

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
MARCH 23, 2018

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**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
MARCH 23, 2018**

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**POLITICAL SUBDIVISIONS
SEEKING MEMBERSHIP**

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**Political Subdivisions Beginning Participation
in the Tennessee Consolidated Retirement System
April 1, 2018**

| Political Subdivision | Amount of Service | | ER Rate | EE Rate | Accrued Liability | Part Time Coverage | Cost of Living | Number of Employees |
|-----------------------|-------------------|----------|---------|---------|-------------------|--------------------|----------------|---------------------|
| | Employer | Employee | | | | | | |

| | | | | | | | | |
|--|----------|----------|---------------|--------------|------------|-----------------|----------------|----------|
| Bolivar-Hardeman County Library | 0 | 0 | 15.75% | 0.00% | \$0 | Excluded | Include | 5 |
|--|----------|----------|---------------|--------------|------------|-----------------|----------------|----------|

Regular Defined Benefit Plan

Meetings:

- November 20, 2017 Explained initial employer costs and participating procedures to the governing body.
- April 2018 Will explain reporting procedures to payroll officer(s).

Additional Notes:

1. Bolivar-Hardeman County Library was being erroneously reported by the City of Bolivar. As of April 1, 2018 Bolivar-Hardeman County Library will be a separate entity in the TCRS system.
2. Bolivar-Hardeman County Library initial employer contribution rate of 15.75% is the same rate as the City of Bolivar.

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Tennessee Consolidated Retirement System
(Bolivar-Hardeman County Library – Hardeman County)

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

WHEREAS, Tennessee Code Annotated, Section 8-35-201 provides that any governing body of a joint venture between one or more political subdivisions of this State may by resolution authorize the employees of the joint venture to participate in the Tennessee Consolidated Retirement System (“TCRS”) subject to the approval of the TCRS Board of Trustees; provided that each political subdivision of the State which is represented in the joint venture passes a resolution guaranteeing the payment of its prorated share of any outstanding liability so incurred by the participation; and

WHEREAS, the Board of Trustees of the Bolivar-Hardeman County Library (“Joint Venture”) has passed a resolution authorizing its employees to become members of TCRS under the provisions of state law, and under the following terms and conditions:

- A. TYPE PLAN: The Joint Venture adopts the following type plan: Regular Defined Benefit Plan;
- B. EMPLOYEE CONTRIBUTIONS: The employees shall contribute 0% of the employees’ earnable compensation;
- C. COST-OF-LIVING INCREASES FOR RETIREES: The Joint Venture shall PROVIDE cost-of-living increases for its retirees;
- D. ELIGIBILITY OF PART-TIME EMPLOYEES: The Joint Venture shall NOT allow its part-time employees to participate in TCRS;
- E. PRIOR SERVICE: For each employee employed with the Joint Venture on the effective date of the Joint Venture’s participation in TCRS, the Joint Venture shall NOT allow its employees to establish any prior service credit with the Joint Venture; and

WHEREAS, the effective date of participation shall be on April 1, 2018 or on such later date as determined by the TCRS Board of Trustees, and the initial employer contribution rate will be 15.75%, which is based on the estimated lump sum accrued liability of \$0.00; and

WHEREAS, Hardeman County is represented in such Joint Venture and desires to allow all the employees of the Joint Venture to participate in TCRS under the above terms and conditions, or under such other terms and conditions the governing body of the Joint Venture may adopt pursuant to the laws governing TCRS; provided, however, this governing body must approve by resolution any such action that would increase the liabilities of either the Joint Venture or the Political Subdivision; and

WHEREAS, the liability for participation and costs of administration shall be the sole responsibility of the Joint Venture and all public entities responsible for the direct funding of the Joint Venture and not the State of Tennessee; and

WHEREAS, the Joint Venture has passed a budget amendment appropriating the funds necessary to meet such liability and the same is attached hereto.

NOW, THEREFORE, BE IT RESOLVED That the Board of County Commissioners of Hardeman County hereby authorizes all the employees of the Joint Venture 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, and hereby guarantees the payment of its prorated share of any outstanding liability so incurred by the above-referenced action of the Joint Venture. It is acknowledged and understood that pursuant to Tennessee Code Annotated, Section 8-35-111 neither the Joint Venture nor the Political Subdivision shall 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 Joint Venture for such employee. If either the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Joint Venture, the Joint Venture or 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 HARDEMAN

I, JERRY ARMSTRONG, clerk of the Board of County Commissioners for the Hardeman County, 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 17th day of OCTOBER, 2017, the original of which is on file in this office.

IN WITNESS WHEREOF, I have hereunto set my hand, and the seal of the HARDEMAN County
(Name of Political Subdivision)

Jerry Armstrong
As Clerk of the Board, as aforesaid

Seal

**Tennessee Consolidated
Retirement System**
(Bolivar-Hardeman County Library)

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

WHEREAS, Tennessee Code Annotated, Section 8-35-201 provides that any governing body of a joint venture between one or more political subdivisions of this State may by resolution authorize the employees of the joint venture to participate in the Tennessee Consolidated Retirement System ("TCRS") subject to the approval of the TCRS Board of Trustees: provided that each political subdivision of the State which is represented in the joint venture passes a resolution guaranteeing the payment of its prorated share of any outstanding liability so incurred by the participation; and

WHEREAS, the Bolivar-Hardeman County Library ("Joint Venture") desires to participate in TCRS under the provisions of state law, and under the following terms and conditions:

- A. TYPE PLAN: The Joint Venture adopts the following type plan: Regular Defined Benefit Plan;
- B. EMPLOYEE CONTRIBUTIONS: The employees shall contribute 0% of the employees' earnable compensation;
- C. COST-OF-LIVING INCREASES FOR RETIREES: The Joint Venture shall PROVIDE cost-of-living increases for its retirees;
- D. ELIGIBILITY OF PART-TIME EMPLOYEES: The Joint Venture shall NOT allow its part-time employees to participate in TCRS;
- E. PRIOR SERVICE: For each employee employed with the Joint Venture on the effective date of the Joint Venture's participation in TCRS, the Joint Venture shall NOT allow its employees to establish any prior service credit with the Joint Venture; and

WHEREAS, the liability for participation and costs of administration shall be the sole responsibility of the Joint Venture and the public entities that are represented in the Joint Venture, and not the State of Tennessee; and

WHEREAS, the Joint Venture 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 April 1, 2018 or on such later date as determined by the TCRS Board of Trustees, and the initial employer contribution rate shall be 15.75%, which is based on the estimated lump sum accrued liability of \$0.00.

NOW, THEREFORE, BE IT RESOLVED That the Board of Trustees for the Bolivar-Hardeman County Library 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 Joint Venture 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 Joint Venture for such employee. If either the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Joint Venture, the Joint Venture 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 provided that the total combined employer contributions to such plans on behalf of an employee shall not exceed 7% of the employee's salary.

STATE OF TENNESSEE
COUNTY OF HARDEMAN

I, Bailee Hutchinson clerk of the Board of Trustees for the Bolivar-Hardeman County Library 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

7th day of December, 2017, the original of which is on file in this office.

IN WITNESS WHEREOF, I have hereunto set my hand, and the seal of the Bolivar-Hardeman County Library.

Bailee Hutchinson
As Clerk of the Board, as aforesaid

Seal

Deana Lain, Vice-Chairman

**Political Subdivisions Beginning Participation
in the Tennessee Consolidated Retirement System
April 1, 2018**

| Political Subdivision | Amount of Service Employer | Employee | ER Rate | EE Rate | Accrued Liability | Part Time Coverage | Cost of Living | Number of Employees |
|-----------------------|----------------------------|----------|---------|---------|-------------------|--------------------|----------------|---------------------|
|-----------------------|----------------------------|----------|---------|---------|-------------------|--------------------|----------------|---------------------|

| | | | | | | | | |
|----------------------|----------|----------------|--------------|--------------|------------|-----------------|----------------|-----------|
| Town of Halls | 0 | 5 years | 2.21% | 5.00% | \$0 | Excluded | Include | 26 |
|----------------------|----------|----------------|--------------|--------------|------------|-----------------|----------------|-----------|

Hybrid without Cost Controls

Town of Halls Board Membersⁱ \$22.47 monthly Board Member benefit

Meetings:

- October 23, 2017 Explained initial employer costs and participating procedures to the governing body.
- April 2018 Will explain reporting procedures to payroll officer(s).

Additional Notes:

ⁱ A second resolution was passed that allows board member participation with a \$22.47 monthly benefit

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Tennessee Consolidated Retirement System

A RESOLUTION R18-1

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 Town of Halls 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) 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) NOT allow its employees to establish any prior service credit with the Political Subdivision.
- (4) Purchase 0 years of prior service credit on behalf of its employees and accept the unfunded liability should its employees establish an additional 5 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 April 1, 2018 or on such later date as determined by the TCRS Board of Trustees, and the initial employer contribution rate shall be 2.21%, which is based on the payoff of the estimated lump sum accrued liability of \$80,712.

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

the Town of Halls 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 LAUDERDALE

I, Tammy Lewis, clerk of the Board of

Mayor and Alderman of the Town of Halls, Tennessee, do hereby certify that this is a true
(Name of Governing Body)

and exact copy of the foregoing Resolution that was approved and adopted in accordance with applicable law at a meeting held on the
5th day of February, 2018, the original of which is on file in this office.

IN WITNESS WHEREOF, I have hereunto set my hand, and the seal of the Town of Halls,


As Clerk of the Board, as aforesaid

Seal





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

Memorandum

TO: Joe Walker, TCRS Employer Services
FROM: Sandra Thompson, Director *Sandra Thompson*
Office of State and Local Finance
DATE: February 27, 2018
SUBJECT: Town of Halls

In response to your request regarding the Town of Halls (the "Town"), it appears the Town will have sufficient revenues budgeted to fund retirement costs associated with becoming a member of the Tennessee Consolidated Retirement System (TCRS) effective April 1, 2018.

