

**AUDIT COMMITTEE MEETING MINUTES  
OF TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS)  
November 30, 2017**

The Tennessee Consolidated Retirement System (TCRS) Audit Committee for the Board of Trustees met on Thursday, November 30, 2017. The meeting began at 1:00 p.m. in Tennessee Tower, Nashville Room.

The following members were present:

- Chairman Michael Barker
- Ed Taylor, TCRS Board Member
- Tre Hargett, Secretary of State

Others present were:

- David H. Lillard, Jr., TN State Treasurer
- Earle Pierce, Director of Internal Audit, TN Department of Treasury
- Jennifer Selliers, Investments Compliance Officer
- Jamie Wayman, Director of TCRS
- Kevin Gentry, Assistant Audit Director, TN Department of Treasury
- Mary Roberts-Krause, Attorney, TN Department of Treasury

**Call Meeting to Order**

Chairman Barker called the meeting to order and presented the minutes from the September 29, 2017 Audit Committee meeting for approval. Ed Taylor motioned to accept the minutes as presented and Secretary Hargett seconded the motion. The minutes were unanimously approved from the September 2017 Audit Committee meeting.

**Internal Audit Results**

Earle Pierce presented the final results for the 2016 Real Estate follow up audit and the 2016 Death Benefits follow up audit using a new reporting format from ACL/GRC which is Internal Audit's new project management solution. The presentation included highlights of the audit results and a summary how ACL analytics were used in the Death Benefits audit. Jamie Wayman, Director of TCRS, provided some additional insights to the audit results as well as some operational information related to the areas audited for death benefits.

**Current Projects for TCRS**

Mr. Pierce reviewed the schedule of internal audits completed for TCRS. This included a discussion of current TCRS audit projects as well as those in the planning phase.

## **GASB 68 State Audit Opinion Letters**

Mr. Pierce reviewed the opinion letters received from State Audit for the fiscal year 2016 census data audit and the audit of the fiduciary net position, as of June 30, 2016, and the changes in fiduciary net position for the year then ended, included in the accompanying Schedule of Changes for the Public Employees Retirement Plan for TCRS. The letters contained unmodified opinions for both audits.

## **Private Equity Disclosure**

Chairman Barker reviewed the Private Equity Disclosure and asked if there were any questions. There were no questions. Mr. Pierce explained the listing only included the names of the main TCRS investment employee contacted by those outside of TCRS contacting them about alternative investments; however, the names of all TCRS investment employees present during meetings are retained in the new eFront system.

## **Comptroller's Hotline**

Mr. Pierce informed the Committee of one hotline submission related to TCRS received by the Comptroller's office since the previous Audit Committee meeting in September 2017. Mr. Pierce summarized the details of the hotline submission which had to do with a TCRS member who had originally decided to retire effective June 30, 2017 and subsequently decided to not retire. The member's decision to not retire was submitted after the July retiree payroll had been paid. The member was concerned he might have to pay taxes twice on the retirement deposit he received in July even though the payment and the related payroll taxes had been refunded to TCRS. He had requested a 1099 tax form to prove he had paid the taxes and did not understand why he would not get a 1099 tax form. As a result, he submitted a Fraud, Waste and Abuse hotline (FWAH) form to the Comptroller's office. TCRS staff followed up with the member and explained in more detail why he would not get a tax form. The member appeared to be satisfied with the explanation and the matter is considered closed. Internal Audit communicated with the Comptroller's office handling FWAH submissions to inform them how the matter was handled and the status of the complaint as closed.

## **Current Internal Audit Article**

Mr. Pierce discussed the article which focused on helping internal auditors find the courage to stand out and bring forth issues. The article also discussed the Six Attributes of Courage.

**Other Business**

Treasurer Lillard discussed the focus of Treasury to address all outstanding Concord system issues documented in the Glide path project plan in the next 12 to 24 months.

**Adjournment**

Secretary Hargett motioned to adjourn and Ed Taylor seconded the motion. The motion to adjourn was unanimously approved. The meeting adjourned at approximately 1:36 p.m.

**Meeting minutes documented by**

Earle Pierce, CPA, CIA, CRMA  
Director of Internal Audit  
Tennessee Department of Treasury

**Approved by:**



Michael Barker  
Chairman of the Audit Committee

