

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM**  
**BOARD OF TRUSTEES MEETING**  
**SEPTEMBER 25, 2015**

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**TABLE OF CONTENTS**

Minutes of the Board of Trustees .....	3
Committee Minutes	
Administrative Committee.....	9
Audit Committee .....	11
Investment Committee.....	17
TCRS Board of Trustees Appointments.....	21
Disclosure.....	33
Political Subdivision Seeking Membership	
City of Covington.....	39
Statistical Reports	
Active Member Statistics .....	47
Retired Payroll Statistics .....	48
Refund Activity and Expenditures .....	50
Prior Service Activity .....	52
Disability Retirement Report	
Disability Statistical Report .....	55
Approved for Disability .....	57
Disapproved for Disability .....	67
TCRS Financial Report .....	69

**TCRS BOARD OF TRUSTEES  
APPOINTMENTS**



**BILL HASLAM**  
GOVERNOR  
STATE OF TENNESSEE

June 11, 2015

Chief Tony Jay Crisp  
Maryville Police Department  
418 West Broadway Avenue  
Maryville, Tennessee 37801-4710

Dear Tony:

Today, it is my distinct pleasure to confirm your appointment to the Tennessee Consolidated Retirement System Board of Trustees as a Representative of Public Safety. In the thorough, aggressive search for candidates, your individual characteristics and professional qualifications were exceptional among the number of nominees who expressed interest. This appointment is effective immediately and runs through June 30, 2016.

I consider it very important to ensure that Tennessee's boards and commissions are filled with the most dedicated and qualified citizens. I believe that your participation is certain to leave a positive impact on this board and the work it does.

Thank you for your interest in state government and for your willingness to serve your fellow citizens of Tennessee in this way. Please accept my very best wishes. I look forward to working with you and all Tennesseans to make our great state an even better place to live, work, and raise a family.

Warmest regards,

Bill Haslam

BH:cm



**COUNTY OFFICIALS ASSOCIATION OF  
TENNESSEE**

June 25, 2015

Ms. Jill Bachus, Director  
Tennessee Consolidated Retirement System  
502 Deaderick Street  
Nashville, Tennessee 37243-0201

**Re: TCRS Appointment**

Dear Jill:

The County Officials Association of Tennessee hereby reappoints Sumner County Clerk Bill Kemp to the Tennessee Consolidated Retirement System Board of Trustees. Mr. Kemp has represented our association well in his past service as trustee.

If you have any questions regarding this appointment, please do not hesitate to contact me or our Executive Director Jay West.

Sincerely,

Barbra Parker  
President, County Officials Association of Tennessee

STATE OF TENNESSEE  
HOUSE OF REPRESENTATIVES



**BETH HARWELL**  
**SPEAKER OF THE HOUSE**

August 17, 2015

Harold W. Morrison  
504 Glenleigh Court  
Nashville, TN 37221

Re: Tennessee Consolidated Retirement System Board of Trustees

Dear Mr. Morrison:

As Speaker of the House of Representatives acting pursuant to Tennessee Code Annotated, §8-34-302, I am reappointing you to serve as the Middle Tennessee teacher member of Tennessee Consolidated Retirement System Board of Trustees. Your term commences immediately and will expire on June 30, 2018.

I am forwarding a copy of this letter to Director, Jill Bachus, CPA. Ms. Bachus' office will be contacting you in the near future regarding this reappointment.

I am confident that you will continue to perform the duties of office with the high standard of professionalism, dedication and integrity that the citizens of Tennessee deserve and expect of their public servants.

Best Wishes,

A handwritten signature in cursive script that reads "Beth Harwell".

Speaker Beth Harwell

cc: Lt. Gov. Ron Ramsey  
Jill Bachus - TCRS  
Cody York, 8<sup>th</sup> Floor, Snodgrass Tower  
Don R. Johnson, G-7 State Capitol Bldg.  
Scott Gilmer  
Connie Ridley  
Karen Garrett  
Doug Himes  
Tammy Letzler



July 9, 2015

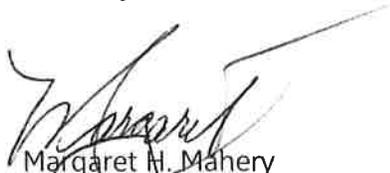
Ms. Jill Bachus, Director  
State of Tennessee  
Tennessee Consolidated Retirement System  
15<sup>th</sup> Floor Andrew Jackson Building  
502 Deaderick Street  
Nashville, TN 37243-0201

Dear Ms. Bachus:

The Tennessee Municipal League understands the term of its representative to the Tennessee Consolidated Retirement System Board of Trustees Mayor Ken Wilber's term has expired. TML is reappointing Mayor Wilber for the term, July 1, 2015, through June 30, 2017.

Thank you for your consideration.

Sincerely,



Margaret H. Mahery  
Executive Director

MHM/st



# Tennessee County Services Association

Representing Tennessee's County Mayors, County Highway Officials, and County Commissioners since 1954

David Connor  
Executive Director

226 Capitol Boulevard, Suite 700, Nashville, Tennessee 37219  
Phone: 615/532-3767 Fax: 615/532-3769  
www.tncounties.org

June 25, 2015

Jill Bachus, Director  
Tennessee Consolidated Retirement System  
Andrew Jackson Building, 10<sup>th</sup> Floor  
502 Deaderick Street  
Nashville, TN 37243-0201

Dear Director Bachus:

The Tennessee County Services Association recommends the re-appointment of Mr. Robert (Bob) Wormsley to serve on the Board of Trustees for the Tennessee Consolidated Retirement System. We are recommending him for the term beginning July 1, 2015.

Please let us know if you need any additional information. Mr. Wormsley's email address is [wormsley\\_bo@willis.com](mailto:wormsley_bo@willis.com) and his phone number is (615) 872-3513. Thank you.

Sincerely,

David Connor  
Executive Director

c: Bob Wormsley

## **DISCLOSURE**

STATE OF TENNESSEE



DAVID H. LILLARD, JR.  
STATE TREASURER

TREASURY DEPARTMENT

615.741.2956  
David.Lillard@tn.gov

STATE CAPITOL  
NASHVILLE, TENNESSEE 37243-0225

Sender's telephone: 615.253.6921  
Sender's email: Jennifer.Selliers@tn.gov

July 20, 2015

Director Deborah Taylor Tate  
c/o Supreme Court of Tennessee  
Administrative Office of the Courts  
Nashville City Center, Suite 600  
511 Union Street  
Nashville, TN 37219

Dear Director Tate,

I am in receipt of your written disclosures, dated June 26, 2015 and July 2, 2015, related to your adult son's employment with North Highland, a vendor for the Tennessee Consolidated Retirement System.

