

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
NOVEMBER 18, 2011

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**MINUTES OF THE
BOARD OF TRUSTEES MEETING
SEPTEMBER 30, 2011**

The Board of Trustees of the Tennessee Consolidated Retirement System met on Friday, September 30, 2011 at 10:12 a.m. The meeting was held in Room 30 of the Legislative Plaza with Chairman David Lillard presiding.

Chairman Lillard asked Ms. Bachus to conduct an attendance roll call. The following members were present: Chairman David Lillard, State Treasurer; Mr. Tre Hargett, Secretary of State; Commissioner Rebecca Hunter, Department of Human Resources; Ms. Jill Bachus, Director of TCRS; Ms. Libby Sykes, Administrative Director of the Courts; Mr. Erick Huth, Mr. Greg Elliott, Mr. Michael Barker, Mr. Al Laney, Mr. Ken Wilber, Mr. Tommie Pendergrass, Ms. Traci Jefferson, Ms. Patsy Moore, and Mr. Bill Kemp

Approval of the June 24, 2011 Minutes of the Board of Trustees

On a motion by Mr. Barker and seconded by Mr. Elliott, the minutes of the June 24, 2011 TCRS Board of Trustees meeting were unanimously approved.

Board of Trustees Committee Report

Chairman Lillard recognized Mr. Barker to provide the audit committee report. Mr. Barker mentioned the committee was updated about the Financial Integrity Act and its impact on TCRS controls. The committee was also briefed on significant accounting and reporting standards which have been proposed by GASB. Next, the committee reviewed the Treasury Standards of Professional Conduct regarding internal controls and fraud policy. The committee was also provided information concerning private equity disclosures. No action was taken.

Chairman Lillard recognized Ms. Bachus to provide the administrative committee report. Ms. Bachus reported the committee reviewed a participation request from the Town of White Bluff. In addition, the committee received a Concord update. The committee was briefed about local government presentation meetings that will occur during the month of October. The presentation will discuss the future cost trends of the employer contribution rate and possible changes to the retirement plan.

Chairman Lillard provided the investment committee update. Chairman Lillard mentioned the committee reviewed the Strategic Investment Solutions report. In addition, the committee voted to approve a private equity commitment to Denham Commodity Partners Fund IV.

Political Subdivisions Petitioning for Membership in TCRS

Ms. Bachus advised that the Administrative Committee had recommended approval of TCRS participation for the Town of White Bluff.

On a motion by Ms. Bachus and seconded by Mr. Kemp, the Board unanimously approved the Town of White Bluff request for participation in TCRS.

Investment Report

Chairman Lillard introduced Mr. Pete Keliuotis, from Strategic Investment Solutions, to review the investment report.

Mr. Keliuotis reviewed the performance summary for the fourth quarter and for the one year returns. The fund had positive performance relative to the policy index for the fourth quarter and for the one year with the fund outperforming its benchmark by 51 and 20 basis points respectively. Risky assets performed particularly well with equities registering the largest annual returns of the asset classes. Mr. Keliuotis mentioned the fixed income portfolio had performed in line with its benchmark. Further, he noted that the transition to the LPF index from the BIG index had been positive for the fund during July and August 2011. He concluded by noting that the Real Estate and Private Equity portfolios continue growing through additional transactions.

Mr. Brakebill recalled a question Mr. Jobe asked at the June board meeting concerning a position of one share of an equity security. Mr. Brakebill described the situation that led to the holding of a single share of stock and also mentioned that the holding had since been sold.

Mr. Brakebill stated the portfolio closed at \$33.6 billion as of June 30, 2011, which represented a 19.6% annual return, the largest annual return for the fund since 1984. He noted that this was largely driven by the greater than 30% annual return for public equities.

Mr. Brakebill discussed the strategic changes to the portfolio approved in December 2010. The fixed income team completed their portfolio transition to the CitiGroup Large Pension Fund Index. This change has increased the duration of the fixed income portfolio and contributed to extremely strong gains for portfolio during the first quarter of the 2012 fiscal year. Staff continued to increase the allocation to the Canadian equity fund which reached a value of \$1.6 billion at the end of the fiscal year.

Mr. Brakebill reported that Andy Palmer hosted a conference for the National Association of State Investment Professionals in Nashville in April. He noted that the meetings provided an outstanding opportunity for staff to be exposed to fellow investment professionals and discuss common challenges. The conference also served to showcase Nashville to a large and diverse national audience of investment professionals.

Mr. Brakebill discussed several due diligence meetings made over last quarter including trips for Private Equity meetings in London, Edinburgh, Boston and Houston. Mr. Brakebill added that while in London, he was able to visit the office of TT International, an international equities manager for TCRS. Staff also performed an on-site due diligence meeting with Walter Scott LLC., in Edinburgh. Walter Scott has managed international equity assets very successfully for TCRS for many years. Walter Scott and TT International managed a total of \$1.1 billion in international equities for TCRS.

Mr. Brakebill reported that a real estate transaction to buyout a joint venture partner of a Boston office building closed in August. He further noted that two more apartments in Southern California were expected to close by the end of the month.

Mr. Katseff introduced Mr. Ken McDowell and Mr. Matthew Haitas who are working with the real estate portfolio and Mr. Palmer introduced Mr. Albert Chang who will be working with him in the domestic fixed income portfolio.

Mr. Brakebill provided an overview of the macroeconomic environment. He highlighted three key themes that were driving the financial markets over the previous quarter. The themes included concerns of U.S. GDP growth, the European sovereign debt crises and the concerns of slowing growth and inflation in emerging markets, most notably China. The U.S. budget crises and S&P downgrade of U.S. Treasuries clearly created fear in the financial markets and in the U.S. real economy. He noted that the European sovereign debt problems continue to plague financial markets. Also, anecdotal signs of a decline in China have become more frequent.

Mr. Brakebill concluded by stating that equities appear attractive relative to bonds. The S&P 500 dividend yield is above 2% and European equities yield above 5% which are both above the 10 year treasury yield of 1.95%. The most significant risk is if earnings decline significantly, then equities will continue to underperform.

Investment Policy

Mr. Brakebill reviewed the proposed changes to the investment policy. A copy of the investment policy with the proposed changes was provided to members for review. Mr. Brakebill noted that the minor changes related to the Real Estate portion of the policy.

On a motion by Mr. Hargett and seconded by Mr. Huth, the Board unanimously approved the changes to the investment policy.

Other Business

Chairman Lillard reminded members about the training session being held immediately after the board meeting. In addition, the members were briefed about local government meetings being held during the month of October.

Adjournment

Chairman Lillard announced the completion of the business at hand and asked if there was any other business to come before the Board.

On a motion by Commissioner Hunter and seconded by Mr. Barker, the Board unanimously approved the TCRS Board of Trustees meeting be adjourned.

With no other business, the Board of Trustees adjourned at 11:05 a.m. on September 30, 2011.

Respectfully Submitted,



Jill Bachus
Board of Trustees, TCRS

COMMITTEE MINUTES

Minutes of the Administrative Committee

The Administrative Committee of the Board of Trustees of the Tennessee Consolidated Retirement System met on Friday, September 30, 2011 at 9:00 a.m. The meeting was held in Room 29 of the Legislative Plaza with Director Jill Bachus presiding.

The following members were present: Jill Bachus, Director of TCRS, Ms. Traci Jefferson, Mr. Bill Kemp, Mr. Alfred Laney, Ms. Patsy Moore, Mr. Tommie Pendergrass and Ms. Libby Sykes.

New Employer Participation

Ms. Jill Bachus introduced Ms. Melissa Davis, Supervisor of Field Services, to present information regarding an employer petitioning for membership in TCRS. Ms. Davis presented information regarding the Town of White Bluff. Ms. Davis indicated that the Comptroller of the Treasury's office had reviewed each of these entities' budgets and the budgets appear sufficient to fund the retirement costs. The administrative committee gave a unanimous recommendation to the Board that the entities be approved for participation in TCRS.

Concord Update

Ms. Bachus introduced Mr. Fred Marshall, Assistant Director of Concord, to provide an update on the Concord project. Mr. Marshall informed the committee that the Phase 4 – Imaging, requirements confirmation has been completed and the design documents are currently being reviewed. Phase 4 is expected to go live in January 2012. Mr. Marshall indicated that Phase 5 - Retired Payroll, has completed the gap/fit phase and is entering the design phase. Requirements for Phase 5 are being mapped to the process flow diagrams. Next, Mr. Marshall discussed with the committee that the requirement confirmations sessions are beginning in Phase 6 - Active Members and Employer Reporting. As the workload continues to increase with Phase 4 going live, Phase 5 moving into the design phase, and beginning Phase 6 requirements confirmation, dual sessions will begin with Concord staff attending meetings according to their knowledge of TCRS. Mr. Marshall informed the committee that the first Concord Newsletter has been issued to all staff. The purpose of the newsletter is to inform staff of progress on the project and answer any questions or concerns of staff. Finally, Mr. Marshall discussed that a logo had been created for Concord and presented the logo to the committee.

