



JASON E. MUMPOWER  
*Comptroller*

**PENSION STABILIZATION RESERVE TRUSTS  
BOARD OF TRUSTEES  
FEBRUARY 15, 2023  
AGENDA**

1. Call meeting to order
2. Approval of minutes from the Pension Stabilization Reserve Trusts Board of Trustees meeting of March 22, 2021
3. Review of annual financial reports of the Pension Stabilization Reserve Trusts for:
  - Fiscal year ended June 30, 2021
  - Fiscal year ended June 30, 2022
4. Other business
5. Adjourn

**PENSION STABILIZATION RESERVE TRUST  
BOARD OF TRUSTEES  
March 22, 2021**

The Pension Stabilization Reserve Trust Board of Trustees (the “Board”) met on Monday, March 22, 2021, at 2:00 p.m. in the Tennessee State Capitol, Ground Floor, Executive Conference Room, Nashville, Tennessee. The Honorable Jason Mumpower, Comptroller of the Treasury, was present and presided over the meeting.

The following members were also present:

The Honorable Tre Hargett, Secretary of State  
The Honorable David H. Lillard, Jr., State Treasurer  
Commissioner Butch Eley, Department of Finance and Administration  
Michelle Berry, Designee for Commissioner Greg Gonzales, Department of Financial Institutions

Recognizing a physical quorum present, Mr. Mumpower called the meeting to order and asked for approval of the minutes from the March 6, 2020, meeting. Mr. Hargett made a motion to approve the minutes. Commissioner Eley seconded the motion, and it was unanimously approved.

Mr. Mumpower recognized Mr. Rick DuBray, Deputy Treasurer for Support Services with the Treasury Department, to present the financial reports for the Pension Stabilization Reserve Trusts. Mr. DuBray first 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 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 4% of salary for the hybrid defined benefit plans. When the actuarially determined cost is less than the 4%, the excess contribution is deposited to the pension stabilization reserve trust instead of the pension trust. Since inception of the hybrid pension plans, the actuarially determined cost has remained less than the statutory contribution requirement for the DB plans, and therefore the posture continues to be accumulation of assets with no transfers out.

Mr. DuBray stated that for the first four fiscal years of the hybrid plans, the amount of 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. He pointed out that 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. As of fiscal year end June 30, 2020, those amounts held in the pension trust were \$50.7 million for state, \$58.2 million for teachers, and \$2.8 million for political subdivisions, for a total of \$111.7 million. In the event that it would be necessary to apply cost controls for the pension hybrid defined benefit plans, the funds held within the pension trust would be utilized first before accessing funds in the Pension Stabilization Reserve Trust.

Mr. DuBray reported that effective July 1, 2018, statutory contributions in excess of the actuarially determined contribution rate are deposited in the Pension Stabilization Reserve Trust. At fiscal year end June 30, 2020, the amounts held in the trust were \$32.4 million for state, \$14.3 million for higher education, \$47.4 million for teachers and \$5.2 million for participating political subdivisions, for a total amount of \$99.3 million. He stated that these amounts are invested in the Tennessee Retiree Group Trust along with the investments of the Tennessee Consolidated Retirement System plans.

Mr. DuBray then reported that for the first six months of the current fiscal year, as of December 31, 2021, additional contributions and earnings of \$39.0 million have been received in the trust, for a combined total in the Pension Stabilization Reserve Trust of \$138.3 million.

Mr. DuBray concluded by stating 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.

Mr. Mumpower asked if there were any questions or comments regarding the financial reports of the Pension Stabilization Reserve Trusts. Hearing none, Mr. Mumpower asked for a motion to accept the report. Mr. Hargett made a motion to approve the reports, Mr. Mumpower seconded, and it was unanimously approved.

Mr. Mumpower asked if there was any other business to be brought before the Board. Hearing none, he adjourned the meeting.

Approved on this \_\_\_\_ day of \_\_\_\_\_, 2021.

