrew Messier, Compliance and Risk Analyst; Heather Iverson, Assistant General Counsel; William Wood, Comptroller's Office; Rick Newton, F&A Division of Budget.

Treasurer Lillard began the meeting by asking Mr. Daniel Crews to present a private equity transaction for approval.

Mr. Crews recommended a commitment of up to \$100 million to New Enterprise Associates 17, L.P. Mr. Crews highlighted that New Enterprise Associates ("NEA") is an existing relationship for TCRS, having invested in Fund 16. NEA is highly respected and considered one of the best venture capital firms in the world with a forty year track record. Mr. Michael Brakebill asked Mr. Crews to highlight the performance of NEA. Mr. Crews stated that TCRS is looking for venture capital firms that can deliver great net returns, which NEA has consistently delivered. He discussed key aspects of a favorable operational and financial due diligence process including key terms, the firm, team, strategy, and items of concern.

Treasurer Lillard then motioned to approve the transaction which was seconded by Secretary Hargett. The recommendation to commit up to \$100 million to NEA 17 was approved unanimously by voice vote.

The Treasurer then asked Mr. Grant Leslie to present a private equity transaction for approval.

Mr. Leslie recommended a commitment of up to \$150 million to Great Hill Equity Partners VII, L.P. Mr. Leslie noted that Great Hill is an existing relationship for TCRS, having invested in Fund VI in 2016. Great Hill is focused on growth equity and acquires controlling and non-control positions primarily in fast growing U.S. companies in the technology, business services, and consumer services sectors. While Great Hill Equity Partners Fund VI is still in the early stages of the fund, the net IRR since inception has produced favorable returns. Mr. Leslie reviewed key diligence items including the firm, strategy, ownership, team, history, terms and areas for concern. He noted a high degree of team continuity and that the strategy and portfolio construction of the prior fund has been in line with expectations. He then discussed the growth equity strategy in relation to the overall portfolio construction of the Private Equity Portfolio and mentioned that Staff has faced challenges sourcing attractive relationships that would expand the growth equity exposure.

Treasurer Lillard then motioned to approve the transaction which was seconded by Commissioner McWhorter. The recommendation to commit up to \$150 million to Great Hill VII was approved unanimously by voice vote.

The Treasurer then called on Mr. Michael Brakebill to review the TCRS portfolio and the current state of the financial markets. Mr. Brakebill highlighted how the TCRS portfolio has taken steps to neutralize the equity allocation, by selling roughly \$1 billion in stocks over the past month. As of yesterday, the fiscal year to date for the TCRS portfolio was up 3.5% following the volatility in the market over the past week. Mr. Brakebill then illustrated how the market environment has changed over the past months by examining interest rates and changes in the shape of the yield curve. From the end of October until mid-May, long interest rates have declined dramatically, but short rates are up on central bank actions and today much of the yield curve is at or near inversion. He highlighted that historically inversions of the 10-Year Treasury compared to the 90 Day T-Bill yield curves usually precede recessions. Mr. Brakebill went on to elaborate that even though the U.S. market recently experienced an inversion it is certain that the U.S. economy is going into another recession. He explained that this movement in long interest rates could be an indication that the market feels that the long term economic growth outlook of the U.S. market has started to slow down. Mr. Brakebill concluded with these fundamental interest rates showing signs of uncertainty TCRS needs to be cautious going forward.

Seeing no further comments, Treasurer Lillard adjourned the meeting at 10:30 AM.

Respectfully submitted,

/s/Michael Brakebill
Michael Brakebill
Chief Investment Officer

APPROVED:

David H. Lillard, Jr. Chairman
TCRS Board of Trustees

**TCRS BOARD OF TRUSTEES
APPOINTMENTS**

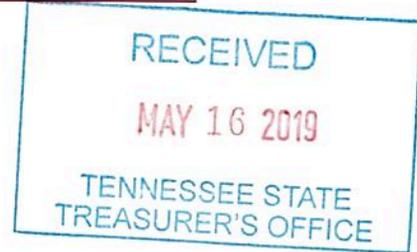
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Rodney A. Archer, *Executive Director*
rarcher@coatn.com

COUNTY OFFICIALS ASSOCIATION OF
TENNESSEE

May 14, 2019



David Lillard, Jr.
State Treasurer
State of TN Treasury Department
State Capitol
Nashville, TN 37243

Dear Mr. Lillard,

Thank you for your letter on April 8, 2019 regarding the re-appointment of Mr. Bill Kemp for the TN Consolidate Retirement System Board of Trustees. I understand his term will be expiring on June 30, 2019.

I would like to recommend that he be reappointed for a new term beginning on July 1, 2019 through June 30, 2021. Mr. Kemp has served as a valuable member for this board and will continue to do so for another term.

If you should need to contact me or have any questions, please do not hesitate to call me at 615-253-6700. Thanks you.

Sincerely,

Rodney Archer
Executive Director

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**POLITICAL SUBDIVISIONS
SEEKING MEMBERSHIP**

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**Political Subdivisions Beginning Participation
in the Tennessee Consolidated Retirement System
July 1, 2019**

Political Subdivision	Amount of Service Employer	Employee	ER Rate	EE Rate	Accrued Liability	Part Time Coverage	Cost of Living	Number of Employees
City of Celina	0	0	1.1%	5.00%	\$0	Exclude	Include	40

Hybrid without Cost Controls

Meetings:

February 2017 Explained initial employer costs and participating procedures to the governing body.

July 2019 Will explain reporting procedures to payroll officer(s).

Additional Notes:

Contract for participation in Empower 401(k) being finalized.

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Tennessee Consolidated Retirement System

A RESOLUTION to authorize a political subdivision's participation in the Tennessee Consolidated Retirement System in accordance with Tennessee Code Annotated, Title 8, Chapters 34 – 37.

WHEREAS, Tennessee Code Annotated, Title 8, Chapter 35, Part 2 allows a political subdivision to participate in the Tennessee Consolidated Retirement System (“TCRS”) subject to the approval of the TCRS Board of Trustees; and

WHEREAS, the City of Celina desires to participate in TCRS under the
(Name of Political Subdivision)

provisions of Tennessee Code Annotated, Title 8, Chapters 34 – 37 and in accordance with the following terms and conditions:

- A. TYPE PLAN. (CHECK BOX 1 OR BOX 2 OR BOX 3 OR BOX 4). The Political Subdivision adopts the following type plan:
- (1) Regular Defined Benefit Plan.
 - (2) Alternate Defined Benefit Plan.
 - (3) Local Government Hybrid Plan (If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees and pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt. The defined contribution plan could provide for employer contributions of 0% to up to 7% of its employees' salaries).
 - (4) State Employee and Teacher Hybrid Plan (If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees whereby the Political Subdivision makes a mandatory employer contribution on behalf of each of its employees participating in the Hybrid Plan equal to 5% of the respective employee's salary subject to the cost controls and unfunded liability controls of the Hybrid Plan. The Political Subdivision must also pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt).
- B. EMPLOYEE CONTRIBUTIONS. (CHECK BOX 1 OR BOX 2 OR BOX 3 - IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, THE EMPLOYEES MUST CONTRIBUTE 5% OF THEIR EARNABLE COMPENSATION UNDER THAT PLAN AND BOX 1 MUST BE CHECKED). The Employees shall contribute:
- (1) 5% of the employees' earnable compensation.
 - (2) 2.5% of the employees' earnable compensation.
 - (3) 0% of the employees' earnable compensation.
- C. COST-OF-LIVING INCREASES FOR RETIREES. (CHECK BOX 1 OR BOX 2 – IF EITHER THE LOCAL GOVERNMENT, OR THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, COST-OF-LIVING INCREASES FOR RETIREES MUST BE GIVEN, SUBJECT TO ANY APPLICABLE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS AND BOX 2 MUST BE CHECKED). The Political Subdivision shall:
- (1) NOT provide cost-of-living increases for its retirees.
 - (2) PROVIDE cost-of-living increases for its retirees.
- D. ELIGIBILITY OF PART-TIME EMPLOYEES. (CHECK BOX 1 OR BOX 2). The Political Subdivision shall:
- (1) NOT allow its part-time employees to participate in TCRS.
 - (2) ALLOW its part-time employees to participate in TCRS.

E. PRIOR SERVICE. (CHECK AND COMPLETE BOX 1 OR BOX 2 OR BOX 3 OR BOX 4 OR BOX 5 – CAUTION: IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE AND IF BOX 3 BELOW IS NOT CHOSEN, THE EMPLOYER CONTRIBUTION COULD EXCEED 4% THEREBY CAUSING THE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS TO AUTOMATICALLY APPLY. ACCORDINGLY, PRIOR SERVICE IS NOT RECOMMENDED). For each employee employed with the Political Subdivision on the effective date of the Political Subdivision’s participation in TCRS, the Political Subdivision shall:

- (1) [] Purchase ALL years of prior service credit on behalf of its employees.
- (2) [] Purchase NO years of prior service credit on behalf of its employees, but shall accept the unfunded liability should its employees establish ALL years of prior service.
- (3) [X] NOT allow its employees to establish any prior service credit with the Political Subdivision.
- (4) [] Purchase _____ years of prior service credit on behalf of its employees and accept the unfunded liability should its employees establish an additional _____ years of prior service credit.
- (5) [] Purchase _____ years of prior service credit on behalf of its employees and no additional prior service credit may be established; and

F. MAXIMUM UNFUNDED LIABILITY. (COMPLETE THIS ITEM F ONLY IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE). For purposes of the cost control provisions of Tennessee Code Annotated, Section 8-36-922(d), the Political Subdivision defines “maximum unfunded liability” to mean an unfunded liability of no greater than: N/A; and

WHEREAS, the liability for participation and costs of administration shall be the sole responsibility of the Political Subdivision and not the State of Tennessee; and

WHEREAS, the Political Subdivision has passed a budget amendment appropriating the funds necessary to meet such liability and the same is attached hereto; and

WHEREAS, the effective date of participation shall be on July 1, 2019, or on such later date as determined by the TCRS Board of Trustees, and the initial employer contribution rate shall be 1.1%, which is based on the estimated lump sum accrued liability of \$0.00.

NOW, THEREFORE, BE IT RESOLVED That the Board of Mayor and Aldermen of the (Name of Governing Body)

City of Celina hereby authorizes all its employees in all its departments or (Name of Political Subdivision)

instrumentalities to become eligible to participate in TCRS in accordance with the above terms and conditions subject to the approval of the TCRS Board of Trustees. It is acknowledged and understood that pursuant to Tennessee Code Annotated, Section 8-35-111 the Political Subdivision shall not make employer contributions to any other retirement or deferred compensation plans on behalf of any employee who participates in TCRS pursuant to this Resolution wherein the total combined employer contributions to such plans exceed 3% of the employee’s salary, unless the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision for such employee. If either the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision, the Political Subdivision may make employer contributions to the defined contribution plan component of that Plan and to any one or more additional tax deferred compensation or retirement plans on behalf of such employee provided that the total combined employer contributions to such plans on behalf of the employee does not exceed 7% of the employee’s salary.

STATE OF TENNESSEE
COUNTY OF CLAY

I, Shannon M Boles, clerk of the

Board of Mayor and Aldermen
(Name of Governing Body)

of

City of Celina
(County, City Town, etc.)

Tennessee, do hereby certify that this is a true and exact copy of the foregoing Resolution that was approved and adopted in accordance with applicable law at a meeting held on the 9th day of April, 2019, the original of which is on file in this office.

IN WITNESS WHEREOF, I have hereunto set my hand, and the seal of the City of Celina
(Name of County, City, Town, etc.)

