

RETIREMENT CHANGES EFFECTIVE FOR EMPLOYEES HIRED ON OR AFTER JULY 1, 2014

There are no changes to current state employees.

New Hybrid Pension Plan (for all employees, except the DA). This plan consists of a Defined Benefit Portion (TCRS) and a Defined Contribution Portion (401K) that are not optional to the employee.

Effective July 1, 2014 all new employees will be entered into the new Hybrid Pension Plan instead of the Old Legacy System, unless the following apply to the newly hired employee.

Has prior state service and was vested (5 years of creditable service) and wasn't refunded their account balance when employment terminated.

Has prior state service and wasn't vested but has been gone from state employment less than 7 years.

Contribution and Benefit Changes

Employee pays 5% of salary into their retirement and the state will pay 3.87%. (Old Legacy System for current employees, the employee pays nothing. All contributions are paid by the state.)

Employee pays 2% of salary into a 401K plan and the state will pay 5%. New employees have the option to opt out of the 2% contribution within the first 30 days of employment but the state will still pay 5% into the 401K Plan. New employees can also contribute more than the 2%. If the employee contributes \$50 or more into the 401K they get the 5% state contribution plus the \$50 match. (401K is optional for current employees with a \$50 match for employees contributing at least \$50 monthly.)

Vesting is the same for both plans. Employees must have 5 years of state service before vesting.

Employees will receive a package at home from both the TCRS and the 401K Vender explaining their benefits. It also includes instructions on selecting beneficiaries or employees can log onto the following links and set up their log in information.

Tennessee Consolidated Retirement System: <https://mytcrs.tn.gov/>

Empower (401K Company):

<https://retirereadytn.empower-retirement.com/participant/#/login>

Eligibility to retire: Full Service Retirement – Rule of 90 (example: 55 years old with 35 years of service) or age 65 with 5 years of service.

Early Retirement – Rule of 80 (example: 57 years old with 23 years of service) or age 60 with 5 years of service.

Current employees in the Legacy System are eligible for full retirement at age 60 and vested or 30 years of service. Early retirement is age 55 with 10 years of service.

Service Retirement Formula:

The annual base benefit on the Defined Benefit Portion (TCRS portion) will be calculated at 1.0% instead of the current Legacy System amount of 1.57%. The Defined Contribution Portion will be handled by the 401K Provider.

Service Retirement Formula - The annual service retirement allowance (or annual base benefit) payable to a member is equal to 1.0% of the member's AFC (average final compensation), multiplied by the number of years of creditable service. The annual service accrual (1.0% formula) may be decreased as part of the cost controls for the Plan.

The following example shows the formula used for computing the TCRS retirement allowance for a member with 10 or more years of service. The example uses a 60-year-old member retiring under the maximum plan with an AFC of \$50,000 and 30 years of service. In this example, TCRS service retirement benefits replace 30% of the member's AFC after 30 years of service.

Accrual Factor		Years of AFC		Creditable Service		
.01	x	\$50,000	x	30		= \$15,000
						÷ 12
					Monthly Benefit \$	1,250

- The 1.0% annual service accrual formula and the employer/employee contributions may be decreased/increased in the future as part of the cost controls for the plan.

Terminations:

If employee leaves employment they can apply for a refund of their accumulated contributions plus interest but the employer contributions to the Defined Benefit Portion are not refundable. If employee obtains a refund they give up their TCRS membership and all rights and benefits in the retirement system.

With the Defined Contribution Benefit Portion (401K), the employee upon termination or retirement may leave his/her account in the plan to withdraw in the future or withdraw immediately or rollover their benefits to another qualified investment program. There are penalties for early withdrawals for the 401K Portion just as there is now.