Status of TCRS

Ms. Bachus mentioned that the Treasurer was hosting Employer Informational Meetings regarding TCRS around the state. The first meeting is to be held on Monday, October 3, 2011 at the Ellington Agricultural Center. The purpose of these meetings is to present information about the health of TCRS similar to the presentation the Treasurer made to the General Assembly in the spring. These meetings are to determine if employers need other options to help control retirement cost. Ms. Bachus indicated the information gathered in these meetings would likely

result in legislation being introduced to change the retirement plan for local government employers.

Briefing on Status of TCRS

Ms. Bachus introduced Mr. Jamie Wayman, Assistant Director of TCRS, to discuss retirement workload. Mr. Wayman informed the committee that TCRS processed 7,200 retirement applications during fiscal year 2011. This was the largest number of retirement application that has ever been processed in a single fiscal year. Mr. Wayman discussed that applications received had decreased, but is expected to increase again as we approach December.

Adjournment

With no other business, the Administrative Committee of the Board of Trustees adjourned at 9:55 a.m. on September 30, 2011.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Jill Bachus".

Jill Bachus
Administrative Committee Chair

**AUDIT COMMITTEE MEETING MINUTES
OF TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS)
September 30, 2011**

The Audit Committee of the Board of the Tennessee Consolidated Retirement System met on Friday, September 30, 2011, at 8:00 a.m. The meeting was held in the Legislative Plaza, Room 30 with Chairman Michael Barker presiding.

The following members were present: Chairman Michael Barker, Mr. Ken Wilbur, Ms. Rebecca Hunter, Mr. Tre Hargett, and Mr. Erick Huth.

Others present were: Mr. David Lillard, Jr., Treasurer; Mr. Brian Derrick, Director of Internal Audit; Ms. Jill Bachus, Director of TCRS; Mr. Steve Curry, Assistant Treasurer; Ms. Stacey Jackson, Internal Auditor; and Ms. Julia Cole Internal Auditor.

Approval of the June 24, 2011 Minutes of the Audit Committee

Chairman Barker asked if any changes needed to be made to the minutes. No changes to the minutes were noted. Mayor Wilbur motioned to accept the minutes and Commissioner Hunter seconded the motion. The minutes of the June 24, 2011 Audit Committee meeting were unanimously approved.

Review Significant Accounting and Reporting Standards

Mr. Curry informed the audit committee on new proposed GASB Statements regulating the accounting of pension plans, Statement 25 and Statement 27. TCRS has decided to respond to the exposure drafts related to these statements and will share all comments made to the audit committee.

Gain an Understanding of the Scope and Internal Control Review Performed by Internal Audit and State Audit

Mr. Derrick discussed Internal Audit's scope for the Financial Integrity Act and what exactly is covered during the review such as reviewing internal controls and trying to identify any risk within each division.

Mr. Derrick informed the committee that the state auditors from the Comptroller's Office are now conducting their audit of Treasury and TCRS for fiscal year 2011. The Comptroller's Engagement Letter was also submitted to the committee.

Review the Treasury Department's Standards of Professional Conduct and Internal Control and Fraud Policy

Mr. Derrick presented Treasury's Standards of Professional Conduct that is located in the employee guidebook as well as the Investment division Standards of Professional Conduct.

Discuss the Control Culture and Tone as set by Top Management

Mr. Derrick presented the committee with the Tone at the Top article located in the meeting materials and emphasized the importance of tone at the top as well as stating it is the most important audit control.

Chairman Barker also emphasized the importance of the audit committee and the commitment that goes along with accepting the position.

Other Business

Treasurer Lillard informed the committee that Mr. Derrick has accepted the position of Assistant Director of Accounting and the Treasury Department is searching for a replacement.

Treasurer Lillard reiterated the importance of tone at the top within the Treasury Department.

Treasurer Lillard also expressed the concerns the Treasury Department shares for the changes the GASB standards 25 and 27.

Chairman Barker asked about the responses from other retirement systems. Ms. Bachus indicated that most states are in agreement about the dissatisfaction with the new GASB standards.

Treasurer Lillard informed the committee that TCRS will be making presentations to local governments that will also include Deferred Compensation and Insurance and Benefits. Several questions were fielded regarding this information.

Mr. Derrick introduced Julia Cole as a new Internal Auditor for the Treasury Department.

Ms. Bachus gave an update on the status of processing back-logged retirement applications. TCRS staff eliminated the backlog and is now up to date.

Private Equity Disclosure

Mr. Derrick presented the committee with a list of all private equities or individuals who have brought a private equity investment option to the Investment Division.

Adjournment

Chairman Barker indicated that if there were no additional items, the meeting could be adjourned. Mr. Huth motioned to adjourn the meeting and Commissioner Hunter seconded the motion. Chairman Barker thanked the members of the Audit Committee and adjourned the meeting.

Respectfully Submitted,



Brian A. Derrick,
Director of Internal Audit

**Minutes of the Meeting of the Investment Committee of the TCRS Board of Trustees
September 30, 2011**

The Investment Committee of the TCRS Board of Trustees ("Investment Committee") met at 9:00 a.m. on September 30, 2011 in Hearing Room 31 of Tennessee Legislative Plaza. Members of the Investment Committee participating were the Honorable David H. Lillard, Jr., State Treasurer; the Honorable Tre Hargett, Secretary of State; and Mr. Greg Elliott. Also in attendance were Mr. Bill Abney, Assistant Treasurer, Mr. Michael Brakebill, Chief Investment Officer, Mr. Peter Katseff, Director of Real Estate, Mr. Tim McClure, Director of Cash Management, Mr. Lamar Villere, Director of Private Equity and Mr. Andrew Palmer, Deputy Chief Investment Officer. Mr. Peter Keliuotis, Strategic Investment Solutions, Mr. Ken McDowell, Senior Real Estate Portfolio Manager, Mr. Albert Chang, Senior Fixed Income Analyst and Mr. Matthew Haitas, Real Estate Analyst were also present.

Treasurer Lillard chaired the meeting and called the meeting to order.

The minutes of the June 24 and September 2, 2011 Investment Committee meetings were presented for discussion and approval. Secretary Hargett moved for approval with Mr. Elliott as second. The motion passed unanimously by voice vote.

Mr. Villere began his discussion of Private Equity by recommending that the Investment Committee approve a \$50 million commitment to Denham Commodity Partners Fund VI LP. He discussed that the Fund specializes in domestic and international natural resources investments including oil & gas, power & renewables, and metals & mining. Mr. Villere noted that Denham Partners was founded by Stu Porter, who previously managed natural resources investments for Harvard University's endowment fund. Mr. Villere stated that Denham had a strong track record, has offices around the world and had the support of both TCRS staff and Cambridge Associates, TCRS' Private Equity consultant. Mr. Elliott asked how large the Private Equity portfolio would be after this investment. Mr. Villere responded that after this commitment it would be \$450 million, but only \$100 million had been called from that amount.

Mr. Elliott moved for approval of the investment with Secretary Hargett as a second. The investment passed unanimously by voice vote.

Mr. Villere also provided an update on the Private Equity Portfolio. He noted that after the commitment to Denham Partners, total commitments would be \$450 million with approximately \$100 million called and \$800,000 in distributions since the program began. Finally, he stated that there are several potential private equity commitments in the pipeline.

Mr. Katseff provided an update on the Real Estate portfolio. He reported that the acquisition of the apartment complex in Plantation, FL closed on September 29th with a reduction in the purchase price due to items discovered during due diligence. Mr.

Katseff noted that the acquisitions of the two Southern California apartments were in the due diligence phase and are both expected to close by the end of October. Mr. Katseff reported that the repositioning and releasing of an office building in Midtown Dallas was performing better than expected. The office building is currently 70% leased.

Mr. Katseff reported that the portfolio's apartments continue to perform well. He noted that retail throughout the United States continues to underperform. Mr. Katseff stated that office continues to perform well in the largest cities and underperform in the smaller cities. Finally, he noted that the performance of industrial in the United States seems to be particularly location specific. Mr. Katseff concluded by noting that the overall TCRS portfolio had performed largely as expected in the previous quarter. Further, he continued to expect appreciation in values when appraisals are completed on December 31, 2011 which will be reflected in the returns of the third quarter of the fiscal year of TCRS.

