



The State of Tennessee Retirement Program

For State, Higher Education Employees, K-12 Teachers, and certain Local Governments

About the hybrid plan

The hybrid plan, effective for new hires on or after July 1, 2014, or, as of the Amendment Effective Date for certain local government employers, provides a combination of a defined benefit plan and a 401(k) deferred compensation plan. Contributions into the defined benefit portion of the hybrid plan are managed by the Tennessee Consolidated Retirement System (TCRS). The contributions into the deferred compensation portion are made into the State's 401(k) Plan, where you have the ability to manage your investment choices.

The hybrid plan provisions

- 1. Employee and Employer Contribution Rates:** All participants contribute on a tax-deferred basis to the hybrid plan, and your employer also makes contributions to your hybrid plan as outlined in the table below.

Hybrid plan contribution rates

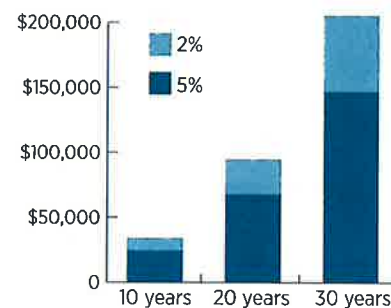
	TCRS Defined Benefit Plan	State of Tennessee 401(k) Deferred Compensation Plan	Total Retirement Contributions
Your Employer	4%	5%	9%
You	5%	2% Auto Enrollment Voluntary*	7%
Total	9%	7%	16%

* You will have the ability to change your contribution rate at any time. A letter with provisions will be sent to your address of record.

- 2. Default Investment Option:** Contributions made to the deferred compensation plan are automatically invested in a default investment option, a Vanguard target date fund, according to your date of birth and the year you will reach age 65. See below for more information about these investment options.

Default Fund Name	Fund Ticker Symbol
Vanguard Instl Target Retirement 2015	VITVX
Vanguard Instl Target Retirement 2020	VITWX
Vanguard Instl Target Retirement 2025	VRIVX
Vanguard Instl Target Retirement 2030	VTTWX
Vanguard Instl Target Retirement 2035	VITFX
Vanguard Instl Target Retirement 2040	VIRSX
Vanguard Instl Target Retirement 2045	VITLX
Vanguard Instl Target Retirement 2050	VTRLX
Vanguard Instl Target Retirement 2055	VIVLX
Vanguard Instl Target Retirement 2060	VILVX

Benefits of Saving in the 401(k) Plan:
see where 7% can take you!



FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration is not intended as a projection or prediction of future investment results, nor is it intended as financial planning or investment advice. It assumes a \$35,000 yearly salary, 7% contribution rate, 6% annual rate of return and reinvestment of earnings with no withdrawals. Rates of return may vary. The illustration does not reflect any associated charges, expenses or fees. The tax-deferred accumulation shown would be reduced if these fees were deducted.

The date in a target date fund's name represents an approximate date when an investor turns 65. To determine which fund you will be invested in from the list, add your date of birth to age 65 and find the fund with the nearest date.

Generally, the asset allocation of each target date fund will gradually become more conservative as the fund nears the target retirement date. The principal value of the funds is not guaranteed at any time, including on the target date. Asset allocation investment options are subject to the risks of the underlying funds, which can be a mix of stocks/stock funds and bonds/bond funds. For more information, please refer to the fund prospectus and/or disclosure document.

Play an Active Role in Your Retirement Future

Follow these three simple steps to stay on track for your future:

1. Manage Your Investments

Once enrolled, you can choose to remain in the Vanguard target date fund or select from the diverse menu of options offered under the plan. Review the investment option information online at www.RetireReadyTN.gov.

Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information about investments offered through your Program, you may obtain prospectuses for mutual funds, any applicable annuity contract and the annuity's underlying funds, and/or disclosure documents from your registered representative or Program website.

2. Choose Your Beneficiary

Naming a beneficiary and keeping this information updated is important so you choose who will receive your benefits in the event of your death. There are two options to name/update your beneficiary:

- Choose/update your beneficiary by logging on to www.RetireReadyTN.gov.
- Complete a paper Beneficiary Designation form. Send the completed form via fax to (866) 745-5766 or via mail to **P.O. Box 173764, Denver, CO 80217-3764**.

3. Meet with a local RetireReadyTN Representative

Your local RetireReadyTN representative can guide you on all the tools and resources available to you, as well as help you stay on the right track for your future.

