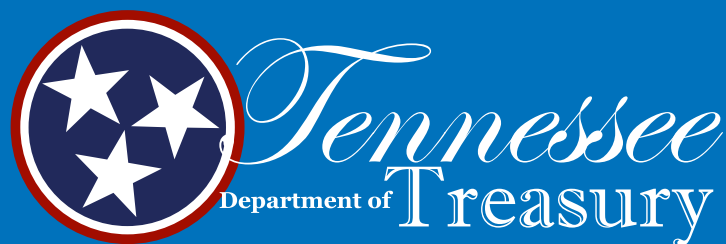


2023 ANNUAL REPORT
TENNESSEE
DEPARTMENT OF TREASURY



DAVID H. LILLARD, JR., STATE TREASURER

INTRODUCTION

MISSION

To invest in the well-being of Tennesseans through exceptional financial leadership, management, service, and education

VISION

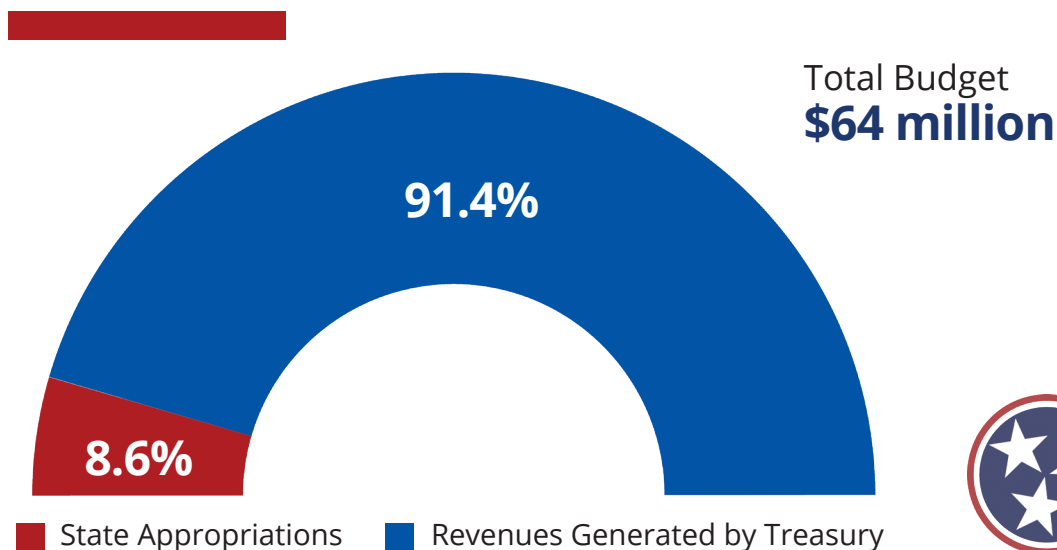
To enrich the lives of Tennesseans as a national leader in public financial stewardship

The Tennessee Department of Treasury is responsible for many of the financial operations of state government, including managing and overseeing more than \$115 billion in assets through its various investment programs. We administer the State's Retirement Program, RetireReadyTN, which combines the state pension plan, Tennessee Consolidated Retirement System, and the State's Deferred Compensation plan.

Treasury serves all Tennesseans by helping to educate and empower them to make smart financial choices and by providing public-serving programs in the areas of college savings, financial literacy, unclaimed property, criminal injuries compensation, risk management, and more.

For fiscal year 2023, the total budget for the Tennessee Department of Treasury was \$74.4 million. Treasury received total state appropriations of \$6.4 million with the remaining \$68 million of the budget funded from revenues generated by the Department. Additionally, Treasury received \$10.3 million in federal funding.

Treasury Budget FY 2023



INVESTMENTS

The Tennessee Department of Treasury's Investments Division is comprised of 41 professionals with extensive education, professional training, and 34 professional designations to manage its investments. The department achieves investment returns consistent with its peers while maintaining an investment expense among the lowest in the Southeast.

In fiscal year 2023, the Investments Division began managing the K-12 Mental Health Trust Fund. In June 2023, the fund balance of the Intermediate Term Investment Fund was liquidated as short-term rates rose.

