

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS)

DEFINED BENEFIT - TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS)

TCRS is the defined benefit portion of the state retirement plan, providing retirement benefits for employees of state government, higher education, public school teachers, and certain local governments. The plan is designed to provide three types of benefits: (1) retirement benefits, (2) disability benefits, and (3) death benefits.

Portability is a key in TCRS. Service and salary earned with any employer in TCRS will count toward your eligibility for retirement and benefit calculation.

TCRS is a well-funded, secure pension plan with plan assets totaling over \$43 billion. Retirement benefits are based on a formula that includes salary and service.

DEFINED BENEFIT EXPLAINED

- Five-year vesting requirement for state employees and teachers. A vested member is one who has accrued enough years of service to receive a retirement benefit once all eligibility requirements are met. Most local governments have also adopted this provision.
- Lifetime monthly benefits payable to vested members at retirement.
- Benefits are determined by a set formula: $\text{Accrual Factor (1.5\%)} \times \text{AFC (average highest consecutive five year salaries)} \times \text{Years of Service} = \text{Monthly Benefit with/without Benefit Improvement Percentage (BIP)}$.

<u>Accrual Factor</u>		<u>AFC</u>		<u>Years of Creditable Service</u>		<u>Annual Benefit</u>		<u>Regular Monthly Benefit</u>
1.5%	x	\$25,000	x	30	=	\$11,250	÷ 12 =	\$937.50 (without BIP)
								x <u>1.05</u>
								\$984.38 (with BIP)

RETIREMENT ELIGIBILITY

- Service Retirement: age 60 and vested or 30 years of service regardless of age (unreduced benefit)
- Early Retirement: age 55 and vested (reduced benefit)
- 25-Year Early Retirement: upon completion of 25 years, but have not reached age 55 (reduced benefit)

CREDITABLE SERVICE

Creditable service is membership service under the plan for which you made contributions, if required, plus any other periods of service credited to you by TCRS. Service credit may be accrued for full-time service as a state employee, higher education employee, a public school teacher in Tennessee or an employee of certain local governments in Tennessee. In addition, you may be entitled to establish credit for other types of service. The types of service that may be established include the following:

- Previously withdrawn service;
- Military service which interrupted your public employment;
- Military service rendered prior to May 1975 during a period of armed conflict or peacetime service as defined in Tennessee Code Annotated, Section 8-34-605;
- Educational leave of absence which interrupted your employment; and
- Unused accumulated sick leave at retirement.

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS)

CONTRIBUTIONS

- Employee Contributions: 5% of payroll for teachers; 0% for state employees; local government employees could be contributory or non-contributory
- Employer Contributions: actuarially determined each year

DISABILITY BENEFITS

An active member who is not eligible for service retirement, but who can no longer engage in any type of substantial gainful employment due to a total and permanent medically determinable disability, may be entitled to TCRS disability benefits. The member must submit an "Application for Disability Benefits" and furnish objective medical records that conclusively document the claim. A disability retiree is subject to annual medical re-evaluation and to an annual review of earnings until age 60. TCRS provides coverage for two kinds of disability: (1) ordinary disability and (2) job-related accidental disability.

Disability benefits are equal to 90% of the service retirement benefit that would have been payable. To be eligible for ordinary disability retirement benefits, you must have a minimum of five years of creditable service. There is no minimum service requirement for accidental disability benefits; however, the accident must have occurred in the performance of duty.

DEATH BENEFITS

The beneficiary of an active member who dies prior to retirement may be entitled to one of four survivor benefits: (1) lump-sum refund, (2) line-of-duty benefit, (3) 100% joint and survivor annuity for spouse after 10 years of service, or (4) 100% joint and survivor annuity for any beneficiary after reaching early retirement eligibility. Factors determining the type of benefit payable to your beneficiary include relationship to beneficiary, age, and length of service. Any annuity benefits payable may be reduced by the early retirement reduction factor and/or the appropriate option factor.

DEFINED CONTRIBUTION - EMPOWER RETIREMENT (FORMERLY GREAT-WEST RETIREMENT SERVICES)

Empower Retirement is the defined contribution portion of the state retirement plan, providing both an optional 401(k) and 457(b) pension for employees of state government, higher education employees, teachers, and some local governments. The member is immediately vested in the defined contribution plans.

Both 401(k) and 457(b) plans are participant-directed where employees choose how much to defer and how to direct their contributions among a variety of investment options.

Benefits at retirement are determined by how much has been contributed and the investment options chosen. There are several distribution options at retirement including, but not limited to, keeping contributions in the state plan until age 70½, rolling the balance into another qualified retirement plan, or withdrawing your account balance.

OTHER SOURCES OF INFORMATION

TCRS provides an annual statement that outlines current salary and service posted to your account, total service in TCRS, and estimated benefit values. The annual statement and other information about your account can be found at mytcrs.tn.gov.

FOR MORE INFORMATION ...

Regarding TCRS, visit treasury.tn.gov/tcrs.

Regarding the 401(k) and 457(b) plans, visit treasury.tn.gov/dc.



Treasury Department; Sept. 2015;
Authorization #309___; ___ copies.
This public document was
promulgated at a cost of ___¢ each.