Shannon M Boles
As Clerk of the Board, as aforesaid

Seal

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**Political Subdivisions Beginning Participation
in the Tennessee Consolidated Retirement System
July 1, 2019**

Political Subdivision	Amount of Service Employer	Employee	ER Rate	EE Rate	Accrued Liability	Part Time Coverage	Cost of Living	Number of Employees
City of Eagleville	0	0	5.9%	0.00%	\$0	Exclude	Include	8

Hybrid without Cost Controls

Meetings:

January 2017 Explained initial employer costs and participating procedures to the governing body.

July 2019 Will explain reporting procedures to payroll officer(s).

Additional Notes:

Contract for participation in Empower 401(k) being finalized.

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RESOLUTION 2019-002

A RESOLUTION TO AUTHORIZE THE CITY OF EAGLEVILLE, TENNESSEE'S PARTICIPATION IN THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM IN ACCORDNACE WITH TENNESSEE CODE ANNOTATED, TITLE 8, CHAPTERS 34-37

BE IT RESOLVED BY THE CITY OF EAGLEVILLE, TENNESSEE,

WHEREAS, Tennessee Code Annotated, Title 8, Chapter 35, Part 2 allows a political subdivision to participate in the Tennessee Consolidated Retirement System ("TCRS") subject to the approval of the TCRS Board of Trustees; and

WHEREAS, the City of Eagleville desires to participate in TCRS under the
(Name of Political Subdivision)

provisions of Tennessee Code Annotated, Title 8, Chapters 34 – 37 and in accordance with the following terms and conditions:

- A. TYPE PLAN. (CHECK BOX 1 OR BOX 2 OR BOX 3 OR BOX 4). The Political Subdivision adopts the following type plan:
- (1) Regular Defined Benefit Plan.
 - (2) Alternate Defined Benefit Plan.
 - (3) Local Government Hybrid Plan (If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees and pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt. The defined contribution plan could provide for employer contributions of 0% to up to 7% of its employees' salaries).
 - (4) State Employee and Teacher Hybrid Plan (If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees whereby the Political Subdivision makes a mandatory employer contribution on behalf of each of its employees participating in the Hybrid Plan equal to 5% of the respective employee's salary subject to the cost controls and unfunded liability controls of the Hybrid Plan. The Political Subdivision must also pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt).
- B. EMPLOYEE CONTRIBUTIONS. (CHECK BOX 1 OR BOX 2 OR BOX 3 - IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, THE EMPLOYEES MUST CONTRIBUTE 5% OF THEIR EARNABLE COMPENSATION UNDER THAT PLAN AND BOX 1 MUST BE CHECKED). The Employees shall contribute:
- (1) 5% of the employees' earnable compensation.
 - (2) 2.5% of the employees' earnable compensation.
 - (3) 0% of the employees' earnable compensation.
- C. COST-OF-LIVING INCREASES FOR RETIREES. (CHECK BOX 1 OR BOX 2 – IF EITHER THE LOCAL GOVERNMENT, OR THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, COST-OF-LIVING INCREASES FOR RETIREES MUST BE GIVEN, SUBJECT TO ANY APPLICABLE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS AND BOX 2 MUST BE CHECKED). The Political Subdivision shall:
- (1) NOT provide cost-of-living increases for its retirees.
 - (2) PROVIDE cost-of-living increases for its retirees.
- D. ELIGIBILITY OF PART-TIME EMPLOYEES. (CHECK BOX 1 OR BOX 2). The Political Subdivision shall:
- (1) NOT allow its part-time employees to participate in TCRS.
 - (2) ALLOW its part-time employees to participate in TCRS.

E. PRIOR SERVICE. (CHECK AND COMPLETE BOX 1 OR BOX 2 OR BOX 3 OR BOX 4 OR BOX 5 – CAUTION: IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE AND IF BOX 3 BELOW IS NOT CHOSEN, THE EMPLOYER CONTRIBUTION COULD EXCEED 4% THEREBY CAUSING THE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS TO AUTOMATICALLY APPLY. ACCORDINGLY, PRIOR SERVICE IS NOT RECOMMENDED). For each employee employed with the Political Subdivision on the effective date of the Political Subdivision's participation in TCRS, the Political Subdivision shall:

- (1) [] Purchase ALL years of prior service credit on behalf of its employees.
- (2) [] Purchase NO years of prior service credit on behalf of its employees, but shall accept the unfunded liability should its employees establish ALL years of prior service.
- (3) [X] NOT allow its employees to establish any prior service credit with the Political Subdivision.
- (4) [] Purchase _____ years of prior service credit on behalf of its employees and accept the unfunded liability should its employees establish an additional _____ years of prior service credit.
- (5) [] Purchase _____ years of prior service credit on behalf of its employees and no additional prior service credit may be established; and

F. MAXIMUM UNFUNDED LIABILITY. (COMPLETE THIS ITEM F ONLY IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE). For purposes of the cost control provisions of Tennessee Code Annotated, Section 8-36-922(d), the Political Subdivision defines "maximum unfunded liability" to mean an unfunded liability of no greater than: N/A; and

WHEREAS, the liability for participation and costs of administration shall be the sole responsibility of the Political abdivision and not the State of Tennessee; and

WHEREAS, the Political Subdivision has passed a budget amendment appropriating the funds necessary to meet such liability and the same is attached hereto; and

WHEREAS, the effective date of participation shall be on July 1, 2019, or on such later date as determined by the TCRS Board of Trustees, and the initial employer contribution rate shall be 5.9%, which is based on the estimated lump sum accrued liability of \$0.00.

NOW, THEREFORE, BE IT RESOLVED That the City Council of the
(Name of Governing Body)

City of Eagleville hereby authorizes all its employees in all its departments or
(Name of Political Subdivision)

instrumentalities to become eligible to participate in TCRS in accordance with the above terms and conditions subject to the approval of the TCRS Board of Trustees. It is acknowledged and understood that pursuant to Tennessee Code Annotated, Section 8-35-111 the Political Subdivision shall not make employer contributions to any other retirement or deferred compensation plans on behalf of any employee who participates in TCRS pursuant to this Resolution wherein the total combined employer contributions to such plans exceed 3% of the employee's salary, unless the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision for such employee. If either the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision, the Political Subdivision may make employer contributions to the defined contribution plan component of that Plan and to any one or more additional tax deferred compensation or retirement plans on

behalf of such employee provided that the total combined employer contributions to such plans on behalf of the employee does not exceed 7% of the employee's salary.

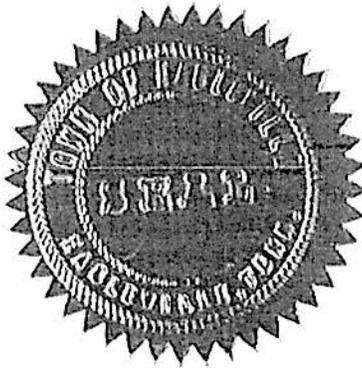
STATE OF TENNESSEE
COUNTY OF RUTHERFORD

I, PHILLIP DYE, clerk of the

City Council of the City of Eagleville
(Name of Governing Body) (County, City Town, etc.)

Tennessee, do hereby certify that this is a true and exact copy of the foregoing Resolution that was approved and adopted in accordance with applicable law at a meeting held on the 21ST day of MARCH, 2019 the original of which is on file in this office.

IN WITNESS WHEREOF, I have hereunto set my hand, and the seal of the City of Eagleville
(Name of County, City, Town, etc.)



[Signature]
As Clerk of the Board, as aforesaid

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**Political Subdivisions Beginning Participation
in the Tennessee Consolidated Retirement System
July 1, 2019**

Political Subdivision	Amount of Service Employer	Employee	ER Rate	EE Rate	Accrued Liability	Part Time Coverage	Cost of Living	Number of Employees
City of South Fulton	0	0	1.1%	5.00%	\$0	Exclude	Include	28

Hybrid without Cost Controls

Meetings:

- June 2018 Explained initial employer costs and participating procedures to the governing body.
- July 2019 Will explain reporting procedures to payroll officer(s).

Additional Notes:

Contract for participation in Empower 401(k) being finalized.

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Tennessee Consolidated
Retirement System

A RESOLUTION to authorize a political subdivision's participation in the Tennessee Consolidated Retirement System in accordance with Tennessee Code Annotated, Title 8, Chapters 34 – 37.

WHEREAS, Tennessee Code Annotated, Title 8, Chapter 35, Part 2 allows a political subdivision to participate in the Tennessee Consolidated Retirement System ("TCRS") subject to the approval of the TCRS Board of Trustees; and

WHEREAS, the City of South Fulton desires to participate in TCRS under the
(Name of Political Subdivision)

provisions of Tennessee Code Annotated, Title 8, Chapters 34 – 37 and in accordance with the following terms and conditions:

- A. TYPE PLAN. (CHECK BOX 1 OR BOX 2 OR BOX 3 OR BOX 4). The Political Subdivision adopts the following type plan:
- (1) Regular Defined Benefit Plan.
 - (2) Alternate Defined Benefit Plan.
 - (3) Local Government Hybrid Plan (If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees and pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt. The defined contribution plan could provide for employer contributions of 0% to up to 7% of its employees' salaries).
 - (4) State Employee and Teacher Hybrid Plan (If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees whereby the Political Subdivision makes a mandatory employer contribution on behalf of each of its employees participating in the Hybrid Plan equal to 5% of the respective employee's salary subject to the cost controls and unfunded liability controls of the Hybrid Plan. The Political Subdivision must also pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt).
- B. EMPLOYEE CONTRIBUTIONS. (CHECK BOX 1 OR BOX 2 OR BOX 3 - IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, THE EMPLOYEES MUST CONTRIBUTE 5% OF THEIR EARNABLE COMPENSATION UNDER THAT PLAN AND BOX 1 MUST BE CHECKED). The Employees shall contribute:
- (1) 5% of the employees' earnable compensation.
 - (2) 2.5% of the employees' earnable compensation.
 - (3) 0% of the employees' earnable compensation.
- C. COST-OF-LIVING INCREASES FOR RETIREES. (CHECK BOX 1 OR BOX 2 – IF EITHER THE LOCAL GOVERNMENT, OR THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, COST-OF-LIVING INCREASES FOR RETIREES MUST BE GIVEN, SUBJECT TO ANY APPLICABLE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS AND BOX 2 MUST BE CHECKED). The Political Subdivision shall:
- (1) NOT provide cost-of-living increases for its retirees.
 - (2) PROVIDE cost-of-living increases for its retirees.
- D. ELIGIBILITY OF PART-TIME EMPLOYEES. (CHECK BOX 1 OR BOX 2). The Political Subdivision shall:
- (1) NOT allow its part-time employees to participate in TCRS.
 - (2) ALLOW its part-time employees to participate in TCRS.

