

STATE OF TENNESSEE



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November 20, 2019

Eric Newberry  
General Manager  
P.O. Box 689  
Athens, TN 37371

Re: Athens Utilities Board Employee's Pension Plan

Dear Eric Newberry:

A review as of the fiscal year ended June 30, 2018 has been performed of Athens Utilities Board's compliance with the Public Employee Defined Benefit Financial Security Act of 2014 (the "Act"), which is codified in Tennessee Code Annotated, Title 9 Chapter 3, Part 5. We evaluated Athens Utilities Board's pension funding policy for compliance with minimum requirements established in Tenn. Code Ann. §9-3-504(c). We also performed a review of the most recent funding policy, actuarial valuation and financial statements to determine whether the methodologies used to calculate Athens Utilities Board's Actuarially Determined Contribution (ADC) were in compliance with statutory requirements currently in effect, and whether compliance could be impacted when several additional methodologies become effective at a future date.

Based on our review, the adopted pension funding policy meets the minimum requirements established in Tenn. Code Ann. §9-3-504(c).

Additional methodologies are also contained in the Act for the calculation of a political subdivision's ADC. While the following methodologies and assumptions are not required by law to be included in the pension funding policy, applicable law provides that these methodologies shall be used by a political subdivision's actuary in calculating the ADC in accordance with accepted Actuarial Standards of Practice. Accordingly, it would be a best practice for Athens Utilities Board to incorporate sufficient detail in the policy in order to provide clear direction and expectations for the actuary to follow and for interested parties to understand.

- The level dollar amortization method for unfunded accrued liabilities to be used no later than plan fiscal year beginning after June 15, 2020 as established in Tenn. Code Ann. §9-3-504(e)(3). The amortization method for unfunded accrued liabilities was not addressed in the policy.

- The use of mortality assumptions, which includes expected improvement in life expectancy. This requirement must be utilized for fiscal years beginning after June 15, 2024 in accordance with Tenn. Code Ann. §9-3-504(e)(4). The funding policy did not address mortality assumptions.

Please use this reminder to make any necessary revisions and update your funding policy accordingly. Amended funding policies must be submitted to the Tennessee Comptroller of the Treasury within thirty (30) days after adoption. If you have any questions, please feel free to contact me at 615.741.0228 or Justin.Ruffin@tn.gov.

Sincerely,



Justin Ruffin  
Senior Accounting Business Analyst  
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**CC:**

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