Pursuant to your request, we have reviewed the Town's General Fund budget for the fiscal year ending June 30, 2018. The budget includes pension expense in the amount of \$15,000, which would be sufficient to cover the Town's prorated cost of \$4,637 (three months of the annual \$18,549 amount) to participate in TCRS for the last quarter of fiscal year ending June 30, 2018. The condensed annual budget presented below demonstrates that the Town has sufficient revenues budgeted to cover all expenses including the TCRS pension expenses.

Town of Halls
Condensed Annual Budget for the General Fund
Fiscal Year Ending June 30, 2018

| | | | |
|-------------------------------------|----|-----------|----|
| Total Revenues | \$ | 2,469,370 | |
| Total Expenses | | 2,453,467 | * |
| Increase (Decrease) in Fund Balance | \$ | 15,903 | |
| Beginning Fund Balance | \$ | 802,455 | ** |
| Ending Fund Balance | \$ | 818,358 | |

* Total expenses include retirement costs of \$15,000.

** Data from the Fiscal Year Ended June 30, 2017, Financial Statements.

The financial information received by our office with the request for the review of the Town's fiscal year 2018 General Fund budget represents the Town's assertions of its financial condition that may or may not reflect its current or future financial condition.

If you need additional information, please do not hesitate to contact me.

Tennessee Consolidated Retirement System

A RESOLUTION R18-2

to allow city, county or special school district board members to participate in the Tennessee Consolidated Retirement System in accordance with Tennessee Code Annotated, Title 8, Chapters 34 – 37.

WHEREAS, Tennessee Code Annotated, Section 8-35-226 provides that appointed or elected school board members of special school districts, and of city or county boards, commissions, committees, councils and the like, by whatever name known, who are elected by popular vote and whose duties are performed intermittently or periodically for the purposes of fixing rates, issuing permits or licenses, regulating trades or professions, or who serve in an advisory, study or planning capacity and the like, shall be eligible for membership in the Tennessee Consolidated Retirement System at the option of the chief legislative body of the city, special school district or county under the following conditions:

(1) The chief legislative body of the city, special school district or county passes a resolution by a two-thirds (2/3) majority authorizing membership and prior service for such employees and accepting the liability therefor;

(2) An employee desiring to establish prior service credit may only obtain credit for such periods of previous service as authorized for other employees of the city, special school district or county and must make a lump sum payment equal to the employee contributions such employee would have made had such employee been a member of the Retirement System during the period claimed, plus interest at the rate provided in Tennessee Code Annotated, Section 8-37-214;

(3) Membership in the Retirement System for said employees will be permitted only if the chief legislative body extends such coverage to all nonparticipating departments and instrumentalities of the city, special school district or county. If such option is elected, the remaining departments and instrumentalities shall participate under the conditions of Tennessee Code Annotated, Section 8-35-201;

(4) Retirement benefits payable to such employees on service established pursuant to this Resolution shall be computed in accordance with the provisions of Tennessee Code Annotated, Title 8, Chapter 36, including the limitations of Section 8-36-102. However, in no event shall the minimum service retirement allowance be less than the following, depending on which option is selected by the chief legislative body:

(A) Seven dollars (\$7.00) per month for each year of creditable service;

(B) Eight dollars (\$8.00) per month for each year of creditable service;

(C) Fifteen dollars and seventy-three cents (\$15.73) per month effective as of July 1, 2017 for each year of such creditable service, but adjusted on each July 1 thereafter pursuant to the cost-of-living provisions in Tennessee Code Annotated, Section 8-36-701(b)(1) and (2); or

(D) Twenty-two dollars and forty-seven cents (\$22.47) per month effective as of July 1, 2017 for each year of such creditable service, but adjusted on each July 1 thereafter pursuant to the cost-of-living provisions in Tennessee Code Annotated, Section 8-36-701(b)(1) and (2);

(5) The average final compensation for service granted pursuant to this Resolution shall be independent of the average final compensation calculation on any other creditable service in the Retirement System; and

(6) All costs associated with this Resolution shall be the responsibility of the political subdivision and not the State of Tennessee.

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

The Town of Halls hereby authorizes all its boards, commissions, committees,
(Name of Political Subdivision)

councils and the like, by whatever name known, who are elected by popular vote and whose duties are performed intermittently or periodically for the purposes of fixing rates, issuing permits or licenses, regulating trades or professions, or who serve in an advisory, study or planning capacity and the like, to be eligible for membership in the Tennessee Consolidated Retirement System based upon the above conditions and with the minimum service retirement allowance selected below:

- _____ (1) Seven dollars (\$7.00) per month for each year of creditable service;
- _____ (2) Eight dollars (\$8.00) per month for each year of creditable service;
- _____ (3) Fifteen dollars and seventy-three cents (\$15.73) per month effective as of July 1, 2017 for each year of such creditable service, but adjusted on each July 1 thereafter pursuant to the cost-of-living provisions in Tennessee Code Annotated, Section 8-36-701(b)(1) and (2); or
- D_____ (4) Twenty-two dollars and forty-seven cents (\$22.47) per month effective as of July 1, 2017 for each year of such creditable service, but adjusted on each July 1 thereafter pursuant to the cost-of-living provisions in Tennessee Code Annotated, Section 8-36-701(b)(1) and (2).

STATE OF TENNESSEE

COUNTY OF LAUDERDALE

I, Tammy Lewis, clerk of the Mayor and Board of Alderman
(Name of Governing Body)

of the Town of Halls, Tennessee do hereby certify that this is a true and exact copy of the foregoing resolution that was approved and adopted by at least two-thirds (2/3) of the membership of the chief legislative body at a meeting held on the 5th day of February, 2018, the original of which is on file in this office.

IN WITNESS WHEREOF, I have hereunto set my hand, and the seal of the Town of Halls, TN.

Tammy Lewis
As Clerk of the Board, as aforesaid

SEAL



**Political Subdivisions Beginning Participation
in the Tennessee Consolidated Retirement System
April 1, 2018**

| Political Subdivision | Amount of Service | | ER Rate | EE Rate | Accrued Liability | Part Time Coverage | Cost of Living | Number of Employees |
|---|-------------------|----------|--------------|-----------|-------------------|--------------------|-----------------|---------------------|
| | Employer | Employee | | | | | | |
| Obion County Emergency Communications District | 15 years | 0 | 5.84% | 0% | \$105,000* | Excluded | Included | 6 |

Hybrid without Cost Controls

Meetings:

- October 2017 Explained initial employer costs and participating procedures to the governing body.
- April 2018 Will explain reporting procedures to payroll officer(s).

Additional Notes:

*1. Obion County Emergency Communications District will pay the \$105,000 accrued liability prior to participation.

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JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

Memorandum

TO: Joe Walker, TCRS Employer Services
 FROM: Sandra Thompson, Director *Sandra Thompson*
 Office of State and Local Finance
 DATE: March 2, 2018
 SUBJECT: Obion County Emergency Communications District

In response to your request regarding the Obion County Emergency Communications District (the "District"), it appears the District will have sufficient revenues budgeted to fund the retirement costs associated with becoming a member of the Tennessee Consolidated Retirement System (TCRS) effective April 1, 2018.

Pursuant to your request, we have reviewed the District's amended budget for the fiscal year ending June 30, 2018. The budget includes pension expense in the amount of \$15,000, which would be sufficient to cover the District's prorated cost of \$1,618 to participate in TCRS for the last quarter of fiscal year ending June 30, 2018. The condensed annual budget presented below demonstrates that the District has sufficient revenues budgeted to cover all expenses including the TCRS pension expenses.

**Obion County Emergency Communications District
 Condensed Annual Budget
 Fiscal Year Ending June 30, 2018**

| | | | |
|---|----|----------|---|
| Operating Revenues | \$ | 554,696 | |
| Operating Expenses (Excluding Depreciation) | | 479,700 | * |
| Operating Income Before Depreciation | \$ | 74,996 | |
| Less: Depreciation | \$ | (70,000) | |
| Operating Income | \$ | 4,996 | |
| Non-Operating Revenues | | 4,000 | |
| Non-Operating Expenses | | - | |
| Change in Net Position Before Contribution | \$ | 8,996 | |
| Contribution | | 62,100 | |
| Change in Net Position | \$ | 71,096 | |

* Operating expenses include retirement costs of \$15,000.

The financial information received by this Office with the request for the review of the District's fiscal year 2018 budget represents the District's assertions of its financial condition that may or may not reflect its current or future financial condition.

If you need additional information, please do not hesitate to contact me.

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 Obion County Emergency Communications 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) 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) 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 15 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

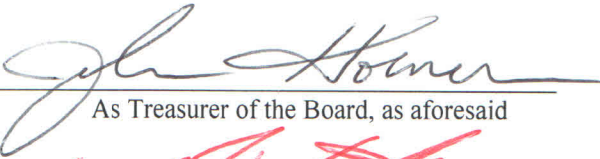
WHEREAS, the effective date of participation shall be on April 1, 2018, or on such later date as determined by the TCRS Board of Trustees, and the initial employer contribution rate shall be 5.84%, which is based on the estimated lump sum accrued liability of \$105,000.00.

NOW, THEREFORE, BE IT RESOLVED That the Board of Directors of the Obion County Emergency Communications District 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 OBION

I, John Horner, treasurer of the Board of the Obion County Emergency Communications District 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 30th day of January, 2018, the original of which is on file in this office.

IN WITNESS WHEREOF, I have hereunto set my hand, and the seal of the Obion County Emergency Communications District


As Treasurer of the Board, as aforesaid


Chairman of the Board

**Political Subdivisions Beginning Participation
in the Tennessee Consolidated Retirement System
April 1, 2018**

| Political Subdivision | Amount of Service | | ER Rate | EE Rate | Accrued Liability | Part Time Coverage | Cost of Living | Number of Employees |
|-----------------------------------|-------------------|----------|---------|---------|-------------------|--------------------|----------------|---------------------|
| | Employer | Employee | | | | | | |
| Upper Cumberland Regional Airport | 0 | 0 | 6.5% | 5.00% | \$0 | Excluded | Include | 2 |

Regular Defined Benefit Plan

Meetings:

October 10, 2017 Explained initial employer costs and participating procedures to the governing body.

April 2018 Will explain reporting procedures to payroll officer(s).

