



Tennessee Consolidated Retirement System (TCRS)

**Department of Education
2015 Fiscal Workshop**



Topics

- Local Government Plan Options
- State and Teacher Hybrid Plan
- Updates
- Concord Contribution Reporting
- Questions



TCRS Statistics and Standings

- Provides benefits for more than 225,000 active members, and over 122,000 retired members
- Currently over \$42 Billion Dollars held in trust for TCRS
- 31st Largest US Public Pension Fund
- 84th Largest World Pension Fund
- 6th Best Funded State Pension Plan
- Over 93% funded
- Named “Large Public Pension Plan of the Year” during Money Management Intelligence’s 12th Annual Public Pension Plan Awards for Excellence.



Local Government Plan Options

July 1, 2012

- Chapter 939 of the 2012 Public Acts became effective
- Four plan options now available for local governments.
 - Original Defined Plan (Plan 1)
 - New Alternate Defined Plan (Plan 2)
 - New Hybrid Plan without Cost Controls (Plan 3)
 - Defined Contribution Plan (Plan 4)*

*Administered by the Deferred Compensation
Division of the TN Dept. of Treasury



State and Teacher Hybrid Plan

July 1, 2014

- Chapter 259 of the 2013 Public Acts became effective.
- All new state employees and teachers hired after June 30, 2014 participate in the new State and Teacher Hybrid Plan.
- For local governments, participation in this plan is optional and effective for new hires only upon the adoption by the governing board of the entity.



Guiding Principles in Establishing State and Teacher Hybrid Plan

- Provide a sufficient level of benefits in order for career employees to maintain a reasonable standard of living at retirement
- Control employer costs by enforcing cost control methods, if needed.
- Provide a sustainable retirement plan structure going forward.



2014 State and Teacher Hybrid Plan TCRS - DB Component

Retirement Requirements

- Service Retirement – Full benefit (penalty free)
 - Member must be age 65 and vested or meet the “Rule of 90.” (Amount of service years and age must total 90.)
- Early Retirement – Actuarially reduced benefit
 - Member must be age 60 and vested or meet the “Rule of 80.” (Amount of service years and age must total 80.)



2014 State and Teacher Hybrid Plan TCRS - DB Component

Benefit Formula and Example

Basic Benefit Formula

Years of Service

X

AFC

X

1.0% Benefit Multiplier*

=

Annual Benefit/12=Monthly
Benefit

Example Calculation

30 Years of Service

X

\$30,000

X

1.0%*

=

9,000/12 = 750 per month

*Benefit Multiplier Used in the Hybrid Plan Formula is 1.0%.



Key Components of the 2014 State and Teacher Hybrid Plan

- TCRS Component
 - 1% benefit accrual factor
 - Employee to contribute 5% of salary
 - Employer to contribute 4% of salary

- DC Component
 - Employer contributes 5% of employee salary
 - Employee will be auto-enrolled to contribute 2% of salary with the choice to opt out



In which plan do I participate?

- Member is a state employee from July 1, 2001 to June 30, 2003. Member terminates service and later returns to state employment on July 1, 2014.
 - Member is covered by the hybrid pension plan since the member lost service due to absence for more than seven consecutive years and not being vested. Service in the legacy plan has been lost. The member is eligible to establish the two years of service lost in the hybrid plan upon payment of employee contributions plus interest.
- Member is a teacher from July 1, 2008 to June 30, 2012. Member terminates service (does not refund) and begins employment with the state July 1, 2014.
 - Member is covered by the legacy pension plan since the member did not lose membership. Moving from state to teacher or vice versa is allowable.



In which plan do I participate?

- Member is a state employee from July 1, 2010 to June 30, 2012. Member terminates service and becomes employed by a local government from July 1, 2012 to June 30, 2016. The member returns to state employment on July 1, 2016.
 - Member is covered by the legacy pension plan since the member never lost membership in the plan by refund or being absent from service for more than seven consecutive years and not being vested. (During employment with local government, the member is covered by the plan the LG currently offers.)
- Member is a teacher from July 1, 2006 to June 30, 2013 (vested). Member terminates service and refunds. Member returns to service as a teacher July 1, 2014.
 - Member is covered by the hybrid pension plan since the member lost membership by refunding account balance.



State and Teacher Hybrid Pension Plan

- Service with all employers count towards vesting
- Service with all employers count towards eligibility for retirement
- Legacy and hybrid pension plan have different eligibility for retirement criteria, therefore, separate benefits will be calculated



State and Teacher Hybrid Pension Plan

At time of retirement, eligibility to receive benefits will be determined separately if member has both legacy service and hybrid plan service.

Example: Member is age 55 and has 15 years of service with a local government participating in the legacy pension plan and 3 years of service with the state under the hybrid pension plan. The member would be eligible to receive an early retirement benefit in the legacy plan (Age 55), but would not be eligible to receive a benefit on the service accrued under the hybrid pension plan (Age 55 plus 18 years= 73.) Once member attained age 60, the member would be eligible to receive an early benefit for the hybrid plan. At age 65, the member would receive a penalty free benefit for the hybrid plan.



State and Teacher Hybrid Pension Plan

At time of retirement, eligibility to receive benefits will be determined separately if member has both legacy service and hybrid plan service.

Example: Member is age 52 and has 30 years of service with a local government participating in the legacy pension plan and 5 years of service with the state under the hybrid pension plan. The member would be eligible to receive a service retirement benefit in the legacy plan, but would be eligible to receive an early retirement benefit on the service accrued under the hybrid pension plan (Age 52 plus 35 years= 87.) The member could collect a full benefit on the service accrued under the hybrid plan if they applied for that benefit at the age of 55 (Age 55 plus 35 years= 90.)



Updates

- Cost of Living Adjustment
 - 1.00% effective 7/1/2015.
- Employer Contribution Rates
 - New employer contribution rate for K-12 teachers will remain 9.04% for fiscal year 2016.
 - Employer contributions for general/ certified staff will remain the same for fiscal year 2016.
- Concord System
 - Target Date: Fall 2015
 - Member Self Service (MSS): Members will have the ability to apply for additional retirement credit, contribution refunds, and/or retirement
 - Employer Self Service (ESS): As members apply for various benefits through MSS, employers will be certifying that information in ESS.



Contribution Reporting

- Payment Reason
 - Regular Pay vs Regular Pay w/ Additional Creditable Comp
- New Payment Reason
 - Balance of Contract
- Corrections
 - Prior Period Adjustments
- Reporting Service
 - Rate of Pay and Salary as it applies to service

For employer reporting assistance, contact (615)532-6111.



Website and Contact Information

- Tcrs.tn.gov
 - Applications and Forms
 - Publications
 - Concord Information
 - Political Subdivision Plan Information
 - State and Teacher Hybrid Plan Information
- Phone Number
 - 1-800-770-8277
- Mailing/Physical Address
 - 502 Deaderick Street
 - 15th Floor Andrew Jackson Building
 - Nashville, TN 37243

Questions?