E. PRIOR SERVICE. (CHECK AND COMPLETE BOX 1 OR BOX 2 OR BOX 3 OR BOX 4 OR BOX 5 – CAUTION: IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE AND IF BOX 3 BELOW IS NOT CHOSEN, THE EMPLOYER CONTRIBUTION COULD EXCEED 4% THEREBY CAUSING THE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS TO AUTOMATICALLY APPLY. ACCORDINGLY, PRIOR SERVICE IS NOT RECOMMENDED). For each employee employed with the Political Subdivision on the effective date of the Political Subdivision’s participation in TCRS, the Political Subdivision shall:

- (1) [] Purchase ALL years of prior service credit on behalf of its employees.
- (2) [] Purchase NO years of prior service credit on behalf of its employees, but shall accept the unfunded liability should its employees establish ALL years of prior service.
- (3) [X] NOT allow its employees to establish any prior service credit with the Political Subdivision.
- (4) [] Purchase _____ years of prior service credit on behalf of its employees and accept the unfunded liability should its employees establish an additional _____ years of prior service credit.
- (5) [] Purchase _____ years of prior service credit on behalf of its employees and no additional prior service credit may be established; and

F. MAXIMUM UNFUNDED LIABILITY. (COMPLETE THIS ITEM F ONLY IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE). For purposes of the cost control provisions of Tennessee Code Annotated, Section 8-36-922(d), the Political Subdivision defines “maximum unfunded liability” to mean an unfunded liability of no greater than: N/A; and

WHEREAS, the liability for participation and costs of administration shall be the sole responsibility of the Political Subdivision and not the State of Tennessee; and

WHEREAS, the Political Subdivision has passed a budget amendment appropriating the funds necessary to meet such liability and the same is attached hereto; and

WHEREAS, the effective date of participation shall be on July 1, 2019, or on such later date as determined by the TCRS Board of Trustees, and the initial employer contribution rate shall be 1.1%, which is based on the estimated lump sum accrued liability of \$0.00.

NOW, THEREFORE, BE IT RESOLVED That the City Council of
(Name of Governing Body)

City of South Fulton hereby authorizes all its employees in all its departments or
(Name of Political Subdivision)

instrumentalities to become eligible to participate in TCRS in accordance with the above terms and conditions subject to the approval of the TCRS Board of Trustees. It is acknowledged and understood that pursuant to Tennessee Code Annotated, Section 8-35-111 the Political Subdivision shall not make employer contributions to any other retirement or deferred compensation plans on behalf of any employee who participates in TCRS pursuant to this Resolution wherein the total combined employer contributions to such plans exceed 3% of the employee’s salary, unless the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision for such employee. If either the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision, the Political Subdivision may make employer contributions to the defined contribution plan component of that Plan and to any one or more additional tax deferred compensation or retirement plans on behalf of such employee provided that the total combined employer contributions to such plans on behalf of the employee does not exceed 7% of the employee’s salary.

STATE OF TENNESSEE
COUNTY OF OBION

I, Jaclyn Potter, clerk of the

City Council of City of South Fulton
(Name of Governing Body) (County, City Town, etc.)

Tennessee, do hereby certify that this is a true and exact copy of the foregoing Resolution that was approved and adopted in accordance with applicable law at a meeting held on the 16 day of May, 2019 the original of which is on file in this office.

IN WITNESS WHEREOF, I have hereunto set my hand, and the seal of the City of South Fulton
(Name of County, City, Town, etc.)

Jaclyn Potter
As Clerk of the Board, as aforesaid

Seal



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**Political Subdivisions Beginning Participation
in the Tennessee Consolidated Retirement System
July 1, 2019**

Political Subdivision	Amount of Service Employer	Employee	ER Rate	EE Rate	Accrued Liability	Part Time Coverage	Cost of Living	Number of Employees
South Giles Utility District	0	0	6.5%	5.00%	\$0	Exclude	Include	4

Regular Defined Benefit Plan

Meetings:

October 2018 Explained initial employer costs and participating procedures to the governing body.

July 2019 Will explain reporting procedures to payroll officer(s).

Additional Notes:

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Tennessee Consolidated Retirement System

A RESOLUTION to authorize a political subdivision's participation in the Tennessee Consolidated Retirement System in accordance with Tennessee Code Annotated, Title 8, Chapters 34 – 37.

WHEREAS, Tennessee Code Annotated, Title 8, Chapter 35, Part 2 allows a political subdivision to participate in the Tennessee Consolidated Retirement System ("TCRS") subject to the approval of the TCRS Board of Trustees; and

WHEREAS, the South Giles Utility District desires to participate in TCRS under the provisions of Tennessee Code Annotated, Title 8, Chapters 34 – 37 and in accordance with the following terms and conditions:

- A. TYPE PLAN. (CHECK BOX 1 OR BOX 2 OR BOX 3 OR BOX 4). The Political Subdivision adopts the following type plan:
(1) [X] Regular Defined Benefit Plan.
(2) [] Alternate Defined Benefit Plan.
(3) [] Local Government Hybrid Plan (If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees and pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt. The defined contribution plan could provide for employer contributions of 0% to up to 7% of its employees' salaries).
(4) [] State Employee and Teacher Hybrid Plan (If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees whereby the Political Subdivision makes a mandatory employer contribution on behalf of each of its employees participating in the Hybrid Plan equal to 5% of the respective employee's salary subject to the cost controls and unfunded liability controls of the Hybrid Plan. The Political Subdivision must also pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt).
B. EMPLOYEE CONTRIBUTIONS. (CHECK BOX 1 OR BOX 2 OR BOX 3 - IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, THE EMPLOYEES MUST CONTRIBUTE 5% OF THEIR EARNABLE COMPENSATION UNDER THAT PLAN AND BOX 1 MUST BE CHECKED). The Employees shall contribute:
(1) [X] 5% of the employees' earnable compensation.
(2) [] 2.5% of the employees' earnable compensation.
(3) [] 0% of the employees' earnable compensation.
C. COST-OF-LIVING INCREASES FOR RETIREES. (CHECK BOX 1 OR BOX 2 - IF EITHER THE LOCAL GOVERNMENT, OR THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, COST-OF-LIVING INCREASES FOR RETIREES MUST BE GIVEN, SUBJECT TO ANY APPLICABLE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS AND BOX 2 MUST BE CHECKED). The Political Subdivision shall:
(1) [] NOT provide cost-of-living increases for its retirees.
(2) [X] PROVIDE cost-of-living increases for its retirees.
D. ELIGIBILITY OF PART-TIME EMPLOYEES. (CHECK BOX 1 OR BOX 2). The Political Subdivision shall:
(1) [X] NOT allow its part-time employees to participate in TCRS.
(2) [] ALLOW its part-time employees to participate in TCRS.
E. PRIOR SERVICE. (CHECK AND COMPLETE BOX 1 OR BOX 2 OR BOX 3 OR BOX 4 OR BOX 5 - CAUTION: IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE AND IF BOX 3 BELOW IS NOT

CHOSEN, THE EMPLOYER CONTRIBUTION COULD EXCEED 4% THEREBY CAUSING THE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS TO AUTOMATICALLY APPLY. ACCORDINGLY, PRIOR SERVICE IS NOT RECOMMENDED). For each employee employed with the Political Subdivision on the effective date of the Political Subdivision's participation in TCRS, the Political Subdivision shall:

- (1) [] Purchase ALL years of prior service credit on behalf of its employees.
- (2) [] Purchase NO years of prior service credit on behalf of its employees, but shall accept the unfunded liability should its employees establish ALL years of prior service.
- (3) [X] NOT allow its employees to establish any prior service credit with the Political Subdivision.
- (4) [] Purchase _____ years of prior service credit on behalf of its employees and accept the unfunded liability should its employees establish an additional _____ years of prior service credit.
- (5) [] Purchase _____ years of prior service credit on behalf of its employees and no additional prior service credit may be established; and

F. **MAXIMUM UNFUNDED LIABILITY.** (*COMPLETE THIS ITEM F ONLY IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE*). For purposes of the cost control provisions of Tennessee Code Annotated, Section 8-36-922(d), the Political Subdivision defines "maximum unfunded liability" to mean an unfunded liability of no greater than: N/A; and

WHEREAS, the liability for participation and costs of administration shall be the sole responsibility of the Political Subdivision and not the State of Tennessee; and

WHEREAS, the Political Subdivision has passed a budget amendment appropriating the funds necessary to meet such liability and the same is attached hereto; and

WHEREAS, the effective date of participation shall be on July 1, 2019, or on such later date as determined by the TCRS Board of Trustees, and the initial employer contribution rate shall be 6.5 %, which is based on the estimated lump sum accrued liability of \$-0-.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of
(Name of Governing Body)

South Giles Utility District hereby authorizes all its employees in all its departments or
(Name of Political Subdivision)

instrumentalities to become eligible to participate in TCRS in accordance with the above terms and conditions subject to the approval of the TCRS Board of Trustees. It is acknowledged and understood that pursuant to Tennessee Code Annotated, Section 8-35-111 the Political Subdivision shall not make employer contributions to any other retirement or deferred compensation plans on behalf of any employee who participates in TCRS pursuant to this Resolution wherein the total combined employer contributions to such plans exceed 3% of the employee's salary, unless the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision for such employee. If either the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision, the Political Subdivision may make employer contributions to the defined contribution plan component of that Plan and to any one or more additional tax deferred compensation or retirement plans on behalf of such employee provided that the total combined employer contributions to such plans on behalf of the employee does not exceed 7% of the employee's salary.

STATE OF TENNESSEE

COUNTY OF GILES

I, Donald Bates, President of the

Board of Commissioners of South Giles Utility District
(Name of Governing Body) (County, City Town, etc.)

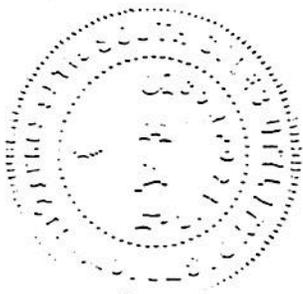
Tennessee, do hereby certify that this is a true and exact copy of the foregoing Resolution that was approved and adopted in accordance with applicable law at a meeting held on the 21st day of February, 2019, the original of which is on file in this office.

IN WITNESS WHEREOF, I have hereunto set my hand, and the seal of the South Giles Utility District
(Name of County, City, Town, etc.)

Donald Bates

As President of the Board, as aforesaid

Seal



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**Political Subdivisions Beginning Participation
in the Tennessee Consolidated Retirement System
July 1, 2019**

Political Subdivision	Amount of Service Employer	Employee	ER Rate	EE Rate	Accrued Liability	Part Time Coverage	Cost of Living	Number of Employees
Upper Cumberland Local Workforce Development Board, Inc.	0	0	6.5%	5.00%	\$0	Exclude	Include	5

Regular Defined Benefit Plan

Meetings:

- March 2019 Explained initial employer costs and participating procedures to the governing body.
- July 2019 Will explain reporting procedures to payroll officer(s).

Additional Note:

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Tennessee Consolidated Retirement System

A RESOLUTION to authorize a political subdivision's participation in the Tennessee Consolidated Retirement System in accordance with Tennessee Code Annotated, Title 8, Chapters 34 – 37.

WHEREAS, Tennessee Code Annotated, Title 8, Chapter 35, Part 2 allows a political subdivision to participate in the Tennessee Consolidated Retirement System (“TCRS”) subject to the approval of the TCRS Board of Trustees; and

WHEREAS, the Upper Cumberland Local Workforce Development Board, Inc. desires to participate in TCRS under the
(Name of Political Subdivision)

provisions of Tennessee Code Annotated, Title 8, Chapters 34 – 37 and in accordance with the following terms and conditions:

- A. TYPE PLAN. (CHECK BOX 1 OR BOX 2 OR BOX 3 OR BOX 4). The Political Subdivision adopts the following type plan:
- (1) Regular Defined Benefit Plan.
 - (2) Alternate Defined Benefit Plan.
 - (3) Local Government Hybrid Plan (If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees and pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt. The defined contribution plan could provide for employer contributions of 0% to up to 7% of its employees' salaries).
 - (4) State Employee and Teacher Hybrid Plan (If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees whereby the Political Subdivision makes a mandatory employer contribution on behalf of each of its employees participating in the Hybrid Plan equal to 5% of the respective employee's salary subject to the cost controls and unfunded liability controls of the Hybrid Plan. The Political Subdivision must also pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt).
- B. EMPLOYEE CONTRIBUTIONS. (CHECK BOX 1 OR BOX 2 OR BOX 3 - IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, THE EMPLOYEES MUST CONTRIBUTE 5% OF THEIR EARNABLE COMPENSATION UNDER THAT PLAN AND BOX 1 MUST BE CHECKED). The Employees shall contribute:
- (1) 5% of the employees' earnable compensation.
 - (2) 2.5% of the employees' earnable compensation.
 - (3) 0% of the employees' earnable compensation.
- C. COST-OF-LIVING INCREASES FOR RETIREES. (CHECK BOX 1 OR BOX 2 – IF EITHER THE LOCAL GOVERNMENT, OR THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, COST-OF-LIVING INCREASES FOR RETIREES MUST BE GIVEN, SUBJECT TO ANY APPLICABLE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS AND BOX 2 MUST BE CHECKED). The Political Subdivision shall:
- (1) NOT provide cost-of-living increases for its retirees.
 - (2) PROVIDE cost-of-living increases for its retirees.
- D. ELIGIBILITY OF PART-TIME EMPLOYEES. (CHECK BOX 1 OR BOX 2). The Political Subdivision shall:
- (1) NOT allow its part-time employees to participate in TCRS.
 - (2) ALLOW its part-time employees to participate in TCRS.

