



JASON E. MUMPOWER
Comptroller

**PENSION STABILIZATION RESERVE TRUSTS
BOARD OF TRUSTEES
MARCH 23, 2026
AGENDA**

1. Call meeting to order, establish that there is a physical quorum, and receive public comment on actionable items in accordance with Tenn. Code Ann. § 8-44-112 and Board guidelines
2. Approval of minutes from the Pension Stabilization Reserve Trusts Board of Trustees meeting of March 24, 2025
3. Review of annual financial reports of the Pension Stabilization Reserve Trusts for fiscal year ended June 30, 2025
4. Adjourn

The Board meeting will be held in the Volunteer Conference Center, 2nd Floor, Cordell Hull Building, 425 Rep. John Lewis Way N., Nashville, TN. Board members are allowed to participate by electronic means. The public may attend in person or virtually by using the following link: <https://comptroller.tn.gov/office-functions/sgf/sgf-calendar/2026/3/23/pension-stabilization-reserve-trust-board-of-trustees-meeting.html>

**PENSION STABILIZATION RESERVE TRUST
BOARD OF TRUSTEES
March 24, 2025**

The Pension Stabilization Reserve Trust Board of Trustees (the “Board”) met on Monday, March 24, 2025, at 2:20 p.m. in the Volunteer Conference Center, 2nd Floor, of the Cordell Hull Building, Nashville, Tennessee. Commissioner Jim Bryson, Department of Finance and Administration, was present and presided over the meeting.

The following members were also present:

Sandi Thompson, proxy for the Honorable Jason E. Mumpower, Comptroller
Chris Mustain, proxy for the Honorable Tre Hargett, Secretary of State
Jamie Wayman, proxy for the Honorable David H. Lillard, Jr., State Treasurer
Commissioner Greg Gonzales, Department of Financial Institutions

Recognizing a physical quorum present, Commissioner Bryson called the meeting to order. Commissioner Bryson then presented the minutes from the meeting held on March 25, 2024, for consideration and approval. Ms. Thompson made a motion to approve the minutes. Commissioner Gonzales seconded the motion, and it was unanimously approved.

Commissioner Bryson then stated that the next agenda item was the review of the annual financial reports of the Pension Stabilization Reserve Trusts for fiscal year end 2024. He recognized Mr. Brian Derrick, Director of Accounting for the Department of the Treasury, to present the financial report.

Mr. Derrick provided some background and stated that the Pension Stabilization Reserve Trust was established as a mechanism to administer one of the cost control features of the defined benefit (DB) component of the hybrid pension plans that were effective July 1, 2014. He pointed out as a reminder that there is a statutory employer contribution rate of four percent (4%) of covered salary for the hybrid DB plans, and when the actuarially determined contribution (ADC) is less than the four percent (4%), the excess contribution is deposited to the pension stabilization reserve trust instead of the pension trust. Similarly, he stated, if the ADC exceeded four percent (4%), withdrawals from the fund would be used to fund any amounts above the 4%. Mr. Derrick stated that since inception of the hybrid pension plans, the ADC had remained less than the statutory contribution requirement for the DB plans, and therefore, the posture continued to be an accumulation of assets with no transfers out.

He further stated that for the first four fiscal years of the hybrid plans, the statutory contributions in excess of the actuarially determined contribution rate were remitted to the pension trust and credited to a separate reserve account within the pension trust. Since the inception of the separate Pension Stabilization Reserve Trust in 2018, the only additions to those funds still held within the pension trust were from investment earnings.

Mr. Derrick then highlighted the following information for the Pension Stabilization Reserve Trust for fiscal year ending 2024:

- At June 30, 2024, the amounts held in the pension trust for state employees, teachers, and political subdivisions, were \$71.8 million for state, \$82.4 million for teachers and \$3.9 million for political subdivisions, for a total of \$158 million.
- In the event that it would be necessary to apply cost controls for the pension hybrid DB plans, the funds held within the pension trust would be utilized first before accessing funds in the Pension Stabilization Reserve Trust.

Mr. Derrick stated that the board member packets included the audited financial statements for fiscal year ending June 30, 2024. The statements include an unmodified, or “clean”, opinion from the Comptroller of the Treasury, Division of State Audit.

- At June 30, 2024, the amounts held in the trust for state employees, higher education employees, teachers and participating political subdivisions were \$129 million, \$60 million, \$184.2 million, and \$25.5 million, respectively, for a total amount of \$398.6 million. These funds were invested in the Tennessee Retiree Group Trust along with the investments of the Tennessee Consolidated Retirement System plans.