Additional Notes:

1. Upper Cumberland Regional Airport is a joint venture of the City of Cookeville, Putnam County, White County and the City of Sparta.

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**Tennessee Consolidated
Retirement System**
Upper Cumberland Regional Airport

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

WHEREAS, Tennessee Code Annotated, Section 8-35-201 provides that any governing body of a joint venture between one or more political subdivisions of this State may by resolution authorize the employees of the joint venture to participate in the Tennessee Consolidated Retirement System (“TCRS”) subject to the approval of the TCRS Board of Trustees; provided that each political subdivision of the State which is represented in the joint venture passes a resolution guaranteeing the payment of its prorated share of any outstanding liability so incurred by the participation; and

WHEREAS, the Upper Cumberland Regional Airport (“Joint Venture”) desires to participate in TCRS under the provisions of state law, and under the following terms and conditions:

- A. TYPE PLAN. *(CHECK BOX 1 OR BOX 2 OR BOX 3 OR BOX 4)*. The Joint Venture 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 Joint Venture 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 Joint Venture 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 Joint Venture MUST also maintain a defined contribution plan on behalf of its employees whereby the Joint Venture 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 Joint Venture must also pass the attached resolution that describes the type of defined contribution plan the Joint Venture 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, NO EMPLOYEE CONTRIBUTIONS MAY BE ASSUMED 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 Joint Venture 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 Joint Venture 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. The Joint Venture shall NOT allow its employees to establish any prior service credit with the Joint Venture.

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 Joint Venture 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 Joint Venture and the public entities that are represented in the Joint Venture, and not the State of Tennessee; and

WHEREAS, the Joint Venture 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 April 1, 2018 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 \$ 0.00.

NOW, THEREFORE, BE IT RESOLVED That the Board of Directors of the Upper Cumberland Regional Airport 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 Joint Venture 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 Hybrid Plan is adopted by the Joint Venture for such employee. In which case, the Joint Venture may make employer contributions to the defined contribution plan component of the Hybrid Plan and to any one or more additional tax deferred compensation or retirement plans provided that the total combined employer contributions to such plans on behalf of an employee shall not exceed 7% of the employee's salary.

STATE OF TENNESSEE

COUNTY OF WHITE

I, Randy Porter ^{Chairman} ~~clerk~~ of the Board of Directors for the Upper Cumberland

Regional Airport, 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 9 day of January, 2018, 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 Regional Airport.


Randy Porter, Chairman
As Clerk of the Board, as aforesaid

Seal

STATE OF TENNESSEE)
COUNTY OF PUTNAM)
CITY OF COOKEVILLE)

I, Cathy McClain, City Clerk, being the legal custodian of Ordinances and Codes of Cookeville, Tennessee, and as such do further certify that the attached hereto is a true and exact copy of Resolution Number R18-01-01 adopted by the City Council on January 4th, 2018.

Witness my official signature and official seal of said Municipality on this 5th day of January, 2018.


CITY CLERK

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RESOLUTION

A RESOLUTION OF THE COUNCIL OF THE CITY OF COOKEVILLE, TENNESSEE, AUTHORIZING A JOINT VENTURE'S PARTICIPATION IN THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM IN ACCORDANCE WITH TCA TITLE 8, CHAPTERS 34 - 37

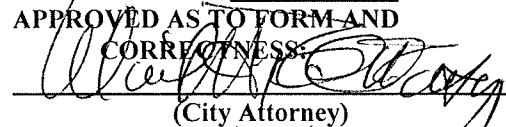
RESOLUTION NUMBER: R18-01-01

REQUESTED BY: TCRS

PREPARED BY: CITY CLERK

APPROVED AS TO FORM AND

CORRECTNESS:


(City Attorney)

ADOPTED: 1-4-18

MINUTE BOOK _____ PAGE _____

WHEREAS, Tennessee Code Annotated, Section 8-35-201 provides that any governing body of a joint venture between one or more political subdivisions of this State may by resolution authorize the employees of the joint venture to participate in the Tennessee Consolidated Retirement System ("TCRS") subject to the approval of the TCRS Board of Trustees; provided that each political subdivision of the State which is represented in the joint venture passes a resolution guaranteeing the payment of its prorated share of any outstanding liability so incurred by the participation; and

WHEREAS, the Board of Directors of the Upper Cumberland Regional Airport ("Joint Venture") has passed a resolution authorizing its full-time employees to become members of TCRS under the provisions of state law, and under the following terms and conditions:

- A. TYPE PLAN. The Joint Venture adopts the following type plan: Regular Defined Benefit Plan;
- B. EMPLOYEE CONTRIBUTIONS. The full-time employees shall contribute: 5% of the employees' earnable compensation;
- C. COST-OF-LIVING INCREASES FOR RETIREES. The Joint Venture shall: PROVIDE cost-of-living increases for its retirees;
- D. ELIGIBILITY OF PART-TIME EMPLOYEES. The Joint Venture shall: NOT ALLOW its part-time employees to participate in TCRS;
- E. PRIOR SERVICE. The Joint Venture shall NOT ALLOW its full-time employees to establish any prior service credit with the Joint Venture; and

WHEREAS, the effective date of participation shall be on April 1, 2018, or on such later date as determined by the TCRS Board of Trustees, and the initial employer contribution rate will be 6.5 %, which is based on the estimated lump sum accrued liability of \$ 0.00; and

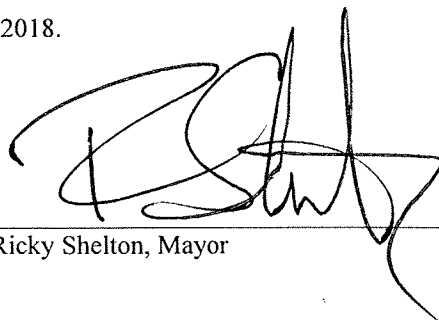
WHEREAS, the City of Cookeville is represented in such Joint Venture and desires to allow the full-time employees of the Joint Venture to participate in TCRS under the above terms and conditions, or under such other terms and conditions the governing body of the Joint Venture may adopt pursuant to the laws governing TCRS; provided, however, this governing body must approve by resolution any such action that would increase the liabilities of either the Joint Venture or the Political Subdivision; and

WHEREAS, the liability for participation and costs of administration shall be the sole responsibility of the Joint Venture and all public entities responsible for the direct funding of the Joint Venture and not the State of Tennessee; and

WHEREAS, the City of Cookeville acknowledges that the Joint Venture has passed a budget amendment appropriating the funds necessary to meet such liability.

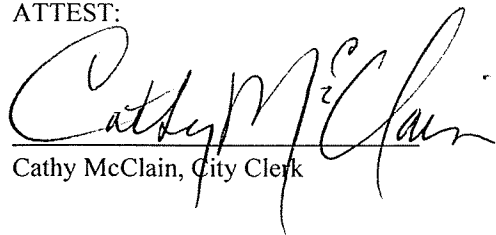
NOW, THEREFORE, BE IT RESOLVED that the Cookeville City Council hereby authorizes the full-time employees of the Joint Venture to become eligible to participate in TCRS in accordance with the above terms and conditions subject to the approval of the TCRS Board of Trustees, and hereby guarantees the payment of its prorated share of any outstanding liability so incurred by the above-referenced action of the Joint Venture. It is acknowledged and understood that pursuant to Tennessee Code Annotated, Section 8-35-111 neither the Joint Venture nor the Political Subdivision shall 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 Joint Venture for such employee.

ADOPTED, this the 4th day of January, 2018.



Ricky Shelton, Mayor

ATTEST:



Cathy McClain, City Clerk

Tennessee Consolidated Retirement System

(Upper Cumberland Regional Airport – Putnam County)

A RESOLUTION to authorize a joint venture’s participation in the Tennessee Consolidated Retirement System in accordance with Tennessee Code Annotated Title 8, Chapters 34 – 37

WHEREAS, Tennessee Code Annotated, Section 8-35-201 provides that any governing body of a joint venture between one or more political subdivisions of this State may by resolution authorize the employees of the joint venture to participate in the Tennessee Consolidated Retirement System (“TCRS”) subject to the approval of the TCRS Board of Trustees; provided that each political subdivision of the State which is represented in the joint venture passes a resolution guaranteeing the payment of its prorated share of any outstanding liability so incurred by the participation; and

WHEREAS, the Board of Directors of the Upper Cumberland Regional Airport (“Joint Venture”) has passed a resolution authorizing its employees to become members of TCRS under the provisions of state law, and under the following terms and conditions:

- A. TYPE PLAN. (CHECK BOX 1 OR BOX 2 OR BOX 3 OR BOX 4). The Joint Venture 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 Joint Venture 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 Joint Venture 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 Joint Venture MUST also maintain a defined contribution plan on behalf of its employees whereby the Joint Venture 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 Joint Venture must also pass the attached resolution that describes the type of defined contribution plan the Joint Venture 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, NO EMPLOYEE CONTRIBUTIONS MAY BE ASSUMED 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 Joint Venture 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 Joint Venture 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. The Joint Venture shall NOT allow its employees to establish any prior service credit with the Joint Venture.
- 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 Joint Venture defines “maximum unfunded liability” to mean an unfunded liability of no greater than N/A; and

WHEREAS, the effective date of participation shall be on April 1, 2018, or on such later date as determined by the TCRS Board of Trustees, and the initial employer contribution rate will be 6.5%, which is based on the estimated lump sum accrued liability of \$ 0.00; and

WHEREAS, Putnam County is represented in such Joint Venture and desires to allow all the employees of the Joint Venture to participate in TCRS under the above terms and conditions, or under such other terms and conditions the governing body of the Joint Venture may adopt pursuant to the laws governing TCRS; provided, however, this governing body must approve by resolution any such action that would increase the liabilities of either the Joint Venture or the Political Subdivision; and

WHEREAS, the liability for participation and costs of administration shall be the sole responsibility of the Joint Venture and all public entities responsible for the direct funding of the Joint Venture and not the State of Tennessee; and

WHEREAS, the Joint Venture has passed a budget amendment appropriating the funds necessary to meet such liability and the same is attached hereto.