I have reviewed your disclosures and, based on my assessment of such, no material conflict of interest exists.

I have recorded your disclosures on the Reported Conflicts Logbook and will provide a copy of this response, along with your disclosures, to the Board of Trustees at its next meeting. No further action is warranted at this time.

Thank you, again, for providing full disclosure in accordance with the Conflicts of Interest Policy of the Tennessee Consolidated Retirement System Board of Trustees.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jennifer M. Selliers".

Digitally signed by Jennifer M. Selliers  
DN: cn=Jennifer M. Selliers,  
o=Department of Treasury, Tennessee,  
ou=Legal, Compliance and Audit,  
email=jennifer.selliers@tn.gov, c=US  
Date: 2015.07.20 09:29:56 -05'00'

Jennifer M. Selliers  
Compliance Officer

Enclosures: Disclosure letters dated June 26, 2015 and July 2, 2015



# *Supreme Court of Tennessee*

Administrative Office of the Courts  
Nashville City Center, Suite 600  
511 Union Street  
Nashville, Tennessee 37219  
615 / 741-2687 or 800 / 448-7970  
FAX 615 / 741-6285

DEBORAH TAYLOR TATE  
Director

June 26, 2015

David H. Lillard, Jr., Treasurer  
Tennessee Department of Treasury  
Tennessee State Capitol, 1st Floor  
600 Charlotte Avenue  
Nashville, TN 37243-0225

IN RE: Tennessee Consolidated Retirement System

Dear Treasurer Lillard:

As announced in the public meetings of both the Administrative Committee and the Board of the TCRS on June 26, 2015, I am providing notice that William H. Tate, my adult son, has been employed by North Highland. The company is aware and will insure there is no conflict, as Will is not involved in any project, advice or discussions in any manner relative to my responsibility to the work of TCRS.

In order to avoid any appearance of any impropriety and my personal commitment to complete disclosure and openness in government, I would like this letter to be placed in my official file and others as appropriate.

Sincerely,

A handwritten signature in black ink that reads "Deborah Taylor Tate". The signature is written in a cursive style.

Deborah Taylor Tate

cc: Jill Bachus



## *Supreme Court of Tennessee*

Administrative Office of the Courts  
Nashville City Center, Suite 600  
511 Union Street  
Nashville, Tennessee 37219  
615 / 741-2687 or 800 / 448-7970  
FAX 615 / 741-6285

DEBORAH TAYLOR TATE  
Director

July 2, 2015

Jill Bachus, Director  
Tennessee Consolidated Retirement System  
Andrew Jackson Building, 15th Floor  
502 Deaderick Street  
Nashville, TN 37243-0201

Dear Ms. Bachus:

This is to confirm our conversation regarding disclosure of my son being a healthcare consultant with North Highland who advises the TCRS regarding investments and other financial matters. Will does not and will not be involved in any of the consulting services with the State of Tennessee. In addition, he was not hired nor did we even know of the relationship prior to his hiring. I do not know any of the principals involved with his interview or hiring. To the best of my knowledge, he was not hired due to my position as a member of the TCRS Board, nor were they aware of this position.

Thus, I want to reiterate that there should be no conflict; however I thought it advisable to provide this documentation in addition to my public disclosures at both the Administrative and full Board meetings in June 2015 held at the Legislative Plaza for your records.

Thank you,

  
Deborah Taylor Tate

**POLITICAL SUBDIVISION  
SEEKING MEMBERSHIP**

**Political Subdivisions Beginning Participation  
in the Tennessee Consolidated Retirement System  
October 1, 2015**

<b>Political Subdivision</b>	<b>Amount of Service Employer</b>	<b>Service Employee</b>	<b>Employer Rate</b>	<b>Accrued Liability</b>	<b>Cost of Living</b>	<b>Number of Employees</b>
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<u>City of Covington</u>	0	0	5.90%	\$0.00	Include	N/A
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Local Government Hybrid Plan Without Cost Controls

**Meetings:**

August 2015 Explained initial employer costs and participating procedures to the governing body.

October 2015 Will explain laws, policies, and benefit provisions to the employees of the city.

October 2015 Will explain reporting procedures to payroll officer(s).

**Additional Notes:**

The City of Covington will begin participation in TCRS effective October 1, 2015. Employees hired after this effective date will be enrolled in the Local Government Hybrid Plan without Cost Controls.



STATE OF TENNESSEE  
TENNESSEE CONSOLIDATED RETIREMENT SYSTEM  
502 DEADERICK STREET  
NASHVILLE, TENNESSEE 37243-0201

DAVID H. LILLARD, JR.  
STATE TREASURER

JILL BACHUS  
DIRECTOR

MEMORANDUM

Date: August 31, 2015  
To: TCRS Board of Trustees  
From: Melissa L. Davis, TCRS Field Services  
Subject: The City of Covington

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The City of Covington is petitioning for participation in the Tennessee Consolidated Retirement System. This membership would be effective October 1, 2015 for new hires only from that date forward.

The City has chosen to participate in the Hybrid Plan w/o Cost Controls with an initial contribution rate 5.9%. The City's rate will be reevaluated during the next actuarial valuation. At this time, there is no identifiable annual cost since this plan is only offered to new hires. However, a current budget has been supplied that includes a line item for their current defined benefit plan that equals \$ 963,600.

**Tennessee Consolidated  
Retirement System**  
Pre-Existing Defined Benefit Plan  
(Without Allowing Pre-Existing Plan  
Participants the Choice of Joining TCRS)

A RESOLUTION authorizing a political subdivision that maintains a pre-existing defined benefit pension plan that is closed to new membership to participate in the Tennessee Consolidated Retirement System ("TCRS") in accordance with Tennessee Code Annotated, Title 8, Chapters 34 – 37 without authorizing its current employees who participate in the pre-existing plan the choice of joining TCRS.

WHEREAS, Tennessee Code Annotated, Title 8, Chapter 35, Part 2 authorizes a political subdivision that maintains a pre-existing defined benefit pension plan that is closed to new membership to participate in TCRS subject to the approval of the TCRS Board of Trustees without authorizing its current employees who participate in the pre-existing plan the choice of joining TCRS; and

WHEREAS, the CITY OF COVINGTON 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, and without authorizing its current employees who participate in the pre-existing plan the choice of joining TCRS:

- 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 participating in the Plan 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 Plan equal to 5% of the respective employee's salary subject to the cost controls and unfunded liability controls of the 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 IN THOSE PLANS 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 who does not participate in the pre-existing defined benefit plan, 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)  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 \_\_\_\_\_; 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

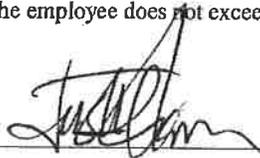
WHEREAS, the Political Subdivision has passed a budget amendment appropriating the funds necessary to meet such liability and the same is attached hereto; and

WHEREAS, the effective date of participation shall be on OCTOBER 1, 2015, 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.