Mr. Kelioutis presented his review of TCRS' performance for the previous fiscal year. He noted that at the end of the fiscal year, equity allocations were at targeted levels (Mr. Brakebill clarified that the equity allocation was below the policy target when the uninvested portion of Private Equity was considered. Adjusting for this and the uninvested Real Estate creates the As-Allocated Policy Target). However, due to recent declines in the equity markets, TCRS was now underweight equities and overweight fixed income. He stated that his firm, Strategic Investment Solutions, would be conducting an asset and liability study of TCRS. This study will use the results of the TCRS Actuarial study to analyze the structure of TCRS' liabilities and assets.

Mr. Kelioutis reported that returns for the fiscal year were very strong with a nearly 20% annual return, which was very competitive with TCRS' index. Over the previous quarter, he noted that returns were low on an absolute basis but very strong on a relative basis. He stated that there was little to report on equity performance, except that performance in the international equity portfolio would likely suffer in the most recent quarter, due to a bias towards growth oriented investments by TT International, an active international manager. Fixed income performed well relative to its benchmark; however, that performance reversed in the most current quarter due to the portfolio being underweight in government bonds. Finally, he concluded by noting that the private equity portfolio performance must be judged over a long-term period.

Mr. Brakebill provided an update on the recent performance and current positioning of TCRS' portfolio. Mr. Brakebill distributed a chart that highlighted the performance of equities and long-dated U.S. Treasuries, the portfolio's relative weighting of equities and the additional investments in equities since the end of June. He noted that TCRS was underweight equities and had recently bought an international exchange traded fund (ETF). The ETF provides an efficient tool for tactical asset allocation in that it is liquid and a trade can be initiated and completed within a day, something that is not possible with the outside portfolio managers the system employs. As of September 27, the allocation to equities was 54.8%, which are the riskiest of the assets in the TCRS portfolio. However, Mr. Brakebill noted that most of TCRS' peers had a 60% to 70%

allocation to equities. He highlighted the transition of the fixed income benchmark from the BIG to the LPF. He credited this transition with providing an additional 5% return in the most recent quarter.

Mr. Brakebill led a discussion of the macro-economic indicators used by staff to assess the investment climate. He highlighted three key themes that were driving the financial markets over the previous quarter. The themes included concerns of U.S. GDP growth, the European sovereign debt crises and the concerns of slowing growth in emerging markets, most notably China. He stated that the U.S. budget crises and S&P downgrade of U.S. Treasuries clearly created fear in the financial markets and in the U.S. real economy. He noted that the European sovereign debt problems continue to plague the financial markets. While there appears to be a plan from the European leaders, implementing a plan to resolve the sovereign debt crises and the easing of interest rates by the European Central Bank were both critical to stabilization in the financial markets. Mr. Brakebill stated that anecdotal signs of an economic decline in China had become more frequent. However, he noted that a decline in growth rates in China could be positive for the U.S., as a decline in commodities will most likely be a boost to businesses and consumers.

Mr. Brakebill concluded by stating that equities appear attractive relative to bonds. The S&P 500 dividend yields above 2% and European equities yield above 5% and are both well above the 10 year treasury yield of 1.95%. However, if earnings decline significantly, equities will continue to underperform.

In response to a question by Treasurer Lillard, Mr. Brakebill described how the fund had ended June at a valuation of approximately \$33.5 billion and was down in the neighborhood of 6% during the quarter with equities down more than 15% and domestic bonds up more than 8%.

The meeting concluded with the introduction of two recent hires to the investments staff. Albert Chang has joined the fixed income staff as a Senior Fixed Income Analyst and Matthew Haitas has joined the real estate staff as a Real Estate Analyst.

APPROVED:-



David H. Lillard, Jr., Chairman
TCRS Board of Trustees

**TCRS BOARD OF TRUSTEE
APPOINTMENT**

STATE OF TENNESSEE

RONALD L. RAMSEY
LIEUTENANT GOVERNOR
ONE LEGISLATIVE PLAZA
NASHVILLE, TN 37243
(615) 741-4524



3311 HIGHWAY 126
BLOUNTVILLE, TN 37617
(423) 323-8700

OFFICE OF THE LIEUTENANT GOVERNOR
SPEAKER OF THE SENATE

September 27, 2011

Patsy Moore
277 Mollie Drive
Selmer, TN 38376

Re: Tennessee Consolidated Retirement System's Board of Trustees

Dear Ms. Moore:

As Speaker of the Senate acting pursuant to Tennessee Code Annotated, § 8-34-302(a)(9), I am appointing you to serve as a teacher member (Western Grand Division) of the Tennessee Consolidated Retirement System's Board of Trustees. Your term commences immediately and will expire June 30, 2014.

I am forwarding a copy of this letter to Jill Bachus, Executive Director of the Tennessee Consolidated Retirement System. She will contact you regarding the next meeting of the Board of Trustees.

I am confident that you will perform the duties of this office with the high standard of professionalism, dedication and integrity that the citizens of Tennessee deserve and expect of their public servants.

Best Wishes,

A handwritten signature in black ink, appearing to read "Ron Ramsey".

Lt. Governor Ron Ramsey

Cc: Jill Bachus / Executive Director, Tennessee Consolidated Retirement System
Speaker Harwell
Cody York, 8th Floor, Snodgrass Tower
Jeremy Harrell, G-7 State Capitol Bldg.
Lance Frizzell
Connie Ridley
Joseph Barnes

STATISTICAL REPORTS

ANALYSIS OF MEMBERS ACTIVELY CONTRIBUTING

	6/30/2008	6/30/2009	6/30/2010	12/31/2010	3/31/2011	6/30/2011	9/30/2011
Group I Members:							
(State & Higher Ed.)	62,987	58,940	58,601	58,160	57,720	57,592	56,536
Teachers	76,926	78,550	78,593	79,404	79,441	79,583	78,940
General Employees of Polisubs	80,079	80,376	81,601	80,805	81,427	81,751	80,239
General Assembly	124	122	126	124	127	127	128
County Officials	3	3	3	2	2	2	2
PSC							
County Judges	1	1	1	1	1	1	1
Attorneys General	634	635	639	634	634	635	640
Total Group I	220,936	218,809	219,564	219,130	219,352	219,691	216,486
Group II & Prior Class:							
Wildlife Officers	10	9	6	4	3	3	3
Highway Patrol	25	11	8	7	7	6	3
Firemen & Policemen- Political Subdivisions	45	36	34	25	23	21	18
Total Group II & Prior Class	80	56	48	36	33	30	24
Group III and Prior Class:							
State Judges	2	2	2	2	2	2	2
County Judges	-	-					
Attorneys General	5	6	5	5	5	5	5
County Officials	12	10	9	5	5	5	5
Total Group III & Prior Class	19	18	16	12	12	12	12
Group IV							
State Judges	182	182	182	183	181	181	182
Total Membership							
Contributing to TCRS	221,035	218,883	219,810	219,361	219,578	219,914	216,704
Teachers Contributing to ORP	11,501	11,388	11,506	11,580	11,568	11,562	11,575
Grand Totals	232,536	230,271	231,316	230,941	231,146	231,476	228,279

**RETIRED PAYROLL
STATISTICS
September 30, 2011**

	<u>AMOUNT</u>	<u># OF RETIREES</u>
STATE EMPLOYEES	42,656,887.07	39042
STATE PAID JUDGES	828,504.22	165
COUNTY PAID JUDGES	369,408.21	121
ATTORNEY GENERALS	770,065.13	284
COUNTY OFFICIALS	435,320.41	244
PUBLIC SERVICE COMMISSIONERS	8,325.18	5
POLITICAL SUBDIVISIONS	20,916,844.69	32486
TEACHERS	76,874,962.98	41007
LOCAL TEACHERS	3,754,531.94	2235
GOVERNORS AND WIDOWS	28,929.63	5
AGED STATE EMPLOYEES	129.26	1
AGED TEACHERS	<u>3,273.87</u>	<u>24</u>
TOTAL	\$146,647,182.59	115,619

RETIRED PAYROLL
July 1, 2011
THROUGH
September 30, 2011

	<u>AMOUNT</u>	<u># OF RETIREES</u>
STATE EMPLOYEES	127,373,978.40	39042
STATE PAID JUDGES	2,558,617.25	165
COUNTY PAID JUDGES	1,120,857.66	121
ATTORNEY GENERALS	2,316,035.54	284
COUNTY OFFICIALS	1,278,119.47	244
PUBLIC SERVICE COMMISSIONERS	24,975.54	5
POLITICAL SUBDIVISIONS	62,652,768.91	32486
TEACHERS	230,753,441.09	41007
LOCAL TEACHERS	11,307,572.12	2235
GOVERNORS AND WIDOWS	86,495.03	5
AGED STATE EMPLOYEES	388.78	1
AGED TEACHERS	<u>9,845.61</u>	<u>24</u>
TOTAL	\$439,483,095.40	115,619

NOTE: NINETY-FIVE PERCENT (95%) OF THE RETIREES ARE ON DIRECT DEPOSIT.