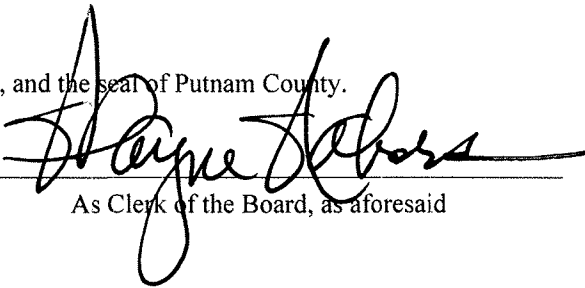
NOW, THEREFORE, BE IT RESOLVED That the Putnam County Commission hereby authorizes all the employees of the Joint Venture to become eligible to participate in TCRS in accordance with the above terms and conditions subject to the approval of the TCRS Board of Trustees, and hereby guarantees the payment of its prorated share of any outstanding liability so incurred by the above-referenced action of the Joint Venture. It is acknowledged and understood that pursuant to Tennessee Code Annotated, Section 8-35-111 neither the Joint Venture nor the Political Subdivision shall 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 Joint Venture for such employee. If either the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Joint Venture, the Joint Venture or 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, WAYNE NABORS, clerk of the Putnam County Commission of Putnam County, 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 22nd day of JANUARY, 2018, the original of which is on file in this office.

IN WITNESS WHEREOF, I have hereunto set my hand, and the seal of Putnam County.


As Clerk of the Board, as aforesaid

Seal





CITY OF SPARTA
 6 Liberty Square
 P.O. Box 30
 Sparta, Tennessee 38583
 931.836.3248
 931.836.3941 fax
 www.spartatn.com

STATE OF TENNESSEE

CITY OF SPARTA, WHITE COUNTY

I, Tonya R. Tindle, Recorder for the Board of Mayor and Aldermen of the City of Sparta, White County, Tennessee, do hereby certify the this is a true copy of the foregoing:

Resolution No. 18-527, a Resolution to authorize a joint participation in the Tennessee Consolidated Retirement System in accordance with Tennessee Code Annotated Title 8, Chapters 34-37 for the Upper Cumberland Regional Airport.

Approved by the Mayor and Board of Alderman on January 18, 2018

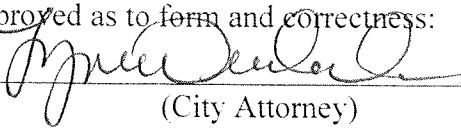
the original of which is on file at Sparta City Hall.

IN WITNESS THEREOF, I have hereunto set my hand and the seal of the City of Sparta, Tennessee.

Tonya R. Tindle
 Tonya R. Tindle
 Recorder of the Board, as aforesaid



RESOLUTION

| | |
|---|--|
| A RESOLUTION TO AUTHORIZE A JOINT PARTICIPATION IN THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM IN ACCORDANCE WITH TENNESSEE CODE ANNOTATED TITLE 8, CHAPTERS 34-37 FOR THE UPPER CUMBERLAND REGIONAL AIRPORT. | RESOLUTION # 18-527 |
| | Requested By: N/A |
| | Prepared By: Chris Dorsey, City Administrator |
| | Approved as to form and correctness:  _____ (City Attorney) |
| Minute Book <u>11</u> Page <u>2091</u> | |

WHEREAS, Tennessee Code Annotated, Section 8-35-201 provides that any governing body of a joint venture between one or more political subdivisions of this State may by resolution authorize the employees of the joint venture to participate in the Tennessee Consolidated Retirement System (“TCRS”) subject to the approval of the TCRS Board of Trustees; provided that each political subdivision of the State which is represented in the joint venture passes a resolution guaranteeing the payment of its prorated share of any outstanding liability so incurred by the participation; and

WHEREAS, the Board of Directors of the Upper Cumberland Regional Airport (“Joint Venture”) has passed a resolution authorizing its employees to become members of TCRS under the provisions of state law, and under the following terms and conditions:

- A. TYPE PLAN. The Joint Venture adopts the following type plan: Regular Defined Benefit Plan;
- B. EMPLOYEE CONTRIBUTIONS. The Employees shall contribute: 5% of the employees’ earnable compensation;
- C. COST-OF-LIVING INCREASES FOR RETIREES. The Joint Venture shall: PROVIDE cost-of-living increases for its retirees;
- D. ELIGIBILITY OF PART-TIME EMPLOYEES. The Joint Venture shall: NOT ALLOW its part time employees to participate in TCRS;
- E. PRIOR SERVICE. The Joint Venture shall NOT allow its employees to establish any prior service credit with the Joint Venture; and

WHEREAS, the effective date of participation shall be on April 1, 2018, or on such later date as determined by the TCRS Board of Trustees, and the initial employer contribution rate will be 6.5%, which is based on the estimated lump sum accrued liability of \$ 0.00; and

WHEREAS, the City of Sparta is represented in such Joint Venture and desires to allow the full-time employees of the Joint Venture to participate in TCRS under the above terms and conditions, or under such other terms and conditions the governing body of the Joint Venture may adopt pursuant to the laws governing TCRS;

provided, however, this governing body must approve by resolution any such action that would increase the liabilities of either the Joint Venture or the Political Subdivision; and

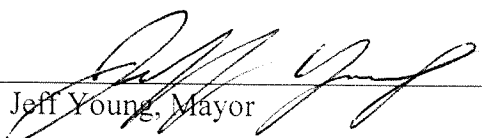
WHEREAS, the liability for participation and costs of administration shall be the sole responsibility of the Joint Venture and all public entities responsible for the direct funding of the Joint Venture and not the State of Tennessee; and

WHEREAS, the City of Sparta acknowledges that the Joint Venture has passed a budget amendment appropriating the funds necessary to meet such liability and the same is attached hereto.

NOW, THEREFORE, BE IT RESOLVED that the Board of Mayor and Aldermen of the City of Sparta hereby authorizes all the employees of the Joint Venture 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, and hereby guarantees the payment of its prorated share of any outstanding liability so incurred by the above-referenced action of the Joint Venture. It is acknowledged and understood that pursuant to Tennessee Code Annotated, Section 8-35-111 neither the Joint Venture nor the Political Subdivision shall 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 Joint Venture for such employee.


Read and approved this 18th day of January, 2018.

CITY OF SPARTA



Jeff Young, Mayor

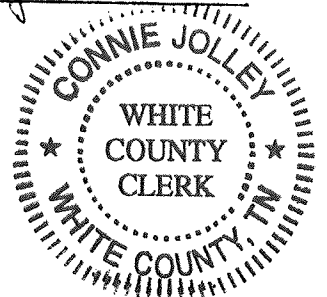
ATTEST:



Tonya R. Tindle, City Recorder



I, CONNIE JOLLEY, COUNTY CLERK
 FOR WHITE COUNTY, TENNESSEE DO HEREBY
 CERTIFY THAT THE FOREGOING IS A TRUE AND
 PERFECT COPY OF resolution 02-01-2018
 WHICH APPEARS ON RECORD IN MY OFFICE THIS
30th DAY OF January 2018
Connie Jolley
 WHITE COUNTY CLERK



WHITE COUNTY, TENNESSEE

RESOLUTION NO. 02-01-2018
 RESOLUTION

WHEREAS, Tennessee Code Annotated, Section 8-35-201 provides that any governing body of a joint venture between one or more political subdivisions of this State may by resolution authorize the employees of the joint venture to participate in the Tennessee Consolidated Retirement System (“TCRS”) subject to the approval of the TCRS Board of Trustees; provided that each political subdivision of the State which is represented in the joint venture passes a resolution guaranteeing the payment of its prorated share of any outstanding liability so incurred by the participation; and

WHEREAS, the Board of Directors of the Upper Cumberland Regional Airport (“Joint Venture”) has passed a resolution authorizing its employees to become members of TCRS under the provisions of state law, and under the following terms and conditions:

A. TYPE PLAN. (CHECK BOX 1 OR BOX 2 OR BOX 3 OR BOX 4). The Joint Venture 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 Joint Venture 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 Joint Venture 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 Joint Venture MUST also maintain a defined contribution plan on behalf of its employees whereby the Joint Venture 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 Joint Venture must also pass the attached resolution that describes the type of defined contribution plan the Joint Venture 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, NO EMPLOYEE CONTRIBUTIONS MAY BE ASSUMED AND BOX 1 MUST BE CHECKED). The Employees shall contribute:

NOW, THEREFORE, BE IT RESOLVED That the White County Commission hereby authorizes all the employees of the Joint Venture 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, and hereby guarantees the payment of its prorated share of any outstanding liability so incurred by the above-referenced action of the Joint Venture. It is acknowledged and understood that pursuant to Tennessee Code Annotated, Section 8-35-111 neither the Joint Venture nor the Political Subdivision shall 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 Joint Venture for such employee. If either the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Joint Venture, the Joint Venture or 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.

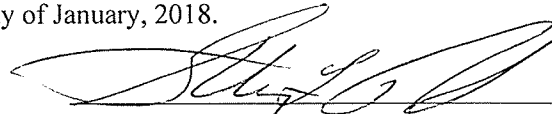
Motion made by Cain Rogers and seconded by Stephen Luna that the above resolution be adopted.

On roll call, the vote was recorded as follows:

AYES 11

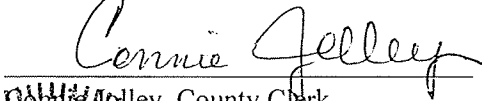
NAYS 0

The above resolution was passed on the 22nd day of January, 2018.

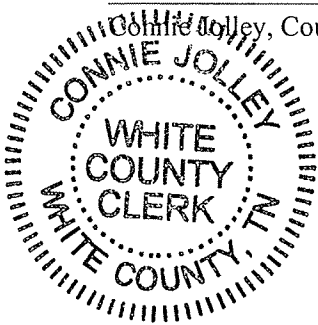


Stanley Neal, Chairman
County Legislative Body

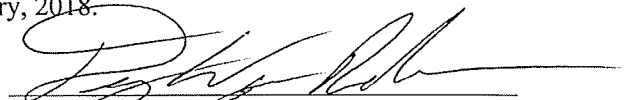
ATTEST:



Connie Jolley, County Clerk



Approved the 22nd day of January, 2018.