NOW, THEREFORE, BE IT RESOLVED That the BOARD OF MAYOR AND ALDERMEN of

CITY OF COVINGTON

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 defined benefit plan on behalf of any employee who participates in TCRS pursuant to this Resolution. It is further acknowledged and understood that pursuant to Section 8-35-111 the Political Subdivision shall not make employer contributions to any defined contribution 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 defined contribution 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.



Mayor

Attest:

Tina C Dunn

STATE OF TENNESSEE

COUNTY OF TIPTON

I, Tina C Dunn

, clerk of the Board of

MAYOR AND ALDERMEN

COVINGTON, TENNESSEE

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 25<sup>th</sup> day of August, 2015, the original of which is on file in this office.

IN WITNESS WHEREOF, I have hereunto set my hand, and the seal of the COVINGTON, TENNESSEE



Tina C Dunn

As Clerk of the Board, as aforesaid

Seal

TR 9023

## **STATISTICAL REPORTS**

## ANALYSIS OF MEMBERS ACTIVELY CONTRIBUTING

	6/30/2012	6/30/2013	6/30/2014	12/31/2014	3/31/2015	6/30/2015
<b>Group I Members:</b>						
(State & Higher Ed.)	56,566	56,008	56,390	56,690	55,900	55,179
Teachers	78,613	78,303	78,506	71,866	70,926	69,975
General Employees of Polisubs	80,784	79,984	78,144	84,905	85,061	85,531
General Assembly	129	128	128	115	115	113
County Officials	2	2	2	2	2	2
PSC						
County Judges	1	1	1	1	1	20
Attorneys General	648	656	683	623	617	617
<b>Total Group I</b>	<b>216,743</b>	<b>215,082</b>	<b>213,854</b>	<b>214,202</b>	<b>212,622</b>	<b>211,437</b>
<b>Group II &amp; Prior Class:</b>						
Wildlife Officers	2	2	2	1	1	1
Highway Patrol	3	3	1	1	1	1
Firemen & Policemen- Political Subdivisions	16	14	11	10	10	10
<b>Total Group II &amp; Prior Class</b>	<b>21</b>	<b>19</b>	<b>14</b>	<b>12</b>	<b>12</b>	<b>12</b>
<b>Group III and Prior Class:</b>						
State Judges	2	1	1	1	1	1
County Judges					1	1
Attorneys General	5	4	3	3	1	1
County Officials	5	4	4	3	2	2
<b>Total Group III &amp; Prior Class</b>	<b>12</b>	<b>9</b>	<b>8</b>	<b>7</b>	<b>5</b>	<b>5</b>
<b>Group IV</b>						
State Judges	182	183	184	126	130	128
<b>State &amp; Teacher Hybrid Plan</b>						
State				3,063	4,039	5,689
General Assembly				10	15	15
Teacher				6,067	6,355	6,189
Attorneys General, Judges				29	28	31
Political Subdivisions				66	80	85
<b>Local Government Plans</b>						
Alternate DB				13	14	14
Hybrid Plan W/O Cost Controls				63	81	92
<b>Total Membership</b>						
<b>Contributing to TCRS</b>	<b>216,958</b>	<b>215,293</b>	<b>214,060</b>	<b>223,658</b>	<b>223,381</b>	<b>223,697</b>
Teachers Contributing to ORP	11,575	11,627	11,683	11,683	10,662	10,632
<b>Grand Totals</b>	<b>228,533</b>	<b>226,920</b>	<b>225,743</b>	<b>235,341</b>	<b>234,043</b>	<b>234,329</b>

**RETIRED PAYROLL  
STATISTICS  
June 30, 2015**

	<u>Amount</u>	<u># of Retirees</u>
STATE EMPLOYEES	55,803,106.31	42071
STATE PAID JUDGES	1,012,287.86	206
COUNTY PAID JUDGES	328,338.65	89
ATTORNEY GENERALS	981,031.43	256
COUNTY OFFICIALS	371,392.18	180
PUBLIC SERVICE COMMISSIONERS	9,243.18	5
POLITICAL SUBDIVISIONS	30,636,473.17	35724
TEACHERS	98,338,436.85	47234
LOCAL TEACHERS	3,395,651.59	1863
GOVERNORS AND WIDOWS	30,772.00	5
AGED STATE EMPLOYEES	137.43	1
AGED TEACHERS	1,049.45	7
OTHERS	<u>99,412.74</u>	<u>106</u>
Total	\$ 191,007,332.84	127,747

**RETIRED PAYROLL**  
**July 1, 2014**  
**through**  
**June 30, 2015**

	<u>Amount</u>	<u># of Retirees</u>
STATE EMPLOYEES	650,568,658.16	42071
STATE PAID JUDGES	11,909,492.07	206
COUNTY PAID JUDGES	3,933,709.71	89
ATTORNEY GENERALS	11,407,453.33	256
COUNTY OFFICIALS	4,603,551.86	180
PUBLIC SERVICE COMMISSIONERS	110,918.16	5
POLITICAL SUBDIVISIONS	355,096,564.68	35724
TEACHERS	1,155,733,788.43	47234
LOCAL TEACHERS	41,767,706.68	1863
GOVERNORS AND WIDOWS	369,264.00	5
AGED STATE EMPLOYEES	1,649.16	1
AGED TEACHERS	13,259.82	7
OTHERS	<u>673,403.78</u>	<u>106</u>
Total	\$ 2,236,189,419.84	127,747

**NOTE: OVER 99.9% OF THE RETIREES ARE ON DIRECT DEPOSIT OR DEBIT CARD**

## NUMBER OF MEMBERS REFUNDED

<u>Month</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
July	450	894	499	496	475	516	613
August	308	612	406	466	471	782	820
September	316	494	431	447	394	457	586
October	411	369	379	383	375	378	483
November	353	320	293	364	319	314	244
December	257	256	276	257	241	276	338
January	332	257	307	348	338	402	322
February	310	242	265	312	335	310	238
March	291	278	299	262	253	284	331
April	311	687	277	346	311	424	338
May	217	385	662	329	274	866	247
June	340	360	406	339	336	674	383
<b>TOTAL</b>	<b><u>3,896</u></b>	<b><u>5,154</u></b>	<b><u>4,500</u></b>	<b><u>4,349</u></b>	<b><u>4,122</u></b>	<b><u>5,683</u></b>	<b><u>4,943</u></b>

