

# RetireReadyTN

## *Resources to Promote Retirement Readiness*





## What is RetireReadyTN?

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 plans offered by Empower Retirement, and retirement readiness education. We strive to empower public employees to take actionable steps toward preparing for the future.





# Tennessee Consolidated Retirement System



- TCRS is a defined benefit plan that provides a lifetime benefit at retirement once eligibility has been met.
- Benefits are calculated with a set formula.
- Contributions are not available for withdrawal until termination of employment.
- Employer bears the investment risk.



## TCRS is turning 50!

- On July 1, 2022, TCRS celebrates 50 years as a consolidated retirement plan!
- On July 1, 1972, Governor Winfield Dunn signed the Consolidation Retirement Act, combining seven separate pension plans into the Tennessee Consolidated Retirement System.





# TCRS by the numbers

- TCRS portfolio valued at \$65.8 billion
- Named in Top 3 best-funded State Pensions by Pew Charitable Trusts

## GASB Funded Status

FY 2021

	Assets	Liabilities	Funded %
State Legacy	\$ 15,746,112,791	\$ 17,384,423,117	90.58%
State Hybrid	308,241,289	273,028,004	112.90%
Teacher Legacy	25,456,436,717	24,693,863,023	103.09%
Teacher Hybrid	401,015,022	344,150,852	116.52%
Political Subdivisions*	11,439,968,483	11,199,061,543	102.15%

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

Active Members in the Legacy Plan  
 (closed to new members on June 30, 2014)

**159,293**

Active Members in the Hybrid Plan

**61,479**

Retired Members

**148,025**

TCRS paid

**\$2.9 billion**



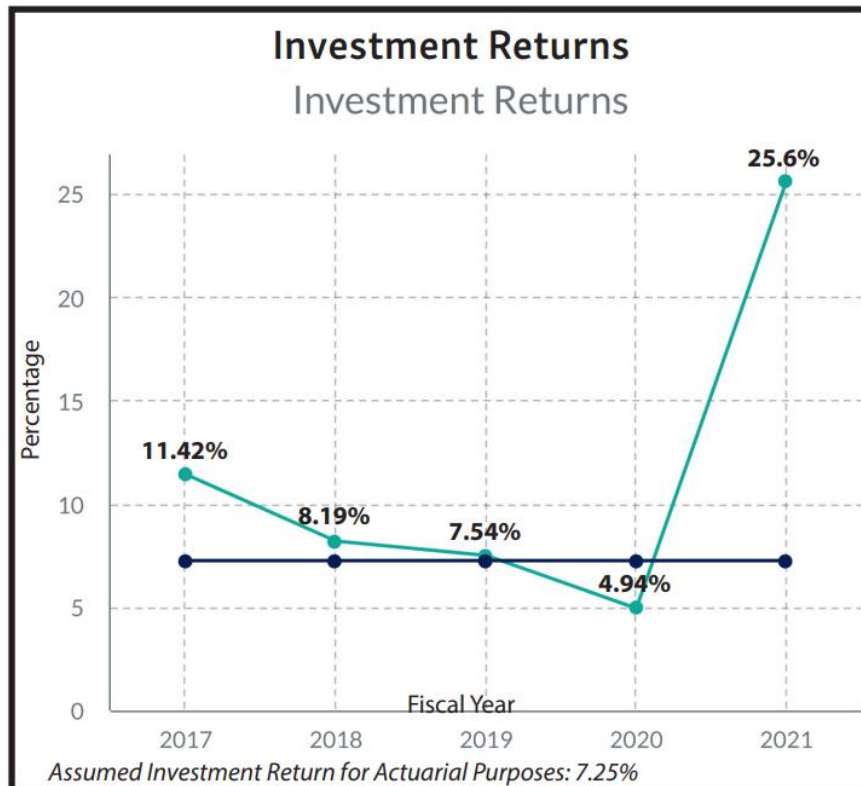
in benefits to **148,025**  
 retirees

**92%** of TCRS retirees  
 remain in Tennessee



# TCRS by the Numbers

- For every \$100 in retirement benefits paid, 70.02% is paid from investment earnings by the Treasury Department.