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS) HYBRID PLAN

DEFINED BENEFIT - TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS) - HYBRID PLAN

TCRS is the defined benefit portion of the state retirement plan, providing retirement benefits for employees of state government, higher education, public school teachers, and certain local governments. The plan is designed to provide three types of benefits: (1) retirement benefits, (2) disability benefits, and (3) death benefits.

The retirement plan for state employees and teachers hired on or after July 1, 2014 provides a combination of a defined benefit plan and a defined contribution plan. The defined benefit portion of the plan will be managed by TCRS. The defined contribution assets will be deposited into the state's 401(k) plan where you will manage the investments within the 401(k) plan. Several local governments have also joined this plan.

Portability is a key in TCRS. Service and salary earned with any employer in TCRS will count toward your eligibility for retirement and benefit calculation.

TCRS is a well-managed, secure pension plan with plan assets over \$43 billion. Your total retirement benefit will be based on TCRS benefits and your defined contribution plan investments.

DEFINED BENEFIT (TCRS) EXPLAINED

- Five-year vesting requirement. A vested member is one who has accrued enough years of service to receive a retirement benefit once all eligibility requirements are met.
- Lifetime monthly benefits payable to vested members at retirement.
- Benefits are determined by a set formula: $\text{Accrual Factor (1\%)} \times \text{AFC (average highest consecutive five year salaries)} \times \text{Years of Service} = \text{Monthly Benefit}$.

<u>Accrual Factor</u>		<u>AFC</u>		<u>Years of Creditable Service</u>		<u>Annual Benefit</u>		<u>Regular Monthly Benefit</u>
1%	x	\$25,000	x	30	=	\$7,500	÷ 12	= \$625.00

RETIREMENT ELIGIBILITY

- Service Retirement: age 65 and vested or "Rule of 90" (years of service and age must total 90)
- Early Retirement: age 60 and vested or "Rule of 80" (years of service and age must total 80)

CREDITABLE SERVICE

Creditable service is membership service under the plan for which you made contributions, plus any other periods of service credited to you by TCRS. Service credit may be accrued for full-time service as a state employee, higher education employee, a public school teacher in Tennessee or an employee of certain local governments in Tennessee. In addition, you may be entitled to establish credit for other types of service. The types of service that may be established include the following:

- Previously withdrawn service;
- Military service which interrupted your public employment;
- Military service rendered prior to May 1975 during a period of armed conflict or peacetime service as defined in Tennessee Code Annotated, Section 8-34-605;
- Educational leave of absence which interrupted your employment; and
- Unused accumulated sick leave at retirement.

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS) HYBRID PLAN

CONTRIBUTIONS

- Employee Contributions: 5% of payroll for teachers and state employees
- Employer Contributions: 4% of payroll

DISABILITY BENEFITS

An active member who is not eligible for service retirement, but who can no longer engage in any type of substantial gainful employment due to a total and permanent medically determinable disability, may be entitled to TCRS disability benefits. The member must submit an "Application for Disability Benefits" and furnish objective medical records that conclusively document the claim. A disability retiree is subject to annual medical re-valuation and to an annual review of earnings until age 60. TCRS provides coverage for two kinds of disability: (1) ordinary disability and (2) job-related accidental disability.

Disability benefits are equal to 90% of the service retirement benefit that would have been payable. To be eligible for ordinary disability retirement benefits, you must have a minimum of five years of creditable service. There is no minimum service requirement for accidental disability benefits; however, the accident must have occurred in the performance of duty.

DEATH BENEFITS

The beneficiary of an active member who dies prior to retirement may be entitled to one of four survivor benefits: (1) lump-sum refund, (2) line-of-duty benefit, (3) 100% joint and survivor annuity for spouse after 10 years of service, or (4) 100% joint and survivor annuity for any beneficiary after reaching early retirement eligibility. Factors determining the type of benefit payable to your beneficiary include relationship to beneficiary, age, and length of service. Any annuity benefits payable may be reduced by the early retirement reduction factor and/or the appropriate option factor.

DEFINED CONTRIBUTION - EMPOWER RETIREMENT (FORMERLY GREAT-WEST RETIREMENT SERVICES)

Empower Retirement is the defined contribution portion of the state retirement plan, providing 401(k) and 457(b) plans for employees of state government, higher education employees, and teachers. The member is immediately vested in the defined contribution plans. Some local governments also participate in these plans.

- Employee Contributions: 2% auto-enrollment (member may increase percentage or opt-out at any time)
- Employer Contributions: 5%

Both 401(k) and 457(b) plans are participant-directed where employees choose how to direct their contributions among a variety of investment options. Benefits at retirement are determined by how much has been contributed and the investment options chosen. There are several distribution options at retirement including, but not limited to, keeping contributions in the state plan until age 70½, rolling the balance into another qualified retirement plan, or withdrawing your account balance.

OTHER SOURCES OF INFORMATION

TCRS provides an annual statement that outlines current salary and service posted to your account, total service in TCRS, and estimated benefit values. The annual statement and other information about your account can be found at mytcrs.tn.gov.

FOR MORE INFORMATION ...

Regarding TCRS, visit treasury.tn.gov/tcrs.

Regarding the 401(k) and 457(b) plans, visit treasury.tn.gov/dc.



Treasury Department; Sept. 2015;
Authorization #309___; ___ copies.
This public document was
promulgated at a cost of ___¢ each.