To locate your representative, check out the territory map at www.RetireReadyTN.gov.

For more information about the State of Tennessee hybrid plan

Phone: (800) 922-7772 or the TDD line at (800) 766-4952

Website: www.RetireReadyTN.gov | **Email:** RetireReadyTN@empower-retirement.com

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Tennessee Consolidated Retirement System Hybrid Plan (Effective July 1, 2014)

Overview

The Tennessee Consolidated Retirement System (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-funded, 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 Explained

- Five-year vesting requirement for state employees and teachers. A vested member is one who has accrued enough years of services 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: $\text{Accrual Factor (1.0\%)} \times \text{Average Final Compensation (average highest five consecutive year salaries)} \times \text{Years of Service} = \text{Monthly Benefit}$

Accrual Factor	x	Average Final Compensation	x	Years of Creditable Service	=	Annual Benefit	÷	12	=	Regular Monthly Benefit
1.00%	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 + age = 90 or greater)
- Early Retirement: age 60 and vested of "Rule of 80" (years of service + age = 80 or greater)

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 of peacetime service as defined in Tennessee Code Annotated, Section 8-34-605;
- Education leave of absence which interrupted your employment; and
- Unused accumulated sick leave at retirement
(If you are a municipal or county employee, please refer to your human resources department to determine if this provision has been adopted by your employing entity.)

Contributions

- Employee Contributions: 5% of salary for teachers and state employees; local government employees whose employer has adopted the hybrid plan may also have an employee contribution
- Employer Contributions: 4% of payroll for covered employees

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.

Deferred Compensation Program

For employees covered by the Hybrid TCRS Plan, the State of Tennessee 401(k) Plan is an important component of your retirement benefit. The 401(k) Plan receives the following contributions:

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

Both the 401(k) and 457 Plans are participant – directed with regard to investments, and participants may choose at what contribution level they wish to participate.

Benefits at retirement are determined by the amount of contributions made to the plans, and the investment experience of those contributions and any earnings thereon. Distribution options include but are not limited to lump sum and rollover options. More information is available through the plan's record keeper, Empower Retirement

For More Information

Please contact RetireReadyTN at 800-922-7772 or at www.retirereadytn.gov



RetireReadyTN Plan Comparison

457(b) Plan vs. 401(k) Plan

	457(b) Plan	401(k) Plan
	Before-tax Plan only	Before-tax 401(k) Plan After-tax Roth 401(k)
Eligibility	<ul style="list-style-type: none"> State, Higher Education and Local Education Agency employees—upon date of hire or anytime thereafter. Local Government employees—upon employer adoption of the plan. 	
Annual Contribution Limit	<p>If you are under age 50: You may contribute up to \$18,000 in 2017 or 100% of your salary, whichever is less. This amount does not include any employer contributions.</p> <p>If you are age 50 or older: Take advantage of the Age 50+ Catch-up option. In 2017, you can contribute an additional \$6,000, for a total of \$24,000.</p> <p>Standard Catch-up: If you choose not to use the Age 50+ Catch-up contributions, Standard Catch-up is available during the last three calendar years before the year you attain normal retirement age. You may be eligible to make contributions up to a maximum annual contribution of \$36,000 in 2017.</p> <p>The Standard Catch-up and Age 50+ Catch-up cannot be used in the same tax year.</p> <p>The annual contribution limit may be indexed for inflation in future years. Check www.irs.gov for more information.</p>	<p>If you are under age 50: You may defer a combined maximum of \$18,000 in 2017 to the 401(k) Plan and the Roth 401(k) Plan. This amount does not include any employer contributions.</p> <p>If you are age 50 or older: Take advantage of the Age 50+ Catch-up option. In 2017, you can contribute an additional \$6,000, for a total of \$24,000.</p> <p>The annual contribution limit may be indexed for inflation in future years. Check www.irs.gov for more information.</p>
Hybrid Plan Contributions¹	Not applicable.	<p>If eligible, you're auto enrolled in the Hybrid Plan at 2% of your salary. You can voluntarily contribute more, even up to 100% of your salary.</p> <p>Your employer will also contribute 5% on your behalf to the State's 401(k) Plan.</p>
Closed Plan Contributions	You can contribute as little as \$10 per pay period or 1% of your salary, up to 100% of your salary.	You can contribute as little as \$10 per pay period or 1% of your salary, up to 100% of your salary.
Employer Matching Contributions	Not applicable.	<p><i>In order to receive the match, you must be contributing to the 401(k) Plan.</i></p> <ul style="list-style-type: none"> Employees of the State of Tennessee and Tennessee Public Colleges and Universities: Your employer may match your 401(k) contributions up to an annually appropriated limit. Check with your HR/Benefits Specialist or campus resource office for current information on employer matching contributions. Local Education Agency Employees: Check with your HR/Benefits Specialist to determine the availability of a plan match. Local Government Employees: Check with your HR/Benefits Specialist to determine the availability of a plan match.