**REFUND EXPENDITURES  
2014-2015 FISCAL YEAR**

<b>MONTH</b>	<b>MEMBER'S CONTRIBUTIONS</b>	<b>414(H) CONTRIBUTIONS</b>	<b>MEMBER'S INTEREST</b>	<b>EMPLOYER CONTRIBUTIONS</b>	<b>DEATH PAYMENTS</b>	<b>TOTAL</b>
July	266,441.24	3,890,375.29	1,447,111.32	126,187.64	582,724.33	\$6,312,839.82
August	507,883.89	4,655,452.55	1,961,867.60	44,918.14	310,924.58	\$7,481,046.76
September	152,881.65	4,331,112.77	1,360,359.96	94,105.25	534,024.37	\$6,472,484.00
October	128,318.86	3,412,739.87	930,882.35	321.75	107,156.94	\$4,579,419.77
November	151,196.08	2,005,478.21	684,258.78	45,012.69	212,015.66	\$3,097,961.42
December	122,578.10	2,298,965.04	928,283.16	119,374.12	412,621.40	\$3,881,821.82
January	91,748.79	2,327,921.83	810,653.54	41,762.65	229,081.27	\$3,501,168.08
February	87,721.51	1,910,411.21	638,092.13	30,491.91	283,570.07	\$2,950,286.83
March	116,625.88	2,238,605.81	940,592.78	66,240.61	441,824.39	\$3,803,889.47
April	50,369.62	2,197,315.73	846,247.64	29,913.56	234,207.82	\$3,358,054.37
May	28,306.93	1,946,199.94	808,107.79	2,901.82	422,725.13	\$3,208,241.61
June	45,655.14	2,642,126.28	1,163,538.30	184,321.24	1,078,960.42	\$5,114,601.38
<b>TOTAL</b>	<b>1,749,727.69</b>	<b>33,856,704.53</b>	<b>12,519,995.35</b>	<b>785,551.38</b>	<b>4,849,836.38</b>	<b>\$53,761,815.33</b>

**PRIOR SERVICE ACTIVITY**  
**April 1, 2015 through June 30, 2015**

Higher Education:	Type Of Service	No. of Members	Years of Service	Amount
	Backpayment	4	13	\$ 72,164
	<b>Totals</b>	<b>4</b>	<b>13</b>	<b>\$ 72,164</b>

K-12 Teachers:	Type Of Service	No. of Members	Years of Service	Amount
	Backpayment	14	80	\$ 444,019
	Recontribution Of Refund	16	69	287,553
	<b>Totals</b>	<b>30</b>	<b>149</b>	<b>\$ 731,574</b>

Political Subdivisions:	Type Of Service	No. of Members	Years of Service	Amount
	Backpayment	44	36	\$ 56,558
	Military Service	1	0	144
	Recontribution Of Refund	7	37	140,294
	<b>Totals</b>	<b>52</b>	<b>73</b>	<b>\$ 197,000</b>

State:	Type Of Service	No. of Members	Years of Service	Amount
	Backpayment	4	15	\$ 63,436
	Recontribution Of Refund	3	3	15,785
	<b>Totals</b>	<b>7</b>	<b>18</b>	<b>\$ 79,222</b>

<b>Grand Totals:</b>	Type Of Service	No. of Members	Years of Service	Amount
	Backpayment	66	144	\$ 636,181
	Recontribution Of Refund	26	109	443,633
	Military Service	1	0	144
	<b>Totals</b>	<b>93</b>	<b>253</b>	<b>\$ 1,079,962</b>

# **DISABILITY RETIREMENT REPORT**

## Disability Statistical Report

### Fourth Quarter 2014-2015

Disability Applications Received	April	34
	May	26
	June	<u>19</u>
	TOTAL	79
Initial Claims Approved	April	23
	May	19
	June	<u>15</u>
	TOTAL	57
Initial Claims Disapproved	April	12
	May	03
	June	<u>05</u>
	TOTAL	20
Initial Claims Approved after Reconsideration		04
Initial Claims Disapproved after Reconsideration		03
Re-Evaluation Claims Approved		28
Re-Evaluation claims Disapproved		01
Cases Referred to Vocational Rehabilitation		0

**APPROVED FOR DISABILITY  
FOURTH QUARTER  
2014-2015**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt	Mo. Ben.	Disability Summary
Ord	No	No	46	State	Data Specialist II	11	\$36,476	D	\$940	Terminal cervical cancer with widespread metastases.
SS-Ord	No	No	52	Pol-Sub	Heavy Equip Operator	6	\$24,846	A	\$423	Multiple spinal fusions with continued myofascial, neck and arm pain.
Ord	No	No	54	Pol-Sub	Bus driver	18	\$20,015	A	\$473	Endometrial cancer with extension into urinary bladder, colostomy, chronic pelvic abscess and DVT of R-leg with pulmonary emboli.
Ord	Yes	No	49	Pol-Sub	Teacher	21	\$57,374	A	\$1,451	HIV, Bi-Polar D/O, PTSD and severe panic attacks.
Ord	Yes	No	49	Teacher	Teacher	7	\$42,722	A	\$913	Osteoarthritis, psoriatic arthritis. chronic bronchitis and kidney stones.
Ord	No	No	56	State	Drafting Tech	19	\$36,193	A	\$855	Myocardial infarction, DM, systolic heart failure, HTN and chronic back and hip pain.
SS-Ord	Yes	No	47	Pol-Sub	Paramedic	5	\$42,817	B	\$843	Terminal Squamous Cell Carcinoma of paranasal sinuses.

**APPROVED FOR DISABILITY  
FOURTH QUARTER  
2014-2015**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt	Mo. Ben.	Disability Summary
Ord	No	No	54	Pol-Sub	RN	21	\$66,781	D	\$1,568	Bi-polar D/O, anxiety and depression with suicidal ideations.
Ord	No	No	51	State	Safety Supervisor	8	\$52,829	A	\$1,050	Terminal Lung cancer, poor blood circulation.
Ord	No	No	51	Pol-Sub	Respiratory Therapist	9	\$53,997	B	\$1,087	Stage III Colon cancer with palliative chemotherapy.
SS-Ord	No	No	54	State	Maintenance Worker	13	\$30,418	A	\$692	Severe arthritis, back pain and difficulty walking due to bilateral foot neuropathy.
Ord	No	No	53	Teacher	Teacher	15	\$44,876	A	\$1,060	DDD with radiculopathy, Lumbar stenosis with decreased ROM, Fibromyalgia, obesity and narcotics for pain relief.
SS-Ord	Yes	Yes	54	Pol-Sub	Coordinator	10	\$29,909	D	\$514	Anxiety and Depression
Ord	No	No	48	Teacher	Principal	25	\$95,750	E	\$2,911	DM and Neuro-cardiogenic syncope with collapse 3-4x daily.