Selected Funds Managed Internally by the Treasury Investments Division:

Treasury supports state initiatives with investment management and investment insight for a diverse set of programs: :

Chairs of Excellence **\$420.7 m**

K-12 Mental Health Endowment Trust Fund **\$246.5 m**

Qualified Schools Construction Bonds **\$291.1 m**

State of Tennessee Captive Insurance Company **\$39.7 m**

Tennessee Other Post Employee Benefits (OPEB) **\$862.8 m**

Tennessee Wildlife Resource Agency **\$111 m**

Tennessee Promise Endowment Trust **\$945.6 m**

ORP/ 403(b) plans **\$5.1 b**

401k/457 plan **\$6.3 b**

Tennessee Retiree Group Trust

The largest fund managed by Treasury, the Tennessee Retiree Group Trust (TRGT), is a comingled fund that includes the Tennessee Consolidated Retirement System, the Treasury Managed Fund, an investment option offered by the State of Tennessee Deferred Compensation plans, the Hybrid Stabilization Reserves, and the closed pension funds of three Tennessee local governments: the City of Covington, Alcoa, and Franklin. TCRS represents 99.02% of the TGRT fund. Investment objectives for the trust are to obtain the highest available return on investments consistent with the preservation of the principal, while maintaining sufficient liquidity to react to the changing environment and pay beneficiaries in a timely manner. The market value of the TRGT as of June 30, 2023, was approximately \$65.1 billion.

State Pooled Investment Fund (SPIF) and the Local Government Investment Pool (LGIP)

The Treasury Department manages short-term investments for state and local governments through the State Pooled Investment Fund (SPIF) and the Local Government Investment Pool (LGIP). The SPIF, with a June 30, 2023, balance of \$35.5 billion, includes the state's cash, dedicated reserves and trust funds, and the balance of the LGIP of \$6.6 billion. The LGIP provides short-term cash management to 208 participating local governments.



RETIREREADYTN

Treasury protects the retirement of state and higher education employees, K-12 teachers, and employees of participating local governments, as well as more than 156,700 retirees. There are 228,400 active members in the plan. RetireReadyTN is the state's retirement program, combining the strengths of a defined benefit plan provided by the Tennessee Consolidated Retirement System (TCRS), deferred compensation 401(k) and 457(b) plans, and retirement readiness education. We strive to empower public employees to take actionable steps toward preparing for the future.

RetireReadyTN takes pride in offering comprehensive financial education and retirement counseling to all members. Members can meet with any of the 16 local RetireReadyTN Plan Advisors (RPAs) for assistance with retirement planning or to discuss any other financial planning needs. These services are provided to members at no additional fee. RPAs conduct group meetings for employers, individual retirement counseling sessions for those within three years of retirement, and individual retirement readiness reviews for all members at any point in their career.

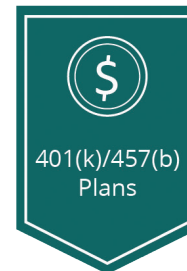
In fiscal year 2023, RetireReadyTN was recognized by two different organizations for providing retirement readiness education to Tennessee's public employees and teachers. RetireReadyTN was awarded the 2022 Excellence and Innovation Award by *Pensions & Investments*, and was selected as the recipient of the 2023 Public Defined Contribution Plan Sponsor of the Year Award by *Plan Sponsor Magazine*.

In fiscal year 2023, RetireReadyTN Plan Advisors conducted:

- 601 Group Meetings with a total of 18,669 Group Meeting Attendees
- 18,378 One-on-One Meetings with a licensed professional

The RetireReadyTN Call Center answered a total of 190,356 calls in fiscal year 2023, with an average call satisfaction score of 4.54 out of 5.

RETIRE READY



Field Activity FY 2023



601
Group Meetings

18,669
Group Meeting Attendees



18,378
One-on-One Meetings

Call Center Activity FY 2023



190,356
Total calls answered

4.54
Average call score (out of 5)

SERVICE AND EDUCATION

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS)

One of the top three best-funded pension plans in the country, the Tennessee Consolidated Retirement System (TCRS) portfolio was valued at \$64.5 billion at the end of fiscal year 2023. The final investment return for fiscal year 2023 was 6.66%, compared to an actuarial assumption of 6.75%. Member, employer, and other contributions made during fiscal year 2023 to fund the benefits promised to members totaled \$2 billion (unaudited).



