

Minutes of the Administrative Committee

June 24, 2016

The Administrative Committee of the Board of Trustees of the Tennessee Consolidated Retirement System met on Friday, June 24, 2016 at 9:00 a.m. The meeting was held in Legislative Plaza Room 29 with Director Jill Bachus presiding.

The following members were present: Mr. Kevin Fielden, Ms. Shannon Jones, Ms. Angie Judish, Mr. Alfred Laney, Ms. Patsy Moore, and Ms. Deborah Tate.

Approval of the March 18, 2016 Minutes of the TCRS Administrative Committee

The minutes of the March 18, 2016 TCRS Administrative Committee meeting were unanimously approved.

Political Subdivision Update

Ms. Bachus introduced Ms. Karen Curtis, Employer Liason, to provide an update about employer participation in TCRS. Ms. Curtis presented information regarding the McMinn County Emergency Communications District, Old Knoxville Highway Water District, and Walden's Ridge Utility District seeking to join TCRS. Ms. Curtis indicated all three entities are petitioning for membership in the Local Government Legacy Plan for new hires effective July 1, 2016.

The Administrative Committee unanimously recommended to the Board that the McMinn County Emergency Communications District, Old Knoxville Highway Water District, and Walden's Ridge Utility District be approved for participation in TCRS.

Concord Update

Ms. Bachus introduced Mr. Fred Marshall, TCRS Assistant Director for Concord, to provide an update on the Concord project. Mr. Marshall provided an overview of the different areas that staff are currently focused on regarding Concord. Mr. Marshall first discussed the changes made to Concord to accommodate the processing of Qualified Domestic Relations Orders (QDRO) in Concord. Mr. Marshall mentioned the Concord team successfully tested the update of retiree benefits for the Cost of Living Adjustments (COLA) effective July 1, 2016. Next, Mr. Marshall discussed that the Concord system is making payments to retired members of the Alcoa external pension plan administered by TCRS and that work continues to modify Concord to be able to administer other external pension plans. Finally, Mr. Marshall discussed the changes being made to employer edits in Concord to help ensure employees are being reported in the correct plan.

Erroneously Reported Employees

Ms. Bachus introduced Mr. Jamie Wayman, Assistant Director of TCRS, to provide an overview of employers who have been incorrectly reporting people as its employees to TCRS when the person was actually an employee of another entity. Mr. Wayman indicated that Governmental Accounting

Standards Board (GASB) Statement Number 68 and AICPA White Papers have put more focus on the data reported to retirement plans. As a result of the closer scrutiny of the data, several entities have been identified as reporting incorrectly to TCRS. The entities identified should have been a participating employer in TCRS, but were instead being reported as a unit of another government. TCRS has worked with legal counsel and the Comptroller's office on how to correct this administrative error. All of the entities reviewed were a governmental entity eligible to participate in TCRS. TCRS offered a correction plan to affected employers. The plan is to have the employer who previously incorrectly reported the people to retain the employer assets and liabilities for all service rendered through September 30, 2016 and for the correct/new employer to begin participation in TCRS effective October 1, 2016. TCRS expects to present these entities for participation in TCRS to the Board of Trustees at the September 30, 2016 meeting. Ms. Deborah Tate inquired as to whether there would be other similar situations to arise and Mr. Wayman indicated that we are aware that there may be more of these entities to be corrected in the future.

Legislative Update

Ms. Bachus provided an update regarding legislation passed by the General Assembly during the 2016 session. Ms. Bachus noted that there were three pieces on legislation that affected TCRS: the Omnibus bill (technical corrections), an IRS compliance bill, and a bill related to QDRO's. Ms. Bachus indicated the major provisions of the Omnibus bill dealt with teachers voluntarily transferring to the Hybrid Pension Plan, members with optional membership in TCRS must make an irrevocable election on whether to participate in TCRS at date of hire, and members eligible to participate in the Optional Retirement Plan must make an election at date of hire.

Qualified Domestic Relations Orders (QDRO)

Ms. Bachus discussed that on July 1, 2016, TCRS would begin recognizing QDROs signed on or after July 1, 2016. This is an order relating to the division of marital property. TCRS has developed rules and forms to be used by the courts and attorneys to convey the order to TCRS. The QDRO rules become effective Monday, June 27, 2016 and TCRS is prepared to begin accepting and approving QDROs. Ms. Bachus responded to an inquiry from Ms. Tate that the approval process will take approximately 30 days and that the rules provide the payment of benefits to an alternate payee would occur the month following approval of the QDRO.

Operations Update

Next, Ms. Bachus introduced Mr. Jamie Wayman to provide an update on TCRS operations. He reported that TCRS currently has processed approximately 9,200 retirement applications in the current year as compared to 8,200 in the previous year. Mr. Wayman indicated TCRS currently has about 500 retirement applications to be processed as compared to 900 at the same time a year ago. Mr. Wayman also mentioned that processing time has decreased from 60 days last year to 18 days currently. Mr. Wayman explained this was due to having a fully trained staff, improvements in Concord, and the dedication of staff. Mr. Wayman also indicated TCRS will be sending correspondence to retirees regarding the COLA granted to retirees earlier than in prior years.

GASB 68 Info

Mr. Wayman next provided an update on the GASB 68 information TCRS provides to participating employers. He indicated that the TCRS website had been improved that provides employers GASB 68 information. Employers have been notified that their census data is available and to date approximately half of the employers have been sent their census data. Mr. Wayman indicated TCRS plans to have the suggested Notes to the Financial Statements, Required Supplementary Information and suggested accounting entries available on the website by the first of July.

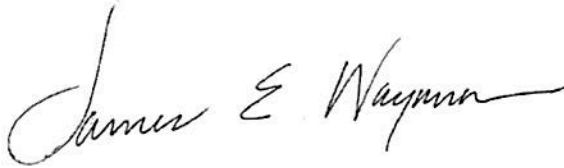
Employer Rates

Mr. Wayman indicated that employers have been notified of new employer contribution rates that will become effective July 1, 2016. TCRS has received employer rate acknowledgements from approximately 85% of the employers participating in TCRS.

Adjournment

With no other business, the Administrative Committee of the Board of Trustees adjourned at 9:50 a.m. on June 24, 2016.

Respectfully Submitted,



James E. Wayman
Assistant Director, TCRS

Approved:



Jill Bachus
Administrative Committee Chair

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