- TCRS concluded FY21 recording a historic 25.6% investment return, the fourth highest annual percentage return since consolidation in 1972
- TCRS lowered its assumed rate of return from 7.25% to 6.75% beginning July 1, 2021



## TCRS Employer Participation

- All State Agencies, Public Higher Education, and Teachers
- 570 political subdivisions currently participate in TCRS
  - 515 Legacy
  - 21 Hybrid with Cost Controls
  - 29 Hybrid without Cost Controls
  - 5 Alternative Defined Benefit



## State of TN 401(k) and 457(b) Plans by the Numbers

	401(k) Plan Participants	Assets	457 Plan Participants	Assets
State	61,920	\$2,507,010,378	6,413	\$258,158,005
University of Tennessee	20,458	\$935,238,394	2,069	\$230,868,050
Tennessee Board of Regents /Higher Education	23,630	\$905,970,926	909	\$89,325,341
K-12 Teachers	53,630	\$716,418,332	343	\$2,895,453
Local Governments	12,240	\$223,989,150	4,732	\$179,210,946
<b>Total</b>	<b>171,878</b>	<b>\$5,288,627,180</b>	<b>14,466</b>	<b>\$760,457,795</b>





# Deferred Compensation 401K Plan



- Members select their investment options based on their individual goals, risk tolerance and timeline.
- Immediate vesting
- The amount received in retirement is based on contributions, plus any accumulated earnings.
- Account balance can be paid in a lump sum, through monthly installments, or through periodic withdrawals.
- State Employees are eligible for a \$100/month contribution provided the employee contributes at least \$50.



# 401(k) Plan Options and Contribution Limits

## Contribution Types:

- Traditional 401(k) – pre-tax contributions to reduce your current taxes
- Roth 401(k) – post-tax contributions to reduce your taxes in retirement
- Any employer contributions will always be made to the 401(k) on a pre-tax basis
- Members under age 50 may contribute up to \$20,500 in 2022 or 100% of salary, whichever is less
- Members age 50+ may take advantage of the Age 50+ Catch-up option



## Rollovers to the 401(k)

- You can roll over approved balances from a former employer's 401(a), 401(k), 403(b) or governmental 457(b)<sup>1</sup> or from an IRA.
- You may want to consult a tax advisor prior to making this decision



<sup>1</sup> If you roll over any governmental 457 dollars to another type of plan or account, the withdrawals made prior to you reaching age 59½ may be subject to a 10% federal early withdrawal penalty upon distribution from the non-457 account.



## Additional Savings Opportunity – 457(b)

- The 457(b) plan has the same investment options as the 401(k) plan
- All contributions are made pre-tax
- The 457(b) and 401(k) do not share a contribution limit
- Members may contribute up to \$20,500 in 2022 or 100% of salary, whichever is less
- The 401(k)/457(b) Plan Comparison Guide found on [RetireReadyTN.gov](https://RetireReadyTN.gov) provides further information about the differences between the 401(k) and 457(b) plans.



# What determines your TCRS Retirement Benefit?

- Average Final Compensation (AFC)
  - The average of your highest 60 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



## TCRS Legacy Plan

- Members are non-contributory to TCRS
- 5-year vesting under TCRS
- Service Retirement at age 60 and vested, or with 30 years of service
- Voluntary participation in 401(k) and 457(b), no automatic enrollment



## TCRS Legacy Plan Formula

<b>Accrual Factor<sup>1</sup></b>		<b>Average Final Compensation</b>		<b>Years of Service</b>		<b>Annual Benefit</b>
1.575%	x	Average of Member's Highest 60 Consecutive Months of Salary	x	Service established while in a position covered by the Legacy Plan	=	

<sup>1</sup>General State and Higher Education Employees receive a 5% Benefits Improvement Percentage (BIP), which raises the Accrual Factor from 1.5% to 1.575%. The BIP does not apply to members of the General Assembly, State Judges, and any superseded plans.

