

Insurance Audit Committee
May 23, 2019

The State, Local Education, and Local Government Insurance Audit Committee met on May 23, 2019 in the Nashville Room, Third Floor, William R. Snodgrass Tennessee Tower, Nashville, TN.

Committee Members attending:

Rick Dubray, representing Treasurer David Lillard, Chair
Rob Chance, State Insurance Committee representative
Maryanne Durski, Local Education Insurance Committee representative
Kevin Krushenski, Local Government Insurance Committee representative

Rick Dubray called the meeting to order and noted that a quorum was present.

Agenda Item 1 – Approval of Minutes of January 25, 2019

Mr. Krushenski made a motion that the minutes of the January 25, 2019 meeting be approved as presented. Mr. Chance seconded the motion which passed with a unanimous voice vote.

Agenda Item 2 – Financial Activity Report Review

Christa Martin, Director of Financial Management and Program Integrity, Benefits Administration (BA) presented the Financial Activity report for period July 1, 2018 through March 31, 2019. Ms. Martin advised Committee members that a new column – State OPEB (Other Post-Employment Benefits) – had been added to the report to account for the establishment of the OPEB Trust Fund. For the State Plan, expenditures exceed revenues as expected as the Plan had developed an approach to spend down the excess reserves which included a December 2018 premium holiday. For the Local Education and Local Government Plan, revenues were anticipated to exceed expenditures for both plans as expected. Ms. Martin indicated that the anticipated revenues and expenditures for the Medicare Supplement Plan were basically the same which is expected since there are no deductibles or out of pocket maximums for this plan.

Mr. Dubray requested that future Financial Activity Report include a metric of “Net” which reflects the difference between the revenues and expenditures.

Agenda Item 3 – Review of Management Statement on Identifying Fraud and Anti-Fraud Program

Ms. Martin presented a memorandum dated April 18, 2019 from Eugene Neubert, Deputy Commissioner of Finance and Administration (F & A), to all F & A employees

regarding employee responsibilities for identifying fraud. The memorandum instructs employees how to report fraud and states that retaliation for reporting fraud, waste or abuse is prohibited.

Agenda Item 4 – Review of Single Audit Report Finding Concerning Census Data for Other Post-Employment Benefits (OPEB)

Ms. Martin presented a summary of the findings of State of Tennessee Single Audit for the year ended June 30, 2018. The audit stated that BA did not have adequate controls to ensure the accuracy of census data for post-employment benefits. Committee members were informed that BA utilized the census data for pensions maintained by the Tennessee Consolidated Retirement System (TCRS). The errors occurred because TCRS plan provisions allow for combining of service credits from different employers participating in the pension plans while OPEB provisions do not allow for the combining of service credits earned from different employers for insurance purposes. Ms. Martin stated that some errors caused an overstatement which others caused an understatement; however the overall risk of material misstatement was reported as low. The audit contained a recommendation that management document with the actuary how to account for conflicting census data elements.

Ms. Martin advised that management has developed an OPEB test checklist which involves 73 test points. Additional work has been completed on the file layout and data elements to ensure the correct reporting of OPEB liabilities. Mr. Dubray noted that this was the first year for the OPEB calculation and it appears that BA had implemented controls to resolve this issue going forward. In response to member questions, Ms. Martin stated that BA was in the process of establishing additional positions to assist with the OPEB calculations.

There being no further business, the meeting was adjourned at 10:53 am.

Respectfully submitted,



Laurie S. Lee