This year the 113th General Assembly appropriated a one-time contribution of \$300 million to the TCRS State and Higher Education Plan, in addition to the actuarially determined contributions included in the fiscal year 2024 budget. In the past three years, the General Assembly has appropriated \$900 million in additional contributions to continue to strengthen the pension system. In fiscal year 2023, TCRS paid a total of \$3.1 billion to 156,738 retirees, over 92% of whom remain in Tennessee.

The General Assembly has appropriated \$900 m in additional contributions



150,418

Active members
in Legacy Plan

77,987

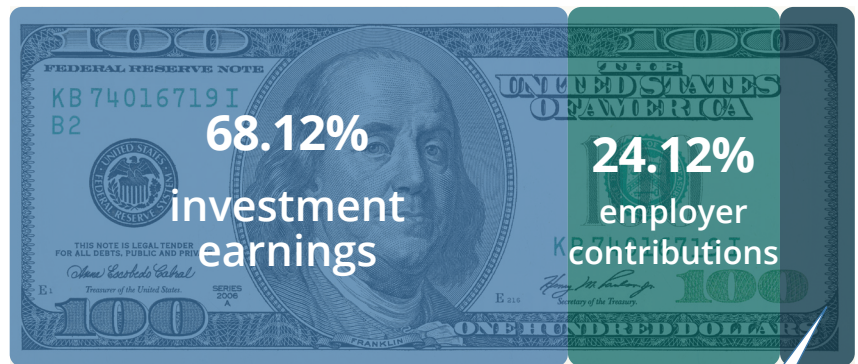
Active members
in Hybrid Plan

156,738

Retired members



TCRS Paid
\$3.1 b
in retirement
benefits



For every \$100 paid out to retirees,
\$68 comes from investment earnings.

7.76%
employee
contributions

GASB Funded Status FY 2022

	Assets	Liabilities	Funded %
State Legacy	\$ 18,015,405,600	\$ 19,206,765,714	93.80%
State Hybrid	543,526,234	518,587,436	104.81%
Teacher Legacy	28,985,951,126	27,759,545,858	104.42%
Teacher Hybrid	696,419,284	666,126,770	104.55%
Political Subdivisions*	13,510,365,219	13,564,927,696	99.60%

*In the aggregate. Each Political Subdivision is a separate liability pool.



SERVICE AND EDUCATION

DEFERRED COMPENSATION

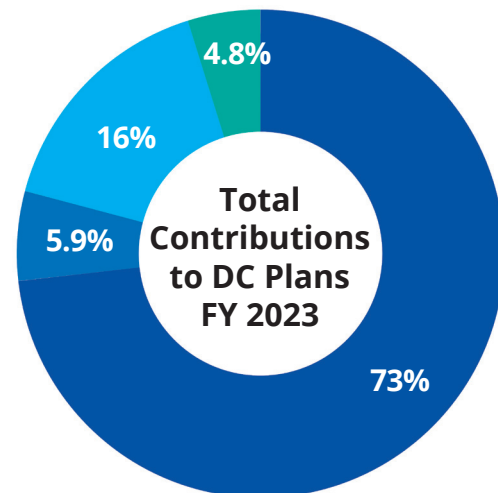
The State Deferred Compensation Plan consists of a 401(k) and a 457(b) plan. In fiscal year 2023, there were \$593.8 million in contributions made to the 401(k) plan and \$48.2 million in contributions to the 457(b) plan.

Faculty and exempt employees of the University of Tennessee or the Tennessee Board of Regents may choose to participate in the Optional Retirement Plan (ORP), a defined contribution plan which had total contributions of \$131.4 million in FY23. Treasury is also the plan administrator for higher education 403(b) plans which had total contributions of \$39.3 million in fiscal year 2023.

Total contributions made to all deferred compensation plans in fiscal year 2023 totaled \$812.7 million.

- 201,061 participants in the 401(k) plan
- 16,197 participants in the 457(b) plan
- 39,739 participants in the ORP
- 6,334 participants in the 403(b)
- 70,471 teachers are participating in the 401(k) plan, as of June 30, 2023
- 375 local governments are currently participating in the DC plan

Overall assets in the 401(k), 457(b), ORP, and 403(b) totaled \$11.5 billion as of June 30, 2023.



