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***Message to Members of the
Tennessee Consolidated Retirement System
Members Reassured about State of TCRS***

The financial marketplace has been exhibiting a high degree of volatility for several months, mainly due to issues related to the mortgage and financial services industry. Several Tennessee Consolidated Retirement System (TCRS) members and retirees have expressed concern or raised questions about the outlook and impact on the TCRS.

First and foremost, retirees and members have no risk of losing benefits as a result of investment market fluctuations. Unlike a 401(k), an IRA, or similar arrangement, TCRS benefits are defined by law and are not subject to change when the system experiences investment gains or losses. So whether the financial markets go up or down, TCRS benefits remain unchanged.

TCRS pre-funds its obligations and was in the enviable position at its most recent valuation of being over 95% funded. This is due to the leadership of the General Assembly, Governor Bredesen, and the TCRS Board of Trustees. Since 1975 every Governor has budgeted and every General Assembly has appropriated sufficient money to fund the requirements set by the board.

TCRS has assets totaling over \$25 billion and therefore has sufficient funds to pay the benefits that have been earned by our retirees and members. Because TCRS pre-funds its pension obligations before members retire, the system is able to withstand volatility in the financial marketplace when it occurs. Remember, pensions are a long-term proposition.

The TCRS investment staff is closely monitoring the markets and actions by Congress. The portfolio is widely diversified with stock in 1,300 companies and 700 bond issues. This reduces the risk that any one company could have a significant impact on the fund's returns. While all pension systems have been negatively impacted by recent events in the economy, TCRS typically performs better than its peers during down markets. Last fiscal year TCRS beat its peers by 3.5% of actual return which placed TCRS in the top 20% of similar funds." Much of this is due to the conservative asset base of 50% bonds.

So, while the financial markets have experienced large swings over the last few months, it's helpful to remember that a retirement benefit provided by TCRS is not tied to those market results but, instead, is determined in accordance with Tennessee law.