**APPROVED FOR DISABILITY  
FOURTH QUARTER  
2014-2015**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt	Mo. Ben.	Disability Summary
SS-Ord	No	No	56	State	Sr. Library Associate	25	\$32,249	A	\$956	Acute Leukemia, needs stem cell transplant.
Acc	No	No	54	Pol-Sub	Electrician	7	\$26,609	A	\$409	Lumbar disc herniation with lumbar radiculopathy.
Ord	Yes	No	43	State	Cook	10	\$22,745	B	\$468	Epileptic seizures of the frontal lobe and migraines.
Ord	Yes	No	49	Teacher	Teacher	26	\$47,102	A	\$1,461	Chronic spine disease with numbness of arms and hands.
Ord	Yes	Yes	49	State	Administrative Assistant	23	\$31,507	B	\$819	DM with chronic infections, morbid obesity and depression.
Ord	No	No	54	Pol-Sub	Clerk	26	\$34,121	A	\$1,055	Panic attacks and anxiety.
Ord	No	No	55	State	Corporal	16	\$32,306	A	\$763	COPD, IDDM with neuropathy, Asthma, Sleep Apnea and chronic Migraines.

**APPROVED FOR DISABILITY  
FOURTH QUARTER  
2014-2015**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt	Mo. Ben.	Disability Summary
Ord	Yes	No	47	State	Driver's License Examiner	19	\$28,204	A	\$666	Severe depression and anxiety with impaired concentration.
Ord	No	No	46	State	Claims Examiner	12	\$35,054	D	\$828	Kidney disease, dialysis, urinary and bowel incontinence, DM I and paraplegia.
Ord	No	No	52	State	Manage Care Technician	10	\$26,602	A	\$576	Retinal detachment resulting in legal blindness.
Ord	Yes	No	53	State	LPN	19	\$34,444	A	\$814	Severe RA, unable to walk and has swelling of her joints
SS-Ord	No	No	54	Pol-Sub	Maintenance Worker	25	\$40,904	B	\$1,086	Non-Hodgkin Lymphoma, and spinal cord compression causing paresis.
SS-Ord	Yes	No	50	Pol-Sub	Dispatcher	26	\$39,590	A	\$1,239	Major depression with psychosis and generalized anxiety D/O.
Inact	No	No	51	State	Police officer	19	\$30,477	A	\$438	Bi-Polar D/O and panic attacks.

**APPROVED FOR DISABILITY  
FOURTH QUARTER  
2014-2015**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt	Mo. Ben.	Disability Summary
Ord	No	No	49	State	Secretary II	13	\$25,576	A	\$604	Major depressive D/O with suicidal ideation & psych hospitalizations X3 and obesity.
SS-Ord	No	No	57	Pol-Sub	Custodian	16	\$21,581	A	\$465	DM II, arthritis with bilateral knee pain and swelling, GERD, Gout, RLS and HTN.
Inact	No	No	52	Pol-Sub	Nursing Assistant	15	\$21,975	A	\$270	Chronic hernias, LBP, HTN, DMII and edema.
SS-Ord	No	Yes	55	Teacher	Teacher	19	\$44,106	A	\$1,042	DM with peripheral neuropathy and bilateral chronic foot pain.
Ord	No	No	55	Teacher	Teacher	26	\$55,649	A	\$1,747	Scleroderma and Raynaud's Syndrome.
SS-Ord	No	No	53	Pol-Sub	Truck Driver	26	\$38,101	A	\$1,193	Early degenerative dementia of the Alzheimer's type.
Ord	Yes	No	33	Pol-Sub	Laborer	10	\$24,187	A	\$571	Severe developmental disorder on the Autistic spectrum.

**APPROVED FOR DISABILITY  
FOURTH QUARTER  
2014-2015**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt	Mo. Ben.	Disability Summary
Ord	No	No	59	Teacher	Teacher	19	\$51,987	A	\$1,228	Parkinson's disease, neurogenic bladder and insomnia.
SS-Ord	No	No	55	Pol-Sub	Bus Driver	19	\$14,423	A	\$216	DDD, arthritis and severe numbness in feet.
Ord	No	No	52	Teacher	Teacher	25	\$51,139	A	\$1,520	Multiple brain tumors requiring chemo and radiation.
Ord	No	No	56	Pol-Sub	Medical Clerk	14	\$28,853	D	\$564	Rheumatoid arthritis, spinal stenosis, back pain, requires cane for ambulation.
Ord	No	No	54	State	HWY Worker	11	\$22,153	A	\$441	CHF, sleep apnea and morbid obesity.
SS-Ord	No	No	58	Pol-Sub	Cook	14	\$12,191	A	\$235	CAD, DDD, Fibromyalgia, arthritis, DM, anxiety and depression.
Ord	No	No	52	Pol-Sub	Security Officer	20	\$59,098	B	\$1,256	Chronic Kidney disease with nephrotic syndrome, intermittent dialysis, SOB, bilateral lower extremity edema, HTN AND CHF

**APPROVED FOR DISABILITY  
FOURTH QUARTER  
2014-2015**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt	Mo. Ben.	Disability Summary
SS-Inact	No	No	52	State	LPN	8	\$14,993	RFND	\$0	Multi-level cervical stenosis, herniated discs, COPD, emphysema, HTN and depression.
SS-Ord	Yes	No	44	State	Professor	13	\$74,198	B	\$1,655	L-temporal lobe Glioblastoma resulting in expressive aphasia and R-sided hemiparesis.
SS-Ord	No	No	53	Pol-Sub	Manager	27	\$52,668	D	\$1,477	Failed R-hip replacement resulting in severe sciatica nerve pain, unsteady gait and use of walker for support.
SS-Ord	Yes	No	50	Teacher	Teacher	18	\$45,498	A	\$1,075	Severe depression, suicidal thoughts, panic attacks, bipolar D/O, OCD and generalized anxiety D/O.
SS-Ord	Yes	No	48	State	Psych Technician	23	\$35,162	A	\$986	Severe COPD, anxiety disorder, major depression, obesity and arthritis.
SS-Ord	No	No	53	Teacher	Teacher	25	\$62,424	A	\$1,905	Bi-Polar D/O with depression and hip replacement S/P MVA resulting in neck fusion and multiple foot and shoulder surgeries.
Ord	No	No	55	State	RN	9	\$51,254	A	\$853	MS, mobility and cognitive deficits.