Denny Wayne Robinson, County Executive

STATISTICAL REPORTS

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ANALYSIS OF MEMBERS ACTIVERLY CONTRIBUTING

| | 6/30/2015 | 6/30/2016 | 9/30/2016 | 12/31/2016 | 3/31/2017 | 6/30/2017 | 9/30/2017 | 12/31/2017 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Group I Members: | | | | | | | | |
| (State & Higher Ed.) | 55,179 | 45,516 | 44,225 | 42,815 | 42,861 | 41,731 | 40,996 | 40,674 |
| Highway Patrol | | 726 | 717 | 711 | 713 | 704 | 692 | 685 |
| Wildlife Officers | | 190 | 191 | 188 | 187 | 186 | 183 | 187 |
| Teachers | 69,975 | 61,820 | 60,876 | 60,013 | 59,884 | 58,365 | 58,202 | 58,306 |
| General Employees of Polisubs | 85,531 | 73,655 | 73,734 | 73,821 | 74,574 | 73,897 | 74,966 | 76,301 |
| Firemen & Policemen | | 7,040 | 7,108 | 7,233 | 7,306 | 7,350 | 7,476 | 7,617 |
| General Assembly | 113 | 103 | 103 | 98 | 97 | 96 | 94 | 92 |
| County Officials | 2 | 1 | 1 | 1 | 2 | 2 | 2 | 2 |
| Board Members | | 392 | 386 | 395 | 389 | 382 | 378 | 382 |
| County Judges | 20 | 17 | 15 | 14 | 14 | 12 | 11 | 10 |
| Attorneys General | 617 | 574 | 571 | 506 | 500 | 493 | 489 | 488 |
| Total Group I | 211,437 | 190,033 | 187,984 | 185,795 | 186,527 | 183,218 | 183,489 | 184,744 |
| Group II & Prior Class: | | | | | | | | |
| Wildlife Officers | 1 | | | | | | | |
| Highway Patrol | 1 | | | | | | | |
| Firemen & Policemen-Political Subdivisions | 10 | 10 | 11 | 11 | 11 | 10 | 10 | 9 |
| Total Group II & Prior Class | 12 | 10 | 11 | 11 | 11 | 10 | 10 | 9 |
| Group III and Prior Class: | | | | | | | | |
| State Judges | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| County Judges | 1 | 1 | 1 | 1 | 1 | 1 | 0 | 0 |
| Attorneys General | 1 | 1 | 1 | 1 | 1 | 1 | 0 | 1 |
| County Officials | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Total Group III & Prior Class | 5 | 5 | 5 | 5 | 5 | 5 | 3 | 4 |
| Group IV | | | | | | | | |
| State Judges | 128 | 113 | 113 | 115 | 113 | 113 | 111 | 109 |
| State & Teacher Hybrid Plan | | | | | | | | |
| State | 5,689 | 10,271 | 11,251 | 12,521 | 13,957 | 14,869 | 15,929 | 17,543 |
| General Assembly | 15 | 17 | 17 | 27 | 27 | 27 | 28 | 28 |
| Teacher | 6,189 | 11,142 | 14,560 | 15,291 | 15,965 | 15,681 | 19,099 | 20,751 |
| Attorneys General, Judges | 31 | 37 | 37 | 36 | 35 | 35 | 36 | 37 |
| Political Subdivisions | 85 | 474 | 673 | 711 | 971 | 1,244 | 1,620 | 1,996 |
| Public Safety | | | | 178 | 220 | 222 | 222 | 296 |
| Alcoa | | | | 43 | 43 | 43 | 43 | 42 |
| Local Government Plans | | | | | | | | |
| Alternate DB | 14 | 25 | 30 | 34 | 36 | 36 | 40 | 45 |
| Hybrid Plan W/O Cost Controls | 92 | 173 | 194 | 217 | 244 | 267 | 292 | 320 |
| Total Membership | | | | | | | | |
| Contributing to TCRS | 223,697 | 212,300 | 215,058 | 216,493 | 218,731 | 215,770 | 220,922 | 225,924 |
| Teachers Contributing to ORP | 10,632 | 9,609 | 9,586 | 8,830 | 8,804 | 8,638 | 8,387 | 8,213 |
| Grand Totals | 234,329 | 222,025 | 224,644 | 225,323 | 227,535 | 224,408 | 229,309 | 234,137 |

**RETIRED PAYROLL
STATISTICS
December 31, 2017**

| | <u>AMOUNT</u> | <u># OF RETIREES</u> |
|------------------------------|-------------------------|--------------------------|
| STATE EMPLOYEES | \$ 63,841,637.51 | 46,577 |
| STATE PAID JUDGES | 1,059,383.62 | 218 |
| COUNTY PAID JUDGES | 288,159.26 | 72 |
| ATTORNEY GENERALS | 997,503.44 | 249 |
| COUNTY OFFICIALS | 339,472.45 | 157 |
| PUBLIC SERVICE COMMISSIONERS | 8,911.50 | 4 |
| POLITICAL SUBDIVISIONS | 33,542,657.64 | 39,307 |
| TEACHERS | 105,578,723.30 | 50,081 |
| LOCAL TEACHERS | 3,177,519.86 | 1,658 |
| GOVERNORS AND WIDOWS | 27,727.00 | 4 |
| AGED TEACHERS | 526.81 | 4 |
| OTHERS | <u>207,503.29</u> | <u>79</u> |
| TOTAL | \$209,069,725.68 | 138,410 |

RETIRED PAYROLL
October 1, 2017
Through
December 31, 2017

| | <u>AMOUNT</u> | <u># OF RETIREES</u> |
|------------------------------|-------------------------|--------------------------|
| STATE EMPLOYEES | \$ 191,645,711.43 | 46,577 |
| STATE PAID JUDGES | 3,243,974.74 | 218 |
| COUNTY PAID JUDGES | 875,568.15 | 72 |
| ATTORNEY GENERALS | 2,992,482.44 | 249 |
| COUNTY OFFICIALS | 1,030,965.41 | 157 |
| PUBLIC SERVICE COMMISSIONERS | 26,734.50 | 4 |
| POLITICAL SUBDIVISIONS | 100,629,857.68 | 39,307 |
| TEACHERS | 317,478,146.42 | 50,081 |
| LOCAL TEACHERS | 9,583,265.81 | 1,658 |
| GOVERNORS AND WIDOWS | 83,181.00 | 4 |
| AGED TEACHERS | 1,580.43 | 4 |
| OTHERS | <u>\$628,671.27</u> | <u>79</u> |
| TOTAL | \$628,220,139.28 | 138,410 |

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

NUMBER OF MEMBERS REFUNDED

| <u>Month</u> | <u>2011-12</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> |
|--------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| July | 496 | 475 | 516 | 613 | 512 | 417 | 451 |
| August | 466 | 471 | 782 | 820 | 403 | 425 | 458 |
| September | 447 | 394 | 457 | 586 | 522 | 458 | 343 |
| October | 383 | 375 | 378 | 483 | 364 | 379 | 468 |
| November | 364 | 319 | 314 | 244 | 359 | 321 | 313 |
| December | 257 | 241 | 276 | 338 | 326 | 344 | 373 |
| January | 348 | 338 | 402 | 322 | 386 | 308 | |
| February | 312 | 335 | 310 | 238 | 351 | 380 | |
| March | 262 | 253 | 284 | 331 | 355 | 354 | |
| April | 346 | 311 | 424 | 338 | 347 | 405 | |
| May | 329 | 274 | 866 | 247 | 332 | 347 | |
| June | 339 | 336 | 674 | 383 | 336 | 352 | |
| TOTAL | <u>4,349</u> | <u>4,122</u> | <u>5,683</u> | <u>4,943</u> | <u>4,593</u> | <u>4,490</u> | <u>2,406</u> |

**REFUND EXPENDITURES
2017-2018 FISCAL YEAR**

| MONTH | MEMBER'S CONTRIBUTIONS | 414(H) CONTRIBUTIONS | MEMBER'S INTEREST | EMPLOYER CONTRIBUTIONS | DEATH PAYMENTS | TOTAL |
|--------------|-----------------------------------|---------------------------------|------------------------------|-----------------------------------|---------------------------|------------------------|
| July | 35,548.25 | 3,211,415.45 | 1,145,920.84 | 0.00 | 526,717.66 | \$4,919,602.20 |
| August | 12,799.99 | 3,064,728.29 | 980,946.29 | 0.00 | 494,134.94 | \$4,552,609.51 |
| September | 123,840.91 | 2,095,841.18 | 699,097.15 | 93,460.04 | 387,434.47 | \$3,399,673.75 |
| October | 151,552.51 | 2,831,483.76 | 970,052.78 | 31,545.10 | 258,476.55 | \$4,243,110.70 |
| November | 70,380.55 | 1,708,517.99 | 705,071.03 | 47,464.65 | 256,267.83 | \$2,787,702.05 |
| December | 32,525.31 | 2,684,424.68 | 996,978.75 | 0.00 | 646,164.35 | \$4,360,093.09 |
| January | | | | | | |
| February | | | | | | |
| March | | | | | | |
| April | | | | | | |
| May | | | | | | |
| June | | | | | | |
| TOTAL | 426,647.52 | 15,596,411.35 | 5,498,066.84 | 172,469.79 | 2,569,195.80 | \$24,262,791.30 |