■ 401(k) ■ 457(b) ■ ORP ■ 403(b)

Deferred Compensation Total Assets

as of June 30, 2023

401(k)/457(b)	\$6.3 billion
Optional Retirement Plan (ORP)	\$4.3 billion
403(b)	\$854.9 million

OUTREACH

Treasury Outreach has representatives in every region of the state working to increase and improve communications with local governments, employers, and retirement participants. The Outreach division educates employers participating in our retirement plans on the best retirement options for their employees, and works with counties and local governments not yet participating in our retirement plan to provide them with information about joining. Outreach also includes an Education and Review team, which trains employers how to report correctly and reviews past data for accuracy and compliance with TCRS policy.

Total Outreach meetings by employment type:

580	Local Education Agencies
1,212	Local Government
54	Higher Education
43	State Agencies

The Treasury Outreach team conducted 1,889 total employer meetings in fiscal year 2023. Through the effort of the Outreach team, 375 local government employers now participate in the State's 401(k)/457(b) programs as of June 30, 2023. The Outreach and Education & Review teams onboarded 10 new local government employers to TCRS and seven new local governments into the Deferred Compensation plans in fiscal year 2023.

TENNESSEE FINANCIAL LITERACY COMMISSION (TNFLC)



TENNESSEE FINANCIAL LITERACY COMMISSION

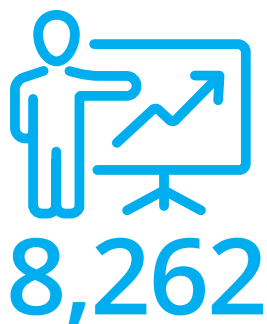
The Tennessee Financial Literacy Commission (TNFLC) strives to improve the lives of Tennesseans through financial literacy by providing innovative educational resources to Tennessee schools and families.

The Tennessee Financial Literacy Commission established the Distinguished Educator Council in fiscal year 2023, a new group of selected teachers and school administrators passionate about financial literacy. Distinguished Educators can give voice to their own experiences teaching financial literacy while helping the Commission identify areas of improvement and equip their colleagues to provide high-quality financial education in their classrooms.

During the fiscal year, the Commission launched Enrich, a new online financial literacy platform for adults. The TNFLC expanded *Money Week*, a partnership with University of Tennessee Extension, and worked with the Tennessee State Museum to add a second *Traveling Trunk*. Approximately 43,650 students engaged with *\$martPath* Digital Financial Literacy platform during the 2022-2023 school year.

TNFLC continued to offer a virtual professional development series to Tennessee teachers during Fall 2022. The series engaged 408 teachers, bringing the total number of teachers trained in all TNFLC programs to 8,262, completing more than 28,000 hours of professional development.

TNFLC provides training and classroom materials for *My Classroom Economy*, a uniquely innovative classroom behavioral management program designed to instill basic financial responsibility and teach the value of delayed gratification. In fiscal year 2023, the Commission trained 298 teachers in the My Classroom Economy Master Class program.



8,262
teachers trained in TNFLC
educational programs
since inception



28,000
professional development hours
earned by teachers since the
inception of the program



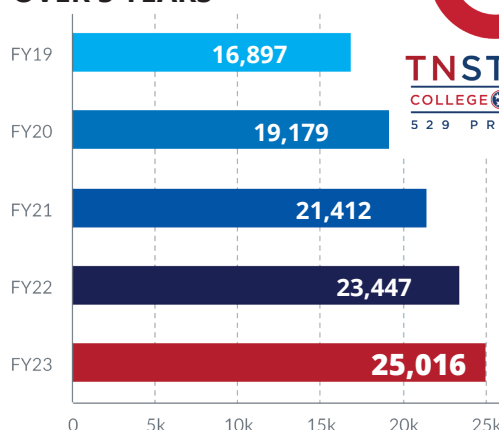
SERVICE AND EDUCATION

TNSTARS COLLEGE SAVINGS 529 PROGRAM

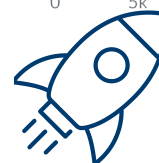
The TNStars College Savings 529 Program helps families save money for college expenses by offering high-quality investment options at a low cost. TNStars ended fiscal year 2023 with \$301.8 million in assets across 25,016 funded accounts. Account owners contributed \$37.5 million into their savings accounts in FY23. Investment earnings represent 25%, or \$77.2 million of all client assets. There are TNStars accounts in all 95 Tennessee counties.

