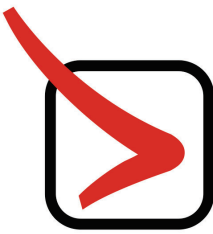




What we will cover

- What is RetireReadyTN?
- TCRS – your defined benefit plan
- The Legacy Plan
- The Hybrid Plan (with and without Cost Controls)
- RetireReadyTN accounts access and management
- Retirement readiness resources
- Separation from Service
- TCRS Retirement Application
- Working after Retirement



The State of Tennessee's Retirement Program

CMFO/CCFO
September 2023





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 through services provided 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)



- TCRS is a defined benefit plan providing a lifetime retirement benefit, survivor and disability benefits for members and beneficiaries
- After vesting, a member becomes eligible to receive a monthly retirement benefit upon reaching the age and/or service requirement
- Benefits are calculated with a set formula



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%

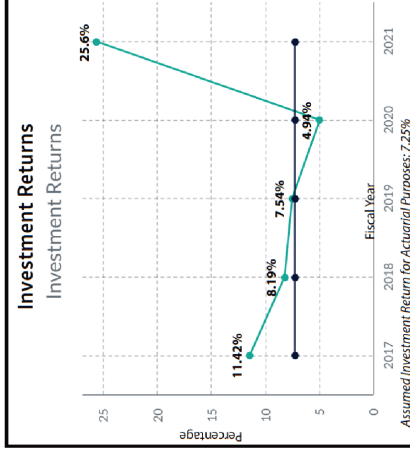
*In the aggregate. Each Political Subdivision is a separate liability pool.

Measured as of June 30, 2021.



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 Economic Impact

The nearly \$2.65 billion in TCRS benefits paid to retirees living in Tennessee in 2021

- Created \$4.93 billion of gross output which translates to .08% of GDP
- Benefits paid to retirees is equivalent to 35,500 jobs
 - Roughly the same number of people employed in Anderson County, Tennessee
 - More jobs than in 78 of the 95 counties
- Resulted in \$269 million in State and Local taxes
 - More than the \$264 million estimated cost of Nissan Stadium
- Provided \$384 on average for each of the 6.9 million Tennesseans

Source: "ECONOMIC IMPACTS OF THE TCRS DEFINED BENEFIT PLAN ON TENNESSEE" prepared by Edward Taylor and William Fox of the UT Boyd Center for Business and Economic Research



What determines your TCRS Retirement Benefit?



- Average Final Compensation (AFC)
 - The average of your highest 60 consecutive months of salary (not necessarily the salary earned during your last 60 months of service)
- 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 survivorship plan options



Legacy Plan Overview



Legacy Plan Design

TORS Legacy Benefit Formula

Accrual Factor	Average Final Compensation	Years of Service	Annual Benefit
1.575%*	Average of Member's Highest 60 Consecutive Months of Salary	X Service established while in a position covered by the Legacy Plan	=

- Eligibility for an unreduced retirement benefit begins at age 60 or with 30 years of creditable service
- 5 year vesting**
- Members may participate in the State 401(k)/457 if the Local Government entity has adopted the plan.

*Accrual factor is 1.5% for Local Governments without RHP
**Some Local Government entities have 10 year vesting



Hybrid with Cost Controls Plan Overview



Hybrid Plan Design

TCRS Hybrid Benefit Formula				
Accrual Factor	Average Final Compensation	Years of Service		Annual Benefit
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

- Eligibility for an unreduced retirement benefit begins at age 65 or based on the "rule of 90"
- 5-year vesting in TCRS, auto enrollment and immediate vesting in 401(k)

	Employer Contributions	Member Contributions	Total Contributions
TCRS	4%	5%	9%
401(k)	5%	2% ¹	7%
Total	9%	7%	16%



Hybrid w/o Cost Controls Plan Overview



TCRS Hybrid without Cost Controls Plan Formula

Accrual Factor	Average Final Compensation	Years of Service	Annual Benefit
1.0%	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 Joint and Survivor Plans
- Employer must provide some form of defined contribution (DC) plan, which can be satisfied with a supplemental deferred compensation plan or any other qualified defined contribution plan. Maximum employer contribution to DC component is limited to 7% of pay.



