

**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:

A handwritten signature in blue ink that reads "Michael Barker". The signature is written in a cursive style with a long horizontal stroke at the end.

Michael Barker
Chairman of the Audit Committee

