



State of Tennessee

David H. Lillard, Jr., State Treasurer

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Treasurer Lillard Proposes New Pension Options for Local Governments

To give local governments more choices for their employees' retirement plans, Tennessee State Treasurer David H. Lillard Jr. today proposed several new options to state legislators for their consideration.

Lillard stressed that none of the suggested changes would affect K-12 teachers, state employees or higher education employees who are covered under the Tennessee Consolidated Retirement System (TCRS). The changes, which would require approval by the General Assembly, are optional for local governments and would only affect new hires. The proposed options do not affect any current retirees of TCRS.

“Our city and county governments across Tennessee have to balance the need to be good stewards of taxpayer money with the need to offer fair retirement benefits to their employees,” Treasurer Lillard said. “The goal is to make sure pension benefits are affordable, sustainable and sufficient. That’s why I am recommending some choices that would give local governments greater flexibility to meet their specific needs.”

The options presented today were:

- local governments may take no action and remain in the current TCRS defined benefit pension plan with retirement generally at 30 years of service or age 60; or
- local governments may adopt a TCRS defined benefit pension plan with an annual service accrual rate of 1.4%, with an increase in retirement age, limits on cost of living adjustments, a cap on maximum allowed benefits and a revised employee contribution structure; or

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- local governments may adopt a TCRS defined benefit pension plan with an annual service accrual rate of 1% to offer reduced pension benefits, but with a supplemental deferred compensation program; or
- local governments may decide to offer only a deferred compensation program as a stand-alone option.

The proposals were developed following open meetings held throughout Tennessee with more than 200 local government representatives last fall.

“Over the last couple of years, we have had several local governments either withdraw or give notice that they planned to withdraw from TCRS due to changes in market conditions,” Treasurer Lillard said. “We are offering these options because we want local governments to remain part of TCRS, which is in the best interests of local governments, their employees and the citizens they serve. We believe local governments will be more inclined to do that if we’re offering more choices.”

Treasurer Lillard presented his ideas during a meeting of the General Assembly’s Council on Pensions and Insurance. For a copy of the local government pension option proposals and other documents, go to <http://treasury.tn.gov/tcrs> and look at the tab titled “Proposed Plans for Local Gov’t.”

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