He further stated that the total funds available to administer the cost controls mentioned earlier, including both the stabilization reserve trust funds from the pension trust and the funds in the reserve trust, was \$556 million at June 20, 2024.

Mr. Derrick stated that there were currently 340 employers participating in the Pension Stabilization Reserve Trust with the majority of those employers being Local Education Agencies.

In addition, for the first six months of the current year, and as of 12/31/2024, additional contributions and earnings of \$49 million had been received, bringing the total held in the Pension Stabilization Reserve Trust to \$447.6 million and the combined total in both the stabilization reserve trust funds from the pension trust and the funds in the reserve trust to \$605 million.

Mr. Derrick stated, as a final note, that a Pension Stabilization Reserve Trust was statutorily established for both the State and the Teacher Legacy plans; however, to date, there have been no contributions designated for these trusts.

Commissioner Bryson thanked Mr. Derrick, and called for a motion to approve the reports. Mr. Wayman made the motion and Commissioner Gonzales seconded the motion. Commissioner Bryson asked if there was any other business to be brought before the Board.

Hearing none, he called for a motion to adjourn the meeting. Mr. Wayman made the motion and Commissioner Gonzales seconded the motion. The meeting was adjourned.

Approved on this ___ day of _____, 2026.

Respectfully submitted,

Kayla Carr
Director, State Government Finance



JASON E. MUMPOWER
Comptroller

Independent Auditor's Report

Members of the General Assembly
Members of the Board of Trustees of the
Pension Stabilization Reserve Trust
The Honorable David H. Lillard, Jr., Treasurer

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying statement of fiduciary net position of the Pension Stabilization Reserve Trust, an investment trust fund of the State of Tennessee, as of June 30, 2025, the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Pension Stabilization Reserve Trust's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Pension Stabilization Reserve Trust as of June 30, 2025, and the changes in fiduciary net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pension Stabilization Reserve Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of trustees of the Pension Stabilization

Reserve Trust. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the Pension Stabilization Reserve Trust.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pension Stabilization Reserve Trust's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension Stabilization Reserve Trust's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pension Stabilization Reserve Trust’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note A.1, the financial statements present only the Pension Stabilization Reserve Trust, an investment trust fund, and do not purport to, and do not, present fairly the financial position of the State of Tennessee, as of June 30, 2025, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2025, on our consideration of the Pension Stabilization Reserve Trust’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pension Stabilization Reserve Trust’s internal control over financial reporting and compliance.



Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit
December 8, 2025

Pension Stabilization Reserve Trust
Statement of Fiduciary Net Position
As of June 30, 2025

	<u>State Stabilization Reserve Trust</u>	<u>Local Education Agencies Stabilization Reserve Trust</u>	<u>Political Subdivisions Stabilization Reserve Trust</u>	<u>Total Stabilization Reserve Trust</u>
ASSETS				
Cash collateral for securities on loan	\$ 16,360,239	\$ 15,625,876	\$ 2,363,367	\$ 34,349,482
Receivables				
Employer receivable	<u>849,574</u>	<u>3,106,415</u>	<u>543,702</u>	<u>4,499,691</u>
Total receivables	849,574	3,106,415	543,702	4,499,691
Investment in Tennessee Retiree Group Trust	<u>238,742,774</u>	<u>226,531,725</u>	<u>34,259,699</u>	<u>499,534,198</u>
TOTAL ASSETS	<u>255,952,587</u>	<u>245,264,016</u>	<u>37,166,768</u>	<u>538,383,371</u>
LIABILITIES				
Cash collateral for securities on loan	<u>16,360,239</u>	<u>15,625,876</u>	<u>2,363,367</u>	<u>34,349,482</u>
TOTAL LIABILITIES	<u>16,360,239</u>	<u>15,625,876</u>	<u>2,363,367</u>	<u>34,349,482</u>
NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS	<u>\$ 239,592,348</u>	<u>\$ 229,638,140</u>	<u>\$ 34,803,401</u>	<u>\$ 504,033,889</u>