E. PRIOR SERVICE. (CHECK AND COMPLETE BOX 1 OR BOX 2 OR BOX 3 OR BOX 4 OR BOX 5 – CAUTION: IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE AND IF BOX 3 BELOW IS NOT CHOSEN, THE EMPLOYER CONTRIBUTION COULD EXCEED 4% THEREBY CAUSING THE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS TO AUTOMATICALLY APPLY. ACCORDINGLY, PRIOR SERVICE IS NOT RECOMMENDED). For each employee employed with the Political Subdivision on the effective date of the Political Subdivision’s participation in TCRS, the Political Subdivision shall:

- (1) [] Purchase ALL years of prior service credit on behalf of its employees.
- (2) [] Purchase NO years of prior service credit on behalf of its employees, but shall accept the unfunded liability should its employees establish ALL years of prior service.
- (3) [X] NOT allow its employees to establish any prior service credit with the Political Subdivision.
- (4) [] Purchase _____ years of prior service credit on behalf of its employees and accept the unfunded liability should its employees establish an additional _____ years of prior service credit.
- (5) [] Purchase _____ years of prior service credit on behalf of its employees and no additional prior service credit may be established; and

F. MAXIMUM UNFUNDED LIABILITY. (COMPLETE THIS ITEM F ONLY IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE). For purposes of the cost control provisions of Tennessee Code Annotated, Section 8-36-922(d), the Political Subdivision defines “maximum unfunded liability” to mean an unfunded liability of no greater than N/A; and

WHEREAS, the liability for participation and costs of administration shall be the sole responsibility of the Political Subdivision and not the State of Tennessee; and

WHEREAS, the Political Subdivision has passed a budget amendment appropriating the funds necessary to meet such liability and the same is attached hereto; and

WHEREAS, the effective date of participation shall be on July 1, 2019, or on such later date as determined by the TCRS Board of Trustees, and the initial employer contribution rate shall be 6.5%, which is based on the estimated lump sum accrued liability of \$ -0 -.

NOW, THEREFORE, BE IT RESOLVED That the Board of Directors of the Upper Cumberland Local Workforce
(Name of Governing Body) (Name of Political Subdivision)

Development Board, Inc. hereby authorizes all its employees in all its departments or instrumentalities to become eligible to participate in TCRS in accordance with the above terms and conditions subject to the approval of the TCRS Board of Trustees. It is acknowledged and understood that pursuant to Tennessee Code Annotated, Section 8-35-111 the Political Subdivision shall not make employer contributions to any other retirement or deferred compensation plans on behalf of any employee who participates in TCRS pursuant to this Resolution wherein the total combined employer contributions to such plans exceed 3% of the employee’s salary, unless the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision for such employee. If either the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision, the Political Subdivision may make employer contributions to the defined contribution plan component of that Plan and to any one or more additional tax deferred compensation or retirement plans on behalf of such employee provided that the total combined employer contributions to such plans on behalf of the employee does not exceed 7% of the employee’s salary.

STATE OF TENNESSEE
COUNTY OF PUTNAM

I, Becky Hull, clerk of the

Board of Directors of the Upper Cumberland Local Workforce Development Board, Inc.
(Name of Governing Body) (County, City Town, etc.)

Tennessee, do hereby certify that this is a true and exact copy of the foregoing Resolution that was approved and adopted in accordance with applicable law at a meeting held on the 23rd day of May, 2019, the original of which is on file in this office.

IN WITNESS WHEREOF, I have hereunto set my hand, and the seal of the Upper Cumberland Local Workforce
(Name of County, City, Town, etc.)

Development Board, Inc.

Becky Hull
As Clerk of the Board, as aforesaid

Seal

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STATISTICAL REPORTS

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ANALYSIS OF MEMBERS ACTIVELY CONTRIBUTING

	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018	6/30/2018	9/30/2018	12/31/2018	3/31/2019
Group I Members:									
(State & Higher Ed.)	42,861	41,731	40,996	40,674	38,617	37,974	37,057	36,509	35,779
Highway Patrol	713	704	692	685	679	668	634	627	621
Wildlife Officers	187	186	183	187	183	180	179	176	171
Teachers	59,884	58,365	58,202	58,306	56,800	55,712	54,935	53,833	53,513
General Employees of Polisubs	74,574	73,897	74,966	76,301	73,732	73,484	73,239	73,053	73,139
Firemen & Policemen	7,306	7,350	7,476	7,617	7,480	7,659	7,712	7,940	8,012
General Assembly	97	96	94	92	87	89	93	80	81
County Officials	2	2	2	2	2	2	1	1	1
Board Members	389	382	378	382	370	373	368	419	410
County Judges	14	12	11	10	8	7	6	6	6
Attorney: ...	500	493	489	488	468	468	461	457	455
Total Group I	186,527	183,218	183,489	184,744	178,426	176,616	174,685	173,101	172,188
Group II & Prior Class:									
Wildlife Officers									
Highway Patrol									
Firemen & Policemen-Political Subdivisions	11	10	10	9	8	8	8	8	8
Total Group II & Prior Class	11	10	10	9	8	8	8	8	8
Group III and Prior Class:									
State Judges	1	1	1	1	1	1	1	-	
County Judges	1	1	0	0					
Attorneys General	1	1	0	1	1	1	1	1	1
County Officials	2	2	2	2	2	2	2	1	1
Total Group III & Prior Class	5	5	3	4	4	4	4	2	2
Group IV									
State Judges	113	113	111	109	111	112	111	114	112
State & Teacher Hybrid Plan									
State	13,957	14,869	15,929	17,543	17,407	17,797	18,991	19,742	20,551
General Assembly	27	27	28	28	29	30	30	48	48
Teacher	15,965	15,681	19,099	20,751	19,931	19,601	22,936	23,049	23,420
Attorneys General, Judges	35	35	36	37	42	41	41	47	48
Political Subdivisions	971	1,244	1,620	1,996	2,052	2,243	2,572	2,917	3,132
Public Safety	220	222	222	296	306	309	374	350	352
Alcoa	43	43	43	42	40	40	39	0	0
Local Government Plans									
Alternate DB	36	36	40	45	48	49	51	54	58
Hybrid Plan W/O Cost Control	244	267	292	320	371	413	472	492	614
Total Membership									
Contributing to TCRS	218,731	215,770	220,922	225,924	218,763	217,251	220,191	219,800	220,411
Teachers Contributing to ORP	8,804	8,638	8,387	8,213	8,028	8,219	8,054	7,860	7,743
Grand Totals	227,535	224,408	229,309	234,137	226,791	225,470	228,245	227,660	228,154

**RETIRED PAYROLL
STATISTICS
March 31, 2019**

	<u>AMOUNT</u>	<u># OF RETIREES</u>
STATE EMPLOYEES	67,776,013.14	47,937
STATE PAID JUDGES	1,087,026.11	221
COUNTY PAID JUDGES	240,090.53	63
ATTORNEY GENERALS	964,260.59	241
COUNTY OFFICIALS	316,662.11	142
PUBLIC SERVICE COMMISSIONERS	7,626.75	4
POLITICAL SUBDIVISIONS	36,767,716.63	41,079
TEACHERS	109,906,435.94	51,138
LOCAL TEACHERS	3,028,990.06	1,543
GOVERNORS AND WIDOWS	28,309.75	4
AGED TEACHERS	224.81	2
OTHERS	<u>\$280,347.75</u>	<u>109</u>
Total	\$220,403,704.17	142,483

RETIRED PAYROLL
January 1, 2019
through
March 31, 2019

	AMOUNT	# OF RETIREES
STATE EMPLOYEES	202,646,128.35	47,937
STATE PAID JUDGES	3,258,244.74	221
COUNTY PAID JUDGES	720,271.59	63
ATTORNEY GENERALS	2,888,248.13	241
COUNTY OFFICIALS	974,272.02	142
PUBLIC SERVICE COMMISSIONERS	22,880.25	4
POLITICAL SUBDIVISIONS	109,816,294.57	41,079
TEACHERS	330,264,475.01	51,138
LOCAL TEACHERS	9,147,774.31	1,543
GOVERNORS AND WIDOWS	84,929.25	4
AGED TEACHERS	674.43	2
OTHERS	\$826,860.55	109
Total	\$660,651,053.20	142,483

NOTE: NINETY-NINE PERCENT (99%) OF THE RETIREES ARE ON DIRECT DEPOSIT

NUMBER OF MEMBERS REFUNDED

<u>Month</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
July	475	516	613	512	417	451	479
August	471	782	820	403	425	458	581
September	394	457	586	522	458	343	426
October	375	378	483	364	379	468	433
November	319	314	244	359	321	313	389
December	241	276	338	326	344	373	283
January	338	402	322	386	308	324	481
February	335	310	238	351	380	404	263
March	253	284	331	355	354	332	301
April	311	424	338	347	405	284	
May	274	866	247	332	347	305	
June	336	674	383	336	352	328	
TOTAL	<u>4,122</u>	<u>5,683</u>	<u>4,943</u>	<u>4,593</u>	<u>4,490</u>	<u>4,383</u>	<u>3,636</u>

**REFUND EXPENDITURES
2018-2019 FISCAL YEAR**

MONTH	MEMBER'S CONTRIBUTIONS	414(H) CONTRIBUTIONS	MEMBER'S INTEREST	EMPLOYER CONTRIBUTIONS	DEATH PAYMENTS	TOTAL
July	97834.52	3104492.08	1022607.73	2265.71	353712.40	\$4,580,912.44
August	36787.48	3599652.88	1290180.74	8037.05	383958.37	\$5,318,616.52
September	88736.08	2917396.43	1068085.04	31101.58	687802.92	\$4,793,122.05
October	60068.91	3714682.69	1272714.76	52596.79	576648.58	\$5,676,711.73
November	43958.12	2077038.61	846533.35	58194.12	453913.77	\$3,479,637.97
December	27656.33	1994752.34	618832.13	39264.66	294516.98	\$2,975,022.44
January	6692.76	2855271.57	843867.53	20455.81	327563.64	\$4,053,851.31
February	14894.37	1635787.4	483131.82	1434.62	99134.92	\$2,234,383.13
March	55066.43	1590722.28	584338.88	30732.33	449498.31	\$2,710,358.23
April						
May						
June						
TOTAL	431,695.00	23,489,796.28	8,030,291.98	244,082.67	3,626,749.89	\$35,822,615.82

PRIOR SERVICE ACTIVITY
January 1, 2019 through March 31, 2019

Legacy State:	Type of Service	No of Members	Years of Service	Amount
	Backpayment	3	4	\$ 17,811
	Military	-	-	-
	Redeposit	4	26	\$ 147,371
	Totals	7	30	\$ 165,182