	457(b) Plan	401(k) Plan	
	Before-tax Plan only	Before-tax 401(k) Plan	After-tax Roth 401(k) Plan
Transfers/Rollovers out of the Plan			
<i>You are encouraged to discuss rolling money from one account to another with your financial advisor/planner, considering any potential fees and/or limitations of investment options.</i>	Funds may be rolled over into a 401(k) plan, a governmental 457 plan, a 401(a) plan, a 403(b) plan or an IRA once you have met the eligibility requirements for withdrawal. Please check with your new plan provider to determine if rollovers are allowed into your new plan. Funds may also be transferred to TCRS for purchasing prior service credit.	Funds may be rolled over into another 401(k) plan, a governmental 457 plan, a 401(a) plan, a 403(b) plan or an IRA once you have met the eligibility requirements for withdrawal. Please check with your new plan provider to determine if rollovers are allowed into your new plan. Funds may also be transferred to TCRS for purchasing prior service credit.	Funds may be transferred to a Roth IRA, 401(k) or other plan with a designated Roth account that accepts rollovers.
Saver's Tax Credit	Eligible participants may receive a non-refundable tax credit of up to 50% on an annual contribution of \$2,000 in elective deferrals, in addition to the tax deferral. This credit generally applies to joint filers with an adjusted gross income (AGI) of up to \$62,000 and single filers with an AGI of \$31,000 in 2017. Eligible participants must complete a federal income tax return and claim the credit on an appropriate form.		
Tax Penalties	No 10% penalty tax for distributions of 457(b) money taken prior to age 59½. A 50% excise tax applies if minimum required distributions are not taken before April 1 of the year following the attainment of age 70½ or retirement, if later.	A 10% federal penalty tax may apply to distributions taken prior to age 59½. A 50% excise tax applies if minimum required distributions are not taken before April 1 of the year following the attainment of age 70½ or retirement, if later.	Premature distributions of any Roth earnings are taxed plus a 10% penalty tax unless an exception applies. If a distribution is made from your Roth 401(k) account before you reach age 59½ and it is not due to death or disability, and reaching the five-tax-year period beginning with your first Roth contribution, you will pay income tax on any earnings that are distributed.
Withdrawals	Withdrawals may be taken if they meet the following criteria: retirement, disability retirement, unforeseeable emergency (as defined by IRS and if allowed by your Program's provisions), severance of employment, death, purchase of service credits, distribution requested by a qualified retired public safety officer to be made directly to a health or long-term care insurance provider, or attainment of age 70½. Withdrawals must begin April 1 of the year following the year you turn age 70½ or the year of your retirement.	Withdrawals may be taken if they meet the following criteria: retirement, disability retirement, approved financial hardship (as defined by IRS), attainment of age 59½, in-service distribution at age 60, severance of employment, death, or purchase of service credits. Withdrawals must begin April 1 of the year following the year you turn age 70½ or the year of your retirement.	
Loan Provisions	None.	Active employees who have \$4,000 in the plan may borrow up to half of their account balance, not to exceed \$50,000. The \$4,000 minimum balance requirement is based on employee contributions only. Employer contributions are not eligible for loans. Refer to the Loan Brochure for details.	

Note: Statements regarding federal income tax requirements and plan rules are based upon the State of Tennessee's current understanding of the law and are subject to change as a result of subsequent amendments, regulations and interpretations. Participants are urged to consult their own tax advisors for advice concerning their particular circumstances.

The above is only a brief discussion of applicable tax requirements. Specific limitations and requirements are stated in detail in the Plan Documents and the IRS regulations.

This material has been prepared for informational purposes and should not be construed as investment advice.

Money from other types of plans or accounts that are rolled over into a governmental 457 plan may still be subject to the 10% federal early withdrawal penalty upon distribution from the 457 account prior to the investor reaching age 59½.