See accompanying Notes to the Financial Statements

Pension Stabilization Reserve Trust

**Pension Stabilization Reserve Trust
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2025**

	State Stabilization Reserve Trust	Local Education Agencies Stabilization Reserve Trust	Political Subdivisions Stabilization Reserve Trust	Total Stabilization Reserve Trust
ADDITIONS				
Contributions				
Employer contributions	\$ 29,766,421	\$ 25,428,328	\$ 6,418,879	\$ 61,613,628
Total contributions	<u>29,766,421</u>	<u>25,428,328</u>	<u>6,418,879</u>	<u>61,613,628</u>
Investment income	21,051,127	20,195,417	2,945,951	44,192,495
Less: Investment expense	<u>(232,226)</u>	<u>(223,517)</u>	<u>(32,332)</u>	<u>(488,075)</u>
Net income from investing activities	<u>20,818,901</u>	<u>19,971,900</u>	<u>2,913,619</u>	<u>43,704,420</u>
Securities lending activities				
Securities lending income	715,990	683,852	103,431	1,503,273
Less: Securities lending expense	<u>(659,801)</u>	<u>(630,185)</u>	<u>(95,314)</u>	<u>(1,385,300)</u>
Net income from securities lending activities	<u>56,189</u>	<u>53,667</u>	<u>8,117</u>	<u>117,973</u>
Net investment income	<u>20,875,090</u>	<u>20,025,567</u>	<u>2,921,736</u>	<u>43,822,393</u>
TOTAL ADDITIONS	<u>50,641,511</u>	<u>45,453,895</u>	<u>9,340,615</u>	<u>105,436,021</u>
DEDUCTIONS				
TOTAL DEDUCTIONS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET INCREASE	50,641,511	45,453,895	9,340,615	105,436,021
NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS				
BEGINNING OF YEAR	<u>188,950,837</u>	<u>184,184,245</u>	<u>25,462,786</u>	<u>398,597,868</u>
END OF YEAR	<u>\$ 239,592,348</u>	<u>\$ 229,638,140</u>	<u>\$ 34,803,401</u>	<u>\$ 504,033,889</u>

See accompanying Notes to the Financial Statements

**Pension Stabilization Reserve Trust
Notes to the Financial Statements
For the Year Ended June 30, 2025**

The Pension Stabilization Reserve Trust (“PSRT”) was established in 2018 under *Tennessee Code Annotated Title 9, Chapter 4, Part 10*. This trust fund is an irrevocable trust for the benefit of the participants and beneficiaries of the Hybrid Retirement Plan for State Employees and Teachers (“Hybrid Plan”) compiled in *Tennessee Code Annotated Title 8, Chapter 36, Part 9*. These participants and beneficiaries include the political subdivisions that elect to participate in the Hybrid Plan in accordance with *Tennessee Code Annotated Title 8, Chapter 36, Section 919*. Further, *Tennessee Code Annotated Title 9, Chapter 4, Section 1004* provides that the assets are held in trust and can be expended only for the purposes of the trust. Although the assets of the PSRT are commingled for investment purposes, the assets of each individual employer account as defined in *Tennessee Code Annotated, Title 9, Chapter 4, Section 1003*, may legally be used only for the retirement plan of that employer and for its administration, in accordance with the terms of the trust.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

The PSRT is sponsored by the State of Tennessee. The external portion of the PSRT consists of funds belonging to entities outside the State of Tennessee Financial Reporting Entity and has been included as an investment trust fund in the *Tennessee Annual Comprehensive Financial Report*. The internal portion, consisting of funds belonging to the state and its component units, has been included in the various participating funds and component units in the *Tennessee Annual Comprehensive Financial Report*. That report is available on the state’s website at <https://www.tn.gov/finance/doa/fa-acffin-ar.html>.

2.Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements have been prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred regardless of the timing of related cash flows.

Employer contributions to the trust are recognized in the period of time for which they are due, in accordance with legal provisions. Withdrawals are recognized when due and payable in accordance with the terms of the trust.

3.Cash and Cash Equivalents

Cash and cash equivalents includes cash, cash management pools, and cash invested in a short-term, open-end mutual fund under the contractual arrangement for master custody services. Cash received by the PSRT, that cannot be invested immediately in securities or is needed for operations, is invested in the State Pooled Investment Fund sponsored by the State of Tennessee and administered by the State Treasurer. That report is available on the state’s website at <https://treasury.tn.gov>.

4.Method Used to Value Investments

Assets of the PSRT are invested in the Tennessee Retiree Group Trust (TRGT). A report of TRGT is available on the state’s website at <https://treasury.tn.gov>. As of June 30, 2025, the PSRT owns 0.66 percent of the net asset value in the TRGT. The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool’s underlying portfolio. Furthermore, the State had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on trade-date basis

B: TRUST DESCRIPTION

Trust administration: The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the PSRT.

The general administration and responsibility for proper operation of the PSRT are vested in a five-member Board of Trustees, consisting of the Comptroller of the Treasury, Commissioner of Financial Institutions, Commissioner of Finance and Administration, Secretary of State and State Treasurer, or their designee.