Respectfully submitted,

Sandra Thompson  
Director, State Government Finance

**STABILIZATION RESERVE HELD IN THE PENSION TRUST**  
**June 30, 2021**

	<u>State</u>	<u>Local Education Agency</u>	<u>Political Subdivisions</u>	<u>Total</u>
Beginning Balance June 30, 2020	\$50,694,533	\$58,150,892	\$2,760,808	111,606,233
Investment income	13,141,273	15,074,146	715,669	28,931,088
Investment expense	(63,661)	(73,024)	(3,467)	(140,152)
Net investment income	<u>13,077,612</u>	<u>15,001,122</u>	<u>712,202</u>	<u>28,790,936</u>
Ending Balance June 30, 2021	<u><u>\$63,772,145</u></u>	<u><u>\$73,152,014</u></u>	<u><u>\$3,473,010</u></u>	<u><u>\$140,397,169</u></u>
Employer Count	50	222	17	289

**STABILIZATION RESERVE TRUST**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2021**

	State	Higher Education	Local Education Agency	Political Subdivisions	Total
<b>ASSETS</b>					
Cash collateral for securities on loan	\$2,791,614	\$1,249,987	\$4,122,070	\$463,359	\$8,627,030
Receivables					
Employer receivable	0	773,781	3,098,038	238,167	4,109,986
Total receivables	0	773,781	3,098,038	238,167	4,109,986
Investment in Tennessee Retiree Group Trust	59,793,314	26,125,969	86,197,615	9,701,526	181,818,424
<b>TOTAL ASSETS</b>	<b>62,584,928</b>	<b>28,149,737</b>	<b>93,417,723</b>	<b>10,403,052</b>	<b>194,555,440</b>
<b>LIABILITIES</b>					
Cash collateral for securities on loan	2,791,614	1,249,987	4,122,070	463,359	8,627,030
<b>TOTAL LIABILITIES</b>	<b>2,791,614</b>	<b>1,249,987</b>	<b>4,122,070</b>	<b>463,359</b>	<b>8,627,030</b>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>	<b>\$59,793,314</b>	<b>\$26,899,750</b>	<b>\$89,295,653</b>	<b>\$9,939,693</b>	<b>\$185,928,410</b>

**UNAUDITED**

Employer Count	1	49	232	36	318
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**STABILIZATION RESERVE TRUST**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**For the year ended June 30, 2021**

	State	Higher Education	Local Education Agency	Political Subdivisions	Total
ADDITIONS					
Contributions					
Employer contributions	\$17,527,674	\$8,149,260	\$27,383,456	\$3,174,027	\$56,234,417
Total contributions	17,527,674	8,149,260	27,383,456	3,174,027	56,234,417
Investment income	9,943,329	4,466,916	14,568,152	1,617,178	30,595,575
Less: Investment expense	(46,764)	(21,006)	(68,362)	(7,563)	(143,695)
Net income from investing activities	9,896,565	4,445,910	14,499,790	1,609,615	30,451,880
Securities lending activities					
Securities lending income	11,428	5,117	16,875	1,897	35,317
Less: securities lending expense	(2,060)	(922)	(3,042)	(342)	(6,366)
Net income from securities lending activities	9,368	4,195	13,833	1,555	28,951
Net investment income	9,905,933	4,450,105	14,513,623	1,611,170	30,480,831
TOTAL ADDITIONS	27,433,607	12,599,365	41,897,079	4,785,197	86,715,248
TOTAL DEDUCTIONS	0	0	0	0	0
NET INCREASE	27,433,607	12,599,365	41,897,079	4,785,197	86,715,248
FIDUCIARY NET POSITION RESTRICTED FOR PENSIONS					
BEGINNING OF YEAR	32,359,707	14,300,385	47,398,574	5,154,496	99,213,162
END OF YEAR	\$59,793,314	\$26,899,750	\$89,295,653	\$9,939,693	\$185,928,410