PRIOR SERVICE ACTIVITY
October 1, 2017 through December 31, 2017

| Legacy State: | Type of Service | No of Members | Years of Service | Amount |
|----------------------|-----------------|---------------|------------------|------------|
| | Backpayment | 3 | 8 | \$ 34,507 |
| | Military | - | - | - |
| | Redeposit | 3 | 33 | \$ 141,801 |
| | Totals | 6 | 41 | \$ 176,308 |

| Legacy Teachers: | Type of Service | No of Members | Years of Service | Amount |
|-------------------------|-----------------|---------------|------------------|------------|
| | Backpayment | 13 | 32 | \$ 238,625 |
| | Military | - | - | - |
| | Redeposit | 12 | 56 | \$ 341,163 |
| | Totals | 25 | 88 | \$ 579,788 |

| Legacy Higher Education: | Type of Service | No of Members | Years of Service | Amount |
|---------------------------------|-----------------|---------------|------------------|------------|
| | Backpayment | 10 | 54 | \$ 485,919 |
| | Military | - | - | - |
| | Redeposit | 1 | 1 | 7,617 |
| | Totals | 11 | 55 | \$ 493,536 |

| Legacy Political Subdivisions: | Type of Service | No of Members | Years of Service | Amount |
|---------------------------------------|-----------------|---------------|------------------|--------------|
| | Backpayment | 52 | 219 | \$ 948,658 |
| | Military | - | - | \$ - |
| | Redeposit | 10 | 94 | \$ 103,778 |
| | Totals | 62 | 313 | \$ 1,052,436 |

| Hybrid Higher Education: | Type of Service | No of Members | Years of Service | Amount |
|---------------------------------|-----------------|---------------|------------------|----------|
| | Backpayment | 1 | 2 | \$ 2,103 |
| | Military | - | - | \$ - |
| | Redeposit | 0 | 0 | \$ - |
| | Totals | 1 | 2 | \$ 2,103 |

| Hybrid Teachers: | Type of Service | No of Members | Years of Service | Amount |
|-------------------------|-----------------|---------------|------------------|----------|
| | Backpayment | 2 | 2 | \$ 9,972 |
| | Military | - | - | \$ - |
| | Redeposit | 0 | 0 | \$ - |
| | Totals | 2 | 2 | \$ 9,972 |

| Hybrid Political Subdivisions: | Type of Service | No of Members | Years of Service | Amount |
|---------------------------------------|-----------------|---------------|------------------|--------|
| | Backpayment | 0 | 0 | \$ - |
| | Military | - | - | \$ - |
| | Redeposit | 0 | 0 | \$ - |
| | Totals | 0 | 0 | \$ - |

| Hybrid State: | Type of Service | No of Members | Years of Service | Amount |
|----------------------|-----------------|---------------|------------------|-----------|
| | Backpayment | 2 | 8 | \$ 34,507 |
| | Military | - | - | \$ - |
| | Redeposit | 0 | 0 | \$ - |
| | Totals | 2 | 8 | \$ 34,507 |

| Grand Totals: | Type of Service | No of Members | Years of Service | Amount |
|----------------------|-----------------|---------------|------------------|--------------|
| | Backpayment | 83 | 326 | \$ 1,754,291 |
| | Military | - | - | - |
| | Redeposit | 26 | 184 | 594,359 |
| | Totals | 109 | 510 | \$ 2,348,650 |

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DISABILITY RETIREMENT REPORT

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Disability Statistical Report

Second Quarter 17-18

| | | |
|--|----------|-----------|
| Disability Applications Received | October | 28 |
| | November | 26 |
| | December | <u>20</u> |
| | TOTAL | 74 |
| Initial Claims Approved | October | 22 |
| | November | 18 |
| | December | <u>08</u> |
| | TOTAL | 48 |
| Initial Claims Disapproved | October | 13 |
| | November | 05 |
| | December | <u>09</u> |
| | TOTAL | 27 |
| Initial Claims Approved after Reconsideration | | 02 |
| Initial Claims Disapproved after Reconsideration | | 03 |
| Re-Evaluation Claims Approved | | 21 |
| Re-Evaluation claims Disapproved | | 00 |

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**APPROVED FOR DISABILITY
SECOND QUARTER
2017-2018**

| Type | Re-E | Re-C | Age | Employer | SVC | AFC | OPT. | MO. BEN | Position | DISABILITY SUMMARY |
|--------|------|------|-----|----------|-----|----------|------|---------|------------------------|--|
| SS-ORD | NO | YES | 58 | POL SUB | 192 | \$36,586 | B | \$705 | TRUCK DRIVER | LIVER CANCER |
| ORD. | NO | NO | 53 | STATE | 275 | \$31,475 | B | \$767 | TECH | PERIPHERAL VASCULAR DISEASE, DIABETES WITH NEUROPATHY, CHRONIC PAIN |
| SS-ORD | YES | NO | 51 | STATE | 120 | \$54,800 | D | \$1,074 | TROOPER | HERNIATION OF INTERVERTEBRAL DISC OF LUMBAR REGION/ OSTEOARTHRITIS OF BOTH KNEES |
| SS-ORD | NO | NO | 53 | POL SUB | 205 | \$21,722 | A | \$513 | CAFETERIA MANAGER | SEVERE COPD/ OBESITY/ DM/ HYPERTENSION/ ANXIETY & DEPRESSION |
| ORD. | NO | NO | 44 | POL SUB | 74 | \$12,626 | C | \$276 | FOOD SERVICE ASSISTANT | SPASTIC HEMIPLYSIA, DYSPHAGIA, DIZZINESS, MUSCLE WEAKNESS AND ABNORMAL REFLEXES. |
| ORD. | YES | YES | 51 | STATE | 104 | \$24,750 | D | \$457 | DIRECT CARE GIVER | BIPOLAR DISORDER |
| SS-ORD | NO | NO | 55 | POL SUB | 171 | \$53,163 | A | \$1,187 | PURCHASING SUPERVISOR | CIRRHOSIS OF THE LIVER |
| ORD. | YES | NO | 51 | POL SUB | 127 | \$28,649 | D | \$569 | DEPUTY SHERIFF | TRANVERSE MYELITIS, QUADRIPLEGIC WITH NEUROGENIC BLADDER |
| SS-ORD | YES | NO | 47 | TEACHER | 211 | \$40,356 | A | \$953 | TEACHER | BRAIN CONTUSIONS/ VERITGO/ SHORT TERM MEMORY LOSS/ SKULL FRACTURES |
| ORD. | YES | NO | 50 | STATE | 87 | \$43,561 | B | \$772 | CORRECTIONAL OFFICER | AUTOIMMUNE DISEASES, PRIMARY SCLEROSING CHOLANGITIS, AND RHEUMATOID ARTHRITIS |

**APPROVED FOR DISABILITY
SECOND QUARTER
2017-2018**

| Type | Re-E | Re-C | Age | Employer | SVC | AFC | OPT. | MO. BEN | Position | DISABILITY SUMMARY |
|---------------|------|------|-----|----------|-----|-----------|------|---------|---------------------|---|
| ORD. | NO | NO | 57 | TEACHER | 200 | CANCELLED | N/A | N/A | TEACHER | SCLEROSING CHOLANGITIS/ ABDOMINAL PAIN |
| SS-ORD | NO | NO | 54 | TEACHER | 297 | DECEASED | B | \$1,871 | PRINCIPAL | STAGE IV ESOPHAGEAL CANCER |
| ORD. | YES | YES | 51 | STATE | 81 | \$24,744 | A | \$418 | Maintenance | CHF S/P AORTIC VALVE REPLACEMENT, HYPOGAMMAGLONULINEMIA, DX NODULAR LYMPHOMA |
| SS-ORD | NO | NO | 57 | POL SUB | 176 | \$22,994 | A | \$630 | BUS DRIVER | RENAL CELL CANCER/METASTATIC DISEASE TO LIVER AND BLADDER |
| SS-ORD | NO | NO | 52 | POL SUB | 114 | \$20,318 | D | \$401 | TEACHER ASST. | KIDNEY DISEASE/ ESRD/ DEPRESSION |
| SS- INACT. | NO | NO | 52 | STATE | 103 | \$22,312 | A | \$103 | DEV. TECH | COPD/ SEVERE BACK PAIN/ DEPRESSION & ANXIETY |
| ORD. | NO | NO | 58 | TEACHER | 229 | DECEASED | B | \$1,255 | SCHOOL COUNSELOR | RENAL CANCER |
| SS-ORD | NO | NO | 56 | STATE | 311 | \$48,335 | A | \$1,479 | CASE MANAGER 2 | MENIERE'S DISEASE |
| ORD. | NO | NO | 47 | POL SUB | 88 | \$12,430 | E | \$279 | COOK | CVA/ TREMORS |
| ORD. | NO | NO | 54 | STATE | 271 | \$35,358 | B | \$842 | MANAGER | SYSTEMIC LUPUS ERYTEMATOSUS, LONGSTANDING CKD |

**APPROVED FOR DISABILITY
SECOND QUARTER
2017-2018**

| Type | Re-E | Re-C | Age | Employer | SVC | AFC | OPT. | MO. BEN | Position | DISABILITY SUMMARY |
|--------|------|------|-----|----------|-----|-----------|------|---------|--------------------|---|
| SS-ORD | YES | NO | 36 | POL SUB | 71 | \$36,752 | A | \$868 | LPN | MS/DEPRESSION |
| SS-ORD | NO | NO | 58 | POL SUB | 171 | \$14,355 | A | \$286 | COOK | RECTAL CANCER |
| ORD. | NO | NO | 57 | POL SUB | 68 | \$41,011 | N/A | N/A | LPN | SEVERE ASTHMA, SHORTNESS OF BREATH WITH EXERTION, DIABETIES |
| ORD. | NO | NO | 54 | STATE | 94 | \$22,782 | D | \$322 | PATIENT CARE REP. | SEVERE PERSISTANT HYPERTENSION |
| SS-ORD | NO | NO | 51 | POL SUB | 279 | \$125,529 | B | \$3,373 | ASSOCIATE DIRECTOR | ALS |
| ORD. | NO | NO | 59 | POL SUB | 151 | \$22,277 | A | \$444 | TRAFFIC MANAGEMENT | CAD/TYPE II DIABETES/ HTN/ LUMBAR STENOSIS |
| ORD. | NO | NO | 55 | STATE | 333 | \$58,425 | B | \$1,706 | POLICE OFFICER | PARKINSONS DISEASE |
| ORD. | NO | NO | 58 | POL SUB | 97 | \$28,991 | A | \$342 | ADMIN ASSISTANT | CRANIOTOMY FOR RESECTION/ METASTATIC BRAIN TUMOR/ THYROID DISEASE |
| SS-ORD | YES | NO | 42 | TEACHER | 66 | \$55,917 | A | \$1,321 | TEACHER | PTSD |
| ORD. | YES | NO | 50 | POL SUB | 265 | \$29,294 | A | \$764 | MANAGER | SUBACUTE OBLITERATIVE BRONCHILITIS |

