

Minutes of the Administrative Committee

March 18, 2016

The Administrative Committee of the Board of Trustees of the Tennessee Consolidated Retirement System met on Friday, March 18, 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. Angie Judish, Ms. Patsy Moore, Mr. Harold Morrison, and Ms. Deborah Tate.

Approval of the December 11, 2015 Minutes of the TCRS Administrative Committee

The minutes of the February 26, 2016 TCRS Administrative Committee meeting were unanimously approved.

Board Policy – Election of State Employee Representatives

Ms. Bachus discussed the policy related to how state employee representatives are elected to serve on the TCRS Board of Trustees. The state employee representative elections will be conducted in the spring with the new terms beginning July 1, 2016. Ms. Bachus mentioned that historically, TCRS has performed the election by mailing ballots and the Comptroller of the Treasury personnel counted the ballots. TCRS has contacted a vendor to conduct the election online. TCRS will provide the vendor with the name and email address for all state employees that are eligible to vote. The vendor will send an email with a link to the ballot along with a user name and password. The employee can only vote once and this is controlled by the user name and password. The new Board policy authorizes TCRS to perform the election in the most practicable manner which would include electronic voting.

The administrative committee made a motion that the policy be recommended to the TCRS Board of Trustees for adoption.

Third Party Administration of External Pension Plans

Ms. Bachus next discussed that Public Chapter 990 authorized TCRS to act as a third party administrator (TPA) for local governments that maintain a defined benefit plan outside of TCRS. Ms. Bachus mentioned that there would be a formal agreement between TCRS and the external pension plan (EPP) on what services TCRS will provide as TPA. In addition, the agreement is clear that the entity is responsible for funding the plan and that neither the state nor TCRS would be responsible for paying benefits if there were no funds available. The first entity that has requested TCRS to act as a TPA is the City of Alcoa. TCRS will begin making payments to the retirees of the closed City of Alcoa plan in April 2016. In addition, the City of Alcoa will transfer their assets from their current custodian to TCRS in April 2016. The assets for the closed City of Alcoa plan will be invested with the TCRS assets. The closed City of Alcoa plan will report salary and service for current employees covered by the plan through Concord.

The administrative committee made a motion that TCRS be authorized to administer the closed City of Alcoa plan effective April 1, 2016 to the TCRS to the TCRS Board of Trustees.

Political Subdivision Update

Ms. Bachus introduced Ms. Melissa Davis, Supervisor of Employer Services, to provide an update about employer participation in TCRS. Ms. Davis presented information regarding the City of Lenoir City seeking to join TCRS. Ms. Davis indicated the City of Lenoir City is petitioning for membership in the Local Government Legacy Plan for new hires effective April 1, 2016. Ms. Davis mentioned that the City of Lenoir City closed their previous defined benefit plan. The City of Lenoir City has expressed interest in TCRS being the TPA for their closed plan in the future.

The Administrative Committee unanimously recommended to the Board that the City of Lenoir City be approved for participation in TCRS for new hires.

Concord Update

Ms. Bachus introduced Mr. Fred Marshall, TCRS Assistant Director for Concord, to provide an update on the Concord project. Mr. Marshall discussed that TCRS is completing testing of the conversion of the rules from ILOG to InRule, the rules engine containing eligibility and calculation rules.

Mr. Marshall indicated that work continues on designing and testing Concord to manage the third-party administration of retirement plans for local governments, referred to as external pension plans (EPP) within TCRS.

Mr. Marshall informed the committee that development has started for processing Qualified Domestic Relations Orders (QDRO) in Concord. The QDRO functionality is set to go-live July 1, 2016. Mr. Marshall mentioned the Concord team is continuing to review the collection of actuarially determined contributions through payroll for the State and Teacher Hybrid plan and collecting the contributions for the stabilization reserve outside of the payroll process.

New Format for TCRS Financial Statements

Ms. Bachus introduced Ms. Kim Morrow, Director of Accounting for the Treasury Department. Ms. Morrow explained that the format of the TCRS financial statements would change. The TCRS portfolio was unitized effective July 1, 2015. This allowed those participating in the state's defined contribution plans to invest in the TCRS portfolio. The Retiree Group Trust (RGT) was created to allow for the unitization of the portfolio. With these changes, Ms. Morrow indicated there will be separate financial statements for the RGT and TCRS. The RGT statement would present the investments held by the RGT and to whom the assets were due (i.e., TCRS, 401(k) participants, external pension plans). The TCRS financial statements would present the program revenues (employee and employer contributions), program expenses (retirement benefits, refunds, etc.) and the investment in the RGT.

Operations Update

Next, Ms. Bachus introduced Mr. Jamie Wayman to provide an update on TCRS operations. He reported that TCRS currently has approximately 500 retirement applications to be processed. Mr. Wayman indicated that TCRS is seeing an increase in volume due to the typical increase experienced as teachers make the decision to retire at the end of the school year. Mr. Wayman also mentioned that the current average processing time for retirement applications is less than 30 days from the date of receipt.

Adjournment

With no other business, the Administrative Committee of the Board of Trustees adjourned at 9:50 a.m. on March 18, 2016.

Respectfully Submitted,



**James E. Wayman
Assistant Director, TCRS**

Approved:



**Jill Bachus
Administrative Committee Chair**