**UNAUDITED**

Employer Count	1	49	232	36	318
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**STABILIZATION RESERVE HELD IN THE PENSION TRUST**  
**June 30, 2022**

	State	Local Education Agency	Political Subdivisions	Total
Beginning Balance June 30, 2021	\$63,772,145	\$73,152,014	\$3,473,010	140,397,169
Investment income (loss)	(2,372,704)	(2,721,691)	(129,217)	(5,223,612)
Investment expense	(66,975)	(76,826)	(3,647)	(147,448)
Net investment income (loss)	(2,439,679)	(2,798,517)	(132,864)	(5,371,060)
Ending Balance June 30, 2022	\$61,332,466	\$70,353,497	\$3,340,146	\$135,026,109
Employer Count	50	222	17	289

**STABILIZATION RESERVE TRUST**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2022**

	State	Higher Education	Local Education Agency	Political Subdivisions	Total
<b>ASSETS</b>					
Cash collateral for securities on loan	\$3,963,784	\$1,817,519	\$6,001,201	\$692,423	\$12,474,927
Receivables					
Employer receivable	0	815,822	3,722,238	314,587	4,852,647
Total receivables	0	815,822	3,722,238	314,587	4,852,647
Investment in Tennessee Retiree Group Trust	75,532,673	33,883,436	111,979,679	12,912,401	234,308,189
<b>TOTAL ASSETS</b>	<b>79,496,457</b>	<b>36,516,777</b>	<b>121,703,118</b>	<b>13,919,411</b>	<b>251,635,763</b>
<b>LIABILITIES</b>					
Cash collateral for securities on loan	3,963,784	1,817,519	6,001,201	692,423	12,474,927
<b>TOTAL LIABILITIES</b>	<b>3,963,784</b>	<b>1,817,519</b>	<b>6,001,201</b>	<b>692,423</b>	<b>12,474,927</b>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>	<b>\$75,532,673</b>	<b>\$34,699,258</b>	<b>\$115,701,917</b>	<b>\$13,226,988</b>	<b>\$239,160,836</b>

**UNAUDITED**

Employer Count	1	49	233	37	320
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**STABILIZATION RESERVE TRUST**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**For the year ended June 30, 2022**

	State	Higher Education	Local Education Agency	Political Subdivisions	Total
ADDITIONS					
Contributions					
Employer contributions	\$19,266,349	\$9,420,629	\$31,786,154	\$3,922,211	\$64,395,343
Total contributions	19,266,349	9,420,629	31,786,154	3,922,211	64,395,343
Investment income (loss)	(3,478,808)	(1,599,047)	(5,307,740)	(626,814)	(11,012,409)
Less: Investment expense	(69,360)	(31,785)	(104,216)	(11,801)	(217,162)
Net income (loss) from investing activities	(3,548,168)	(1,630,832)	(5,411,956)	(638,615)	(11,229,571)
Securities lending activities					
Securities lending income (loss)	28,369	13,008	42,952	4,955	89,284
Less: securities lending expense	(7,191)	(3,297)	(10,886)	(1,256)	(22,630)
Net income from securities lending activities	21,178	9,711	32,066	3,699	66,654
Net investment income (loss)	(3,526,990)	(1,621,121)	(5,379,890)	(634,916)	(11,162,917)
TOTAL ADDITIONS	15,739,359	7,799,508	26,406,264	3,287,295	53,232,426
TOTAL DEDUCTIONS	0	0	0	0	0
NET INCREASE	15,739,359	7,799,508	26,406,264	3,287,295	53,232,426
FIDUCIARY NET POSITION RESTRICTED FOR PENSIONS					
BEGINNING OF YEAR	59,793,314	26,899,750	89,295,653	9,939,693	185,928,410
END OF YEAR	\$75,532,673	\$34,699,258	\$115,701,917	\$13,226,988	\$239,160,836

**UNAUDITED**

Employer Count	1	49	233	37	320
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