

State Trust of Tennessee
Fiscal Year Ended June 30, 2015

Board of Director's Meeting

December 21, 2015

AGENDA

- I. Call to Order
- II. Approval of Minutes for Last Meeting
- III. Election of Officers
- IV. Summary of Activity
- V. Other Business
- VI. Adjournment

Directors of Board

- Honorable David H. Lillard Jr., State Treasurer
- Honorable Justin Wilson, Comptroller of the Treasury
- Honorable Tre Hargett, Secretary of State
- Honorable Greg Gonzales, Commissioner of the Department of Financial Institutions
- Honorable Larry Martin, Commissioner of the Department of Finance and Administration

By-Laws of the State Trust of Tennessee

- The Treasurer is designated as the Chair and Chief Executive Officer of the State Trust of Tennessee

**MINUTES OF THE
BOARD OF DIRECTORS
STATE TRUST OF TENNESSEE**

December 11, 2014

The Board of Directors of the State Trust of Tennessee met on Tuesday, December 11, 2014 at 3:00 p.m. The meeting was held in Room 16 of the Legislative Plaza with Chairman David H. Lillard, Jr. presiding.

The following Directors were present: Chairman David H. Lillard, Jr., State Treasurer; Mr. Justin Wilson, Comptroller of the Treasury; Mr. Tre Hargett, Secretary of State; and Mr. Larry Martin, Commissioner of the Department of Finance and Administration.

**I.
Call to Order**

With a physical quorum present, Chairman Lillard called the meeting to order.

**II.
Approval of Minutes for Last Meeting**

On motion by Treasurer Lillard and seconded by Mr. Hargett the minutes of the December 10, 2013 State Trust Board of Directors meeting were unanimously approved.

**III.
Election of Officers**

Chairman Lillard nominated the following persons as officer candidates for the State Trust of Tennessee:

Executive Vice-President: Ms. Kerry Hartley, Director of Management Services for the Treasury Department;

Secretary: Ms. Mary Roberts-Krause, General Counsel for the Treasury Department; and

Controller: Ms. Kim Morrow, Director, Treasury Division of Accounting.

The nomination was seconded by Mr. Wilson to accept the slate of candidates as the officers. The motion was unanimously approved.

**IV.
Summary of State Trust Activity**

Chairman Lillard recognized Ms. Kerry Hartley for the purpose of providing the State Trust activity report for Fiscal year 2014. Ms. Hartley began by explaining that the State Trust was created by the

Legislature in March 1978 to enable the State Treasurer to efficiently and effectively manage the operations of the State's cash management and investment program. Specifically, the State Trust provided the State with the organizational structure necessary to gain access to the services of the Federal Reserve Bank, such as funds and securities transfer services, ACH settlement and check clearing services (basically all services except deposit and credit assistance). Ms. Hartley explained that direct access to these services has enabled the State to dramatically reduce its banking fees for these services and has resulted in millions of dollars of savings for taxpayers.

Ms. Hartley advised that due to subsequent Federal Reserve policy restrictions and revised settlement time-frames over the years, which limited some of the FRB services available to the State Trust and limited its ability to efficiently operate, the State Trust was eventually forced to close its bank account with the FRB on September 30, 2008. This resulted in Treasury having to transact most of this activity through its contract with a commercial bank. The Federal Reserve Bank continues to provide check clearing and imaging services to the State Trust of Tennessee.

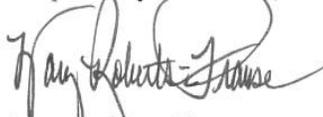
Ms. Hartley explained that during Fiscal Year 2014 the State Trust cleared 1,006,100 warrants and checks for a total amount of \$1,878,649,000 through the Federal Reserve Bank, at an estimated savings of \$100,000. Ms. Hartley commented that during the last ten years, commencing in 2002, the number of warrants and checks that have cleared through the Federal Reserve Bank have been decreasing. However, in 2010, the number peaked again due to the increase in the unemployment rate. Thereafter, the number of warrants and checks started decreasing again when unemployment compensation benefits began being paid through ACH and the issuance of debit cards. Ms. Hartley advised that she expected to see further decreases as more agencies continue to use ACH and debit cards in lieu of checks and warrants.