In September 2022, as part of College Savings Month, TNStars celebrated 10 years of helping families save and invest for college by giving 10 Tennessee children \$1,000 scholarships. During our 2022 holiday promotion, TNStars celebrated the holiday by giving four \$250 scholarships and one \$5,000 grand prize scholarship to Tennessee children.

ACCOUNT GROWTH OVER 5 YEARS



TNSTARS[®]
COLLEGE SAVINGS
529 PROGRAM



10 years old
average beneficiary

TENNESSEE INVESTMENTS PREPARING SCHOLARS (TIPS)



The Tennessee Investments Preparing Scholars (TIPS) program encourages families to save for the growing costs associated with post-secondary education by offering a 4-to-1 matching grant incentive. In its ninth qualifying year, ending June 30, 2023, the TIPS program helped Tennessee families open new TNStars accounts for 59 beneficiaries.

- During fiscal year 2023, TIPS families contributed a total of \$67,949 to their TNStars accounts.
- There was a total of 204 beneficiaries, including 145 repeat participants and 59 new beneficiaries for fiscal year 2023.
- 178 accounts received the full \$500 matching contribution in FY23, and 315 beneficiaries have received the full match of \$1,500.

ABLE TN

ABLE TN, one of the nation's first Achieving a Better Life Experience programs, provides a valuable resource to help Tennesseans with disabilities save for future expenses. At the end of fiscal year 2023, *ABLE TN* account holders had saved more than \$43 million in 3,291 accounts, with 369 new accounts established during FY23.



In December 2022, the federal government passed the ABLE Age Adjustment Act, increasing the age of onset from 26 years old to 46. This change will become effective on January 1, 2026.

SERVICE AND EDUCATION

LENGTH OF SERVICE AWARDS PROGRAM

During fiscal year 2023, Treasury executed the first local government adoptions of the Length of Service Award Program (LOSAP), which allows local government entities to provide financial rewards to volunteers performing firefighting and fire prevention, emergency medical, and ambulance services.

CHAIRS OF EXCELLENCE

The Chairs of Excellence Trust is a permanent trust fund authorized in 1984 to further the cause of higher education in Tennessee. The funding of the program is provided through contributions made by a private donor and a matching amount by the state, thus creating a chair. Income from the chair is used to offset the cost of retaining a nationally or regionally recognized scholar at a state college or university who teaches in a specified academic area. The program is open to all state four-year colleges and universities, and the UT Space Institute.

A chair is authorized to spend 4% of the 3-year average market value of the chair; however, the corpus cannot be spent. Accordingly, only dividends, interest, and accumulated gains may be spent. Since 1984, a total of 100 chairs have been created. In fiscal year 2023, payments of \$12.7 million were made to seven institutions.

NUMBER OF CHAIRS BY INSTRUCTION

Austin Peay State University	4	Tennessee Technological University	2
East Tennessee State University	8	University of Memphis	24
Middle Tennessee State University	10	University of Tennessee	50
Tennessee State University	2	Total	100

The Treasury Investments Division is responsible for managing the assets of the Chairs of Excellence Trust. As of June 30, 2023, the balance of the Trust was \$420.7 million.

CERTIFIED PUBLIC ADMINISTRATORS PROGRAM

The University of Tennessee Institute for Public Service administers the “County Official’s Certificate Training Program Act.” Certain full-time county officials are eligible for an educational incentive payment if the officials have completed the continuing education requirements of the program. Educational incentive payments are issued annually by the Department of Treasury based on a list of eligible recipients provided by The UT Institute for Public Service.

The following table outlines county officials receiving payment in FY23 based on job type. The program made a total of \$407,297 in payments.