**APPROVED FOR DISABILITY
SECOND QUARTER
2017-2018**

| Type | Re-E | Re-C | Age | Employer | SVC | AFC | OPT. | MO. BEN | Position | DISABILITY SUMMARY |
|--------|------|------|-----|----------|-----|----------|------|---------|--------------------------|---|
| INACT. | YES | NO | 51 | POL SUB | 76 | \$46,023 | D | \$74 | PARAMEDIC | COLON CANCER/ TRAUMATIC BRAIN INJURY |
| SS-ORD | NO | NO | 57 | STATE | 138 | \$61,082 | B | \$978 | RN 4 | STAGE 3 CANCER |
| ORD. | NO | NO | 58 | POL SUB | 148 | \$38,348 | B | \$571 | CUSTODIAN | THYROID NODULES, OA RIGHT KNEE, DEPRESSION, AND HEMATURIA |
| ORD. | NO | YES | 55 | TEACHER | 233 | \$28,698 | A | \$677 | THERAPY | FIBROMYALGIA/ CHRONIC FATIGUE/ DM |
| SS-ORD | NO | NO | 58 | STATE | 79 | \$26,797 | A | \$316 | FOOD SERVICE | BREAST CANCER |
| SS-ORD | NO | NO | 55 | POL SUB | 130 | \$28,428 | D | \$498 | DEPT. CLERK | ANEURYSMS, USE OF WHEELCHAIR AND OXYGEN 24/7 |
| ORD. | NO | NO | 52 | POL SUB | 167 | \$16,945 | B | \$328 | FOOD TECH | COMPLEX REGIONAL PAIN SYNDROME, BREAST CANCER |
| SS-ORD | NO | NO | 59 | POL SUB | 177 | \$47,278 | A | \$884 | DRIVER | CHRONIC KIDNEY DISEASE/ DIABETES MELLITUS/ |
| SS-ORD | YES | NO | 50 | TEACHER | 310 | \$48,208 | A | \$1,471 | TEACHER | DEPRESSION, ANXIETY, PANIC ATTACKS, AND PTSD |
| SS-ORD | NO | NO | 53 | POL SUB | 189 | \$26,313 | B | \$566 | HEAVY EQUIPMENT OPERATOR | PAPILLARY CARCINOMA OF THYROID/METASTATIC RECURRENT ON BIOPSY/S/P |

**APPROVED FOR DISABILITY
SECOND QUARTER
2017-2018**

| Type | Re-E | Re-C | Age | Employer | SVC | AFC | OPT. | MO. BEN | Position | DISABILITY SUMMARY |
|--------|------|------|-----|----------|-----|----------|------|---------|----------------|--|
| SS-ORD | YES | NO | 45 | TEACHER | 175 | \$49,946 | B | \$1,018 | TEACHER | PTSD, MAJOR DEPRESSIVE DISORDER, AND GENERALIZED ANXIETY |
| ORD. | YES | NO | 51 | STATE | 232 | \$43,498 | D | \$886 | POLICE OFFICER | LUMBAR SPINAL STENOSIS, PTSD, AND NEUROPATHY |
| SS-ORD | YES | NO | 43 | TEACHER | 221 | \$67,143 | A | \$1,586 | PRINCIPAL | MASSIVE STROKE, BLIND IN LEFT EYE |
| INACT. | NO | NO | 53 | STATE | 162 | \$21,550 | A | \$225 | CUSTODIAN | HYPERTENSION/ DIABETES/ NEUROPATHY |
| ORD. | NO | NO | 54 | STATE | 144 | \$27,355 | D | \$524 | DEV. TECH | CHARCOT FOOT DUE TO DM/ LEFT FOOT PAIN |
| ORD. | NO | NO | 54 | POL SUB | 185 | \$34,966 | A | \$826 | MECHANIC | PARKINSONS DISEASE |

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**DISAPPROVED FOR DISABILITY
SECOND QUARTER
2017-2018**

| Type | Re-E | Re-C | Age | EMPLOYER | POSITION | SVC | DISABILITY SUMMARY | REASON DENIED |
|--------|------|------|-----|----------|--------------------------------|-----|--|---|
| ORD. | NO | NO | 40 | TEACHER | TEACHER | 14 | SACCCULAR ANEURYSM/ CHRONIC/RECURRENT MIGRAINES/ CERVICAL AND LUMBAR SPONDYLOSIS | LIGHT TO SEDENTARY WORK APPEARS POSSIBLE |
| ORD. | NO | NO | 59 | POL SUB | HEAVY EQUIPMENT OPERATOR | 9 | CORONARY ARTERIOSCLEROSIS/ HYPERTENSION/ HYPERIPRIDEMIA | LIGHT TO SEDENTARY WORK POSSIBLE |
| ORD. | NO | YES | 51 | POL SUB | POLICE OFFICER | 16 | ANXIETY DISORDER W/PANIC ATTACKS | CAPABLE OF LIGHT TO SEDENTARY WORK |
| ACC. | NO | YES | 26 | POL SUB | POLICE OFFICER | 2 | RT. KNEE PAIN/RECURRENT LABRAL TEAR OF LEFT SHOULDER | CAPABLE OF LIGHT WORK |
| INACT. | NO | NO | 47 | STATE | HWY WORKER 1 | 6 | CHRONIC BACK PAIN/ DDD/ | LIMITED TO SEDENTARY WORK |
| ORD. | NO | NO | 59 | POL SUB | EQUIPMENT OPERATOR | 15 | CHRONIC PAIN/ DDD/ HTN | CAPABLE OF LIGHT TO SEDENTARY WORK |
| ORD. | NO | NO | 58 | POL SUB | WELDER/TRUC K DRIVER | 9 | TORN MENISCUS AND OSTEOARTHRITIS | LIGHT TO SEDENTARY WORK POSSIBLE |
| ORD. | YES | NO | 49 | STATE | Forestry Aide II | 26 | DDD/ LUMBAGO/ L5 HNP RADICULOPATHY/ LOW BACK PAIN | Capable lgt-med wra. |
| INACT. | NO | YES | 50 | STATE | RN II | 17 | BIPOLAR DISORDER | MOOD IS STABLE, LIMITED TO SEDENTARY WORK. |
| ORD. | NO | NO | 55 | STATE | INFORMATION SPECIALIST | 24 | CHRONIC SINUSITIS AND ALLERGIC RHINITIS | LIGHT TO MEDIUM WORK POSSIBLE |
| ORD. | NO | NO | 59 | POL SUB | DISPATCHER | 8 | CHRONIC BACK PAIN/ LUMBAR FUSION | CAPABLE OF LIGHT TO SEDENTARY WORK |

**DISAPPROVED FOR DISABILITY
SECOND QUARTER
2017-2018**

| Type | Re-E | Re-C | Age | EMPLOYER | POSITION | SVC | DISABILITY SUMMARY | REASON DENIED |
|-------|------|------|-----|----------|----------------------|-----|--|--|
| INACT | NO | NO | 53 | STATE | LIBRARIAN | 13 | DM/VERTIGO/TENDINITIS/ CHRONIC LOW BACK PAIN | CAPABLE OF LIGHT TO SEDENTARY WORK |
| ORD. | NO | NO | 39 | POL SUB | FIRE CAPTAIN | 18 | LUMBAR WOUND INCISION AND DRAINAGE/ REVISION LUMBAR FUSION | LIGHT TO SEDENTARY WORK POSSIBLE |
| ORD. | NO | NO | 53 | STATE | BOOK KEEPER | 27 | BILE LEAK/ SEVERE ABDOMINAL PAIN/ ANEMIA | LIMITED TO SEDENTARY WORK |
| ORD. | NO | YES | 54 | POL SUB | TELECOMMUNICATOR | 7 | HYDRONEPHOSIS/ VERTIGO | LIMITED TO LIGHT WORK |
| ORD. | NO | NO | 58 | POL SUB | WATER PLANT OPERATOR | 10 | COPD/ NEUROPATHY/ MORBID OBESE/ BACK SURGERY COMPLICATIONS | LIGHT TO SEDENTARY WORK POSSIBLE |
| ORD. | NO | NO | 49 | STATE | CASE MANAGER | 9 | CHRONIC ANXIETY/ DEPRESSION/ PANIC DISORDER/ SLE/ CARPAL TUNNEL SYNDROME | LIMITED TO LIGHT TO SEDENTARY WORK |
| ORD. | NO | NO | 45 | TEACHER | TEACHER | 18 | FIBROMYALGIA/ NEUROPATHY/ ADHD/ HYPERTENSION/ OBESITY | CAPABLE OF LIGHT TO MEDIUM WORK |
| ORD. | NO | NO | 50 | STATE | THERAPIST TECH | 26 | S/P LEFT MASTECTOMY FOR BREAST CANCER | LIMITED TO SEDENTARY WORK |
| ORD. | NO | NO | 53 | STATE | VEHICLE OPERATOR | 23 | BACK & LEG PAIN/ NERVE DAMAGE | LIMITED MEDICAL RECORDS/ UNABLE TO DETERMINE |
| ORD. | NO | NO | 54 | POL SUB | DISPATCHER | 17 | LUPUS/ FIBROMYALGIA/ PTSD/ HYPOTHYROID | LIGHT TO SEDENTARY WORK POSSIBLE |
| ORD. | NO | NO | 51 | POL SUB | BUS DRIVER | 17 | SHOULDER PAIN/ JOINT ARTHRITIS/ ROTATOR CUFF TEAR | CAPABLE OF SEDENTARY WORK |

