

# Tennessee Consolidated Retirement System

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502 Deaderick Street  
Nashville, TN 37243

# TCRS Statistics and Standings

As of July 1, 2014

- Provides benefits for more than 210,000 active members, and over 128,000 retired members
- 16.7% investment return; 5<sup>th</sup> best return in 38 years.
- \$42.9 billion held in trust for TCRS
- 24<sup>th</sup> Largest US Public Pension Fund
- 87<sup>th</sup> Largest World Pension Fund
- 6<sup>th</sup> Best Funded State Pension Plan
- Over 93% funded

# Winner of the Large Public Plan of the Year award 2013

- Awarded by Money Management Intelligence:
- Money Management Intelligence

# TCRS Members

- State Employees
- Higher Education Employees
- K-12 Public School Teachers
- Local Governments/Political Subdivisions
  - Cities
  - Counties
  - Special Districts
    - Utility Districts
    - E911 Districts
    - Development Districts
    - Housing Authorities
    - Special School Districts

# Contributory Members

- Members have an account balance with TCRS
- Contribute 5% of their monthly salary
  - K-12 Public School Teachers
  - Most Political Subdivisions
  - State employees hired prior to 07/01/1981

# Non-Contributory Members

- Employer pays the required employee contributions on the members behalf
  - State Employees Employed After 7/1/81
  - Some Political Subdivisions

# Types of Retirement Plans

- Defined Contribution Plans
- Defined Benefit Plans

# Defined Contribution Plan

- The annuity at retirement is based on the retiree's account balance
- The employee chooses investments and bears the risk of investment losses
- Contributions are available for withdrawals or loans; may be subject to early withdrawal penalties



# Defined Benefit Plan

- Contributions are not available for loans or withdrawal until termination of employment
- Benefits are calculated with a set formula
- Benefits are paid to member for lifetime
- Employer bears risk of any investment loss

# What Determines the Employee's TCRS Retirement Benefit?

- **Average Final Compensation (AFC)** – the average of your highest sixty consecutive months of salary. \*Not necessarily last consecutive 60 months of salary.\*
- **Years of Service** – your total number of years and months of creditable service.
- **Age at Retirement** – determines early retirement reduction factors and benefits paid under the optional survivor benefit plans.

# Legacy DB-Benefit Formula and Example

## Basic Benefit Formula

Accrual Factor  
X  
AFC  
X  
Years of Creditable  
Service  
=  
TCRS Benefit

## Example Calculation

1.5%  
X  
\$50,000  
X  
30 years  
=  
\$22,500/12  
\$1,875 monthly

# Refunded Service

- Previously withdrawn service may be re-established by re-depositing the amount withdrawn plus 7½ percent interest compounded annually from the date of the refund.
- A member must have one year of active membership service prior to making a redeposit.
- This payment may be made in a lump sum amount or under an installment payment plan.

# Military Service

- Armed Conflict Service
  - Korean War: 6/27/50-1/31/55
  - Vietnam Era: 2/28/61-5/7/75
  
- Peacetime Military Service
  - 02/01/1955- 2/27/1961
  
- Interrupted Military Service

**Up to Four Years of Military Service Can Be Established Permitted A Member Is Not Eligible for Federal Retirement Benefits for Such Service.**

(Please refer to Application for Military Service Credit for more details)

# Additional Prior Service Types

- Probationary Service: Period of time employees are required to work prior to becoming eligible for membership in the system.
- Out-of-State Service: Service rendered in another state where member is not eligible to receive a benefit. Eliminates any early reduction penalties, however, the years of service will not be added to the TCRS service.

# Sick Leave Formulas

- 10 month: 200 days = 1 year
- 11 month: 220 days = 1 year
- 12 month: 240 days = 1 year
  
- 10 month:  $\text{days} / 20 \times 1.20 = \text{months}$
- 11 month:  $\text{days} / 20 \times 1.10 = \text{months}$
- 12 month:  $\text{days} / 20 = \text{months}$

*Employees of a political subdivision may receive sick leave credit if resolution is passed authorizing such service*

# Sick Leave Formulas

- **20 days = 1 month**
- **240 days = 1 year**

*Employees of a political subdivision may receive sick leave credit if resolution is passed authorizing such service*



# Retirement Requirements

- Service Retirement
  - Member must be age 60 and vested or have 30 years of service regardless of age
- Early Retirement
  - Member must be 55 and vested
  - One reduction factor will be applied
- 25-year Early
  - Member must be under the age of 55 and have 25 years of service.
  - Two Reduction Factors will be applied

# Election of Benefit Payment Plans

- Single Life Annuity Plans
  - Regular/Maximum Plan
  - Social Security Leveling
- Joint and Survivor Plans
  - Option I - 100% Joint and Survivor
  - Option II - 50% Joint and Survivor
  - Option III - Modification of Option I
  - Option IV - Modification of Option II

# Single Life Annuity Options

- **Regular Maximum**- maximum monthly benefits payable to member for life. Benefits cease at death.
- **Social Security Leveling**- an increased benefit payable to member until 62, then a reduced benefit payable after that date. Income will be approx. the same after commencement of social security.