POSITION	TOTAL ELIGIBLE	POSITION	TOTAL ELIGIBLE
Assessor of Property	33	Chief Administrative Officer of Highways	18
Circuit Court Clerk	39	Juvenile Court Clerk	2
Clerk and Master	46	Probate Court Clerk	0
County Clerk	53	Register of Deeds	58
County Mayor/County Executive	28	Sheriff	10
Criminal Court Clerk	1	Trustee	57
General Sessions Court Clerk	0	Total	345



UNCLAIMED PROPERTY

Unclaimed property is money that has been turned over to the state by businesses and organizations that cannot locate the owners. This includes intangible assets such as bank accounts, stock certificates, checks, unclaimed wages, refunds, and gift certificates. The Tennessee Treasury's Unclaimed Property Division serves as a consumer protection program working to reunite this money with its rightful owner. In fiscal year 2023, the Unclaimed Property Division returned 65,150 claims, a 29% increase over FY22. The program returned \$68.7 million to claimants, the most returned in a single year.



65,150

claims returned resulting in

\$68.7 m

paid to claimants

The Division focused on reaching Tennesseans in every corner of the state by providing unclaimed property information for each geographic region through targeted digital, radio, printed ads, and through six in-person outreach events.

In fiscal year 2023, businesses turned over \$154.8 million to the Unclaimed Property Division.

CRIMINAL INJURIES COMPENSATION FUND (CIC) & SEXUAL ASSAULT FORENSIC EXAMS (SAFE)

CIC FY 2023

2,832

Number of Claims Filed

1,450

Number of Claims Approved

\$6.3 m

Amount of money paid out

SAFE FY 2023

69

Number of facilities supported

\$2.3 m

Amount of money paid out



The Criminal Injuries Compensation (CIC) Program provides financial assistance that defrays the costs of medical services, loss of earnings, burial costs, and other unforeseen costs to either an innocent victim of a crime or to the dependents of a deceased victim. Also established under the Fund is a process that provides reimbursement to facilities that perform sexual assault forensic exams (SAFE) for evidence collection concerning victims of certain sexually oriented crimes. Facilities must bill the SAFE Program (not the victim) and cannot seek any additional payment from the victim after payment.

In FY23, Criminal Injuries implemented online training, which advocates can take on-demand. In addition to the online training, CIC provided training to 50 advocates in-person at the Victim Assistance Academy.

CLAIMS AND RISK MANAGEMENT

The responsibilities of the Division of Claims and Risk Management include protecting the financial integrity of all State-owned assets, maintaining a safe working environment for state employees and the general public, making determinations on claims made against the State Workers' Compensation by state employees, employee property damage and tort liability, as well as claims filed for Criminal Injuries Compensation, Sexual Assault Forensic Examination Reimbursement, and the Electronic Monitoring Indigency Fund. The division also provides support to the Board of Claims.

In fiscal year 2023, the insured property value for the State was \$33.7 billion.

STATE OF TENNESSEE CAPTIVE INSURANCE COMPANY

Tennessee implemented a Captive Insurance Company in fiscal year 2022 to allow the State to self-insure property losses up to deductible limits, access the wholesale reinsurance markets to reduce premiums, minimize volatility in pricing, and underwrite the state's own unique risks. The Captive provides coverage for both property and cyber liability for State and Higher Education. In the first year of operation, the Captive saved an estimated \$4.5 million in property insurance premiums.



\$4.5 m

Amount saved FY23

The Captive is administered by the State Treasurer and governed by the Tennessee Captive Insurance Board, composed of the State Treasurer, the Commissioner of Human Resources, the Commissioner of Finance and Administration, the Comptroller of the Treasury, and the Secretary of State. The Board has oversight of approving the budgets, captive management services, reinsurance brokers, investments, auditing, and financial reports.

ELECTRONIC MONITORING INDIGENCY FUND

The Electronic Monitoring Indigency Fund (EMIF) provides financial reimbursement to certified interlock device installers, and other alcohol and drug monitoring device companies, for qualifying indigent participants required to have alcohol and drug monitoring/interlock or location monitoring devices as the result of a court order.



11,616

Invoices paid

\$1.5 m

Amount paid

37

Counties participating in cost sharing program



CLAIMS AND RISK MANAGEMENT (CONT.)

Only Ignition Interlock claims are 100% funded by the State. All other devices for eligible participants, such as transdermal, mobile breathalyzer, and GPS monitoring, are funded through a 50/50 cost-sharing program between the State and each local government. In fiscal year 2023, 37 counties participated in this cost sharing program.