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
- Local Government employees should coordinate with their benefits specialist to see if COLA is available



Deferred Compensation Plans





Deferred Compensation Plans: 401(k) and 457(b)

- Amount available in retirement is based on contributions, plus any accumulated earnings
- Members are immediately vested (unless the employer has set up a different vesting schedule)
- Upon terminating employment or retiring, an employee may leave the account balance in the plan, roll it over to another plan, or begin taking distributions
- Members select their investment options based on their individual goals, risk tolerance, and timeline
- If the member withdraws money from a 401(k) or account balance prior to age 59 ½, they may be subject to a 10% early distribution tax



The 401(k) Plan



- Amount available in retirement is based on contributions, plus any accumulated earnings
- Members are immediately vested in the 401(k)
- Upon terminating employment or retiring, an employee may leave the account balance in the plan, roll it over to another qualified plan, or begin taking distributions
- Members select their investment options based on their individual goals, risk tolerance, and timeline
- If the member withdraws money from the 401(k) account balance prior to age 59 ½, they may be subject to a 10% early distribution tax



401(k) Investing



- Variety of investment choices, enabling you to decide how your money should be invested given your individual goals, risk tolerance, and timeline
- Age-based target date funds are the default investment option for the 401(k)
- Investment information and resources available at RetireReadyTN.gov



401(k) Plan options and contribution limits



Contribution types:

- Traditional 401(k) – pre-tax contributions may reduce your current taxes
- Roth 401(k) – after tax contributions may reduce your taxes in retirement
- Any employer contributions will always be made to the 401(k) on a pre-tax basis
- Members may contribute up to IRS annual limits
- Members age 50+ may make catch-up contributions



¹ Assumes \$50 contributions each month for 30 years with 6% annual returns on 401(k) balances. This is presented for illustrative purposes only and does not constitute a guarantee of benefits.



Additional savings opportunity – 457(b)

- The 457(b) plan has the same investment options as the 401(k) plan
- Contributions to the plan are made through voluntary salary deferral and any earnings can grow tax deferred until withdrawn, usually during retirement
- Members may contribute up to IRS annual limits
- The 457(b) and 401(k) do not share a contribution limit
- For more information about the differences between the plans, read the 401(k)/457(b) Plan Comparison Guide on RetireReadyTN.gov



Rollovers

- You can roll over approved balances from a former employer's 401(a), 401(k), 403(b) or governmental 457(b)¹ or from an IRA
- You should consult your personal legal, tax, or other advisors prior to making this decision
- You should contact your previous plan administrator to inquire about rollovers out of that plan



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

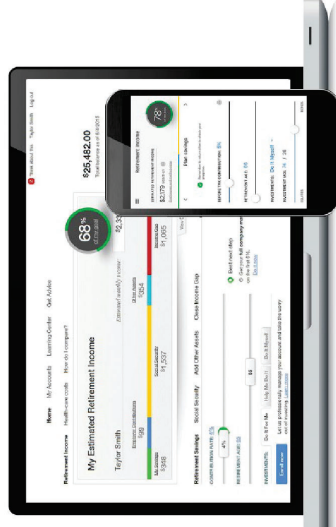


Retirement Readiness Education

- Retirement Readiness Education offers retirement readiness education to all members at any stage
- Retirement counseling services are available to a member who is within three years of retirement.
- Meet with a local RetireReadyTN Plan Advisor for assistance with retirement planning or to discuss other financial planning needs
- These services are provided to members at no additional fee



RetireReadyTN.gov





Lifetime Income Score

- Log in to your 401(k) account to see your Lifetime Income Score.
- Once vested a projection of the TCRS benefit will be included in the score.
- Your Lifetime Income Score (the percentage in the circle) shows the percentage of your retirement income goal that is covered by your estimated retirement income.



Selecting Beneficiaries and Survivors



Selecting your beneficiary(s)

- Update your TCRS and 401(k) beneficiaries by logging in to your accounts at RetireReadyTN.gov
- For more information about TCRS benefits for beneficiaries, review the TCRS *Selecting a Beneficiary* Guide at RetireReadyTN.gov
- You may select multiple beneficiaries for TCRS and the 401(k)
- You must select beneficiary(s) for your TCRS, and 401(k) plans separately, even if designating the same beneficiary for all plans
- Remember, your beneficiary(s) will not automatically be changed in the event of a birth, marriage, divorce, and death, or other change in circumstance



TCRS Retirement Plan Option Selection



- Single Life Annuity Plans
 1. Member Only Option - Maximum monthly benefits payable to member for life. Benefits cease at death.
 2. Social Security Leveling - An increased benefit payable to member until age 62, then a reduced benefit payable after that date. The reduction would be equal to the full amount the member is eligible to receive from Social Security at age 62.
- Four Joint and Survivor Plans



TCRS Retirement Plan Options – Joint and Survivor Plans



- *Option 1 (100% Joint and Survivor)*
 - Permanently reduces the member's maximum retirement benefit based on the dates of birth of the member and his or her beneficiary(s). In the event the member passes away, the member's beneficiary(s) will receive the same benefit amount as the member for the remainder of the beneficiary's lifetime.
- *Option 2 (50% Joint and Survivor)*
 - Permanently reduces the member's maximum retirement benefit based on the dates of birth of the member and his or her beneficiary(s). In the event the member passes away, the beneficiary(s) will receive 50% of the member's benefit for the remainder of the beneficiary's lifetime.