**DISAPPROVED FOR DISABILITY
SECOND QUARTER
2017-2018**

| Type | Re-E | Re-C | Age | EMPLOYER | POSITION | SVC | DISABILITY SUMMARY | REASON DENIED |
|--------|------|------|-----|----------|------------------------|-----|--|--|
| ORD. | NO | NO | 50 | TEACHER | TEACHER | 25 | DEPRESSION/ ANXIETY/ PANIC ATTACKS/ AND PTSD | LIGHT TO SEDENTARY WORK POSSIBLE |
| INACT. | NO | NO | 55 | STATE | Secretary & Bus Driver | 10 | S/P MVA - NECK AND BACK PAIN / HIP PAIN S/P BURNS GRAFTS | LIMITED TO SEDENTARY WORK. |
| ORD. | NO | NO | 54 | POL SUB | DEPUTY SHERIFF | 12 | OSTEOARTHRITIS/ PAIN IN RT. HIP/ PAIN IN RT. KNEE | SEDENTARY WORK POSSIBLE |
| ORD. | YES | NO | 49 | STATE | CHILD CARE SPECIALIST | 8 | MODERATE RESTRICTIVE LUNG DISEASE/ CERVICAL DISC DISORDER WITH 8 RADICULOPATHY | LIMITED TO OR AT LEAST SEDENTARY WORK. |
| ORD. | NO | YES | 53 | STATE | INSTRUCTOR | 13 | CONGENITAL HEARING LOSS/ OSTEOARTHRITIS | PATIENT LIMITED TO LIGHT WORK |

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FINANCIAL STATEMENTS

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TENNESSEE RETIREE GROUP TRUST
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2017

ASSETS

| | | |
|-----------------------------------|----|--------------------------|
| Cash and cash equivalents | \$ | 112,973,450.74 |
| Receivables | | |
| Investment income receivable | | 143,422,864.47 |
| Derivative instruments receivable | | 77,419,398.88 |
| Investments sold | | 23,264,880.08 |
| Total receivables | | <u>244,107,143.43</u> |
| Investments at fair value | | |
| Government securities | | 8,891,217,034.83 |
| Corporate securities | | 6,254,723,151.09 |
| Corporate stocks | | 26,119,471,269.46 |
| Strategic lending | | 2,115,374,658.06 |
| Private equities | | 2,249,439,024.06 |
| Real estate | | 4,208,465,797.22 |
| Total investments | | <u>49,838,690,934.72</u> |
| TOTAL ASSETS | | 50,195,771,528.89 |

LIABILITIES AND NET POSITION

LIABILITIES

| | |
|-------------------------------|-----------------------|
| Investments purchased | 100,589,769.85 |
| Other investments payables | 2,441,262.95 |
| Derivative instrument payable | 76,233,039.81 |
| TOTAL LIABILITIES | <u>179,264,072.61</u> |

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

\$ 50,016,507,456.28

See Accompanying Notes to the Financial Statements

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**TENNESSEE RETIREE GROUP TRUST
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2017**

OPERATIONS

INVESTMENT INCOME

| | |
|---|-------------------------|
| Net appreciation in fair value of investments | \$ 3,057,795,614.06 |
| Income on securities | 544,685,196.64 |
| Total investment income | 3,602,480,810.70 |
| Less: investment expense | 34,813,671.57 |
| Net income (loss) from investing activities | 3,567,667,139.13 |
| | |
| Securities lending activities | |
| Securities lending income | 44,935,184.89 |
| Less: securities lending expense | 26,347,046.61 |
| Net income from securities lending activities | 18,588,138.28 |
| NET INVESTMENT INCOME | 3,586,255,277.41 |

CAPITAL SHARE TRANSACTIONS

| | |
|---|-------------------------|
| Net shares sold | 715,212,143.72 |
| Net shares redeemed | 1,290,932,774.07 |
| TOTAL INCREASE FROM CAPITAL SHARE TRANSACTIONS | (575,720,630.35) |

| | |
|---|-------------------------|
| NET INCREASE IN FIDUCIARY NET POSITION | 3,010,534,647.06 |
|---|-------------------------|

NET POSITION RESTRICTED FOR PARTICIPANTS

| | |
|-----------------------------------|----------------------|
| NET POSITION, BEGINNING OF PERIOD | 47,005,972,809.22 |
| NET POSITION, END OF PERIOD | \$ 50,016,507,456.28 |

See Accompanying Notes to the Financial Statements

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Tennessee Retiree Group Trust
Notes to Financial Statements
December 31, 2017

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 December 31, 2017 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

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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.

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. The following was the Board's adopted asset allocation policy as of June 30, 2017:

| <u>Authorized Asset Class</u> | <u>Target Allocation</u> |
|---------------------------------------|--------------------------|
| U.S. equity | 31% |
| Canadian equity | 2% |
| Developed market international equity | 13% |

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| | |
|--------------------------------------|------------|
| Emerging market international equity | 4% |
| Private equity | 7% |
| U.S. fixed income | 25% |
| Strategic lending | 7% |
| Real estate | 10% |
| Short-term securities | 1% |
| Total | <hr/> 100% |

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.

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 December 31, 2017, the TRGT had market value of securities on loan totaling \$3,598,407,193 and received \$3,668,283,247 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 of Tennessee Treasurer's Report. That report is available on the state's website at <http://www.tn.gov/treasury/>.

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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 mortgagors 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 December 31, 2017, 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. 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. As of December 31, 2017 the TRGT was under contract for fixed income and equity index futures and the resulting payable is reflected in the financial statements at fair value.

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

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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 year end.

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**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
AS OF DECEMBER 31, 2017**

ASSETS

| | |
|--|--------------------|
| Cash and Cash Equivalents | \$72,856,541.26 |
| Cash collateral for securities on loan | \$3,668,283,247.37 |

Receivables

| | |
|---------------------|--------------|
| Member receivable | 1,888,377.71 |
| Employer receivable | 69,334.79 |

| | |
|--------------------------|---------------------|
| Total receivables | 1,957,712.50 |
|--------------------------|---------------------|

Investments, at fair value

| | |
|-------------------------------|-------------------|
| Tennessee Retiree Group Trust | 49,275,483,448.42 |
| Capital Assets (net) | 23,391,648.06 |

| | |
|---------------------|--------------------------|
| TOTAL ASSETS | 53,041,972,597.61 |
|---------------------|--------------------------|

LIABILITIES

| | |
|--|------------------|
| Death benefits and refunds payable | 707,266.28 |
| Federal withholding payable | 18,244,753.03 |
| Retiree insurance premium payable | 9,139,686.68 |
| Other | 332,716.08 |
| Cash collateral for securities on loan | 3,668,283,247.37 |

| | |
|--------------------------|-------------------------|
| TOTAL LIABILITIES | 3,696,707,669.44 |
|--------------------------|-------------------------|

| | |
|---|----------------------------|
| NET POSITION RESTRICTED FOR PENSIONS | \$49,345,264,928.17 |
|---|----------------------------|

See Accompanying Notes to the Financial Statements

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**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2017**

ADDITIONS

| | |
|--|-------------------------|
| Contributions | |
| Member contributions | \$131,932,117.57 |
| Employer contributions | 458,869,543.28 |
| Other contributions | 1,241,575.56 |
| Total contributions | <u>592,043,236.41</u> |
| | |
| Investment income | |
| Total investment income | 3,043,479,031.25 |
| Less: Investment expense | (37,938,725.73) |
| Net income (loss) from investing activities | <u>3,005,540,305.52</u> |
| Securities lending activities | |
| Securities lending income | 35,907,228.28 |
| Less: securities lending expense | (21,983,113.73) |
| Net income from securities lending activities | <u>13,924,114.55</u> |
| Net investment income | <u>3,019,464,420.07</u> |
| TOTAL ADDITIONS | <u>3,611,507,656.48</u> |

DEDUCTIONS

| | |
|-------------------------|------------------|
| Annuity benefits | 1,255,975,535.71 |
| Death benefits | 2,021,012.21 |
| Refunds | 18,564,561.66 |
| Administrative expenses | 3,933,256.13 |

| | |
|-------------------------|-------------------------|
| TOTAL DEDUCTIONS | <u>1,280,494,365.71</u> |
|-------------------------|-------------------------|

| | |
|---------------------|------------------|
| NET INCREASE | 2,331,013,290.77 |
|---------------------|------------------|

NET POSITION RESTRICTED FOR PENSIONS

| | |
|--------------------------|----------------------------|
| BEGINNING OF YEAR | <u>\$47,014,251,637.40</u> |
|--------------------------|----------------------------|

| | |
|----------------------|----------------------------|
| END OF PERIOD | <u>\$49,345,264,928.17</u> |
|----------------------|----------------------------|

See Accompanying Notes to the Financial Statements

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Tennessee Consolidated Retirement System
Notes to Financial Statements
December 31, 2017

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 December 31, 2017, the TCRS owns 99.75 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 December 31, 2017 represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

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 \$23.4 million at year end and is being amortized using the straight line method over the ten year estimated life of the system. The amortization expense for the current year was \$8.3 million.

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 December 31, 2017, 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.

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.

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, 2017, the required ADC for LEAs was 9.04 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 year ended June 30, 2017, the required ADC for LEAs was 1.19 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, 2017, 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. At December 31, 2017, there was \$27,700,444 in the stabilization reserve on behalf of the Teachers Retirement Plan and \$32,909,960 in the various stabilization reserves on behalf of the Public Employee Retirement Plan.

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 December 31, 2017, the TCRS owns 99.75 percent of the investments in the TRGT.

UNAUDITED

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, 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. The following was the Board's adopted asset allocation policy as of December 31, 2017:

| Authorized Asset Class | Target Allocation |
|---------------------------------------|--------------------------|
| U.S. equity | 31% |
| Canadian equity | 2% |
| Developed market international equity | 13% |
| Emerging market international equity | 4% |
| Private equity | 7% |
| U.S. fixed income | 25% |
| Strategic lending | 7% |
| Real estate | 10% |

| | |
|-----------------------|------|
| Short-term securities | 1% |
| Total | 100% |

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 December 31, 2017, the TRGT had market value of securities on loan totaling \$3,598,407,193 and received \$3,668,283,247 in collateral.

The TCRS 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 of Tennessee Treasurer's 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 December 31, 2017, 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. As of December 31, 2017, the TRGT was under contract for fixed income and equity index futures and the resulting payable is reflected in the financial statements at fair value.

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 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 December 31, 2017.