**APPROVED FOR DISABILITY  
FOURTH QUARTER  
2014-2015**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt	Mo. Ben.	Disability Summary
SS-Ord	No	No	54	Pol-Sub	Police Officer	16	\$30,832	A	\$726	Terminal Stage IV lung cancer.
SS-Ord	Yes	No	52	State	Administrative Assistant	28	\$40,685	A	\$1,386	Depression and Anxiety.
SS-Ord	Yes	No	39	State	Corporal	11	\$26,587	A	\$628	Relapsing and remitting MS.
Ord	Yes	No	50	Teacher	Teacher	12	\$64,300	A	\$1,519	Severe RA and OA of knees.
Ord	No	No	53	State	Tax Service Rep III	18	\$30,387	A	\$718	Bi-polar, PTSD, panic attacks and sciatica.
SS-Ord	Yes	No	44	Teacher	Facilitator	20	\$67,321	A	\$1,617	Stage IV Appendiceal Carcinoma and ovarian cancer.
SS-Ord	Yes	No	34	State	Eligibility Counselor I	6	\$28,499	A	\$673	PTSD, generalized anxiety D/O, OCD, RLS, Fibromyalgia, gastroesophageal reflux disease and chronic pain S/P neck surgery.

**APPROVED FOR DISABILITY  
FOURTH QUARTER  
2014-2015**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt	Mo. Ben.	Disability Summary
Ord	No	No	52	State	Administrative Assistant	11	\$24,983	A	\$563	CAD, CHF, Cardiomyopathy and Myocardial infarction.

**DISAPPROVED FOR DISABILITY  
FOURTH QUARTER  
2014-2015**

Type	Re-C	Age	Employer	Position	SVC	Disability Summary	Reason Denied
ORD	N	59	TEACHER	TEACHER	7	BILATERAL PLANTAR FASCIITIS W/PERIPHERAL NEUROPATHY.	CAP SED WRA.
ORD	N	44	STATE	COORDINATOR	16	FIBROMYALGIA, SYSTEMIC LUPUS, HYPOTHYROIDISM, SLEEP APNEA, CERVICAL RADICULOPATHY, CTS & DEPRESSION.	CAP SED WRA, POSSIBLE LGT WRA.
ORD	N	53	POL SUB	FIREFIGHTER	11	BILATERAL CTS S/P MULTIPLE SURGERIES, CHRONIC PAIN, DM WITH NEUROPATHY, AND MORBID OBESITY.	CAP SED-LGT WRA.
ORD	N	55	POL SUB	COORDINATOR	10	PSORIATIC ARTHRITIS, CHRONIC KNEE PAIN, MORBID OBESITY, AND SEVERE ANXIETY.	CAP SED WRA. RECS DO NOT SUPPORT.
ORD	N	48	STATE	SUPERVISOR I	25	RA, OA, AND ANXIETY DISORDER.	CAP SED-LGT WRA.
ORD	N	51	POL SUB	SUPERVISOR	8	DM, ATRIAL FIBRILLATION WITH PALPITATIONS, AND MORBID OBESITY.	CAP SED WRA. NORMAL VENTRICULAR FUNCTION W/O ARRHYTHMIAS, BP WITHIN NORMAL LIMITS.
ORD	N	51	TEACHER	SPEECH PATHOLOGIST	21	SEIZURES, MIGRAINES, RA, FIBROMYALGIA, AND CHRONIC PAIN.	CAP SED-LGT WRA.
ORD	N	56	STATE	CAPTAIN	24	GRAVES ORBITOPATHY, ARTHRITIS, LOW BACK PAIN, AND DEPRESSION.	CAP SED-LGT WRA.
ORD	N	46	POL SUB	DEPUTY CLERK	15	HASHIMOTOS DISEASE, MORBID OBESITY, CHRONIC PAIN, ANXIETY, AND DEPRESSION.	CAP LGT WRA.
ACC	N	52	TEACHER	PRINCIPAL	24	LUMBAR DISC DISEASE S/P SURGERIES X2.	CAP SED WRA. INSUFFICIENT MEDICAL DOCUMENTATION.
ACC	N	44	STATE	HWY WORKER	21	CERVICAL STENOSIS WITH CHRONIC PAIN	CAP LGT WRA.

**DISAPPROVED FOR DISABILITY  
FOURTH QUARTER  
2014-2015**

Type	Re-C	Age	Employer	Position	SVC	Disability Summary	Reason Denied
ORD	N	40	STATE	ELIGIBILITY COUNSELOR	12	PACEMAKER FOR BRADYCARDIA, SYNCOPE, COSTAL CHONDRITIS, CHEST PAIN, ASTHMA, SINUSITIS, AND MIGRAINES.	CAPABLE OF WORKING. NO RESTRICTIONS.
ORD	N	41	STATE	DEV TECH	10	FIBROMYALGIA, OA, PTSD, ANXIETY, AND DEPRESSION.	NORMAL STANCE/GAIT, CURRENT DISEASE STABLE & TOLERATES MEDS WELL.
ORD	N	50	STATE	HWY WORKER	10	DM, HTN, R-TOTAL KNEE REPLACEMENT, MORBID OBESITY.	CAP SED WRA. CONDITION SHOULD IMPROVE.
ORD	N	52	STATE	DEV TECH	15	CHRONIC NECK PAIN, MIRGRAINE AND TENSION HA'S.	CAP SED WRA.
ORD	N	53	POL SUB	DISPATCHER	22	OA OF KNEES, DDD, HTN, SHOULDER PAIN S/P injury, MORBID OBESITY, SLEEP APNEA, DEPRESSION, AND ANXIETY.	CAP SED WRA.
ORD	N	49	STATE	FORESTRY AIDE II	26	LUMBAGO, LUMBAR RADICULOPATHY, L5-S1 DISC PROTRUSION, L-LARGE PARACENTRAL DISK HERNIATION, AND BACK PAIN.	CAP OF WORKING. MED RECS DO NOT SUPPORT.
ORD	N	44	POL SUB	CAFETERIA WORKER	8	MORBID OBESITY, DM, HTN, AND MACULAR EDEMA.	CAP OF SED-MED WRA.
ORD	N	58	STATE	REHAB INSTRUCTOR	14	MALIGNANT HTN, DIASTOLIC HEART FAILURE, CAD, AND HYPERLIPIDEMIA.	CAP OF SED-MED WRA.
ORD	N	38	TEACHER	TEACHER	8	SYSTEMIC LUPUS ERYTHEMATOSUS WITH FATIGUE.	CAP SED WRA.