# Joint and Survivor Annuity Options

- Option 1 (100% Joint and Survivor)- **PERMANENT** reduction payable during a member's lifetime. Benefit will continue upon death of the member for the beneficiary's lifetime at 100% of the benefit.
- Option II (50% Joint and Survivor)- **PERMANENT** reduction payable during a member's lifetime. Benefit will continue upon death of the member for the beneficiary's lifetime at 50% of the benefit.
- Option III (Modification of Option 1)- reduced benefit payable during the member's lifetime. Benefit will continue upon the death of the member at 100% of the benefit. Should the beneficiary predecease the member, the benefit will revert (pop-up) to regular maximum.
- Option IV (Modification of Option 2)- reduced benefit payable during the member's lifetime. Benefit will continue upon the death of the member at 50% of the benefit. Should the beneficiary predecease the member, the benefit will revert (pop-up) to regular maximum.

# Sample Retirement Benefit for Member and Beneficiary Both at age 55

| <u>Ret. Plans</u>    | <u>Member</u> | <u>Beneficiary</u> |
|----------------------|---------------|--------------------|
| Reg/ Max             | 1181.00       | 0.00               |
| Option 1             | 1018.00       | 1018.00            |
| Option 2             | 1093.00       | 546.00             |
| Option 3<br>(Pop-Up) | 998.00        | 998.00             |
| Option 4<br>(Pop-Up) | 1082.00       | 541.00             |

# Soc. Sec. Leveling Example

|   |         |
|---|---------|
| Reg./Max Amount                                     | 1181.00 |
| Soc. Sec. Est. @ Age 62                             | 750.00  |
| % of S.S. paid by TCRS<br>Based on Age 55 (51%)     | 384.00  |
| Benefit Paid to Member<br><u>until</u> 62 from TCRS | 1565.00 |
| Benefit Paid to Member<br><u>after</u> 62 From TCRS | 815.00  |
| Soc. Sec. Paid @ 62                                 | 750.00  |
| Total Paid from TCRS &<br>SS after 62               | 1565.00 |

# Selecting A Beneficiary

- Please make sure your beneficiary is kept up to date.
- Check beneficiary designation on TCRS annual statement.
- If adjustments are necessary please fill out a change of beneficiary form.

# Choosing A Beneficiary

- Monthly benefits can not be paid to estates, institutions, or multiple beneficiaries.
- For retirement purposes, the member may only designate **ONE** beneficiary.
- If joint and survivor annuity option is chosen, the option may **NOT** change.



# Disability Benefits

- Disability is a reduced benefit.
- TCRS offers three types of Disability Benefits:
  - **Ordinary:** must have 5 years of creditable service and suffer a disabling condition during a period of active employment.
  - **Accidental:** no minimum service required; must be the result of a job-related accident or injury that occurs without negligence on the member's part while performing duties.
  - **Inactive:** must have 5 years of creditable service, and becomes disabled after one has terminated employment

For further information, please contact our disability Counselors at 1-800-770-8277 option 6

# Insurance

- For insurance questions, please contact Benefits Administration at:

1-800-253-9981, option 2.

*Employees of a political subdivision may receive insurance benefits if the local government passes the resolution authorizing this option.*

# Cost-of-Living Adjustment (COLA)

- Must be retired 12 months prior to July 1 in order to receive COLA the following year.
- Based on the percentage increase in the Consumer Price Index (CPI) for the previous year.
- Payable up to three percent and compounded annually.

*Employees of a political subdivision may receive the cost of living adjustment if the local government passes the resolution authorizing the adjustment.*

# Temporary Employment

- TCRS offers temporary employment with TCRS covered entities to retired members.
  - Limited to 120 days of employment within a 12 month period
  - Salary Limit Per Year
  - 60 Day Waiting Period From the members date of retirement unless waived by employer

# Frequently Asked Questions

- Can I change my option after retirement?
- How soon do I need to apply for retirement?
- When will I receive my first retirement check?
- What is withheld from my retirement check?

# Internet Site

[Tcrs.tn.gov](http://Tcrs.tn.gov)

- Self-service
- [Benefit Calculator](#)
- Downloadable Forms
- Publications
- Contact Information
  - 1-800-770-8277