**REFUND EXPENDITURES
2011-12 FISCAL YEAR**

MONTH	MEMBER'S CONTRIBUTIONS	414(H) CONTRIBUTIONS	MEMBER'S INTEREST	EMPLOYER CONTRIBUTIONS	DEATH PAYMENTS	TOTAL
July	200,835.21	2,533,305.90	764,576.14	91,237.94	223,114.97	\$3,813,070.16
August	122,857.54	2,965,717.47	887,671.53	69,132.41	592,205.39	\$4,637,584.34
September	98,169.01	2,717,030.83	740,314.59	15,574.01	356,481.85	\$3,927,570.29
October						
November						
December						
January						
February						
March						
April						
May						
June						
TOTAL	421,861.76	8,216,054.20	2,392,562.26	175,944.36	1,171,802.21	\$12,378,224.79

NUMBER OF MEMBERS REFUNDED

<u>Month</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
July	829	507	1,149	450	894	499	496
August	544	481	675	308	612	406	466
September	515	546	566	316	494	431	447
October	424	454	609	411	369	379	
November	316	440	492	353	320	293	
December	320	318	234	257	256	276	
January	305	408	450	332	257	307	
February	389	333	308	310	242	265	
March	329	342	316	291	278	299	
April	823	365	308	311	687	277	
May	694	323	619	217	385	662	
June	428	313	843	340	360	406	
TOTAL	<u>5,916</u>	<u>4,830</u>	<u>6,569</u>	<u>3,896</u>	<u>5,154</u>	<u>4,500</u>	<u>1,409</u>

PRIOR SERVICE ACTIVITY
July 1, 2011 through August 30, 2011

State:	<u>Type of Service</u>	<u>No of Members</u>	<u>Years of Service</u>	<u>Amount</u>
	Backpayment	24	23	\$ 100,347
	Military	18	33	-
	Redeposit	8	43	105,723
	Totals	50	99	\$ 206,070

Teachers:	<u>Type of Service</u>	<u>No of Members</u>	<u>Years of Service</u>	<u>Amount</u>
	Backpayment	15	4	\$ 159,220
	Military	11	25	-
	Redeposit	26	141	478,295
	Totals	52	170	\$ 637,515

Higher Education:	<u>Type of Service</u>	<u>No of Members</u>	<u>Years of Service</u>	<u>Amount</u>
	Backpayment	33	37	\$ 18,801
	Military	9	15	-
	Redeposit	3	8	27,784
	Totals	45	60	\$ 46,585

Political Subdivisions:	<u>Type of Service</u>	<u>No of Members</u>	<u>Years of Service</u>	<u>Amount</u>
	Backpayment	111	174	\$ 173,662
	Military	19	42	-
	Redeposit	6	15	20,015
	Totals	136	231	\$ 193,677

Grand Totals:	<u>Type of Service</u>	<u>No of Members</u>	<u>Years of Service</u>	<u>Amount</u>
	Backpayment	183	238	\$ 452,030
	Military	57	115	-
	Redeposit	43	207	631,818
	Totals	283	560	\$ 1,083,848

DISABILITY RETIREMENT REPORT

Disability Statistical Report

First Quarter 10-11

Disability Applications Received	July	36
	August	38
	September	<u>32</u>
	TOTAL	106
Initial Claims Approved	July	23
	August	38
	September	<u>32</u>
	TOTAL	93
Initial Claims Disapproved	July	9
	August	5
	September	<u>9</u>
	TOTAL	23
Initial Claims Approved after Reconsideration		13
Initial Claims Disapproved after Reconsideration		7
Re-Evaluation Claims Approved		55
Re-Evaluation claims Disapproved		0
Cases Referred to Vocational Rehabilitation		0

**APPROVED FOR DISABILITY
FIRST QUARTER
2011-2012**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt.	Mo. Ben.	Disability Summary
ORD.	NO	NO	53	TEACHER	TEACHER	14	\$44,961	A	\$1,062	ESRD, DIALYSIS, IDDM, COPD, DDD, HTN, OBESITY
ORD.	NO	NO	57	STATE	STORE KEEPER	11	\$25,739	A	\$448	EPILEPSY, DEMENTIA, HA'S, SEIZURES
ORD.	YES	NO	49	POL SUB	EDUCATIONAL ASSISTANT	6	\$11,628	A	\$239	CERVICAL DDD, MYELOPATHY, POST LAMINECTOMY SYNDROME
SS-ORD.	YES	NO	40	STATE	COOK I	19	\$21,113	D	\$475	ACUTE PROGANULOCYTIC LEUKEMIA
ORD.	NO	NO	57	STATE	RECREATIONAL ASSISTANT	15	\$31,807	A	\$708	PTSD, SUICIDAL IDEATION, ETOH ABUSE, DM II
SS-ORD.	NO	NO	55	TEACHER	TEACHER	5	\$38,320	A	\$456	MAJOR DEPRESSION, LUPUS, SJOGREN'S SYNDROME, OA
SS-ORD.	NO	NO	50	POL SUB	HEAVY EQUIPMENT OPERATOR	11	\$23,779	A	\$562	DM, CHRONIC KIDNEY DISEASE
ORD.	NO	NO	57	STATE	SECRETARY	5	\$18,989	A	\$224	BI-POLAR D/O, PERSONALITY D/O, PTSD, ANXIETY, OA
SS-ORD.	NO	NO	56	TEACHER	TEACHER	17	\$43,608	A	\$1,030	MAJOR DEPRESSION W/PSYCHOTIC FEATURES
ORD.	NO	NO	57	TEACHER	TEACHER	13	\$53,989	A	\$1,074	METASTATIC BREAST CANCER
ORD.	NO	NO	51	STATE	RN	9	\$56,690	A	\$1,211	COPD, MORBID OBESITY
INACT.	NO	NO	46	STATE	CORRECTIONAL OFFICER	8	\$19,389	A	\$50	OBESITY, COPD, HTN, OA OF KNEES
ORD.	NO	NO	51	TEACHER	TEACHER	15	\$39,826	A	\$941	ESRD, DIALYSIS, ANEMIA
ORD.	YES	NO	39	STATE	CORPORAL	11	\$37,693	B	\$818	SCOLIOSIS S/P SURGERY
ORD.	NO	NO	55	TEACHER	TEACHER	16	\$43,123	E	\$933	S/P CVA, PSYCHOSIS, AND DEMENTIA

**APPROVED FOR DISABILITY
FIRST QUARTER
2011-2012**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt.	Mo. Ben.	Disability Summary
ORD.	NO	NO	52	POL SUB	LPN	15	\$37,589	A	\$888	COPD, DDD, OBESITY, NIDDM, HTN, DEPRESSION
SS-ORD.	NO	NO	56	POL SUB	FINANCE DIRECTOR	6	\$49,556	A	\$615	DM, ESRD, ESSENTIAL HTN
ORD.	NO	YES	54	STATE	OFFICER	11	\$28,284	A	\$593	UNSPECIFIED ARTHROPATHY OF R-ANKLE AND FOOT
ORD.	NO	YES	54	STATE	SERGEANT	14	\$31,830	A	\$743	OA OF BOTH KNEES, DJD L-SHOULDER, CARPAL TUNNEL
ORD.	NO	NO	51	POL SUB	MAINTENANCE	8	\$33,322	A	\$690	BILATERAL DDD OF KNEES, DM II, PERIPHERAL NEUROPATHY
ORD.	NO	NO	53	TEACHER	PRE-K TEACHER	11	\$37,569	A	\$828	BI-POLAR D/O
ORD.	NO	NO	58	POL SUB	LIBRARIAN	15	\$37,563	A	\$758	DEPRESSION, OCD, ADD, EHLERS-DANLOS SYNDROME
ORD.	NO	NO	50	POL SUB	LPN	6	\$30,614	A	\$579	METASTATIC BREAST CANCER
SS-ACC.	NO	NO	53	STATE	CUSTODIAN	25	\$19,245	A	\$561	S/P SURGERY FOR L-SHOULDER SLAP LESION AND PARTIAL ROTATOR CUFF TEAR
ORD.	YES	NO	51	TEACHER	COORDINATOR	20	\$52,600	A	\$1,258	MS, FATIGUE, DEPRESSION, CHRONIC PAIN
ORD.	YES	NO	47	STATE	TECHNICIAN	10	\$24,069	A	\$569	OA KNEE, DM, S/P COLECTOMY
ORD.	YES	YES	48	POL SUB	TRUCK DRIVER/ SANITATION	11	\$28,232	A	\$667	DJD KNEES, S/P BILATERAL HIP REPLACEMENT
ORD.	YES	NO	45	POL SUB	MOWING/ LANDSCAPING	23	\$26,091	A	\$732	BI-POLAR D/O, SCHIZOAFFECTIVE D/O
SS-ORD.	YES	NO	34	STATE	TECH III	15	\$36,255	A	\$857	QUADRIPLEGIA
SS-ORD.	NO	NO	58	POL SUB	BEHAVIORAL SPECIALIST	10	\$38,555	A	\$592	DM W/NEUROPATHY, LE WEAKNESS