## **FINANCIAL STATEMENTS**

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM  
STATEMENT OF FIDUCIARY NET POSITION  
AS OF JUNE 30, 2015**

**ASSETS**

Cash and Cash Equivalents	\$100,607,239.91
Receivables	
Member receivable	26,485,779.14
Employer receivable	74,220,963.18
Accrued interest & dividend receivable	132,478,664.11
Real estate income receivable	2,398,710.81
Derivative instruments receivable	157,150,540.78
Investments sold	750,989,071.96

Total receivables	<u>1,143,723,729.98</u>
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Investments, at fair value	
Short-term securities	77,919,451.80
Government securities	9,534,405,478.03
Corporate securities	5,522,155,204.96
Corporate stocks	23,441,614,972.07
Private equities & Strategic Lending	2,135,510,905.24
Real estate	2,701,302,282.25
Invested securities lending collateral	5,763,627,151.00
Total investments	<u>49,176,535,445.34</u>

Capital Assets (net)	<u>31,747,895.57</u>
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<b>TOTAL ASSETS</b>	<u><u>50,452,614,310.80</u></u>
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**LIABILITIES**

Accounts payable	
Death benefits and refunds payable	2,676,013.08
Federal withholding payable	15,514,553.35
Retiree insurance premium payable	8,480,228.50
Other	818,488.88
Investments purchased	1,245,358,220.93
Derivative instruments payable	157,150,540.79
Securities lending collateral	5,763,627,151.00
<b>TOTAL LIABILITIES</b>	<u><u>7,212,416,159.44</u></u>

<b>NET POSITION RESTRICTED FOR PENSIONS</b>	<u><u>\$43,240,198,151.36</u></u>
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*See Accompanying Notes to the Financial Statements*

**UNAUDITED**

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
JULY 1, 2014 THROUGH JUNE 30, 2015**

**ADDITIONS**

**Contributions**

Member contributions	\$274,559,254.09
Employer contributions	1,012,211,692.52
<b>Total contributions</b>	<b>1,286,770,946.61</b>

**Investment income**

Net appreciation (depreciation) in fair value of investments	72,910,414.15
Interest, Dividends & Real Estate Income	1,251,450,603.16
Total investment income	1,324,361,017.31
Less: Investment expense	(46,391,523.03)
<b>Net income from investing activities</b>	<b>1,277,969,494.28</b>
<b>Securities lending activities</b>	
Securities lending income	34,207,681.98
Less: securities lending expense	(7,745,861.43)
<b>Net income from securities lending activities</b>	<b>26,461,820.55</b>
<b>Net investment income</b>	<b>1,304,431,314.83</b>
<b>TOTAL ADDITIONS</b>	<b>2,591,202,261.44</b>

**DEDUCTIONS**

Annuity benefits	2,190,199,656.74
Death benefits	5,524,604.79
Refunds	48,137,095.55
Administrative expenses	12,300,248.86
<b>TOTAL DEDUCTIONS</b>	<b>2,256,161,605.94</b>

**NET INCREASE (DECREASE) 335,040,655.50**

**NET POSITION RESTRICTED FOR PENSIONS**

<b>BEGINNING OF YEAR</b>	<b>42,905,157,495.86</b>
<b>END OF YEAR</b>	<b>\$43,240,198,151.36</b>

*See Accompanying Notes to the Financial Statements*

**UNAUDITED**

The Tennessee Consolidated Retirement System (TCRS) is a public employee retirement system comprised of defined benefit pension plans covering Tennessee State employees, including 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.

### **Note 1: 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 conformity 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.

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:** Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is determined at least every three years by qualified, independent appraisers who are members of the Appraisal Institute. In those years independent appraisals are not conducted, appraisals are completed internally by real estate advisors. The fair value of private equity investments is determined by the fund managers using various methodologies, as applicable under GAAP. In many cases, these valuations are additionally reviewed by advisory boards comprised of a subgroup of the fund's investors. These valuations are audited on an annual basis by independent accounting firms engaged by the private equity fund managers. Investment income includes realized and unrealized appreciation (depreciation) in the fair value of investments. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on trade-date basis. Real estate transactions are recorded in the financial statements at the time of closing.

**Capital assets:** Capital assets consist of internally generated computer software in development and in the first two phases of implementation, 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. Software in development was valued at \$17,978,338 at year end and will be amortized using the straight line method over the ten year estimated life of the system once a phase is implemented. The first phase

(document imaging) and second phase (retired payroll) of the computer software have been implemented at June 30, 2014 and amortization has been initiated. The final phase (active membership, employer membership, and accounting) of the computer software began implementation after June 30, 2014 and expected to be substantially completed by June 30, 2015. The computer software was valued at \$10,363,266 and amortization expense was \$1,204,036.

***Adoption of new Accounting Pronouncement:*** During the year ended June 30, 2014, the TCRS financial statements included the adoption of GASB Statement No. 67 which addresses accounting and financial reporting requirements for pension plans. The requirements for GASB Statement No. 67 necessitate changes in presentation of the financial statements, notes to the financial statements, and required supplementary information. Significant changes include an actuarial calculation of total pension liability and net pension liability. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures. The implementation of GASB Statement No. 67 did not significantly impact the accounting for accounts receivable and investment balances. This pronouncement also resulted in renaming the statement of plan net position as the statement of fiduciary net position, and the statement of changes in plan net position as the statement of changes in fiduciary net position. The total pension liability, determined in accordance with GASB Statement No. 67, is presented in Note 4 for the cost-sharing Teacher Legacy Pension Plan.

## **Note 2: Plan Descriptions**

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

As of the statement date, there were two 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 political subdivisions electing to participate in the TCRS. An agent plan is one in which the liabilities are legally separate for each participating employer. Each participating employer is legally responsible for the pension benefits accruing on behalf of their employees only. The Teacher Legacy Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan for teachers of 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 becomes effective for teachers employed by LEAs after June 30, 2014.

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.

