

Insurance Audit Committee
January 25, 2019
8:30 AM (central)

The State, Local Education, and Local Government Insurance Audit Committee met on January 25, 2019 in the Nashville Room, Third Floor, William R. Snodgrass Tennessee Tower, Nashville, TN at 8:30 am (central).

Committee Members attending:

Treasurer David Lillard, Chair
Rob Chance, State Insurance Committee representative
Kevin Krushenski, Local Government Insurance Committee representative

Treasurer Lillard called the meeting to order at 8:30 and noted that a quorum was present.

Agenda Item 1 – Approval of Minutes of August 24, 2018

Mr. Krushenski made a motion that the minutes of the August 24, 2018 meeting be approved. Mr. Chance seconded the motion which passed unanimously

Laurie Lee, Executive Director, Benefits Administration (BA) advised that due to the new administration, the former designation of Maryanne Durski from the Commissioner of Education to serve on the Local Education Insurance Committee and the Audit Committee has expired. Benefits Administration is in the process of determining if Governor Lee will serve on the Committee or delegate that authority to the Commissioner of the Department of Education. Additionally, we will determine if Commissioner Schwinn will name a delegate to serve on her behalf.

Agenda Item 2 – Approval of 2019 Calendar of Responsibilities

Christa Martin, Program Director for Financial Management and Program Integrity, BA, briefly reviewed the 2019 Calendar of Events. Ms. Martin noted that some responsibilities relating to internal controls and risk management were recommended to be had been moved from 4th quarter to 1st quarter of each year.

Treasurer Lillard made a motion to approve the 2019 Calendar of Responsibilities. Mr. Krushenski seconded the motion which passed unanimously.

Agenda Item 2 – Financial Activity Report Review

Ms. Martin reviewed the Financial Activity Report for the period July 1, 2017 through November 30, 2018. Ms. Martin reminded members that the State Insurance Committee had authorized a premium holiday for state and higher education employees in an effort to spend down some of the excess reserves. It was noted that this method of reducing reserves was chosen since it was a one-time planned reduction without undervaluing the plan. Ms. Martin advised that both the Local Government Plan as well as the Medicare Supplement plan were also spending down reserves in excess of the estimated total solvency reserves. Members were advised that average revenues are near the average expenditures for the Local Education Plan and that BA would review those figures later in the year. Mr. Krushenski asked about the possibility of a premium holiday for the Local Government Plan.

Ms. Martin noted that the Insurance Committee could review that option; however the Local Government Plan does not have the stability that the State Plan has since local governments can opt out of participation in the Plan. Generally, the Local Government Plan is a smaller population of members with a higher risk than the State Plan.

Agenda Item 4 – Enterprise Risk Assessment Review

Ms. Martin reviewed the following components of the Enterprise Risk Assessment Review:

- Divisional Letter of Assurance
- Internal Environment
- Objectives
- Information and Communication
- Monitoring

Agenda Item 5 - Audits

Ms. Martin advised members that the FY 2018 Comprehensive Annual Financial Report (CAFR), FY 2018 Local Education Insurance Fund and the FY2 018 Local Government Insurance Fund Audit had been released. These audits did not contain any findings relative to their respective programs.

Ms. Martin noted that the 2018 Other Post Employment Benefits (OPEB) Census File Engagement Audit had not been publically released; however, there will be a finding relative to errors with census data. Members were advised that BA receives service credit data from the Tennessee Consolidated Retirement System (TCRS); however, not all service credit used to establish a TCRS benefit is eligible for service credit for insurance benefit purposes. BA will be following the audit recommendations regarding how to interpret the data with actuaries and developing documented procedures to review the service data.

Members were advised of the following ongoing audits; the FY2019 OPEB Census File Audit, the single audit and the Performance/Sunset Audit. The Performance/Sunset Audit primarily deals with information related to the Insurance Committees and BA Operations.

There being no further business, the meeting was adjourned at 9:10 am.

Respectfully Submitted,



Laurie S. Lee