

STATE OF TENNESSEE



DAVID H. LILLARD, JR.
STATE TREASURER

TREASURY DEPARTMENT

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November 20, 2019

Albert Kiser
Finance Administrator
455 North Highland Park Avenue
Chattanooga, TN 37404

Re: Hamilton County Teachers' Pension Plan

Dear Albert Kiser:

A review as of the fiscal year ended June 30, 2018 has been performed of Hamilton County'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 Hamilton County'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 Hamilton County'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 Hamilton County 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 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 policy only indicates expected mortality

improvements to be utilized for pre-retirement measures. Post-retirement assumption measures should also utilize expected mortality improvements.

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,

A handwritten signature in black ink, appearing to read 'Justin Ruffin', is positioned above the typed name and title.

Justin Ruffin
Senior Accounting Business Analyst
Financial Strategies and Analysis
Tennessee Department of Treasury

CC:

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