1 The hybrid plan, effective for new hires on or after July 1, 2014, or, as of the Amendment Effective Date for certain local government employers, provides a combination of a defined benefit plan and a defined contribution plan. Contributions into the defined benefit portion of the hybrid plan are managed by the Tennessee Consolidated Retirement System (TCRS). Check with your HR/Benefits Specialist to determine the availability of plan options and your eligibility to participate.

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RETIRE READY

TENNESSEE'S RETIREMENT PROGRAM

A program of the Tennessee Treasury Department | David H. Lillard, Jr., Treasurer

Investment Options

The following chart is intended to illustrate investment options available to you under the State of Tennessee 401(k) and 457 Deferred Compensation Program. Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information, you may obtain prospectuses for mutual funds, any applicable annuity contract and the annuity's underlying funds and/or disclosure documents from your registered representative or Program's website.

For prospectuses related to investments in your Self-Directed Brokerage Account (SDBA), contact your SDBA provider. **Read prospectuses carefully before investing.**

		RELATIVE RISK INCREASE						
		Short-Term/Fixed	Bonds	Balanced	Large Cap Equity	Mid Cap	Small Cap	International
Voya Fixed Fund ¹	Vanguard Total Bond Market Index Inst (VBTLX)	Fidelity Puritan (FPPURX)	Allianz NFJ Large Cap Value Inst ⁵	Janus Enterprise Fund (JDMNX)	Brown Capital Small Company Inv (BCSIX)	DFA International Value Fund I (DFIVX)		
Nationwide Bank Account ²	Western Asset Core Plus Bond IS (WAPSX)	Tennessee Treasury Managed Fund	Fidelity OTC Portfolio (FOCPX)	Columbia Mid Cap Value Z ³	Invesco Van Kampen Small Cap Value Fund Y ³	Fidelity International Discovery (FIGRX)		
Lifecycle Funds⁴		Risk managed according to retirement date						
Vanguard Institutional Target Date Funds:	Retirement Income (VITRX)	2015 (VITVX) 2020 (VITWX)	2025 (VRIVX) 2030 (VTTWX)	2035 (VITFX) 2040 (VIRSX)	2045 (VITLX) 2050 (VTRLX)	2055 (VIVLX) 2060 (VILVX)		

¹ The Voya Fixed Fund is backed by the general assets of ING.
² The Nationwide Bank Account Fund has FDIC protection of up to \$250,000 per participant.
³ Offered through a group fixed and variable deferred annuity issued by ING. A ticker symbol is not available for this investment option.
⁴ The date in a target date fund's name represents an approximate date when an investor is expected to retire. The principal value of the funds is not guaranteed at any time, including the target date.

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Tennessee Consolidated Retirement System Legacy Plan

Overview

The Tennessee Consolidated Retirement System (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 services 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: $\text{Accrual Factor (1.5\%)} \times \text{Average Final Compensation (average highest five consecutive year salaries)} \times \text{Years of Service} = \text{Monthly Benefit with/without Benefit Improvement Percentage (BIP)}$

Accrual Factor		Average Final Compensation		Years of Creditable Service		Annual Benefit				Regular Monthly Benefit
1.50%	x	\$25,000	x	30	=	\$11,250	÷	12	=	\$937.50
								(with BIP = 1.05%)		\$984.38

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 of services, 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 of peacetime service as defined in Tennessee Code Annotated, Section 8-34-605;
- Education leave of absence which interrupted your employment; and
- Unused accumulated sick leave at retirement
(If you are a municipal or county employee, please refer to your human resources department to determine if this provision has been adopted by your employing entity.)



Contributions

- Employee Contributions: 5% of salary for teachers; 0% for state employees; local government employees may be contributory or non-contributory, or a combination of both
- Employer Contributions: an amount 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.

Deferred Compensation Program

For state and teacher employees covered by the Legacy TCRS Plan, the State of Tennessee 401(k) Plan is available for employee contributions on a voluntary basis. In addition, state employees, and certain school district employees, may also contribute to the State of Tennessee 457 Plan.

Both the 401(k) and 457 Plans are participant – directed with regard to investments, and participants may choose at what contribution level they wish to participate.

Benefits at retirement are determined by the amount of contributions made to the plans, and the investment experience of those contributions and any earnings thereon. Distribution options include but are not limited to lump sum and rollover options. More information is available through the plan's record keeper, Empower Retirement.

For More Information

Please contact RetireReadyTN at 800-922-7772 or at www.retirereadytn.gov