- Benefit payments are made monthly via direct deposit
- A member may choose a single life annuity or survivorship option



# Example: Legacy Plan TCRS Benefit Calculation

## Single Life Annuity

Average Final Compensation (AFC) = \$30,000

Years of Service	Accrual Factor <sup>1</sup>	Annual Benefit	Monthly Benefit
5	1.575%	\$ 2,362.50	\$ 196.88
10	1.575%	4,725.00	393.75
15	1.575%	7,087.50	590.63
20	1.575%	9,450.00	787.50
25	1.575%	11,812.50	984.38
30	1.575%	14,175.00	1,181.25

<sup>1</sup>General State and Higher Education Employees receive a 5% Benefits Improvement Percentage (BIP), which raises the Accrual Factor from 1.5% to 1.575%. The BIP does not apply to members of the General Assembly, State Judges, and any superseded plans.





## TCRS Hybrid Plan

- Members are contributory to TCRS at 5%
- Automatic enrollment into 401(k) at 2%
- 5 year vesting in TCRS, immediate vesting in 401(k)
- TCRS Service Retirement at age 65 or by meeting the rule of 90 (service credit + age = 90)



## Hybrid Plan

	Employer contributions	Member contributions	Total contributions
TCRS	4%	5%	9%
401(k)	5%	2% <sup>*</sup>	7%
<b>TOTAL</b>	<b>9%</b>	<b>7%</b>	<b>16%</b>

\*May change contribution amount at any time and employee may opt out within 90 days of employment.



## TCRS Hybrid Plan Formula

<b>Accrual Factor</b>		<b>Average Final Compensation</b>		<b>Years of Service</b>		<b>Annual Benefit</b>
1.0%	x	Average of Member's Highest 60 Consecutive Months of Salary	x	Service established while in a position covered by the Hybrid Plan	=	

- Benefit payments are made monthly via direct deposit
- A member may choose a single life annuity or survivorship option



# Example: Hybrid Plan TCRS Benefit Calculation

Average Final Compensation (AFC) = \$30,000

Years of Service	Accrual Factor	Annual Benefit	Monthly Benefit
5	1.0 %	\$ 1,500.00	\$ 125.00
10	1.0%	3,000.00	250.00
15	1.0%	4,500.00	375.00
20	1.0%	6,000.00	500.00
25	1.0%	7,500.00	625.00
30	1.0%	9,000.00	750.00



## Additional Benefits

- Disability Retirement

- Ordinary - Five years of service; totally and permanently disabled
- Accidental - No minimum service requirement; must be totally and permanently disabled
- Inactive - Five years of service; totally and permanently disabled.

*Contact TCRS Disability Benefits Division at 1-800-922-7772 for more information.*

- Death Benefits

- Death benefits are determined by who is designated as beneficiary, member age, and length of service.

*Contact TCRS Death Benefits Division at 1-800-922-7772 for more information.*

- Sick Days

- Unused sick days can be used towards service time at retirement. Employees receive one month of service for every 20 unused sick days



## Cost of Living Adjustment (COLA)

- Must be retired 12 months by the upcoming July 1 in order to receive COLA
- Based on the percentage increase in the consumer price index (CPI) for the previous year
- Payable up to three percent (3%) and compounded annually



## Onboarding Information Sent by Mail

To all new employees:

- RetireReadyTN Welcome Letter
  - Plan Overview

To new Hybrid employees:

- 401(k) automatic enrollment notification letter
  - Provides PIN & Plan Number
  - Instructions on how to make changes

To new Legacy employees:

- 401(k) Welcome Letter
  - General information & online enrollment instructions



# Accessing Your Accounts Online

- You can access your accounts online at [RetireReadyTN.gov](https://RetireReadyTN.gov)

 Login to your 401(k)/457 accounts

 Login to TCRS Self-Service

- It may take up to 90 days for online account access to be established for your TCRS account via self-service
- Online access for your 401(k) account is generally available within 10 days of your start date





## Selecting Your Beneficiary(s)

- Update your TCRS Beneficiary by logging into TCRS Self-Service. For more information, review the TCRS Beneficiary Guide.
- Update your 401(k) Plan Beneficiary by logging into your 401(k) account.
- You may select multiple beneficiaries.
- Remember, your beneficiary(s) will not automatically be changed in the event of a birth, marriage, divorce, and death, or other change in circumstance.