Tennessee Consolidated Retirement System  
Notes to Financial Statements  
June 30, 2015

**Plan membership:** At June 30, 2014, the membership of the pension plans consisted of the following:

	<u>Public Employee Retirement Plan</u>	<u>Teacher Legacy Pension Plan</u>	<u>Total</u>
Inactive plan members or beneficiaries currently receiving benefits	87,422	45,869	133,291
Inactive vested plan members entitled to but not yet receiving benefits	32,787	6,347	39,134
Inactive non-vested plan members entitled to refund of member account balance	28,341	16,334	44,675
Active plan members	135,554	78,506	214,060
Total membership	<u>284,104</u>	<u>147,056</u>	<u>429,032</u>
Number of participating employers	508	144	652

*Membership above includes all plans whether open or closed.*

**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 may 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 to be 1.575 percent of the member's highest five consecutive year average compensation multiplied by 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 2<sup>nd</sup> 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.

#### ***Public Employee Retirement Plan***

State employees 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 to be 1.575 percent of the member's highest 5 consecutive year average compensation multiplied by 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 2<sup>nd</sup> 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 (1.575%, 1.5%, 1.4%, or 1%) of the member's highest 5 consecutive year average compensation multiplied by the member's years of service credit. Plan member benefits calculated using the 1.575 percent or 1.5 percent multiplier are eligible to retire at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Plan member benefits calculated using the 1.4 percent or 1 percent multiplier are eligible to retire at age 65 with 5 years of service credit or under the rule of 90 (where age plus service credit equals 90). 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 2<sup>nd</sup> 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 adopts an actuarially determined contribution (ADC) for each participating employer, as recommended by an independent actuary following an actuarial valuation.

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 year ended June 30, 2014, the required ADC for LEAs was 8.88 percent of covered-employee payroll. The ADC increases to 9.04 percent for the two year period beginning July 1, 2014.

For the Public Employee Retirement Plan, each governmental entity is 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 plan year, the unfunded accrued liability, and the cost of administration. For the year ended June 30, 2014, the required ADC varied for each participating employer ranging from zero to 66.61 percent. For the two year period beginning July 1, 2014, the ADC ranged from zero to 66.61 percent. By statute, state employees are noncontributory. As adopted by the governmental entity, political subdivision employees may be noncontributory, contribute 2.5 percent of salary, or contribute 5 percent of salary.

### **Note 3: Deposits and Investments**

**Statutory Authority:** State statute authorizes the TCRS to maintain cash, not exceeding ten percent of the total amount of funds in the retirement system, on deposit in one or more banks, savings and loan associations or trust companies that are qualified as state depositories. The TCRS does not utilize its own bank accounts but invests in the State Pooled Investment Fund for the initial deposit of funds and for its operating cash needs. The State Pooled Investment Fund is authorized by state statute to invest funds in accordance with policy guidelines approved by the Funding Board of the State of Tennessee. The current resolution of that board gives the Treasurer authority to invest in collateralized certificates of deposit in authorized state depositories, prime commercial paper, prime bankers' acceptances, certain repurchase agreements and various U.S. Treasury and Agency obligations. The State Pooled Investment Fund is also authorized to enter into securities lending agreements in which U.S. Government Securities may be loaned for a fee. The loaned securities are transferred to the borrower by the custodial agent upon simultaneous receipt of collateral securities.

State statute also authorizes the TCRS 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 retirement system.
- 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 retirement system.
- 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 TCRS 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 total assets. Gross exposure to approved fixed income financial instruments will be limited to 10% of the market value of the System's total assets for risk mitigating positions and 10% for risk positions. Position sizes will be measured by notional amounts. Options will be measured in their notional equivalents.

**Investment policy:** The TCRS 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 TCRS. The investment policy may be amended by the Board. The TCRS plan 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. The following was the TCRS Board’s adopted asset allocation policy as of June 30, 2014:

Authorized Asset Class	Target Allocation
U.S. equity	33%
Canadian equity	4%
Developed market international equity	13%
Emerging market international equity	5%
Private equity	3%
U.S. fixed income	25%
Inflation indexed fixed income	4%
International fixed income	0%
Strategic lending	5%
Real estate	7%
Short-term securities	1%
Total	100%

**Securities Lending:** The TCRS is authorized to invest in securities lending investments by TCA 8-37-104(a)(6) with the terms established in the investment policy whereby TCRS loans securities to brokers and dealers (borrower) and in turn, TCRS receives cash as collateral. TCRS 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 TCRS 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 TCRS in any instrument the TCRS may be directly invested. Cash Collateral is held in the TCRS name and is not subject to custodial credit risk. During the year there were no violations of legal or contractual provisions by the TCRS.

The TCRS securities lending program is managed by a third party lending agent, Deutsche Bank AG. The TCRS may loan any debt or equity securities which is owned by TCRS.

**Rate of Return:** For the year ending June 30, 2014, the money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.49 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Alternative Investments:** The TCRS has investments in private equity funds and real estate with an estimated fair value of \$3,379,369,542 at June 30, 2014. 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 TCRS is held by real estate investment holding companies.

**Commitments:**

**Standby Commercial Paper Purchase Agreement** - The TCRS 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

Tennessee Consolidated Retirement System  
Notes to Financial Statements  
June 30, 2015

standby commercial paper purchaser, the TCRS 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 75 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 TCRS would be called upon to purchase the commercial paper, the TCRS 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.

**Note 4: Net Pension Asset of the Teacher Legacy Pension Plan for Local Education Agencies**

The components of net pension liability of the Teacher Legacy Pension Plan at June 30, 2014, were as follows:

Total pension liability	\$ 21,151,860,511
Plan fiduciary net position	\$ 21,214,973,134
Net pension asset	<u>\$ 63,112,623</u>
Fiduciary net position as a percentage of the total pension liability	<u>100.30%</u>

**Actuarial assumptions:** The total pension liability was determined by an actuarial valuation as of July 1, 2013, updated to roll forward to June 30, 2014, using the following actuarial assumptions applied to all prior periods included in the measurement:

<b>Inflation</b>	3.0 percent
<b>Salary Increases</b>	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
<b>Investment Rate of Return</b>	7.5 percent, net of pension plan investment income, including inflation
<b>Cost of Living Adjustment</b>	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study plus some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the July 1, 2013 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Tennessee Consolidated Retirement System  
Notes to Financial Statements  
June 30, 2015

Asset Class	Long-Term Expected Real Rate of Return	Target Allocations
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three techniques described above.

**Discount rate:** The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions from plan members will be made at the statutorily required contribution rates and that employer contributions from LEAs will be made at the actuarially determined rate as required by statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of net pension liability (asset) to changes in the discount rate:** The following presents the Teacher Legacy Pension Plan’s net pension liability for LEAs using the discount rate of 7.5 percent, as well as what its net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1 percent Decrease (6.5%)	Current Discount Rate (7.5%)	1 percent Increase (8.5%)
Net pension liability (asset)	\$ 2,677,321,642	\$(63,162,340)	\$ (2,332,660,416)