

STATE OF TENNESSEE



DAVID H. LILLARD, JR.  
STATE TREASURER

TREASURY DEPARTMENT

615.741.2956  
David.Lillard@tn.gov

STATE CAPITOL  
NASHVILLE, TENNESSEE 37243-0225

Sender's telephone: 615.741.0228  
Sender's email: [Justin.Ruffin@tn.gov](mailto:Justin.Ruffin@tn.gov)

November 20, 2019

Carla Edwards  
Finance Director  
117 West Main Street  
Dresden, TN 38225

Re: City of Dresden Employee Pension Plan

Dear Carla Edwards:

A review as of the fiscal year ended June 30, 2018 has been performed of the City of Dresden'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 the City of Dresden'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 the City of Dresden'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 does not meet the minimum requirements established in Tenn. Code Ann. §9-3-504(c) because it does not contain an amortization period in which unfunded accrued liabilities will be paid. The statute requires a closed amortization period not to exceed thirty (30) years for all unfunded accrued liabilities.

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 the City of Dresden 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 funding policy does not address the amortization method for unfunded accrued liabilities.
- 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 does 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  
Financial Strategies and Analysis  
Tennessee Department of Treasury

**CC:**

Jerry Durham, CPA, CGFM, CFE  
Assistant Director  
Comptroller of the Treasury  
Division of Local Government Audit  
Cordell Hull Building  
425 Fifth Avenue North  
Nashville, TN 37243-3400  
615.401.7951

Sandi Thompson  
Director  
Comptroller of the Treasury  
Office of State and Local Finance  
Cordell Hull Building  
425 Fifth Avenue North  
Nashville, TN 37243-3400  
615.747.5369

Sheila Reed  
Assistant Director  
Comptroller of the Treasury  
Office of State and Local Finance  
Cordell Hull Building  
425 Fifth Avenue North  
Nashville, TN 37243-3400  
615.401.7906