**APPROVED FOR DISABILITY
FIRST QUARTER
2011-2012**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt.	Mo. Ben.	Disability Summary
ORD.	NO	NO	50	POL SUB	HIGHWAY MAINTENANCE WORKER	8	\$26,121	B	\$502	DM II W/NEUROPATHY, OSA, HTN, DEPRESSION
ORD.	NO	NO	55	STATE	CLERK	17	\$29,227	A	\$690	BI-POLAR D/O
ORD.	NO	NO	55	TEACHER	TEACHER	25	\$48,667	D	\$1,244	BREAST CANCER, COLON CANCER
ORD.	NO	NO	55	STATE	EXAMINER	28	\$33,017	D	\$952	DM, ESRD, RETINOPATHY, PROSTATE CANCER
INACT.	NO	NO	52	STATE	FOOD SERVICE WORKER	26	\$23,814	D	\$657	OCD, DEPRESSION, ANXIETY, ADD
ORD.	YES	YES	38	STATE	CORPORAL	12	\$25,565	A	\$604	S/P R-ANKLE SURGERY, CARPAL TUNNEL, MIGRAINES, DDD, AND OBESITY
ORD.	NO	YES	54	TEACHER	TEACHER	21	\$35,740	A	\$922	BACK/NECK PAIN, DEPRESSION, ANXIETY
ORD.	NO	NO	57	POL SUB	ASPHALT WORKER	26	\$36,784	A	\$1,155	DM, HTN, COPD, NON HODGKINS LYMPHOMA, CAD, S/P CABG
ORD.	NO	NO	56	POL SUB	CUSTODIAN	10	\$20,431	A	\$336	CHRONIC NECK/BACK PAIN, OBESITY
SS-ORD.	NO	YES	59	STATE	ADMINISTRATIVE ASSISTANT	6	\$24,595	A	\$291	MAJOR DEPRESSION
ORD.	NO	NO	57	STATE	OFFICER	22	\$35,852	D	\$783	CHRONIC BACK PAIN, SEIZURE D/O, POOR MEMORY, CEREBROVASCULAR DISEASE
ORD.	NO	NO	55	POL SUB	CONVENIENCE CENTER CLERK	22	\$25,704	B	\$585	STAGE V KIDNEY DISEASE, HTN
ORD.	NO	NO	52	STATE	CORRECTIONS OFFICER	27	\$39,343	A	\$1,274	DDD, SPONDYLOSIS, HISTOPLASMOIS, SOB
SS-ORD.	NO	NO	56	STATE	CLERK II	13	\$20,353	B	\$306	MULTIFORM GLIOBLASTOMA, SEVERE HA'S
ORD.	YES	NO	53	TEACHER	TEACHER	21	\$37,437	A	\$940	FIBROMYALGIA, OA, HTN, SCOLIOSIS

**APPROVED FOR DISABILITY
FIRST QUARTER
2011-2012**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt.	Mo. Ben.	Disability Summary
ORD.	YES	NO	44	TEACHER	TEACHER	18	\$38,494	A	\$909	MORBID OBESITY, SARCOIDOSIS, HNP, OSA, DEPRESSION
ORD.	NO	NO	58	TEACHER	TEACHER	18	\$43,059	A	\$1,017	S/P COLECTOMY, INCONTINENCE, DEPRESSION, ANXIETY
ORD.	NO	NO	57	POL SUB	CUSTODIAN	14	\$18,035	A	\$383	PAD, S/P L-FEM-POP BYPASS GRAFT, R-STENT, CLAUDICATION
ORD.	NO	NO	54	STATE	COUNSELOR	13	\$31,760	A	\$732	PROSTATE CANCER, HEART DISEASE, DM
ORD.	YES	YES	44	TEACHER	TEACHER	19	\$53,053	A	\$1,253	FIBROMYALGIA, OA, DDD, HTN, DEPRESSION, L-KNEE REPLACEMENT
ACC.	NO	NO	55	POL SUB	CUSTODIAN	19	\$20,490	A	\$896	SPINAL STENOSIS, SEVERE CHRONIC BACK PAIN, FACET SYNDROME
ORD.	NO	NO	53	POL SUB	PROJECT MANAGER	26	\$70,241	A	\$2,291	TRAUMATIC BRAIN INJURY
ORD.	YES	NO	49	STATE	CLERICAL WORKER	11	\$19,942	A	\$471	CIRRHOSIS, DM, AUTOIMMUNE DISEASE
ORD.	NO	NO	55	STATE	CUSTODIAN	7	\$18,768	A	\$266	METASTATIC COLON/RECTAL CANCER
ORD.	NO	YES	54	STATE	CHIEF COOK	20	\$23,706	A	\$567	MAJOR DEPRESSION, BILATERAL CARPAL TUNNEL, BACK/KNEE PAIN
ORD.	NO	YES	54	TEACHER	TEACHER	12	\$37,089	A	\$825	DM II W/PERIPHERAL NEUROPATHY, CHARCOT FOOT
SS-ORD.	NO	NO	50	STATE	WAITRESS	6	\$19,753	A	\$385	OA SPINE AND R-KNEE, S/P TOTAL KNEE REPLACEMENT AND LAMINECTOMY
SS-ORD.	NO	NO	53	POL SUB	TRUCK DRIVER	9	\$22,692	A	\$458	MS, S/P BACK SURGERY, BILATERAL NEUROPATHY
ORD.	NO	NO	56	STATE	SURGICAL TECHNICIAN	22	\$35,669	A	\$959	S/P LAMINECTOMY
SS-ORD.	NO	NO	54	STATE	FISCAL DIRECTOR II	6	\$67,111	D	\$861	ESRD W/DIALYSIS

**APPROVED FOR DISABILITY
FIRST QUARTER
2011-2012**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt.	Mo. Ben.	Disability Summary
ORD.	YES	NO	46	POL SUB	EDUCATIONAL ASSISTANT	7	\$11,227	A	\$265	DEPRESSION, ANXIETY, HA'S
ORD.	YES	NO	50	POL SUB	TEACHER'S ASSISTANT	9	\$13,495	A	\$306	ARTHRITIS R-KNEE AND R-ANKLE, S/P SURGERY W/COMPLICATIONS
ORD.	YES	NO	51	POL SUB	BUS DRIVER	14	\$17,473	A	\$413	PANIC D/O WITH AGORAPHOBIA, FIBROMYALGIA, CERVICAL RADICULOPATHY
ORD.	YES	NO	51	POL SUB	OFFICE MANAGER	12	\$38,707	A	\$914	SEVERE DEPRESSION, INSOMNIA, MULTIPLE MEDICATIONS, CHRONIC ANEMIA
ORD.	NO	NO	51	STATE	ACCOUNT SPECIALIST	16	\$30,287	A	\$716	DDD, CERVICAL SPONDYLOSIS
ORD.	YES	NO	40	POL SUB	LABORER	17	\$28,746	A	\$679	MORBID OBESITY, SLEEP APNEA, NARCOLEPSY, DM
ORD.	YES	YES	43	TEACHER	TEACHER/OFFICE ASSISTANT	7	\$10,234	A	\$241	PERONEAL NEUROPATHY, DJD L-KNEE, L-HIP BURSITIS, DEPRESSION, ANXIETY
ORD.	YES	NO	38	POL SUB	LIEUTENANT	8	\$27,578	A	\$652	ISCHEMIC CARDIOMYOPATHY, MORBID OBESITY, BACK PAIN
SS-ORD.	NO	NO	57	POL SUB	CUSTODIAN	11	\$20,947	A	\$342	R-HIP OA & DJD, ROTATOR CUFF TEAR
ORD.	NO	NO	58	POL SUB	TITLE ASSISTANT I	25	\$13,733	A	\$406	ALS W/WEAKNESS
SS-ORD.	NO	NO	56	POL SUB	ANIMAL CONTROL OFFICER	7	\$29,336	D	\$319	PTSD, BACK PAIN, DM
ORD.	NO	NO	53	POL SUB	SECRETARY	15	\$26,336	B	\$561	LEIOMYOSARCOMA, CHEMOTHERAPY
ORD.	NO	YES	54	STATE	ELIGIBILITY INTERVIEWER	29	\$30,923	A	\$1,016	OJA-FOOT INJURY, PTSD, DEPRESSION
ORD.	NO	NO	52	TEACHER	TEACHER	16	\$51,170	A	\$1,209	ESRD, DIALYSIS, MORBID OBESITY
ORD.	NO	NO	51	STATE	SURGICAL TECHNICIAN	22	\$34,483	C	\$865	COPD, EMPHYSEMA, TOBACCO ABUSE

