



JASON E. MUMPOWER  
*Comptroller*

**PENSION STABILIZATION RESERVE TRUSTS  
BOARD OF TRUSTEES  
MARCH 25, 2024  
AGENDA**

1. Call meeting to order
2. Approval of minutes from the Pension Stabilization Reserve Trusts Board of Trustees meeting of February 15, 2023
3. Review of annual financial reports of the Pension Stabilization Reserve Trusts for fiscal year ended June 30, 2023
4. Other business
5. Adjourn

**PENSION STABILIZATION RESERVE TRUST  
BOARD OF TRUSTEES  
February 15, 2023**

The Pension Stabilization Reserve Trust Board of Trustees (the “Board”) met on Wednesday, February 15, 2023, at 11:08 a.m. in the Volunteer Conference Center, 2<sup>nd</sup> Floor, of the Cordell Hull Building, Nashville, Tennessee. The Honorable David H. Lillard, Jr., State Treasurer, was present and presided over the meeting.

The following members were also present:

Sandi Thompson, Designee for the Honorable Jason Mumpower, Comptroller of the Treasury  
Chris Mustain, Designee for the Honorable Tre Hargett, Secretary of State  
Rick Newton, Designee for Commissioner Jim Bryson, Department of Finance and Administration  
Michelle Berry, Designee for Commissioner Greg Gonzales, Department of Financial Institutions

Recognizing a physical quorum present, Mr. Lillard called the meeting to order and asked for approval of the minutes from the March 22, 2021, meeting. Mr. Newton made a motion to approve the minutes. Mr. Mustain seconded the motion, and it was unanimously approved.

Mr. Lillard then stated that the next agenda item is the review of the annual financial reports of the Pension Stabilization Reserve Trusts for fiscal year end 2021 and fiscal year end 2022. He recognized Ms. Connie Gibson, Deputy Director of Accounting for the Department of the Treasury, to present the financial reports.

Ms. Gibson 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 (DB) component of the hybrid pension plans that were effective July 1, 2014. She pointed out as a reminder that there is a statutory employer contribution rate of four percent of salary for the hybrid DB plans, and when the actuarially determined cost is less than the four percent, the excess contribution is deposited to the pension stabilization reserve trust instead of the pension trust. She further stated that since inception of the hybrid pension plans, the actuarially determined cost 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.

Ms. Gibson stated that the board member packets included the financial data for both fiscal years ending June 30, 2021, and June 30, 2022. She further stated that these statements were labeled “unaudited” because Treasury did not publish stand-alone statements for these funds. However, the individual components of these funds are part of the audit for the Tennessee Consolidated Retirement System and the Tennessee Retiree Group Trust. For purposes of this meeting, Ms. Gibson stated that the following information covered fiscal year end 2022.

- 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. At June 30, 2022, the amounts held in the pension trust for state employees, teachers, and political subdivisions, were \$61.3 million, \$70.4 million, and \$3.3 million, respectively, for a total of \$135 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.
- Effective July 1, 2018, statutory contributions in excess of the actuarially determined contribution rate were deposited in the Pension Stabilization Reserve Trust. At June 30, 2022, the amounts held in the trust for state employees, higher education employees, teachers and participating political subdivisions were \$75.5 million, \$34.7 million, \$115.7 million, and \$13.2 million, respectively, for a total amount of \$239.1 million. These funds were invested in the Tennessee Retiree Group Trust along with the investments of the Tennessee Consolidated Retirement System plans.

Ms. Gibson stated that there were currently 320 employers participating in the Pension Stabilization Reserve Trust with the majority of those employers being Local Education Agencies.

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 \$374 million.

Ms. Gibson 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.

Mr. Lillard thanked Ms. Gibson, and with no action necessary on the items presented, asked if there was any other business to be brought before the Board. Hearing none, he adjourned the meeting.

Approved on this \_\_\_ day of \_\_\_\_\_, 2024.