Legacy Teachers:	Type of Service	No of Members	Years of Service	Amount
	Backpayment	14	19	\$ 94,864
	Military	-	-	-
	Redeposit	12	83	\$ 475,684
	Totals	26	102	\$ 570,548

Legacy Higher Education:	Type of Service	No of Members	Years of Service	Amount
	Backpayment	9	47	\$ 958,281
	Military	-	-	-
	Redeposit	2	2	11,841
	Totals	11	49	\$ 970,122

Legacy Political Subdivisions:	Type of Service	No of Members	Years of Service	Amount
	Backpayment	52	48	\$ 103,009
	Military	-	-	\$ -
	Redeposit	11	29	\$ 79,802
	Totals	63	78	\$ 182,811

Hybrid Higher Education:

Type of Service	No of Members	Years of Service	Amount
Backpayment	3	1	\$ 2,127
Military	1	4	\$ -
Redeposit	-	-	\$ -
Totals	4	5	\$ 2,127

Hybrid Teachers:

Type of Service	No of Members	Years of Service	Amount
Backpayment	3	5	\$ 8,794
Military	-	-	\$ -
Redeposit	0	0	\$ -
Totals	3	5	\$ 8,794

Hybrid Political Subdivisions:

Type of Service	No of Members	Years of Service	Amount
Backpayment	2	4	\$ 10,688
Military	-	-	\$ -
Redeposit	0	0	\$ -
Totals	2	4	\$ 10,688

Hybrid State:

Type of Service	No of Members	Years of Service	Amount
Backpayment	2	3	\$ 13,923
Military	1	1	\$ -
Redeposit	-	-	\$ -
Totals	3	4	\$ 13,923

Grand Totals:

Type of Service	No of Members	Years of Service	Amount
Backpayment	88	132	\$ 1,209,497
Military	2	5	-
Redeposit	29	140	714,698
Totals	119	278	\$ 1,924,195

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DISABILITY RETIREMENT REPORT

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Disability Statistical Report

Third Quarter 18-19

Disability Applications Received	January	16
	February	18
	March	<u>11</u>
	TOTAL	45
Initial Claims Approved	January	21
	February	3
	March	<u>13</u>
	TOTAL	37
Initial Claims Disapproved	January	5
	February	0
	March	<u>3</u>
	TOTAL	8
Initial Claims Approved after Reconsideration		3
Initial Claims Disapproved after Reconsideration		4
Re-Evaluation Claims Approved		24
Re-Evaluation claims Disapproved		2

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**APPROVED FOR DISABILITY
THIRD QUARTER
2018-2019**

Type	Re-E	Re-C	Age	Employer	Position	SVC	AFC	OPT	MO. BEN	DISABILITY SUMMARY
ORD.	NO	NO	50	POL SUB	SECRETARY	22	\$ 31,793	REG MAX	\$ 832	MORBIDLY OBESE/ ADVANCED COPD/ O2 DEPENDANT
ORD.	YES	NO	35	POL SUB	CORRECTIONAL OFFICER	14	\$ 29,986	B	\$ 655	MENTAL ILLNESS/ CHRONIC BACKPAIN/ SEVERE DEPRESSION
SS-ORD	NO	NO	53	POL SUB	I.T. MANAGER	9	\$ 58,090	REG. MAX	\$ 1,018	MALIGNANT NEOPLASM OF GLOTTIS, MALIGNANT NEOPLASM OF BRAIN, DM 2 AND HTN.
ORD.	NO	NO	56	TEACHER	TEACHER	9	\$ 49,753	REG MAX	\$ 803	HEMIPLEGIA, CHRONIC EAR INFECTION WITH OSTEOMYELITIS, BELL'S PALSY & OTHER DX
ORD.	NO	NO	42	POL SUB	JONESBOROUGH	20	\$ 40,000	N/A	N/A	STROKE/ HEARING LOSS/ WEAKNESS/ MILD APHASIA
ORD.	NO	NO	51	POL SUB	TRUCK DRIVER	20	\$ 44,723	REFUND	REFUN D	STAGE IV PROSTATE CANCER AND HIGH-GRADE BLADDER CANCER
ORD.	YES	NO	48	POL SUB	DISPATCH	16	\$ 44,909	REG. MAX	\$ 1,060	PSORIASIS OF THE LIVER, PARTIAL HTN, ENCEPHALOPATHY AND EDEMA.
ORD.	NO	NO	59	TEACHER	TEACHER	23	\$ 52,512	REG MAX	\$ 1,468	CHRONIC KIDNEY DISEASE/ OSTEOPOROSIS/ CHRONIC PAIN
ORD.	NO	NO	58	STATE	CORRECTIONAL OFFICER	22	\$ 37,155	REG. MAX	\$ 969	CHRONIC KIDNEY DISEASE/ POST LAMINECTOMY SYNDROME

**APPROVED FOR DISABILITY
THIRD QUARTER
2018-2019**

Type	Re-E	Re-C	Age	Employer	Position	SVC	AFC	OPT	MO. BEN	DISABILITY SUMMARY
ORD.	NO	NO		POL SUB	BUS DRIVER/ CUSTODIAN	13	\$ 17,634	REG MAX	\$ 399	INTERSTITIAL CYSTITIS, FIBROMYAGLIA AND LUMBAR SPONDYLYSIS
ORD.	NO	NO	57	TEACHER	TEACHER	17	\$ 55,429	B	\$ 1,095	ADENOCARCINOMA/ ESOPHOGLIAL CANCER/
ORD.	NO	NO	43	POL SUB	PARAMEDIC	5	\$ 39,742	N/A	N/A	SACROILITIS, LUMBAR HNP, LUMBAR RADICULOPATHY & LT HERNIATED NUCLEUS PULPOSES.
ORD.	YES	YES	44	TEACHER	TEACHER	20	\$ 48,000	n/a	n/a	NECK & BACK PAIN S/P MVA S/P RODS PLACED IN BACK
ORD.	YES	NO	50	POL SUB	PATROL OFFICER	12	\$ 36,582	REG MAX	\$ 532	OSTEOARTHRITIS/KNEES, SHOULDER PAIN, HTN, OBESITY
ORD.	YES	NO	44	STATE	TAX AUDITOR	12	\$ 52,865	REG MAX	\$ 1,134	METESTATIC CARCINOMA/ MALIGNANT NEOPLASM OF UPPER LOBE/ ANXIETY
SS-ORD	NO	NO	59	POL SUB	FILTER PLANT OPERATOR	26	\$ 93,264	B	\$ 1,504	SQUAMOUS CELL CARCINOMA
ORD.	NO	NO	55	TEACHER	SPECIAL ED TEACHER	20	\$ 47,388	REG. MAX	\$ 1,124	SIEZURES/ GLAUCOMA/ FIBROMYALGIA/ MIGRAINES
ORD.	NO	NO	58	TEACHER	MUSIC SPECIALSIT	28	\$ 68,552	REG. MAX	\$ 2,328	ACUTE PANCREATITIS/ ESOPHAGITIS/ GERD/ GATROPARESIS

**APPROVED FOR DISABILITY
THIRD QUARTER
2018-2019**

Type	Re-E	Re-C	Age	Employer	Position	SVC	AFC	OPT	MO. BEN	DISABILITY SUMMARY
ORD.	NO	NO	41	POL SUB	COOK	10	\$ 17,791	REG. MAX	\$ 420	SUBARACHNOID HEMORRHAGE, PTSD, GULLIAN - BARRE SYNDROME, UNCONTROLLED HTN
ORD.	NO	NO	47	POL SUB	GIS ANALYST	22	\$ 74,711	D	\$ 1,921	SEVERE DEPRESSION/ DDD/ DIABETES/ CHRONIC MIGRAINES
SS-ORD	NO	NO	56	STATE	CORRECTIONAL OFFICER	13	\$ 31,613	B	\$ 545	ALZHEIMER'S DEMENTIA
ORD.	YES	NO	42	STATE	PSY TECH	14	\$ 31,305	REG. MAX	\$ 739	LEFT BELOW KNEE AMPUTATION, DM, HTN AND PHANTOM PAIN.
ORD.	NO	NO	58	POL SUB	DEPUTY ASSESSOR	16	\$ 22,267	REG. MAX	N/A	OSTEOARTHRITIS/KNEES,CHRONIC BACK PAIN, VIT D DEFICIENCY, TYPE 2 DM, CKD STAGE 3
ORD.	YES	NO	50	POL SUB	PARAMEDIC	19	\$ 50,850	N/A	N/A	NON-ISCHEMIC CARDIOMYOPATHY, CHRONIC SYSTOLIC CHF, VENTRICULAR TACCYCARDIA, HTN
ORD.	YES	YES	47	TEACHER	TEACHER	18	\$ 51,162	REG. MAX	\$ 1,234	FIBROMYALGIA/ NEUROPATHY/ ADHD/ HYPERTENSION/ OBESITY
ORD.	YES	NO	43	POL SUB	TEACHER	8	\$ 38,769	REG. MAX	\$ 915	PTSD/PANIC ATTACKS/ MDD/
ORD.	NO	NO	57	STATE	CUSTODIAN	23	\$ 40,018	B	\$ 817	CARDIOMYOPATHY/ ESRD/ CAD

**APPROVED FOR DISABILITY
THIRD QUARTER
2018-2019**

Type	Re-E	Re-C	Age	Employer	Position	SVC	AFC	OPT	MO. BEN	DISABILITY SUMMARY
ORD.	NO	YES	54	POL SUB	TEACHING ASSISTANT	22	\$ 14,153	REG MAX	\$ 369	DISC HERNIATION/ COPD/ CAD/ ARTHRITIS
SS-ORD	NO	NO	55	POL SUB	DIRECTOR-SOCIAL SERVICES	9	\$ 44,268	REG. MAX	\$ 810	HIV DISEASE , DEPRESSION
ORD.	NO	NO	58	STATE	ELIGIBILITY COUNSELOR II	16	\$ 32,629	n/a	n/a	END STAGE RENAL FAILURE, ANEMIA OF CKD, PROTEIN MALNUTRITION, DM2 HTN
ORD.	YES	NO	36	POL SUB	EXECUTIVE ASSISTANT	11	\$ 46,148	C	\$ 1,074	DWARFISM/ KYPHOSIS/ SCOLIOSIS/ HIP DYSPLASIA
ORD.	NO	NO	54	POL SUB	BUS DRIVER	10	\$ 25,814	D	\$ 440	SYSTEMIC LUPUS/ INFLAMMATORY ARTHRITIS/ DM
ORD.	NO	NO	53	POL SUB	POLICE OFFICER	23	\$ 33,665	B	\$ 783	DM/ RETINOPATHY/ RETINAL DETACHMENT/
ORD.	NO	NO	41	TEACHER	TEACHER	8	\$ 39,040	B	\$ 880	MULTIPLE SCLEROSIS
SS-ORD	NO	NO	54	STATE	CASE MANGER	14	\$ 43,065	REG. MAX	\$ 945	MAJOR DEPRESSION/ GENERALIZED ANXIETY DISORDER/ PTSD
ORD.	NO	NO	45	STATE	ADMIN CLERK 2	16	\$ 29,109	REG. MAX	\$ 687	HX OF BRAIN TUMOR. AUTONOMICNEUROPATHY WITH IMBALANCE, DIZZINESS AN FATIGUE.