Trust participants: Pursuant to *Tennessee Code Annotated* Title 9, Chapter 4, Section 1003, the PSRT shall consist of the following individual separate stabilization reserve trust accounts for the purpose of accounting for the employer contributions made to the PSRT:

- (1) State employees participating in the Hybrid Plan
- (2) Teachers participating in the Hybrid Plan; and
- (3) Each political subdivision participating in the Hybrid Plan.

At June 30, 2025, there were 52 individual separate stabilization reserve accounts for political subdivisions.

Contributions: Each governmental entity participating in the Hybrid Plan is required by statute to contribute the greater of the actuarially determined contribution (ADC) or 4 percent. The ADC is the estimated amount necessary to finance the costs of benefits earned by plan members during the plan year, the unfunded accrued liability, and the cost of administration. Contributions in excess of the ADC are deposited into the stabilization reserve for each plan.

Reserves: Assets in the stabilization reserve are commingled for investment purposes and receive a pro rata share of investment earnings. The amount in the stabilization reserve is not considered in calculating the actuarially determined employer contribution rate for each Hybrid Plan. The statute provides that the assets in the stabilization reserve will be utilized should the actuarially determined contribution rate exceed 4 percent. In such case, the required employer contribution in excess of 4 percent will be transferred from the stabilization reserve to the account of the Teachers Retirement Plan or certain Public Employee Retirement Plan employers. By statute, the Board of Trustees may adopt a policy to suspend the deposits into the stabilization reserve in any given year when the stabilization reserve reaches a certain level that is determined by the Board. If deposits are suspended, then the employer contribution will be the actuarially determined contribution rate for that year rather than the higher 4 percent. The Board has not adopted a policy at this time.

From July 1, 2014, through June 30, 2018, the funds contributed for the purpose of stabilization reserves were held by the Tennessee Consolidated Retirement System (TCRS) in the pension trust fund. As of June 30, 2025, there was \$90,848,301 in the stabilization reserve on behalf of the Teachers Retirement Plan and \$83,512,508 in the various stabilization reserves on behalf of the Public Employee Retirement Plan held by TCRS. Effective July 1, 2018, all stabilization reserve contributions made on or after this date are held in the PSRT for the benefit of each employer that participates in the stabilization reserve trust. The amounts reflected in the Stabilization Reserve Trust can only be moved to the entity's pension trust at the direction of the entity (employer) with the approval of the Board of Trustees of the Pension Stabilization Reserve Trust.

C: DEPOSITS AND INVESTMENTS

Statutory Authority: The Tennessee Retiree Group Trust (TRGT) was established in 2015 by a statutory enactment of the Tennessee General Assembly. The provisions of the TRGT are codified in *Tennessee Code Annotated* (TCA) Title 8, Chapters 34-37. Pursuant to this statute the Tennessee Consolidated Retirement System (TCRS) and its board of directors with the State Treasurer (Treasurer) as custodian, authorized by TCA 8-37-104 adopted this group trust for the purpose of pooling funds of TRGT with other assets in the custody of the Treasurer, solely for investment purposes. The assets invested consist exclusively of assets of exempt pension and profit-sharing trusts and individual retirement accounts, custodial accounts, retirement income accounts, governmental plans and tax-exempt trusts under the Internal Revenue Code of 1986 and Rev. Rul. 81-100, as modified by Rev. Ruls. 2004-67, 2008-40 and 2011-1 (referred to herein as “Retirement Assets”). The Custodian shall be responsible for the managing and directing the investment of the Group Trust Funds in the same manner as it invests funds of the TCRS.

Further information regarding the investment policy and risk disclosures for the TRGT can be found in the TRGT report on the state’s website at <https://treasury.tn.gov>.

STABILIZATION RESERVE HELD IN THE PENSION TRUST
June 30, 2025

	State	Local Education Agency	Political Subdivisions	Total
Beginning Balance June 30, 2024	\$ 71,845,118	\$ 82,412,393	\$ 3,912,662	\$ 158,170,173
Investment Income (loss)	7,437,679	8,531,643	405,053	16,374,375
Investment expense	<u>(83,459)</u>	<u>(95,735)</u>	<u>(4,545)</u>	<u>(183,739)</u>
Net investment income (loss)	7,354,220	8,435,908	400,508	16,190,636
Ending Balance, June 30, 2025	<u>\$ 79,199,338</u>	<u>\$ 90,848,301</u>	<u>\$ 4,313,170</u>	<u>\$ 174,360,809</u>