## Separation from Service - TCRS

What happens to a member's retirement benefits upon separation from service with a TCRS-covered employer?

- If the member is vested, he/she will qualify for a retirement benefit once the service retirement age is reached.
- If the member is not vested, he/she may withdraw employee contributions, if any. Members are encouraged to keep employee contributions in the plan, if there is a possibility of returning to work for a TCRS-covered employer at a later date.
- If the separation from service is due to disability, the member may apply for disability benefits.



## Separation from Service – 401(k) & 457(b)

- Funds may remain in the 401(k) and 457(b) plans or be rolled over to another qualified retirement plan
  - Required minimum distributions must be taken annually once the member reaches age 72
- **401(k)** – You may begin taking qualified distributions without early withdrawal penalty upon reaching age 59 ½
- Distributions can be set up in a variety of ways, including:
  - periodic payments
  - partial lump-sum
  - full lump-sum, or a combination of those options.



## Military Service Retirement Credit

- HB 1852/SB 2057; Public Chapter 1057
- Prior to May 25, 2022, all military service rendered after May 8, 1975, had to interrupt the member's TCRS-covered employment to be eligible to establish prior service credit.
- This new law expands eligibility to allow veterans of the following armed conflicts to establish prior service credit even if their military service did not interrupt TCRS-covered employment:
  - Multinational Force in Lebanon 8/21/82–2/26/84
  - Invasion of Grenada/Operation Urgent Fury 10/25/83–12/15/83
  - Invasion of Panama/Operation Just Cause 12/20/89–1/31/90
  - Persian Gulf War 8/2/90–4/6/91
  - Operation Enduring Freedom 10/7/01–12/28/14
  - Operation Iraqi Freedom 3/19/03–8/31/10



## Military Service Retirement Credit

- This change is effective immediately for vested, active members of the State, Higher Education and Teacher plans and local government employers with a TCRS participation date on or after May 25, 2022.
- Local Governments with a TCRS participation date prior to May 25, 2022, wishing to authorize military service retirement credit for these newly named conflicts may do so by passing the appropriate resolutions.
- Eligible members wishing to establish this service credit must make a lump sum payment based on the following calculation:

<b>9%</b>	<b>X</b>	<b>Member's Current Salary</b>	<b>X</b>	<b>Years of Military Service to be Established</b>
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- Retirees and inactive members are ineligible to establish this type of military service credit.
- This military service credit may not be used to enable a member to achieve vesting.



## Military Service Retirement Credit

- Eligible members wishing to establish military service related to these six armed conflicts should complete the Application for Military Service Retirement Credit form located on the Forms and Guides Page at [RetireReadyTN.gov](https://RetireReadyTN.gov).
- The Application for Military Service Retirement Credit form and all related publications and communications have been submitted for revisions to conform to the new law.
- Member payments for all forms of service purchase may be made through Member Self Service at [MyTCRS.com](https://MyTCRS.com)



## Retirement Readiness Resources



- [RetireReadyTN.gov](https://www.RetireReadyTN.gov)
- Customer Service Call Center: 1-800-922-7772, open Monday - Friday from 8:00 a.m. - 7:00 p.m. CST
- Group Presentations
- Comprehensive Individual Retirement Planning (early-mid career) – Retirement Readiness Reviews
- Pre-Retirement Counseling (3-5 years out from retirement)
- 15 RetireReadyTN Plan Advisors across the State



# Treasury Outreach Team

## Outreach Director

Drew Freeman

*[Drew.Freeman@tn.gov](mailto:Drew.Freeman@tn.gov)*

*615-806-4467*

## East Tennessee

Justin Ball

*[Justin.Ball@tn.gov](mailto:Justin.Ball@tn.gov)*

*423-356-1518*

## Middle Tennessee

James Armistead

*[James.Armistead@tn.gov](mailto:James.Armistead@tn.gov)*

*615-289-4447*

## West Tennessee

Tim Joyce

*[Tim.Joyce@tn.gov](mailto:Tim.Joyce@tn.gov)*

*901-233-4517*