



Bryan, Pendleton, Swats & McAllister, LLC  
A Wells Fargo Company



# TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

**New Hybrid Plan Contribution Rates Effective 7/1/2014**

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**March 28, 2014**

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**Bryan, Pendleton, Swats & McAllister, LLC**



# Agenda

- Establish employer contribution rates for defined benefit component of new Hybrid Plan beginning 7/1/2014 (TCA Section 8-35-256)



# System Overview

- New Hybrid Plan begins 7/1/2014 with new employees only
- All employees hired prior to 7/1/2014 continue in Legacy Plan
- Legacy Plan contribution rates as of 7/1/2014
  - Employer contribution rates for the Legacy Plan were approved in Dec. 2013 after completion of the 7/1/2013 actuarial valuation
  - Actual employee data and asset values were utilized as of 7/1/2013
- Hybrid Plan contribution rates as of 7/1/2014
  - No employee data and no assets accumulated as of 7/1/2014
  - Employer contribution rates for the Hybrid Plan must be established based on a best estimate calculation of the long-term cost of a typical new employee
  - Future actuarial valuations will adjust contribution rates as necessary to reflect actual plan experience

# System Overview – Plan Design

	Legacy Plan	Hybrid Plan
Benefit Multiplier	1.575%	1.0%
Full Retirement	Age 60/30 YOS	Age 65/Rule of 90
Early Retirement	Age 55/25 YOS	Age 60/Rule of 80
Employee Contributions	State-0%;TCH-5%	State-5%;TCH-5%
Cost of Living Adjustment	CPI (Max 3%)	CPI (Max 3%)
Defined Contribution Component	None	5% From Employer
Stabilization Reserve	None	Yes
Cost Controls	None	9% Employer Target

- *PSO eligible for additional bridge benefit and enhanced eligibility.*
- *State Judges eligible for higher multiplier and enhanced eligibility.*



# Hybrid Plan Employer Cost Estimates

	<u>Actuarial Rate</u>	<u>Employer Rate</u>
<b>State</b>		
General Employee	2.00%	3.87%
Public Safety Bridge	0.75%	0.75%
State Judges	7.00%	7.00%
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Total Weighted Average*		4.00%
Teachers	2.50%	4.00%

**Stabilization Reserve Contribution = (Employer Rate – Actuarial Rate)**

*\*State sub-group rates are weighted based on active payroll from the 2013 actuarial valuation.*



## Disclosure

- These calculations are “best estimates” only based on historical demographic data of new employees
- Demographic data of future new employees may be different than the past and could result in different Hybrid Plan contribution rates from future actuarial valuations
- Future investment returns may be different than assumed and could result in different Hybrid Plan contribution rates from future actuarial valuations
- These calculations utilize assumptions adopted from the 2012 TCRS Experience Study (with modifications made to retirement rates for changes in retirement eligibility)
- Additional conservatism has also been applied to account for potential variability in actual results



# Certification

This report has been prepared exclusively for TCRS to provide an estimate of future Hybrid Plan employer contribution rates. Bryan, Pendleton, Swats & McAllister, LLC, a Wells Fargo Company, is not responsible for consequences resulting from the use of any part of this report without prior authorization and approval. Determinations for other purposes may be different from the results shown in this report. This report provides actuarial advice and does not constitute legal, accounting, tax, or investment advice. This report has been prepared under the supervision of Justin C. Thacker, a member of the American Academy of Actuaries, a Fellow of the Society of Actuaries, and a consulting actuary with Bryan, Pendleton, Swats and McAllister, LLC, a Wells Fargo Company of Brentwood, Tennessee, who has met the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions herein. To the best of our knowledge this report has been prepared in accordance with generally accepted actuarial standards, including the overall appropriateness of the analysis, assumptions, and results and conforms to appropriate Standards of Practice as promulgated from time to time by the Actuarial Standards Board, which standards form the basis for the actuarial report. We are not aware of any direct or material indirect financial interest or relationship that could create, or appear to create, a conflict of interest that would impair the objectivity of our work.



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March 28, 2014

Date