**APPROVED FOR DISABILITY
FIRST QUARTER
2011-2012**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt.	Mo. Ben.	Disability Summary
ORD.	YES	NO	33	STATE	CORRECTIONS INSTRUCTOR	5	\$27,162	A	\$642	ESRD
SS-ORD.	NO	NO	56	STATE	CORPORAL	25	\$39,194	D	\$918	R-FT PAIN S/P OJA, OA, IDDM W/NEUROPATHY, FIBROMYALGIA, ANXIETY, DEPRESSION
ORD.	NO	NO	58	POL SUB	BUS DRIVER	7	\$13,354	D	\$128	LUMBAR STENOSIS, HNP, CHRONIC LOWER BACK/HIP PAIN
ORD.	NO	NO	58	POL SUB	TEACHER'S ASSISTANT	15	\$19,020	A	\$378	STAGE III ESRD, ANEMIA, CHF, HTN, FATIGUE
SS-ORD.	NO	NO	56	POL SUB	LEAD CUSTODIAL HELPER	22	\$24,647	A	\$657	LUMBAR RADICULOPATHY, LOW BACK PAIN
ORD.	NO	NO	54	TEACHER	TEACHER	26	\$53,537	A	\$1,676	BI-POLAR D/O, REFRACTORY HA'S
ORD.	NO	NO	55	POL SUB	DEPUTY CLERK	22	\$26,557	B	\$622	MYASTHENIA GRAVIS, DAILY HA'S, OA, S/P TOTAL HIP REPLACEMENT
SS-ORD.	NO	NO	55	TEACHER	TEACHER	27	\$60,739	A	\$1,998	SCHIZOAFFECTIVE D/O
ORD.	NO	NO	57	TEACHER	TEACHER	11	\$41,080	A	\$704	ESRD, DIALYSIS, DM, PERIPHERAL NEUROPATHY
ORD.	NO	YES	53	POL SUB	ELECTION ADMINISTRATOR	13	\$49,782	A	\$1,176	MAJOR DEPRESSION, PANIC ATTACKS, FIBROMYALGIA, ARTHRITIS, CHRONIC PAIN
ORD.	NO	NO	58	STATE	CONSERVATION WORKER I	14	\$19,919	A	\$396	COPD, SOB, S/P CVA, DM, CHRONIC LBP DUE TO DDD, SEIZURES, DEPRESSION
ORD.	NO	NO	54	STATE	CLERK	21	\$48,319	A	\$1,227	SMALL CELL LUNG CANCER
ORD.	NO	YES	55	STATE	MAINTENANCE WORKER III	8	\$26,093	A	\$406	OBESITY, CHRONIC NECK/BACK PAIN, DEPRESSION, BI-POLAR D/O
ORD.	YES	NO	40	TEACHER	TEACHER	10	\$47,255	A	\$1,116	LUPUS, ANEMIA, DM, DEPRESSION
ORD.	NO	NO	55	TEACHER	TEACHER	5	\$33,829	B	\$387	PELVIC PAIN AND INCONTINENCE

**APPROVED FOR DISABILITY
FIRST QUARTER
2011-2012**

Type	Re-E	Re-C	Age	Employer	Position	Svc	AFC	Opt.	Mo. Ben.	Disability Summary
ORD.	YES	NO	43	STATE	ADMINISTRATIVE ASSISTANT	15	\$35,351	A	\$835	MS
INACT.	NO	NO	44	POL SUB	CUSTODIAN	5	\$17,936	A	\$10	CAD, S/P CABG
ORD.	NO	NO	57	TEACHER	TEACHER	20	\$45,319	A	\$1,115	VENOUS STASIS, L-LEG AMPUTATION

**DISAPPROVED FOR DISABILITY
FIRST QUARTER
2011-2012**

Type	Re-C	Age	Employer	Position	SVC	Disability Summary	Reason Denied
ORD.	YES	52	STATE	SECRETARY	25	S/P CERVICAL FUSION, HA'S, FIBROMYALGIA, DEPRESSION	CAP SED WRA
INACT.	NO	48	TEACHER	TEACHER	16	TRIGEMINAL NEURALGIA, S/P CVA	CAP SED TO LGT WRA
ORD.	NO	54	STATE	RESEARCH TECH	24	THORACIC OUTLET SYNDROME	MBR'S PHYSICIAN STATES CAP OF WRA
ORD.	NO	40	TEACHER	LIBRARIAN	8	FIBROMYALGIA, DJD-KNEE, CHRONIC HA'S	CAP OF SED WRA
ORD.	NO	42	STATE	OFFICER	14	DM, MORBID OBESITY, FIBROMYALGIA, ARTHRALGIAS, DEPRESSION	CAP OF SED WRA
ORD.	NO	57	TEACHER	TEACHER	10	SPASMODIC DYSPHONIA & TORTICOLLIS	CAP OF WRA WHICH REQUIRES LITTLE SPEAKING
ORD.	NO	55	POL SUB	CHIEF EXECUTIVE OFFICER	10	CAD, S/P CABG, MILD CHF, ETOH	NEEDS LESS STRESSFUL JOB
ORD.	NO	54	STATE	SERGEANT	14	OA OF BOTH KNEES, DJD L-SHOULDER, CARPAL TUNNEL	CAP SED WRA
ORD.	NO	55	STATE	VEHICLE OPERATOR	27	MV REPLACEMENT	CAP LGT WRA
ORD.	NO	46	STATE	HIGHWAY MAINTENANCE WORKER	9	MS, FATIGUE, ASTHMA, FOOD INTOLERANCE, RHINITIS	CONDITION STABLE, INSUFFICIENT MEDICAL DOCS
INACT.	NO	48	STATE	RN	7	LOW BACK PAIN, PTSD, PANIC ATTACKS	INSUFFICIENT MEDICAL DOCS
ORD.	NO	40	STATE	CASE MANAGER IV	15	SINUSITIS, CHRONIC FATIGUE SYNDROME, FIBROMYALGIA, OSA, ASTHMA, MIGRAINE HA'S	CAP OF SED TO LGT WRA

**DISAPPROVED . OR DISABILITY
FIRST QUARTER
2011-2012**

Type	Re-C	Age	Employer	Position	SVC	Disability Summary	Reason Denied
ACC.	NO	36	STATE	OFFICER	13	L-KNEE ANTHROPATHY, DM II, OSA	CAP SED WRA
ORD.	YES	53	STATE	FIRE FIGHTER	27	HEPATITIS C, MUSCLE AND JOINT PAIN, DEPRESSION	CAP SED TO LGT WRA
INACT.	YES	54	STATE	OFFICER	10	DEPRESSION, DDD, DM, COPD	CAP SED WRA/ INCOMPLETE MED DOCS
ORD.	NO	48	STATE	HIGHWAY MAINTENANCE WORKER	7	S/P ANEURYSM REPAIR, S/P REPAIR TORN MENISCUS, TRIGEMINAL NEURALGIA	RELEASED TO LGT WRA BY MBR'S PHYSICIAN
ORD.	NO	50	STATE	FOOD WORKER	12	COPD, HTN, TOBACCO ADDICTION	CAP OF LGT WRA
ORD.	NO	50	TEACHER	TEACHER	24	CHRONIC FATIGUE SYNDROME, EPSTEIN BAR VIRUS	CAP SED TO LGT WRA, INSUFFICIENT MED DOCS
ORD.	NO	48	POL SUB	GROUND MAINTENANCE	5	OSA, COPD, OBESITY	CAP SED WRA
ORD.	NO	30	STATE	COMPUTER TECH	6	ANXIETY AND PANIC DISORDER	MBR'S PHYSICIAN STATES CAP OF WRA
ACC.	YES	62	TEACHER	TEACHER	21	CHRONIC BACK PAIN, PTSD	CAP OF WRA
ORD.	NO	44	STATE	FAMILY SERVICE WORKER	7	ARTHRITIS, ULCERATIVE COLITIS, POSSIBLE LUPUS	INCOMPLETE MEDICAL DOCS
ORD.	YES	37	STATE	OFFICER	7	MAJOR DEPRESSION W/PSYCHOTIC FEATURES	CAP OF SED TO MED WRK