**APPROVED FOR DISABILITY
THIRD QUARTER
2018-2019**

Type	Re-E	Re-C	Age	Employer	Position	SVC	AFC	OPT	MO. BEN	DISABILITY SUMMARY
ORD.	NO	NO	50	POL SUB	DEPUTY CLERK	22	\$ 38,364	D	\$ 903	ENCEPHALITIS

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**DISAPPROVED FOR DISABILITY
THIRD QUARTER
2018 - 2019**

TYPE	REC-C	AGE	EMPLOYER	EMPLOYER-GEN	POSITION	YRS-SRV	DIS-SUM	REASON DENIED
ACC.	YES	54	JACKSON PUBLIC SAFETY	POL SUB	CAPTAIN	24	ARTHRODESIS, STENOSIS WITH NEUROGENIC CLAUDICATION, LUMBAR RADICULOPATHY	DENIED ACCIDENTAL
INACT.	NO	43	CITY OF COOKVILLE	POL SUB	LABOR MECHANIC	12	CHRONIC BACK PAIN/ DEEP VIEN THROMBOSIS/	CAPABLE OF MEDIUM WORK
ORD.	NO	44	TIPTON COUNTY SCHOOLS	TEACHER	TEACHER	20	NECK AND BACK PAIN	CAPABLE OF LIGHT SEDENTARY WORK
ACC.	NO	60	SUMMNER CO. HWY	POL SUB	FUEL TRUCK DRIVER	27	SHOULDER PAIN/LABRUM TEAR	LIMITED TO SEDETARY WORK
ORD.	NO	54	GREEN CO. SCHOOLS	POL SUB	TEACHING ASSISTANT	22	DISC HERNIATION/ COPD/ CAD/ ARTHRITIS	CONDITION IS STABLE WITH CURRENT TREATMENT
ORD.	NO	46	SHELBY CO. SCHOOLS	TEACHER	ASSISTANT PRINCIPAL	17	MAJOR DEPRESSION/ DM/ OBESITY	IMPROVING WITH TREATMENT/ LIMITED TO SEDENTARY WRA
ORD.	NO	52	UT	STATE	SURGICAL TECHNOLOGIST	25	LUMBAR FACET/ FIBROMYALGIA/ SLEEP APNEA/ IBS	CAPABLE OF SEDENTARY WORK
ORD.	NO	43	SULLIVAN COUNTY	POL SUB	PARAMEDIC	5	SACROLITIS, LUMBAR HNP, LUMBAR RADICLOPATHY & LT NHERIATED NUCLEUS PULPOSES.	CAPABLE OF SEDENTARY WORK

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FINANCIAL STATEMENTS

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TENNESSEE RETIREE GROUP TRUST
STATEMENT OF FIDUCIARY NET POSITION
March 31, 2019

ASSETS

Cash and cash equivalents	\$	679,307,416.05
Cash collateral for securities on loan		3,233,238,626.00
Receivables		
Investment income receivable		190,079,992.91
Derivative instruments receivable		21,021,569.21
Investments sold		265,776,105.44
Total receivables		<u>476,877,667.56</u>
Investments at fair value		
Government securities		9,292,108,190.84
Corporate securities		5,866,384,097.23
Corporate stocks		25,007,775,184.57
Strategic lending		2,525,457,686.39
Private equities		3,088,118,900.02
Real estate		4,193,242,119.45
Total investments		<u>49,973,086,178.50</u>
TOTAL ASSETS		54,362,509,888.11

LIABILITIES AND NET POSITION

LIABILITIES

Investments purchased		495,999,534.04
Other investments payables		6,399,913.76
Derivative instrument payable		23,819,992.77
Cash collateral for securities on loan		3,233,238,626.00
TOTAL LIABILITIES		<u><u>3,759,458,066.57</u></u>

**NET POSITION HELD IN TRUST FOR
POOL PARTICIPANTS**

\$ 50,603,051,821.54

See Accompanying Notes to the Financial Statements

UNAUDITED

TENNESSEE RETIREE GROUP TRUST
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE PERIOD ENDED MARCH 31, 2019

OPERATIONS

INVESTMENT INCOME

Net appreciation in fair value of investments	\$ 918,420,062.42
Income on securities	947,471,699.43
Total investment income	<u>1,865,891,761.85</u>
Less: investment expense	88,200,033.36
Net income (loss) from investing activities	<u>1,777,691,728.49</u>

Securities lending activities

Securities lending income	39,403,221.97
Less: securities lending expense	20,568,856.65
Net income from securities lending activities	<u>18,834,365.32</u>

NET INVESTMENT INCOME

1,796,526,093.81

CAPITAL SHARE TRANSACTIONS

Net shares sold	1,140,784,987.04
Net shares redeemed	2,055,349,523.17
TOTAL DECREASE FROM CAPITAL SHARE TRANSACTIONS	<u>(914,564,536.13)</u>

NET INCREASE IN FIDUCIARY NET POSITION

881,961,557.68

NET POSITION RESTRICTED FOR PARTICIPANTS

NET POSITION, BEGINNING OF PERIOD \$ 49,721,090,263.86

NET POSITION, END OF PERIOD \$ 50,603,051,821.54

See Accompanying Notes to the Financial Statements

UNAUDITED

Tennessee Retiree Group Trust
Notes to Financial Statements
March 31, 2019

A: Summary of Significant Accounting Policies

Reporting entity: The Tennessee Retiree Group Trust (TRGT) is an external investment pool sponsored by the State of Tennessee. The external portion of the TRGT consists of funds belonging to entities outside of the State of Tennessee Financial Reporting Entity, and has been included as a separate investment trust fund in the *Tennessee Comprehensive Annual Financial Report*. The internal portion, consisting of funds belonging to the State and its component units, has been included in the various participating funds and component units in the *Tennessee Comprehensive Annual Financial Report*.

Measurement focus and basis of accounting: The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements have been prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred regardless of the timing of related cash flows.

Cash and cash equivalents: Cash and cash equivalents includes cash and short-term investments with a maturity date within three months of the acquisition date. Cash management pools are included as cash. Cash received that cannot be immediately invested in securities, or that is needed for operations, is invested in either the State Pooled Investment Fund sponsored by the State of Tennessee and administered by the State Treasurer or in the State Street Government Money Market Fund, a short-term, open-end mutual fund under the contractual arrangement for master custody services.

Method used to report investments and participant shares: The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, the State had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on trade-date basis.

The fair value of assets of the TRGT held at March 31, 2019 represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants

B: Deposits and Investments

Statutory Authority: The Tennessee Retiree Group Trust (TRGT) was established in 2015 by a statutory enactment of the Tennessee General Assembly. The provisions of the TRGT are codified in *Tennessee Code Annotated (TCA)* Title 8, Chapters 34-37. Pursuant to this statute the Tennessee Consolidated Retirement System (TCRS) and its board of directors with the State Treasurer (Treasurer) as custodian, authorized by TCA 8-37-104 adopted this group trust for the purpose of pooling funds of TRGT with other assets in the custody of the Treasurer, solely for investment purposes. The assets invested consist exclusively of assets of exempt pension and profit sharing trusts and individual retirement accounts, custodial accounts, retirement income accounts, governmental plans and tax-exempt trusts under the Internal Revenue Code of 1986 and Rev. Rul. 81-100, as modified by Rev. Ruls. 2004-67, 2008-40 and 2011-1 (referred to herein as "Retirement Assets"). The Custodian shall be responsible for the managing and directing the investment of the Group Trust Funds in the same manner as it invests funds of the TCRS.

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The TRGT is authorized to invest in securities in accordance with the investment policy of the TCRS. That policy allows the Trust to invest in bonds, debentures, preferred stock and common stock, real estate and in other good and solvent securities subject to the approval of the Board of Trustees, but further subject to the following statutory restrictions and provisions:

- a. The total sum invested in common and preferred stocks shall not exceed seventy-five percent (75 percent) of the total of the funds of the trust.
- b. The total sum invested in notes and bonds or other fixed income securities exceeding one year in maturity shall not exceed seventy-five percent (75 percent) of the total funds of the trust.
- c. Within the restrictions in (a) and (b) above, fifteen percent (15 percent) of the total of the funds of the retirement system may be invested in securities of the same kinds, classes, and investment grades as those otherwise eligible for investment in various approved foreign countries. However upon action of the TCRS Board of Trustees with subsequent approval by the Council on Pensions and Insurance, limit has been authorized at an amount not to exceed twenty-five percent (25 percent).
- d. Within the restrictions in (a) and (b) above, funds may be invested in Canadian securities which are substantially of the same kinds, classes and investment grades as those otherwise eligible for investment.
- e. The total amount of securities loaned under a securities lending program cannot exceed thirty percent (30 percent) of total assets.
- f. The total sum invested in alternative assets shall not exceed forty percent (40 percent) of the market value of total assets.

State statute also authorizes the TRGT to invest in forward contracts to hedge its foreign currency exposure and to purchase or sell domestic equity index futures contracts for the purpose of asset allocation relating to the domestic equity portfolio. The total amount of the financial futures contract obligation shall not exceed ten percent (10 percent) of the market value of the TRGT's total assets. Position sizes will be measured by notional amounts. Options will be measured in their notional equivalents.

Investment policy: The TRGT investment authority is established pursuant to Tennessee Code Annotated Title 8, Chapter 37. The statute provides the Board of Trustees with the responsibility to establish the investment policy of the TRGT. The investment policy may be amended by the Board. The TRGT assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided by the TCRS.

Securities Lending: The TRGT is authorized to engage in securities lending agreements by TCA 8-37-104(a)(6) with the terms established in the investment policy whereby TRGT loans securities to brokers and dealers (borrower) and in turn, TRGT receives collateral as either cash or securities. TRGT pays the borrower interest on the collateral received and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower. Loans are limited to no more than thirty percent (30%) of the market value of the total assets in the TRGT portfolio and provided further that such loans are secured by collateral. Securities received as collateral hereunder shall have a market value equal to at least one hundred two percent (102%) of the market value of the loaned domestic security or one hundred five percent (105%) of any foreign security. Cash received as collateral shall equal at least one hundred percent (100%) of the market value of the loaned securities and may be invested by or on behalf of the TRGT in any instrument the TRGT may be directly invested. Cash Collateral is held in the TRGT name and is not subject to custodial credit risk. During the year there were no violations of legal or contractual provisions by the TRGT.

The TRGT securities lending program is managed by a third party lending agent, Deutsche Bank AG. The TRGT may loan any debt or equity securities which is owned by TRGT. Our securities lending agent manages the average maturities of securities on loan against the average maturities of securities on collateral invested. The maturity gap has a limit of 33 days. This is monitored by investment staff on a periodic basis to ensure compliance.

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The TRGT securities lending program is managed by a third party lending agent, Deutsche Bank AG. The TRGT may loan any debt or equity securities which is owned by TRGT. At March 31, 2019, the TRGT had market value of securities on loan totaling \$3,159,694,334 and received \$3,233,238,626 in collateral.

The TRGT has the ability to sell the collateral securities only in the case of a borrower default.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit quality distribution for the TRGT's investments in fixed income securities at year end is included in the schedule below. Securities are rated using Standard and Poor's and/or Moody's and are presented below using the Standard and Poor's rating scale. The State Pooled Investment Fund has not obtained a credit quality rating from a nationally recognized credit ratings agency.

TRGT's investment policy specifies that bond issues subject for purchase are investment grade bonds rated by one of the Nationally Recognized Statistical Rating Organizations (NRSROs). There is no requirement to divest an asset if it is downgraded after purchase. For short-term investments, the investment policy provides for the purchase of only the highest quality debt issues. Commercial paper should be rated in the highest tier by all rating agencies which rate the paper, with a minimum of two ratings required. Commercial paper cannot be purchased if a rating agency has the commercial paper on a negative credit watch. The investment policy also requires preparation of a credit analysis report on the corporation prior to purchasing commercial paper.