Respectfully submitted,

Sandra Thompson  
Director, State Government Finance

**STABILIZATION RESERVE HELD IN THE PENSION TRUST**  
**June 30, 2023**

	State	Local Education Agency	Political Subdivisions	Total
Beginning Balance June 30, 2022	\$61,332,466	\$70,353,497	\$3,340,146	135,026,109
Investment income (loss)	4,186,185	4,801,905	227,978	9,216,068
Investment expense	(63,497)	(72,836)	(3,458)	(139,791)
Net investment income (loss)	4,122,688	4,729,069	224,520	9,076,277
Ending Balance June 30, 2023	\$65,455,154	\$75,082,566	\$3,564,666	\$144,102,386
Employer Count	50	222	17	289

**STABILIZATION RESERVE TRUST**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2023**

	State	Higher Education	Local Education Agency	Political Subdivisions	Total
<b>ASSETS</b>					
Cash collateral for securities on loan	\$4,678,262	\$2,173,550	\$6,923,924	\$857,733	\$14,633,469
Receivables					
Employer receivable	0	721,439	2,361,171	381,306	3,463,916
Total receivables	0	721,439	2,361,171	381,306	3,463,916
Investment in Tennessee Retiree Group Trust	98,150,360	44,895,913	143,047,230	17,719,254	303,812,757
<b>TOTAL ASSETS</b>	<b>102,828,622</b>	<b>47,790,902</b>	<b>152,332,325</b>	<b>18,958,293</b>	<b>321,910,142</b>
<b>LIABILITIES</b>					
Cash collateral for securities on loan	4,678,262	2,173,550	6,923,924	857,733	14,633,469
<b>TOTAL LIABILITIES</b>	<b>4,678,262</b>	<b>2,173,550</b>	<b>6,923,924</b>	<b>857,733</b>	<b>14,633,469</b>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>	<b>\$98,150,360</b>	<b>\$45,617,352</b>	<b>\$145,408,401</b>	<b>\$18,100,560</b>	<b>\$307,276,673</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, 2023**

	State	Higher Education	Local Education Agency	Political Subdivisions	Total
<b>ADDITIONS</b>					
Contributions					
Employer contributions	\$16,828,831	\$8,238,901	\$21,019,875	\$3,821,635	\$49,909,242
Total contributions	16,828,831	8,238,901	21,019,875	3,821,635	49,909,242
Investment income (loss)	5,845,411	2,705,293	8,772,360	1,061,915	18,384,979
Less: Investment expense	(85,230)	(39,423)	(128,192)	(15,235)	(268,080)
Net income (loss) from investing activities	5,760,181	2,665,870	8,644,168	1,046,680	18,116,899
Securities lending activities					
Securities lending income (loss)	241,803	112,343	357,874	44,333	756,353
Less: securities lending expense	(213,128)	(99,020)	(315,433)	(39,076)	(666,657)
Net income from securities lending activities	28,675	13,323	42,441	5,257	89,696
Net investment income (loss)	5,788,856	2,679,193	8,686,609	1,051,937	18,206,595
<b>TOTAL ADDITIONS</b>	<b>22,617,687</b>	<b>10,918,094</b>	<b>29,706,484</b>	<b>4,873,572</b>	<b>68,115,837</b>
<b>TOTAL DEDUCTIONS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET INCREASE</b>	<b>22,617,687</b>	<b>10,918,094</b>	<b>29,706,484</b>	<b>4,873,572</b>	<b>68,115,837</b>
<b>FIDUCIARY NET POSITION RESTRICTED FOR PENSIONS</b>					
BEGINNING OF YEAR	75,532,673	34,699,258	115,701,917	13,226,988	239,160,836
END OF YEAR	\$98,150,360	\$45,617,352	\$145,408,401	\$18,100,560	\$307,276,673
<b>UNAUDITED</b>					
Employer Count	1	49	236	47	333