

**AUDIT COMMITTEE MEETING MINUTES
OF TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS)
June 27, 2014**

The Audit Committee of the Board of Trustees of the Tennessee Consolidated Retirement System met on Friday, June 27, 2014, at 8:00 a.m. The meeting was held in the Legislative Plaza, Room LP 30 with Chairman Michael Barker presiding.

The following members were present: Chairman Michael Barker; Mr. Tre Hargett, Secretary of State; Mayor Ken Wilber, Tennessee Municipal League; Commissioner Rebecca Hunter, Tennessee Department of Human Services.

Others present were: Mr. Andy Furlong, Director of Internal Audit; Ms. Jill Bachus, Director of TCRS; David Cook, Comptroller of the Treasury, Division of State Audit; and Mr. Andy McArthur, Internal Auditor.

Call Meeting to Order

Chairman Barker called the meeting to order. Chairman Barker asked if any changes were needed to the minutes of the prior meeting. No changes were suggested. Secretary Hargett motioned to accept the minutes and Commissioner Hunter seconded the motion. The minutes of the last Audit Committee meeting were unanimously approved.

Review Audit Committee Charter

Chairman Barker briefly described the nature of the content of the Audit Committee Charter and stated that he and Mr. Furlong had reviewed the Charter previously. No changes to the Charter were recommended. Commissioner Hunter made a motion to accept the Charter as presented. Secretary Hargett seconded the motion. The Charter, as presented, was unanimously approved and accepted for a period of one year.

Discuss the Comptroller's Hotline

Mr. Furlong reminded the Committee of the existence of the Comptroller's Hotline for reporting fraud, waste and abuse. The hotline is also accompanied by an online tool for reporting fraud waste and abuse. The phone number and link are available on both the Comptroller's website and the Treasury's website. Two calls have been received on the hotline to date. The investigation has been concluded for one of the calls and the other tip is currently under investigation. Ms. Bachus stated that a third hotline call had been directed to her and the issue was properly addressed with no finding of fraud.

Discuss Scope of the Annual Audit Performed by the Comptroller of the Treasury

Mr. Furlong announced that the State Audit Division of the Comptroller's Office has begun preliminary work on the annual audit for the fiscal year ending June 30, 2014. Mr. Furlong introduced Mr. Cook and acknowledged Mr. Cook's recent promotion to Audit Manager responsible for the audit report that will be issued to the Treasurer at the conclusion of the annual audit. Mr. Furlong stated that the engagement letter is consistent with the engagement of recent years and audit report will contain an opinion on the Treasury's financial statements along with a report of any internal control deficiencies discovered during the fieldwork. Mr. Cook confirmed that the audit will include an opinion on the Treasury's adherence to the appropriate compliance requirements.

Concord Update

Ms. Bachus stated that the Concord project is progressing toward the Phase 6, "go live" date. The date has been changed to July 28, 2014 to allow Treasury and Deloitte staff appropriate time to implement and test the new features included in Phase 6. Data convergence is planned to begin on July 17, 2014. In the interim, Treasury and Deloitte staff will address problem incident reports (PIRs) generated during testing while prioritizing implementation of segments of the new system that are essential to launching by July 28, 2014. Items of lower priority will be addressed after the system launch.

Concord training for the staff will begin in early July and employers have been informed to be prepared to utilize the newly launched features of Concord on July 28, 2014.

Discuss the Private Equity Disclosure

Chairman Barker called the Committee's attention to the Private Equity Disclosure included in the meeting packet. The Private Equity Sector of the Investments Division of the Treasury is required to disclose all instances when contacted by those seeking private equity financing.

Other Business


Chairman Barker asked Ms. Bachus to explain the impact that will be realized by an individual hired on or after July 01, 2014. Ms. Bachus stated that the new employee will be directed to the TCRS website where information is available concerning the new hybrid plan and the available investment option. Great West will be notified about the new employee and a line of communication will be established between Great West and the new employee.

Secretary Hargett mentioned the automatic retirement contributions deducted from employee paychecks. Secretary Hargett stated that the ratio of an employee's total compensation and net pay per month has changed as a result of the mandatory contributions. Ms. Bachus stated that new employees can opt-out of the 2% 401K contribution.


Adjournment

Chairman Barker stated that if there were no additional items to be discussed, the meeting could be adjourned. Commissioner Hunter made a motion to adjourn the meeting. The motion was properly seconded by Mayor Wilber. The Committee unanimously voted to adjourn the meeting.

Respectfully Submitted,


Andy Furlong
Director of Internal Audit

Approved:


Michael Barker
Chairman of the Audit Committee