As noted below, the TRGT does not utilize its own bank accounts but invests in the State Pooled Investment Fund for its operating cash purposes. Required risk disclosures relative to the State Pooled Investment Fund are presented in the State Pooled Investment Fund Report. That report is available on the state's website at <http://www.tn.gov/treasury/>.

Interest Rate Risk: Interest rate risk is the risk that future changes in prevailing market rates of interest will have an adverse effect on the fair value of debt investments. The fair values of securities with long terms to maturity may be highly sensitive to interest rate changes. The investment policy for the TRGT states that the maturity of its debt securities may range from short-term instruments, including investments in the State Pooled Investment Fund, to long-term bonds, with consideration of liquidity needs. However, the policy does not specifically address limits on investment maturities. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows weighted for those cash flows as a percentage of the investment's full price.

Asset-Backed Securities: The TRGT invests in various collateralized mortgage obligations (CMOs) which are mortgage-backed securities. These securities are based on cash flows from interest and principal payments on underlying mortgages and could therefore be more sensitive to prepayments by mortgagees as a result of a decline in interest rates.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The investment policy limits the asset allocation for international investments to twenty-five percent of total assets.

Custodial Credit Risk: Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the TRGT deposits may not be returned to TRGT. The TRGT does not have an explicit policy with regards to Custodial Credit Risk for deposits. At March 31, 2019 the TRGT had uninsured and uncollateralized cash deposits of foreign currency held by our master custodian, State Street Bank, in State Street's name. These deposits were used for investments pending settlement.

Derivatives:

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

UNAUDITED

Foreign Currency Forward Contracts - The international securities expose the TRGT to potential losses due to a possible rise in the value of the US dollar. The TRGT investment managers can reduce foreign currency exposure by selling foreign currency forward contracts, at agreed terms and for future settlement, usually within a year. The manager will reverse the contract by buying the foreign currency before the settlement date. A gain (loss) on this transaction pair will hedge a loss (gain) on the currency movement of the international security. Foreign currency forward contracts expose the TRGT to foreign currency risk as they are denominated in foreign currency. Any unrealized gain on foreign currency forward contracts has been reflected in the financial statements as an investment. The notional amount of the foreign currency forward contracts has been reflected in the financial statements as a receivable and a payable. Any unrealized loss on foreign currency forward contracts has been included in the payable established for the contracts.

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

Options - The TRGT is authorized to enter into option contracts and any income earned on option contracts has been included in investment income in the financial statements.

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

Alternative Investments: The TRGT has investments in strategic lending, private equity funds and real estate. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material. Title to real property invested in by TRGT is held by real estate investment holding companies.

Commitments:

Standby Commercial Paper Purchase Agreement: The TRGT has agreed to serve as standby commercial paper purchaser for commercial paper issued by the Funding Board of the State of Tennessee. By serving as a standby commercial paper purchaser, the TRGT receives an annual fee of 25 basis points on the \$350 million maximum issuance under this agreement during times when both Moody's and Standard and Poor's investment ratings assigned to the State of Tennessee's general obligation bonds are Aaa and AAA respectively, 40 basis points during times when either Moody's or Standard and Poor's has assigned ratings of Aa and AA respectively, or 55 basis points during times when either Moody's or Standard and Poor's has assigned ratings lower than Aa and AA respectively. In the unlikely event that the TRGT would be called upon to purchase the commercial paper, the TRGT would receive interest at a rate equal to prime plus 75 basis points during the first 30 consecutive days, plus an additional 50 basis points for each consecutive 30 days thereafter, up to a maximum rate allowed by state law.

Alternative Investments: The TRGT had unfunded commitments in private equity, strategic lending, and real estate commitments at the end of the period.

UNAUDITED

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
AS OF MARCH 31, 2019**

ASSETS

Cash and Cash Equivalents	\$39,681,322.26
Cash collateral for securities on loan	\$3,221,597,205.04

Receivables

Member receivable	1,975,403.11
Employer receivable	82,499.22

Total receivables	2,057,902.33
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Investments, at fair value	
Tennessee Retiree Group Trust	50,402,796,839.88
Capital Assets (net)	18,749,288.33

TOTAL ASSETS	53,684,882,557.84
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LIABILITIES

Retiree insurance premium payable	9,325,997.32
Other	13,613.62
Cash collateral for securities on loan	3,221,597,205.04

TOTAL LIABILITIES	3,230,936,815.98
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NET POSITION RESTRICTED FOR PENSIONS	\$50,453,945,741.86
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See Accompanying Notes to the Financial Statements

UNAUDITED

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE PERIOD ENDED MARCH 31, 2019**

ADDITIONS

Contributions	
Member contributions	\$230,885,380.05
Employer contributions	741,248,937.80
Other contributions	1,959,126.56
Total contributions	<u>974,093,444.41</u>
Investment income	
Total investment income	1,806,619,245.14
Less: Investment expense	(48,158,374.48)
Net income (loss) from investing activities	<u>1,758,460,870.66</u>
Securities lending activities	
Securities lending income	43,993,760.79
Less: securities lending expense	(26,283,184.76)
Net income from securities lending activities	<u>17,710,576.03</u>
Net investment income	<u>1,776,171,446.69</u>
TOTAL ADDITIONS	<u>2,750,264,891.10</u>

DEDUCTIONS

Annuity benefits	1,977,280,108.33
Death benefits	3,283,467.75
Refunds	29,079,425.45
Administrative expenses	9,272,570.64
TOTAL DEDUCTIONS	<u>2,018,915,572.17</u>

NET INCREASE 731,349,318.93

**NET POSITION RESTRICTED FOR PENSIONS
BEGINNING OF YEAR** \$49,722,596,422.93

END OF PERIOD \$50,453,945,741.86

See Accompanying Notes to the Financial Statements

UNAUDITED

Tennessee Consolidated Retirement System
Notes to Financial Statements
March 31, 2019

The Tennessee Consolidated Retirement System (TCRS) is a public employee retirement system comprised of defined benefit pension plans covering Tennessee state employees, employees of the state's higher education systems, teachers, and employees of political subdivisions in Tennessee. The TCRS was established in 1972 by a statutory enactment of the Tennessee General Assembly. The provisions of the TCRS are codified in *Tennessee Code Annotated* Title 8, Chapters 34-37. In accordance with Tennessee Code Annotated Title 8, Chapter 34, Section 202, all funds invested, securities, cash, and other property of the TCRS are held in trust and can be expended only for the purposes of the trust. Although the assets for all pension plans within the TCRS are commingled for investment purposes, the assets of each separate plan may legally be used only for the payment of benefits to the members of that plan and for its administration, in accordance with the terms of the plan.

A: Summary of Significant Accounting Policies

Reporting entity: The TCRS is included in the State of Tennessee financial reporting entity. Because of the state's fiduciary responsibility, the TCRS has been included as a pension trust fund in the *Tennessee Comprehensive Annual Financial Report*.

Measurement focus and basis of accounting: The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements have been prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred regardless of the timing of related cash flows.

Plan member and employer contributions are recognized in the period of time for which they are due, in accordance with legal provisions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Cash and cash equivalents: Cash and cash equivalents includes cash, short-term investments with a maturity date within three months of the acquisition date, cash management pools, and cash invested in a short-term, open-end mutual fund under the contractual arrangement for master custody services. Cash received by the TCRS, that cannot be invested immediately in securities or is needed for operations, is invested in the State Pooled Investment Fund sponsored by the State of Tennessee and administered by the State Treasurer.

Method used to value investments: Assets of the TCRS are invested in the Tennessee Retiree Group Trust (TRGT). As of March 31, 2019, the TCRS owns 99.64 percent of the investments in the TRGT. The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, the State had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on trade-date basis.

The fair value of assets of the TRGT held at March 31, 2019 represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

UNAUDITED

Capital assets: Capital assets consist of internally generated computer software, reported at historical cost less any applicable amortization. Capital assets are defined by the state as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of two years. The computer software was valued at \$18.8 million at March 31, 2019 and is being amortized using the straight line method over the ten year estimated life of the system.

B: Plan Descriptions

Plan administration: The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS.

At March 31, 2019, there were three defined benefit pension plans within the TCRS. The Public Employee Retirement Plan is an agent, multiple-employer defined benefit pension plan for state government employees and for political subdivisions electing to participate in the TCRS. The Teacher Legacy Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan for teachers of local education agencies (LEAs). The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost sharing, multiple employer defined benefit pension plan.

The general administration and responsibility for proper operation of the TCRS plans are vested in a 20 member Board of Trustees, consisting of 18 voting members and two non-voting members. The Board has nine ex-officio members, two of whom are non-voting. The seven voting ex-officio members are the State Treasurer, Secretary of State, Comptroller of the Treasury, Commissioner of Finance and Administration, Commissioner of Human Resources, Director of the TCRS, and the Administrative Director of the Courts. The two non-voting ex-officio members are the chair and vice-chair of the Legislative Council on Pensions and Insurance.

Three active teacher members, one from each grand division of the state, and a retired teacher member are selected for three year terms by the Speaker of the House of Representatives and the Speaker of the Senate. Two active state employee members, who are from departments other than those represented by ex-officio members, are elected by state employees for three year terms. A board member is appointed for a two year term by each of the following organizations: Tennessee County Services, Tennessee Municipal League, and the Tennessee County Officials Association. Two members, a public safety employee and a retired state employee, are appointed by the Governor for two year terms. All members must be vested members of the TCRS, except for ex-officio members.

Benefits provided: The TCRS provides retirement, disability, and death benefits. The benefits of the TCRS are established by state law (Tennessee Code Annotated, Title 8, Chapters 34-37). In general, the benefits may be amended prospectively by the General Assembly for employees becoming members of the TCRS after June 30, 2014. Amendments of benefits for employees becoming members before July 1, 2014 can be restricted by precedent established by the Tennessee Supreme Court.

Teacher Legacy Pension Plan

Members of the Teacher Legacy Pension Plan are eligible to retire at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Plan members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent.

UNAUDITED

Teacher Retirement Plan

Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 where age and years of service total 90. Plan members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. The Teacher Retirement Plan includes provisions to control employer contributions and unfunded liabilities. As such, plan provisions are automatically changed when employer contributions and unfunded liabilities exceed statutory limits.

Public Employee Retirement Plan

For state employees, there are two major tiers of benefits and eligibility requirements. State employees becoming members before July 1, 2014 are eligible to retire at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. State employees becoming members after June 30, 2014 are eligible to retire at age 65 with five years of service or pursuant to the rule of 90 where age and years of service total 90. Plan members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic COLAs after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the CPI during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. There are additional classes of employees that include state judges, elected members of the general assembly, and public safety officers which have different benefit structures and eligibility requirements. These classifications represent an immaterial percentage of the state employee membership.

For political subdivision employees, there are various tiers of benefits and eligibility requirements. Each political subdivision adopts the benefit structure that the entity provides to its employees. Unreduced service retirement benefits are determined using a multiplier of the member's highest 5 consecutive year average compensation multiplied by the member's years of service credit. Plan members are eligible for service related disability benefits regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. If adopted as a benefit provision by the political subdivision, member and beneficiary annuitants are entitled to automatic COLAs after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the CPI during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. There are additional classes of employees, local judges, elected officials, and public safety officers, which may have different benefit structures and eligibility requirements. These classifications represent an immaterial percentage of the political subdivisions' membership.

Contributions: Pursuant to *Tennessee Code Annotated* Title 8, Chapter 37, the Board of Trustees adopted an actuarially determined contribution (ADC) for each participating employer, as recommended by an independent actuary following an actuarial valuation.