With option 1 and 2, if a member has designated more than one beneficiary, the benefit amount will be divided equally between the beneficiaries. If any or all beneficiaries pass away before the member, the member's benefit amount will remain the same.



TCRS Retirement Plan Options – Joint and Survivor Plans



- *Option 3 (Modification of Option 1)*
 - Permanently reduces the member's maximum retirement benefit based on the dates of birth of the member and his or her beneficiary(s). In the event the member passes away, the beneficiary(s) will receive the same benefit amount as the member for the remainder of the beneficiary's lifetime.
- *Option 4 (Modification of Option 2)*
 - Permanently reduces the member's maximum retirement benefit based on the dates of birth of the member and his or her beneficiary(s). In the event the member passes away, the beneficiary(s) will receive 50% of the member's benefit for the remainder of the beneficiary's lifetime.

With Option 3 and 4, if a member has designated more than one beneficiary, the benefit will be divided equally between the beneficiaries. In the event the beneficiary passes away before the member, the member's benefit will increase to the member's maximum benefit under the Member Only Option. If multiple beneficiaries have been designated, a portion of the member's benefit that was designated for a beneficiary that dies before the member will revert to the amount the member would have received under the Member Only Option.



Retirement Readiness Education



Resources

- RetireReadyTN.gov
- Customer Service Call Center
 - RetireReadyTN (401k/457/TCRS): (800) 922-7772
- Group Presentations/Webinars



Retirement Readiness Review

Take advantage of retirement readiness education at all stages of your career.

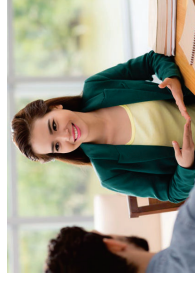
With your local RetireReadyTN Plan Advisor, you can review:

- Your retirement plans, including TCRS, and 401(k)/457(b) accounts
- How much of your working income you'll need to replace
- Your personal retirement goals and planned retirement age
- Whether your savings and investment choices are in line with your goals
- Financial planning and budgeting

To schedule a review:

<https://retirereadytn.empowermytime.com/#/>

These services are offered at no additional fee.



Retirement counseling

Members within three years of retirement can schedule a retirement counseling session to:

- Determine the total income you will need in retirement
- Review benefit estimate and annuity options from TCRS and Social Security
- Review 401(k)/457(b) balances, investments, and retirement income options
- Discuss how to execute your retirement plan

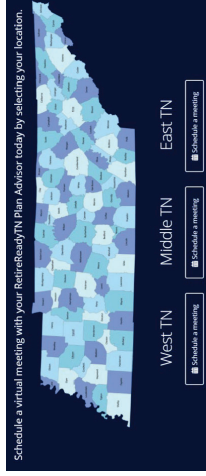
Call 800-922-7772 to schedule a counseling appointment





Schedule a meeting with a RetireReadyTN Plan Advisor

- Retirement readiness reviews may be scheduled at RetireReadyTN.gov or by calling RetireReadyTN at 800-922-7772



- Retirement counseling meetings may be requested online or by phone and are typically scheduled approximately 60 days after your benefit estimate is ordered



Separation from Service



Separation of 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 retirement benefits



Separation from Service – DC Plans

- 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 and is separated from service
- **401(k)**– Generally, you may begin taking qualified distributions without early withdrawal penalty upon reaching age 59 ½
- **457(b)** – You may begin taking qualified distributions at any age without early withdrawal penalty as long as you have separated from service
- 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.



TCRS Online Retirement



Online Retirement Process and Enhancements

- Member can apply for retirement by logging into Self-Service at MyTCRS.com
- After logging in, the member will access the Online Retirement Application from the "Services" drop down menu
- Before getting started, members should
 - Review/update contact and mailing addresses
 - Review/update beneficiary information
 - Confirm Benefit Plan Selection
 - Gather bank account information for direct deposit
 - Determine desired tax withholdings
- Updates have been made to the "Date of Retirement" section
- Members may now upload documents and print their application submission



Working After Retirement



Retired members receiving a monthly TCRS benefit may temporarily return to work with a TCRS-covered employer under the following provisions:

- Limited to 120 days of employment within a 12 month period
- Salary limit per year
- 60-day waiting period from the member's date of retirement unless waived by employer

Before accepting a position with a TCRS-covered employer, contact RetireReadyTN to see how your benefits may be impacted.



Be aware of Marketing Contacts Referencing TCRS

- People nearing retirement are attractive to marketing firms that get a fee for referrals to businesses offering retirement products
- When contacting our members, these marketing firms often reference your future TCRS retirement benefits
- Protect yourself against companies that may be looking to profit for their services



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Stay connected to your retirement plans



www.RetireReadyTN.gov



(800) 922-7772

Monday - Friday from
9 a.m. - 8 p.m. EST



@RetireReadyTN



RETIRE  **READY**
TENNESSEE'S RETIREMENT PROGRAM

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

Questions?