FINANCIAL STATEMENTS

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
STATEMENT OF PLAN NET ASSETS
AS OF SEPTEMBER 30, 2011**

ASSETS

Cash and cash equivalents	\$461,001,978.18
Receivables	
Member receivable	490,106.15
Employer receivable	645,523.31
Accrued interest receivable	94,362,079.96
Accrued dividends receivable	52,858,304.64
Real estate income receivable	61,139.73
Investments sold	517,340,191.61
Total receivables	665,757,345.40
Investments, at fair value	
Government securities	8,229,405,581.45
Corporate securities	5,279,795,084.98
Corporate stocks	16,319,298,684.31
Private Equities	112,480,634.00
Real estate	1,166,824,417.55
Total investments	31,107,804,402.29
Capital Assets, at cost	
Intangible Asset	1,896,671.07
TOTAL ASSETS	32,236,460,396.94
LIABILITIES	
Retired payroll payable	5,735,416.59
Retiree insurance premium payable	6,916,553.27
Accounts payable	12,385,975.43
Investments purchased	850,929,485.35
TOTAL LIABILITIES	875,967,430.64
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 31,360,492,966.30

See Accompanying Notes to the Financial Statements

UNAUDITED

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
STATEMENT OF CHANGES IN PLAN NET ASSETS
JULY 1, 2011 THROUGH SEPTEMBER 30, 2011**

ADDITIONS

Contributions	
Member contributions	\$31,144,938.15
Employer contributions	155,384,694.77
Total contributions	<u>186,529,632.92</u>

Investment income

Net Depreciation in fair value of investments	(2,275,183,340.32)
Interest	315,540,824.03
Dividends	(91,116,609.86)
Real Estate income, net of operating expenses	14,289,073.10
Total investment income (loss)	<u>(2,036,470,053.05)</u>
Less: Investment expense	(1,723,154.40)
Net investment income	<u>(2,038,193,207.45)</u>
TOTAL ADDITIONS	<u>(1,851,663,574.53)</u>

DEDUCTIONS

Annuity benefits	
Retirement benefits	361,921,638.48
Cost of living	76,788,920.88
Death benefits	1,043,935.99
Refunds	9,760,781.03
Administrative expenses	1,621,095.51
TOTAL DEDUCTIONS	<u>451,136,371.89</u>

NET DECREASE	(2,302,799,946.42)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
JULY 1, 2011	33,663,292,912.72
SEPTEMBER 30, 2011	<u>\$31,360,492,966.30</u>

See Accompanying Notes to the Financial Statements

UNAUDITED

Tennessee Consolidated Retirement System
Notes to the Financial Statements
September 30, 2011

The Tennessee Consolidated Retirement System (TCRS) administers two defined benefit pension plans - State Employees, Teachers and Higher Education Employees Pension Plan (SETHEEPP) and Political Subdivisions Pension Plan (PSPP). Although the assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to members of that plan, in accordance with the terms of the plan.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. **Reporting Entity** - The TCRS is included in the State of Tennessee Financial Reporting Entity. Because of the state's fiduciary responsibility, the TCRS has been included as pension trust funds in the *Tennessee Comprehensive Annual Financial Report*.
2. **Measurement Focus and Basis of Accounting** - The accompanying financial statements have been prepared in conformity with generally accepted accounting principles 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 this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Plan member contributions are recognized in the period of time for which the contributions are assessed. Plan employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

3. **Cash and Cash Equivalents** - Cash and cash equivalents by definition, includes cash and short-term investments with a maturity date within three months of the acquisition date. The state's accounting policy regarding the definition of cash and cash equivalents includes cash management pools as cash. Cash received by the TCRS that cannot be invested immediately in securities, or that is needed for operations, is invested in the State Pooled Investment Fund sponsored by the State of Tennessee and administered by the State Treasurer. The classification of cash and cash equivalents also includes cash invested in a short-term, open-end mutual fund under the contractual arrangement for master custody services.
4. **Method Used to Value Assets and Investments** - Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is determined at least every three years by qualified independent appraisers who are members of the Appraisal Institute and internally by real estate advisors for those years when independent appraisals are not performed. The fair value of investments in private equities is determined quarterly by the independent private equity managers with a more intensive review being performed at the end of each calendar year end. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on trade-date basis. Real estate transactions are recorded in the financial statements at the time of closing. Software in development has been reported at historical cost as a capitalized asset in accordance with GASB 51.

Tennessee Consolidated Retirement System
Notes to the Financial Statements
September 30, 2011

B. PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION

At July 1, 2009, the date of the latest actuarial valuation, the membership of each plan consisted of the following:

	SETHEEPP	PSPP
Retirees and beneficiaries currently receiving benefits	76,955	30,920
Terminated members entitled to but not receiving benefits	21,577	8,823
Current active members	<u>136,147</u>	<u>78,803</u>
Total	234,679	118,546
Number of participating employers	140	482

State Employees, Teachers and Higher Education Employees Pension Plan

Plan Description - SETHEEPP is a cost-sharing, multiple employer defined benefit pension plan that covers the employees of the state, teachers with Local Education Agencies (LEA's) and higher education employees. The TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Compounded cost of living adjustments (COLA) are provided each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year except that (a) no COLA is granted if the CPI is less than one-half percent; (b) a COLA of 1 percent will be granted if the CPI increases between one-half percent and one percent; (c) the maximum annual COLA is capped at three percent. Benefit provisions are established by state statute found in Title Eight, Chapters 34 through 37 of the *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Ad hoc increases may only be authorized by the General Assembly. Public safety officers receive an additional supplemental benefit that is paid from age 60 to age 62.

Superseded Systems and Certain Employment Classifications - Members of superseded systems that became members of the TCRS at consolidation in 1972, have their rights preserved to the benefits of the superseded system, if the benefit from the superseded plan exceeds that provided by the Group 1 (teachers and general employees) TCRS formula. Likewise, public safety employees and officials of TCRS Groups 2, 3 and 4 are entitled to the benefits of those formulas, if better than the Group 1 benefits.

Contributions and Reserves - Effective July 1, 1981, the plan became noncontributory for most state and higher education employees. The contribution rate for teachers is five percent of gross salary. The employers contribute a set percentage of their payrolls, determined by an actuarial valuation. *Tennessee Code Annotated* Title Eight, Chapter 37 provides that the contribution rates be established and may be amended by the Board of Trustees of the TCRS.

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The administrative budget for the plan is approved through the state of Tennessee's annual budget process. Funding for the administrative budget is included in employer contributions.

The net assets of the plan are legally required to be reserved in two accounts, the Member Reserve and the Employer Reserve. The Member Reserve represents the accumulation of employee contributions plus interest. The Employer Reserve represents the accumulation of employer contributions, investment income and transfers from the Member Reserve for retiring members. Benefit payments and interest credited to the members' accounts are reductions to the Employer Reserve.

Political Subdivisions Pension Plan

Plan Description - PSPP is an agent multiple-employer defined benefit pension plan that covers the employees of participating political subdivisions of the state of Tennessee. Employee class differentiations are not made under PSPP. The TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan prior to July 1, 1979 are vested after four years of service. Members joining on or after July 1, 1979 are vested upon completion of 10 years of service, unless five years vesting is authorized by resolution of the chief governing body. Cost of living adjustments (COLA) are the same as provided by SETHEEPP except that the local government may elect (a) to provide no COLA benefits or (b) to provide COLA benefits under a non-compounding basis rather than the compounded basis applicable under SETHEEPP. Benefit provisions are established and amended by state statute. Pursuant to Article Two, Section 24 of the *Constitution of the State of Tennessee*, the state cannot mandate costs on local governments. Any benefit improvement may be adopted by the governing body of a governmental entity participating in the TCRS.

Contributions and Reserves - Political subdivisions may elect contributory or noncontributory retirement for their employees. The contribution rate for contributory employees of political subdivisions is five percent of gross salary. The employers contribute a set percentage of their payrolls, equal to at least, the percentage determined by an actuarial valuation. State statute provides that the contribution rates be established and may be amended by the Board of Trustees of the TCRS. The administrative budget for the plan is approved through the state's annual budget process. Funding for the administrative budget is included in employer contributions.

The net assets of the plan are legally required to be reserved in two accounts, the Member Reserve and the Employer Reserve. The Member Reserve represents the accumulation of employee contributions plus interest. The Employer Reserve represents the accumulation of employer contributions, investment income and transfers from the Member Reserve for retiring members. Benefit payments and interest credited to the members' accounts are reductions to the Employer Reserve.