UNAUDITED

For the Teacher Legacy Pension Plan, LEAs are required by statute to contribute the ADC. The ADC is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, the unfunded accrued liability, and the cost of administration. Teachers are required by statute to contribute 5 percent of salary. For the period ending March 31, 2019, the required ADC for LEAs was 10.46 percent of covered-employee payroll.

For the Teacher Retirement Plan, LEAs are required by statute to contribute greater of the ADC or 4 percent. The ADC is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, the unfunded accrued liability, and the cost of administration. Teachers are required by statute to contribute 5 percent of salary. For the period ending March 31, 2019, the required ADC for LEAs was 1.94 percent of covered-employee payroll while actual contributions were 4 percent of covered-employee payroll.

For the Public Employee Retirement Plan, each governmental entity is required by statute to contribute the ADC except that the contribution rate for state employees hired after June 30, 2014 is the greater of the ADC or 4 percent. The ADC is the estimated amount necessary to finance the costs of benefits earned by plan members during the plan year, the unfunded accrued liability, and the cost of administration. For the year ended June 30, 2018, the required ADC varied for each participating employer, with approximately ninety-six percent of all employer rates less than twenty (20) percent and contributions from these same employers accounting for over ninety percent of the contributions for this plan. By statute, state employees hired before July 1, 2014 are noncontributory while employees hired after June 30, 2014 contribute 5 percent of salary. As adopted by the governmental entity, political subdivision employees may be noncontributory, contribute 2.5 percent of salary, or contribute 5 percent of salary.

Reserves: The statute governing the Teacher Retirement Plan and certain employers in the Public Employee Retirement Plan provide for a minimum employer contribution rate of 4 percent. The statute further provides that the amount of the employer contributions in excess of the actuarially determined contribution rate is deposited into a stabilization reserve for each plan. The statute may be amended by the Tennessee General Assembly. Assets in the stabilization reserve are commingled for investment purposes and receive a pro rata share of investment earnings. The amount in the stabilization reserve is not considered in calculating the actuarially determined employer contribution rate for each plan. The statute provides that the assets in the stabilization reserve will be utilized should the actuarially determined contribution rate exceed 4 percent. In such case, the required employer contribution in excess of 4 percent will be transferred from the stabilization reserve to the account of the Teachers Retirement Plan or certain Public Employee Retirement Plan employers. By statute, the Board of Trustees may adopt a policy to suspend the deposits into the stabilization reserve in any given year when the stabilization reserve reaches a certain level that is determined by the Board. If deposits are suspended, then the employer contribution will be the actuarially determined contribution rate for that year rather than the higher 4 percent. The Board has not adopted a policy at this time.

C: Deposits and Investments

Statutory Authority: The Tennessee Retiree Group Trust (TRGT) was established in 2015 by a statutory enactment of the Tennessee General Assembly. The provisions of the TRGT are codified in *Tennessee Code Annotated* (TCA) Title 8, Chapters 34-37. Pursuant to this statute the Tennessee Consolidated Retirement System (TCRS) and its board of directors with the State Treasurer (Treasurer) as custodian, authorized by TCA 8-37-104 adopted this group trust for the purpose of pooling funds of TRGT with other assets in the custody of the Treasurer, solely for investment purposes. The assets invested consist exclusively of assets of exempt pension and profit sharing trusts and individual retirement accounts, custodial accounts, retirement income accounts, governmental plans and tax-exempt trusts under the Internal Revenue Code of 1986 and Rev. Rul. 81-100, as modified by Rev. Ruls. 2004-67, 2008-40 and 2011-1 (referred to herein as “Retirement Assets”). The Custodian shall be responsible for the managing and directing the investment of the Group Trust Funds in the same manner as it invests funds of the TCRS. As of March 31, 2019, the TCRS owns 99.64 percent of the investments in the TRGT.

The TRGT is authorized to invest in securities in accordance with the investment policy of the TCRS. That policy allows the Trust to invest in bonds, debentures, preferred stock and common stock, real estate and in other good and solvent securities subject to the approval of the Board of Trustees, but further subject to the following statutory restrictions and provisions:

- a. The total sum invested in common and preferred stocks shall not exceed seventy-five percent (75 percent) of the total of the funds of the trust.

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- b. The total sum invested in notes and bonds or other fixed income securities exceeding one year in maturity shall not exceed seventy-five percent (75 percent) of the total funds of the trust.
- c. Within the restrictions in (a) and (b) above, an amount not to exceed twenty-five percent (25 percent) of the total of the funds of the retirement system may be invested in securities of the same kinds, classes, and investment grades as those otherwise eligible for investment in various approved foreign countries, provided that such percentage may be increased by the board with the subsequent approval of the council on pensions and insurance.
- d. Within the restrictions in (a) and (b) above, funds may be invested in Canadian securities which are substantially of the same kinds, classes and investment grades as those otherwise eligible for investment.
- e. The total amount of securities loaned under a securities lending program cannot exceed thirty percent (30 percent) of total assets.
- f. The total sum invested in real estate shall not exceed ten percent (10 percent) of the market value of total assets.
- g. The total sum invested in private equities shall not exceed ten percent (10 percent) of the market value of total assets.

State statute also authorizes the TRGT to invest in forward contracts to hedge its foreign currency exposure and to purchase or sell domestic equity index futures contracts for the purpose of asset allocation relating to the domestic equity portfolio. The total amount of the financial futures contract obligation shall not exceed ten percent (10 percent) of the market value of the TRGT's total assets. Gross exposure to approved fixed income financial instruments will be limited to ten percent (10 percent) of the market value of the Trust's total assets for risk mitigating positions and 10 percent (10 percent) for risk positions. Position sizes will be measured by notional amounts. Options will be measured in their notional equivalents.

Investment policy: The TRGT investment authority is established pursuant to Tennessee Code Annotated Title 8, Chapter 37. The statute provides the Board of Trustees with the responsibility to establish the investment policy of the TRGT. The investment policy may be amended by the Board. The TRGT assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided by the TCRS.

Securities Lending: The TRGT is authorized to invest in securities lending investments by TCA 8-37-104(a)(6) with the terms established in the investment policy whereby TRGT loans securities to brokers and dealers (borrower) and in turn, TRGT receives collateral as either cash or securities. TRGT pays the borrower interest on the collateral received and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower. Loans are limited to no more than thirty percent (30%) of the market value of the total assets in the TRGT portfolio and provided further that such loans are secured by collateral. Securities received as collateral hereunder shall have a market value equal to at least one hundred two percent (102%) of the market value of the loaned domestic security or one hundred five percent (105%) of any foreign security. Cash received as collateral shall equal at least one hundred percent (100%) of the market value of the loaned securities and may be invested by or on behalf of the TRGT in any instrument the TRGT may be directly invested. Cash Collateral is held in the TRGT name and is not subject to custodial credit risk. During the year there were no violations of legal or contractual provisions by the TRGT.

The TRGT securities lending program is managed by a third party lending agent, Deutsche Bank AG. The TRGT may loan any debt or equity securities which is owned by TRGT. At March 31, 2019, the TRGT had market value of securities on loan totaling \$3,159,694,334 and received \$3,233,238,626 in collateral.

The TCRS has the ability to sell the collateral securities only in the case of a borrower default.

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Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit quality distribution for the TRGT's investments in fixed income securities at year end is included in the schedule below. Securities are rated using Standard and Poor's and/or Moody's and are presented below using the Standard and Poor's rating scale. The State Pooled Investment Fund has not obtained a credit quality rating from a nationally recognized credit ratings agency.

TRGT's investment policy specifies that bond issues subject for purchase are investment grade bonds rated by one of the Nationally Recognized Statistical Rating Organizations (NRSROs). There is no requirement to divest an asset if it is downgraded after purchase. For short-term investments, the investment policy provides for the purchase of only the highest quality debt issues. Commercial paper should be rated in the highest tier by all rating agencies which rate the paper, with a minimum of two ratings required. Commercial paper cannot be purchased if a rating agency has the commercial paper on a negative credit watch. The investment policy also requires preparation of a credit analysis report on the corporation prior to purchasing commercial paper.

As noted below, the TRGT does not utilize its own bank accounts but invests in the State Pooled Investment Fund for its operating cash purposes. Required risk disclosures relative to the State Pooled Investment Fund are presented in the State Pooled Investment Fund Report. That report is available on the state's website at <http://www.tn.gov/treasury/>.

Interest Rate Risk: Interest rate risk is the risk that future changes in prevailing market rates of interest will have an adverse effect on the fair value of debt investments. The fair values of securities with long terms to maturity may be highly sensitive to interest rate changes. The investment policy for the TRGT states that the maturity of its debt securities may range from short-term instruments, including investments in the State Pooled Investment Fund, to long-term bonds, with consideration of liquidity needs. However, the policy does not specifically address limits on investment maturities. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows weighted for those cash flows as a percentage of the investment's full price.

Asset-Backed Securities: The TRGT invests in various collateralized mortgage obligations (CMOs) which are mortgage-backed securities. These securities are based on cash flows from interest and principal payments on underlying mortgages and could therefore be more sensitive to prepayments by mortgagees as a result of a decline in interest rates.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The investment policy limits the asset allocation for international investments to twenty-five percent of total assets.

Custodial Credit Risk: Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the TRGT deposits may not be returned to TRGT. The TRGT does not have an explicit policy with regards to Custodial Credit Risk for deposits. At March 31, 2019, the TRGT had uninsured and uncollateralized cash deposits of foreign currency held by our master custodian, State Street Bank, in State Street's name. These deposits were used for investments pending settlement.

Derivatives:

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

Foreign Currency Forward Contracts - The international securities expose the TRGT to potential losses due to a possible rise in the value of the US dollar. The TRGT investment managers can reduce foreign currency exposure by selling foreign currency forward contracts, at agreed terms and for future settlement, usually within a year. The manager will reverse the contract by buying the foreign currency before the settlement date. A gain (loss) on this transaction pair will hedge a loss (gain) on the currency movement of the international security. The TRGT can sell

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up to 80% of its foreign currency exposure into US dollars. Foreign currency forward contracts expose the TCRS to foreign currency risk as they are denominated in foreign currency.

Any unrealized gain on foreign currency forward contracts has been reflected in the financial statements as an investment. The notional amount of the foreign currency forward contracts has been reflected in the financial statements as a receivable and a payable. Any unrealized loss on foreign currency forward contracts has been included in the payable established for the contracts.

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

Options - The TRGT is authorized to enter into option contracts and any income earned on option contracts has been included in investment income in the financial statements.

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

Alternative Investments: The TRGT has investments in strategic lending, private equity funds and real estate. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material. Title to real property invested in by TRGT is held by real estate investment holding companies.

Commitments:

Standby Commercial Paper Purchase Agreement: The TRGT has agreed to serve as standby commercial paper purchaser for commercial paper issued by the Funding Board of the State of Tennessee. By serving as a standby commercial paper purchaser, the TRGT receives an annual fee of 25 basis points on the \$350 million maximum issuance under this agreement during times when both Moody's and Standard and Poor's investment ratings assigned to the State of Tennessee's general obligation bonds are Aaa and AAA respectively, 40 basis points during times when either Moody's or Standard and Poor's has assigned ratings of Aa and AA respectively, or 55 basis points during times when either Moody's or Standard and Poor's has assigned ratings lower than Aa and AA respectively. In the unlikely event that the TRGT would be called upon to purchase the commercial paper, the TRGT would receive interest at a rate equal to prime plus 75 basis points during the first 30 consecutive days, plus an additional 50 basis points for each consecutive 30 days thereafter, up to a maximum rate allowed by state law.

Alternative Investments: The TRGT had unfunded commitments in private equity, strategic lending, and real estate commitments at the end of the period.

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