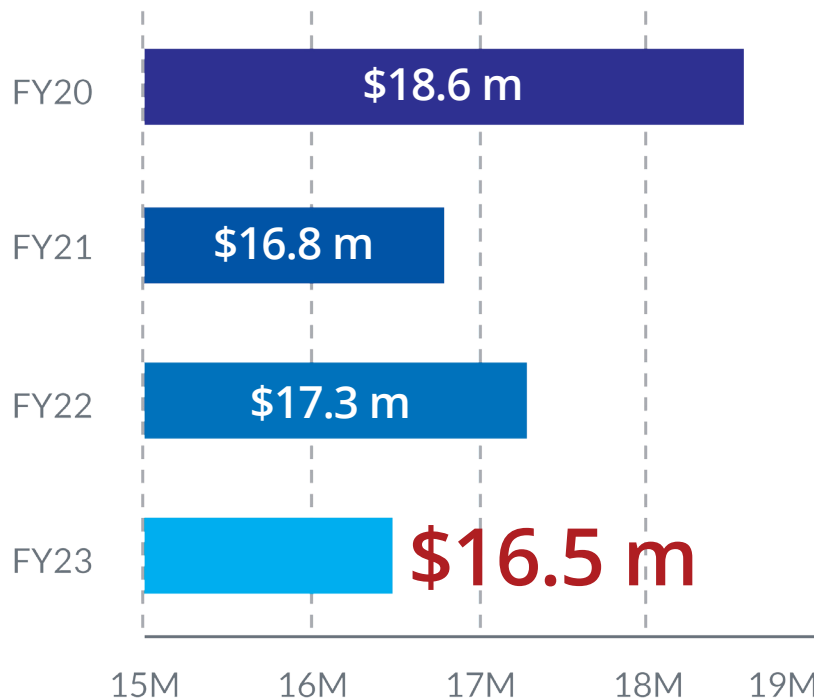
The Tennessee General Assembly in 2023 approved legislation to transition the current payments program to a grant program administered by the Department of Finance & Administration, Office of Criminal Justice Programs beginning October 1, 2023. The Ignition Interlock Program portion of the EMIF will remain unchanged.

The EMIF paid out a total of \$1.5 million to reimburse vendors for both interlock and non-interlock monitoring devices used by indigent participants across the state, supporting 11,616 individuals.

WORKERS' COMPENSATION

The Division of Claims and Risk Management administers the Workers' Compensation Program, providing coverage for employees who work for 41 State government agencies, 49 institutions of higher learning, and more. The Division works to decrease expenditures for workers' compensation by developing controls, financial strategies, and implementing technology to reduce losses from the actual expenses inclusive within all claims. The program continued to have a reduction in overall losses and number of claims this year. The total spend in FY2023 was \$16.5 million for 1,450 approved claims. Since 2014, the State has experienced consistent reduction in costs due to the adoption of a return-to-work program, more timely reporting of claims, improved technology to assist state agencies in managing employee claims via CareMC administration system, and a 24/7 nurse triage center to assist employees with less serious injuries.

The Return-to-Work program has provided consistent decreases in workers' compensation payments



Claims filed this fiscal year totaled 2,327 (excluding report only).

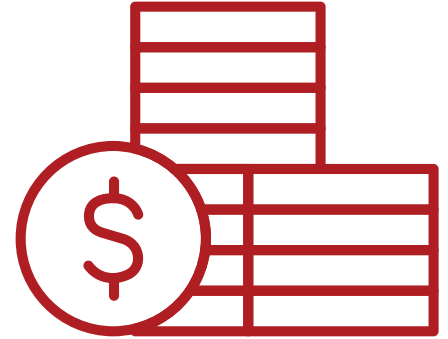
CLAIMS AND RISK MANAGEMENT (CONT.)

TORT LIABILITY AND EMPLOYEE PROPERTY DAMAGE

Tennessee is one of the few states with a law that provides a method for persons who have been allegedly damaged by the State to file a claim for documented damage and, if appropriate, the claimant may be compensated up to a limit of \$300,000 for their loss or damage. Claims are paid through the Risk Management Fund.

