

**AUDIT COMMITTEE MEETING MINUTES  
OF TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS)  
September 30, 2016**

The Tennessee Consolidated Retirement System (TCRS) Audit Committee for the Board of Trustees met on Friday, September 30, 2016. The meeting began at 8:00 a.m. in Room LP 30 of the Legislative Plaza.

The following members were present:

- Chairman Michael Barker
- Commissioner Rebecca Hunter, TN Department of Human Resources
- Mayor Ken Wilber, TN Municipal League
- Tre Hargett, Secretary of State

Others present were:

- David H. Lillard, Jr., State Treasurer
- Earle Pierce, Director of Internal Audit, TN Department of Treasury
- Gail Moses, Legislative Auditor, TN Comptroller of the Treasury, Division of State Audit
- Jill Bachus, Director of TCRS
- Andy McArthur, Internal Auditor, TN Department of Treasury

**Call Meeting to Order**

Chairman Barker called the meeting to order and presented the minutes from the June 24, 2016 Audit Committee meeting for approval. Commissioner Hunter motioned to accept the minutes as presented and Mayor Wilbur seconded the motion. The minutes were unanimously approved from the June 2016 Audit Committee meeting.

**Fiscal Year 2015 Auditor's Report**

Ms. Moses presented the 2015 TCRS audit conducted by the Office of the Comptroller of the Treasury. The auditor's Opinion Letter contained no findings and no exceptions.

## **Private Equity Disclosure**

Chairman Barker stated the Private Equity Disclosure was available in the meeting packet. The hardcopies printed in a small font is more easily read in the electronic version. The committee members received an electronic copy of the material prior to the meeting and will receive an additional copy of the private equity disclosure after the meeting to make reviewing the disclosures easier.

## **Discuss Comptroller's Hotline**

Mr. Pierce discussed the Comptroller's Hotline. This hotline exists for citizens and state employees to report suspected cases of fraud, waste, and/or abuse. Mr. Pierce stated he contacted the Comptroller's Office the previous day. Since June, no hotline submissions related to TCRS have been received.

## **Tone at the Top**

Mr. Pierce discussed one recent Institute of Internal Auditors (IIA) article included in the meeting packet. The article raised questions about value of having co-CEOs in the current business environment.

## **Other Business**

Chairman Barker asked Jill Bachus about local government entities reporting employees of third party entities to TCRS. Many of the third party entities were eligible and otherwise required to join TCRS independently of the local government under which they had been previously reported. TCRS management has worked with all parties involved to secure agreements from the local governments to cover liabilities related to the employees up to a specified point in time. Then, the actual employer will assume the pension liability going forward given the entity is eligible to join TCRS. The alternative to the employer joining TCRS would be to remove the employees from the TCRS system.

Ms. Bachus stated retirement applications are being processed within two weeks as staff has become more familiar with the new Concord system and the system itself has been improved

## **Adjournment**

Chairman Barker stated he would entertain a motion to adjourn if no other business was to be brought before the committee. Commissioner Hunter motioned to adjourn and Secretary Hargett seconded the motion. The meeting adjourned at 8:40 a.m.

## **Meeting minutes documented by**

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

## **Approved by:**

A handwritten signature in cursive script that reads "Michael Barker".

Michael Barker  
Chairman of the Audit Committee