STATE OF TENNESSEE

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November 20, 2019

Nancy Nanney
President and Chief Executive Officer
P.O. Box 689
Jackson,TN 38301

Re: Jackson Energy Authority Retirement Plan

Dear Nancy Nanney:

A review as of the fiscal year ended June 30, 2018 has been performed of the Jackson Energy Authority's compliance with the Public Employee Defined Benefit Financial Security Act of 2014 (the "Act"), which is codified in Tennessee Code Annotated, Title 9 Chapter 3, Part 5. We evaluated the Jackson Energy Authority's pension funding policy for compliance with minimum requirements established in Tenn. Code Ann. §9-3-504(c). We also performed a review of the most recent funding policy, actuarial valuation and financial statements to determine whether the methodologies used to calculate the Jackson Energy Authority's Actuarially Determined Contribution (ADC) were in compliance with statutory requirements currently in effect, and whether compliance could be impacted when several additional methodologies become effective at a future date.

Based on our review, the adopted pension funding policy meets the minimum requirements established in Tenn. Code Ann. §9-3-504(c).

Additional methodologies are also contained in the Act for the calculation of a political subdivision's ADC. While the following methodologies and assumptions are not required by law to be included in the pension funding policy, applicable law provides that these methodologies shall be used by a political subdivision's actuary in calculating the ADC in accordance with accepted Actuarial Standards of Practice. Accordingly, it would be a best practice for the Jackson Energy Authority to incorporate sufficient detail in the policy in order to provide clear direction and expectations for the actuary to follow and for interested parties to understand.

- Actuarial cost method used to determine the ADC rate commencing with plan fiscal year beginning after June 15, 2019. In accordance with Tenn. Code Ann. §9-3-504(e)(1), the actuarial cost method allocating normal costs over a period beginning no earlier than the date of employment should not exceed the last assumed retirement age. The projected unit credit method is not a permitted methodology. Based on our review, the most recent cost method being used is the projected unit credit method, which is not allowed for plan fiscal years beginning after June 15, 2019.

Please use this reminder to make any necessary revisions and update your funding policy accordingly. Amended funding policies must be submitted to the Tennessee Comptroller of the Treasury within thirty (30) days after adoption. If you have any questions, please feel free to contact me at 615.741.0228 or Justin.Ruffin@tn.gov.

Sincerely,

Justin Ruffin
Senior Accounting Business Analyst
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Tennessee Department of Treasury

CC:

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