Examples of claims filed against the State include:

- Negligent operation of motor vehicles or machinery
- Negligent care, custody and control of persons or property
- Professional malpractice
- Dangerous conditions on State-maintained highways and bridges
- Nuisances created or maintained by the State



The burden of proof is on the claimant, meaning the person filing the claim must provide proof of damage. Likewise, the State entity in question must have been aware of the risk and not acted in a sufficient amount of time.

In fiscal year 2023, the Division paid out \$3.9 million to cover 435 claims.

4,591

Claims Filed

435

Claims Approved

\$3.9 m

Amount paid FY23



TREASURY AT-A-GLANCE

FISCAL YEAR 2023



FUNDS UNDER TREASURY MANAGEMENT OR PROGRAM OVERSIGHT **\$115 billion**

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS)



\$64.5 b

Total Fund Value

\$3.1 b

Benefits paid to 156,418 retirees



DEFERRED COMPENSATION

\$11.5 b

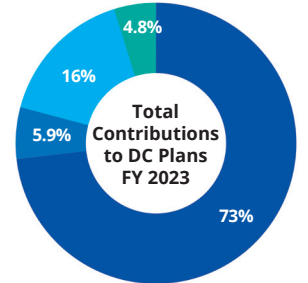
Total assets in DC plans:
401(k), 457(b), 403(b),
and ORP

375

Local governments
currently participating
in the DC plan

70,747

Teachers participating
in the 401(k)



■ 401(k) ■ 457(b) ■ ORP ■ 403(b)

TOTAL VALUE OF THE STATE POOLED INVESTMENT FUND (SPIF)

including \$6.6 billion for the Local Government Investment Pool (LGIP)

\$35.5 b

TENNESSEE FINANCIAL LITERACY COMMISSION (TNFLC)



TENNESSEE FINANCIAL
LITERACY COMMISSION

8,262

Teachers trained in
TNFLC educational
programming

28,000

Hours of professional
development completed



ABLE TN

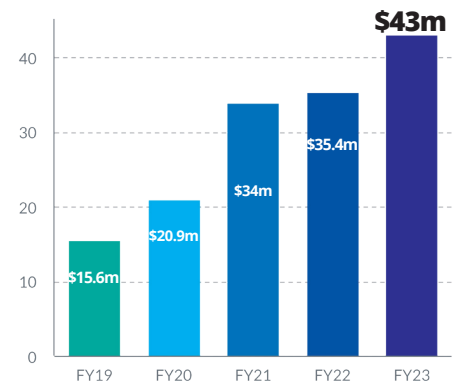


\$43 m

Saved by ABLE TN account holders

3,291

accounts



TNSTARS COLLEGE SAVINGS 529 PROGRAM



\$301.8 m **25,016**
 Saved by TNStars account holders in accounts



TENNESSEE INVESTMENTS PREPARING SCHOLARS (TIPS)



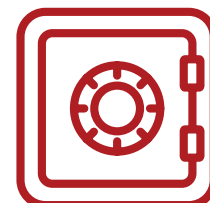
\$67,949
 Saved by TIPS families in their TNStars accounts



UNCLAIMED PROPERTY



65,150
 Claims returned resulting in
\$68.7 m
 returned in FY23



\$158.8 b
 Turned over by businesses

CRIMINAL INJURIES COMPENSATION (CIC) & SEXUAL ASSAULT FORENSIC EXAMS (SAFE)

CIC
2,832 **1,450**
 Claims Filed Claims Approved
\$6.3 m
 Paid in FY23



SAFE
69 **\$2.3 m**
 Facilities supported Paid in FY23

CLAIMS AND RISK MANAGEMENT

Insured Property Value for the State as of June 2023 **\$33.7 b**

WORKERS COMPENSATION
2,327 **1,915**
 Claims Filed Claims Approved
\$16.5 m
 Amount paid FY23



TORT LIABILITY and EMPLOYEE PROPERTY DAMAGE
4,591 **435**
 Claims Filed Claims Approved
\$3.9 m
 Amount paid FY23



CONTACT US

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The Tennessee Department of Treasury's operating divisions are housed in the Andrew Jackson State Office Building. For more information, visit treasury.tn.gov.

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