**V.
Other Business and Adjournment**

Chairman Lillard announced the completion of the business at hand and asked if there was any other business to come before the State Trust of Tennessee. On a motion by Mr. Hargett and seconded by Mr. Martin, the members unanimously approved that the State Trust of Tennessee meeting be adjourned.

With no other business, the Board adjourned at 3:15 p.m. on December 11, 2014.

Respectfully Submitted,



Mary Roberts-Krause
State Trust of Tennessee, Secretary

APPROVED:

David H. Lillard, Jr., Chairman
State Trust of Tennessee

DUTIES OF OFFICERS OF THE STATE TRUST OF TENNESSEE AND PROPOSED NOMINEES FOR SUCH OFFICES

DUTIES

Executive Vice President The Executive Vice President is the chief operating officer of the Trust and is an ex-officio non-voting member of all committees. The Executive Vice President has general management and supervision of all of the affairs and business of the Trust, including but not limited to, the operation of the principal office and subsidiary facilities including supervision of all officers and employees engaged in such operations, and has such other duties and authority as may be conferred by the by-laws or by the Board of Directors. The Executive Vice President together with the Chairman of the Board determines the general policy to be followed by the Trust, and to be carried out by its officers and employees. By statute, the Chairman of the Board is the State Treasurer.

Secretary The Secretary attends and keeps minutes of all meetings of the Board of Directors. The Secretary issues notices of all meetings of the Directors, committees, or other meetings where notice is required. The minutes of each meeting must be signed by the Chairman and attested by the Secretary.

Controller The Controller is responsible for all assets and documents of the Trust and keeps proper records of all transactions.

PROPOSED NOMINEES

Executive Vice President Ms. Kerry Hartley is the Director of Management Services for the Department of Treasury. Management Services is responsible for the daily operations of the Division of State Trust & Lockbox, Division of Administrative Services, and Division of Records Management. Ms. Hartley has a BBA degree in accounting and is a Certified Public Accountant. She has been with the Treasury Department since 2001.

Secretary Ms. Mary Krause is the general counsel for the Department of Treasury. Ms. Krause provides legal advice and assistance to the various divisions of the Department, including, but not limited to, drafting contracts and legislation, appearing before legislative committees, making reports and recommendations on claims filed with the Tennessee Board of Claims, and representing the Tennessee Consolidated Retirement System in contested case proceedings. She has served in this capacity since approximately 1988.

Controller Ms. Kim Morrow is Director of the Treasury Department's Accounting Division. She is responsible for the Treasury general ledger, subsidiary accounting functions, bank reconciliations and warrants payable reconciliation programs. Ms. Morrow has a BBA degree in accounting and is a Certified Public Accountant. She has been with the Treasury Department since February 1983.

State Trust of Tennessee
Summary of Activity
July 1, 2014 through June 30, 2015

The State Trust was created by the Legislature in March, 1978 to enable the State Treasurer to efficiently and effectively manage the operations of the State's cash management and investment program. Specifically, the State Trust provided the State with the organizational structure necessary to gain access to the services of the Federal Reserve Bank, such as funds and securities transfer services, ACH settlement and check clearing services (basically all services except deposit and credit assistance). Direct access to these services has enabled the State to dramatically reduce its banking fees for these services and has resulted in millions of dollars of savings for taxpayers.

Due to subsequent Federal Reserve Board policy restrictions and revised settlement time-frames over the years, which limited some of the FRB services available to the State Trust and limited its ability to efficiently operate, the State Trust was eventually forced to close its bank account with the FRB on September 30, 2008, resulting in Treasury having to transact most of this activity through its contract with a commercial bank. The Federal Reserve Bank continues to provide check clearing and imaging services to the State Trust of Tennessee.

During Fiscal Year 2015, the State Trust cleared 953,000 warrants and checks for a total amount of \$1,779,918,000 through the Federal Reserve Bank, at an estimated savings of \$80,000.