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C. DEPOSITS AND INVESTMENTS

State statute authorizes the TCRS to maintain cash, not exceeding ten percent of the total amount of funds in the retirement system, on deposit in one or more banks, savings and loan associations or trust companies that are qualified as state depositories. The TCRS does not utilize its own bank accounts but invests in the State Pooled Investment Fund for the initial deposit of funds and for its operating cash needs. The State Pooled Investment Fund is authorized by state statute to invest funds in accordance with policy guidelines approved by the Funding Board of the State of Tennessee. The current resolution of that board gives the Treasurer authority to invest in collateralized certificates of deposit in authorized state depositories, prime commercial paper, prime bankers' acceptances, certain repurchase agreements and various U.S. Treasury and Agency obligations. The State Pooled Investment Fund is also authorized to enter into securities lending agreements in which U.S. Government Securities may be loaned for a fee. The loaned securities are transferred to the borrower by the custodial agent upon simultaneous receipt of collateral securities.

State statute also authorizes the TCRS to invest in bonds, debentures, preferred stock and common stock, real estate and in other good and solvent securities subject to the approval of the Board of Trustees, but further subject to the following statutory restrictions and provisions:

- a. The total sum invested in common and preferred stocks shall not exceed seventy-five percent (75 percent) of the total of the funds of the retirement system.
- b. The total sum invested in notes and bonds or other fixed income securities exceeding one year in maturity shall not exceed seventy-five percent (75 percent) of the total funds of the retirement system.
- c. Within the restrictions in (a) and (b) above, an amount not to exceed fifteen percent (15 percent) of the total of the funds of the retirement system may be invested in securities of the same kinds, classes, and investment grades as those otherwise eligible for investment in various approved foreign countries, provided that such percentage may be increased by the board with the subsequent approval of the council on pensions and insurance.
- d. Within the restrictions in (a) and (b) above, funds may be invested in Canadian securities which are substantially of the same kinds, classes and investment grades as those otherwise eligible for investment.
- e. The total amount of securities loaned under a securities lending program cannot exceed thirty percent (30 percent) of total assets.
- f. The total sum invested in real estate shall not exceed ten percent (10 percent) of the market value of total assets.
- g. The total sum invested in private equities shall not exceed five percent (5 percent) of the market value of total assets.

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State statute also authorizes the TCRS to invest in forward contracts to hedge its foreign currency exposure and to purchase or sell domestic stock index futures contracts for the purpose of asset allocation relating to the domestic equity portfolio. The total amount of the financial futures contract obligation shall not exceed five percent (5 percent) of the market value of total assets.

Title to real property invested in by the TCRS is held by real estate investment holding companies.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality ratings for the TCRS' investments in fixed income securities as of June 30, 2010 are included in the above schedule. Securities are rated using Standard and Poor's and/or Moody's and are presented above using the Standard and Poor's rating scale. The State Pooled Investment Fund has not obtained a credit quality rating from a nationally recognized credit ratings agency.

The TCRS' investment policy specifies that bond issues subject for purchase are investment grade bonds rated in the four highest ratings by one of the recognized rating agencies. In addition, the policy states that private placements that do not have an active secondary market shall be thoroughly researched from a credit standpoint and shall be viewed by TCRS' investment staff as having the credit quality rating equivalent of an AA rating on a publicly traded issue. For short-term investments, the TCRS' investment policy provides for the purchase of only the highest quality debt issues. Commercial paper should be rated in the highest tier by all rating agencies which rate the paper, with a minimum of two ratings required. Commercial paper cannot be purchased if a rating agency has the commercial paper on a negative credit watch. The investment policy also requires preparation of a credit analysis report on the corporation prior to purchasing commercial paper.

As noted above, the TCRS does not utilize its own bank accounts but invests in the State Pooled Investment Fund for its operating cash purposes. Required risk disclosures relative to the State Pooled Investment Fund are presented in the *State of Tennessee Treasurer's Report*. That report is available on the state's website at <http://www.tn.gov/treasury/> or by calling (615) 741-2956.

Concentration of Credit Risk - A concentration of investments in any one single issuer of debt securities presents a greater risk for loss in the event that the issuer fails on its obligations. The TCRS had the following investment amounts and percentages of plan net assets, in organizations representing five percent or more of plan net assets, excluding those organizations whose issues are explicitly guaranteed by the United States government, and investments in mutual funds, external investment pools, and other pooled investments:

	<u>June 30, 2011</u>	
Issuer Organization	Fair Value	Percentage
Federal National Mortgage Assoc.	\$2,029,898,227	6.03%

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The TCRS' investment policy limits the maximum amount of a specific corporation's commercial paper that can be purchased to \$100 million. There are no specific investment policies that limit investment in any one issuer.

Interest Rate Risk - Interest rate risk is the risk that future changes in prevailing market rates of interest will have an adverse effect on the fair value of debt investments. The fair values of securities with long terms to maturity may be highly sensitive to interest rate changes. The TCRS' investment policy does not specifically address limits on investment maturities. The fixed income portfolio, however, is benchmarked against the Citigroup Broad Investment Grade Index and tends to have a duration within a range around that index. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows weighted for those cash flows as a percentage of the investment's full price.

Asset-Backed Securities - The TCRS invests in various collateralized mortgage obligations (CMOs) which are mortgage-backed securities. These securities are based on cash flows from interest and principal payments on underlying mortgages and could therefore be more sensitive to prepayments by mortgagees as a result of a decline in interest rates.

Derivatives - The TCRS may buy or sell fixed income and equity index futures contracts for the purposes of making asset allocation changes in an efficient and cost effective manner and to improve liquidity. Gains (losses) on equity index futures hedge losses (gains) produced by any deviation from the TCRS' target equity allocation. The gains and losses resulting from daily fluctuations in the fair value of the outstanding futures contract are settled daily, on the following day, and a receivable or payable is established for any unsettled gain or loss as of the financial statement date. TCRS was under contract for fixed income and equity index futures and the resulting payable is reflected in the financial statements at fair value.

The international securities expose the TCRS to potential losses due to a possible rise in the value of the US dollar. The TCRS investment managers can reduce foreign currency exposure by selling foreign currency forward contracts, at agreed terms and for future settlement, usually within a year. The manager will reverse the contract by buying the foreign currency before the settlement date. A gain (loss) on this transaction pair will hedge a loss (gain) on the currency movement of the international security. The TCRS can sell up to 80% of its foreign currency exposure into US dollars. Forward currency forward contracts expose the TCRS to foreign currency risk as they are denominated in foreign currency. Any unrealized gain on foreign currency forward contracts has been reflected in the financial statements as an investment. The notional amount of the foreign currency forward contracts has been reflected in the financial statements as a receivable and a payable. Any unrealized loss on foreign currency forward contracts has been included in the payable established for the contracts.

The TCRS is authorized to invest in To Be Announced (TBA) mortgage backed securities similar to the foreign currency forward contracts. The TCRS enters into agreements to purchase pools of mortgage backed securities prior to the actual security being identified. The TCRS will roll this agreement prior to settlement date to avoid taking delivery of the security. Any unrealized gain on TBA mortgage backed securities has been reflected in the financial statements as an investment. Any unrealized loss on TBA mortgage backed

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securities has been included in the payable established for the mortgages. The notional amounts of these agreements have been included in the financial statements as a receivable and a payable. The TCRS invests in these derivatives to adjust its exposure to mortgage coupon risk and to replicate the return on mortgage backed securities portfolios without actually purchasing the security.

The TCRS is authorized to enter into option contracts and any income earned on option contracts has been included as investment income on the statement.

The fair values of foreign currency forward contracts are estimated based on the present value of their estimated future cash flows. Futures contracts and TBA mortgage backed securities are exchange traded and their price is based on quoted market prices at year end. It is the TCRS policy to conduct derivative transactions through the custodian bank and high quality money center banks or brokerage firms. The credit risk of foreign currency forward contracts is managed by limiting the term of the forward contracts and restricting the trading to high quality banks. The credit risk of futures contracts is managed by maintaining a daily variation margin.

D. COMMITMENTS

Standby Commercial Paper Purchase Agreement - The TCRS has agreed to serve as standby commercial paper purchaser for commercial paper issued by the Funding Board of the State of Tennessee. By serving as a standby commercial paper purchaser, the TCRS receives an annual fee of 60 basis points on the \$350 million maximum issuance under this agreement during times when both Moody's and Standard and Poor's investment ratings assigned to the State of Tennessee's general obligation bonds are Aaa and AAA respectively, 80 basis points during times when either Moody's or Standard and Poor's has assigned ratings of Aa and AA respectively, or 105 basis points during times when either Moody's or Standard and Poor's has assigned ratings lower than Aa and AA respectively. In the unlikely event that the TCRS would be called upon to purchase the commercial paper, the TCRS would receive interest at a rate equal to prime plus 75 basis points during the first 30 consecutive days, plus an additional 50 basis points for each consecutive 30 days thereafter, up to a maximum rate allowed by state law.

