

**SUMMARY OF  
GENERAL PROVISIONS**

**Group I**

**Contributory  
Teachers**

**January 1, 2009**

**TENNESSEE CONSOLIDATED  
RETIREMENT SYSTEM**

**SUMMARY OF GENERAL PROVISIONS  
EFFECTIVE JANUARY 1, 2009**

**TABLE OF CONTENTS**

Membership .....	Page 1
Contributions .....	Page 2
Creditable Service .....	Page 2
Separation from Service .....	Page 8
Refunds .....	Page 8
Survivor Benefits .....	Page 9
Retirement Benefits .....	Page 11
Service Retirement .....	Page 12
Early Retirement .....	Page 15
Disability Retirement .....	Page 16
Minimum Benefit .....	Page 19
Benefit Payment Plans .....	Page 20
Retirement Planning Services .....	Page 23
Retired Members .....	Page 24
Taxes .....	Page 28
Administration .....	Page 29
TCRS Offices .....	Page 31
Retirement Glossary .....	Page 32
Benefit Estimate Request .....	Page 34

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## MEMBERSHIP

Membership in the TCRS is composed of full-time state employees, teachers in Tennessee public school systems, and employees of participating political subdivisions (local governments). Certain part-time employees are eligible to participate on an optional basis.

### GROUP I MEMBER

All new teachers or persons changing group classification on or after July 1, 1976 are Group I members regardless of their duties. Prior to July 1, 1976, all teachers were Group I members except those teachers who elected to remain in one of the superseded retirement systems when they were consolidated on July 1, 1972.

### BENEFICIARY

Any employee enrolling as a member of the TCRS must make a beneficiary designation. If the designation is delayed, the spouse is presumed to be named. Until retirement, a member may designate one or more persons, his estate, one or more institutions, or any combination of such as his beneficiary. Secondary or contingent beneficiaries are not permitted. *Warning: Non-contributory employees (hired after July 1, 1981) without an account balance should always name one person (preferably a spouse) as beneficiary. Other designations could result in a loss of survivor benefits.*

Members should review the SURVIVOR BENEFITS section for help in deciding who to name as beneficiary. Certain death benefits are payable only to the surviving spouse. Estates, institutions, or multiple beneficiaries other than the member's spouse are only eligible for a lump-sum return of any contributions the member may have made to TCRS, plus an equal amount matched by TCRS if the member died while in service.

If the member dies prior to retirement, the designated beneficiary(s) will receive any applicable death benefit or a refund of the member's accumulated contributions if the member had contributory service or had made any lump-sum payments to the system. If the member fails to name a beneficiary or if the beneficiary dies before the member, the accumulated contributions, including any matching amount, will be paid to the member's estate.

It is very important that a member keep his TCRS beneficiary designation current. Situations such as divorce, marriage, or death do not automatically revoke the beneficiary designation. Prior to retirement, a member may change his designated beneficiary by submitting a notarized *Active Member Change of Beneficiary Form* to TCRS. (Changing the beneficiary designation for other benefits such as life insurance does not change the TCRS beneficiary.) This form will be provided by the TCRS upon request or may be downloaded from the TCRS Internet site. All *Active Member Change of Beneficiary Forms* are acknowledged by the retirement system and become effective upon receipt.

### VESTED MEMBER

A vested member is one who has accrued enough years of service to guarantee him a retirement benefit once age requirements are met. A vested member who leaves covered employment may retain his membership until he retires or dies. However, if a vested member who has contributions credited to his account elects to withdraw those contributions following separation from service, he immediately loses membership. A teacher joining the

## *Tennessee Consolidated Retirement System*

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TCRS after June 30, 1979 attains vesting rights after five years of service. A teacher who joined on or before June 30, 1979 attains vesting rights after four years of service.

## **CONTRIBUTIONS**

### EMPLOYEE CONTRIBUTIONS

Contributions to the TCRS made by contributory members are deducted from their gross salary each pay period. Teachers contribute five percent of their salary.

A statement showing the June 30 balance of accumulated contributions and interest is sent to each active member annually.

### INTEREST

Interest of five percent is credited annually to each member's account. Interest is computed on the preceding June 30 balance and is added to the member's accumulated contribution account. A member who terminates employment and withdraws his account balance is refunded the total contributions in his account plus interest through the month of the refund. Since the TCRS is a defined benefit plan, the amount of interest credited to employee accounts does not affect the retirement benefit payable to members who retire.

### EMPLOYER CONTRIBUTIONS

All participating employers contribute a set percent of payroll determined by an actuarial valuation. The rate is subject to change every two years in order to keep the system actuarially sound. Employer contributions fund retirement and death benefits for members and are not refundable to the employer nor to the member.

### TAX DEFERRAL ON EMPLOYEE CONTRIBUTIONS

Teachers have been covered by the provisions of Section 414(h) of the Internal Revenue Code since January 1, 1987. Under 414(h), payment of federal income tax on an employee's retirement contributions is deferred until those contributions are withdrawn in the form of a refund or monthly benefits.

## **CREDITABLE SERVICE**

Service credit plays an important part in determining the amount of the retirement benefit. Each year of creditable service increases the dollar value of the monthly annuity.

A year of service credit is granted for each year of full-time employment during which contributions are made to the system. A member may earn a fraction of a year's credit if full-time employment ceases during the year or if the member is employed on a part-time basis. Teachers and employees of educational institutions will earn a full year's credit for each full school year completed. A member will not receive credit for more than one year of service per calendar year. A member is prohibited from receiving credit in this retirement system based on service for which he is receiving credit in another publicly supported retirement system.

The following types of prior service may also qualify as creditable if the necessary conditions are met. In most cases, members may pay for any costs of establishing any of these types of prior service either with a lump sum payment or by enrolling in the installment purchase plan. Except as specifically provided, employers cannot pay the costs for the member. In some instances, members may be able to make prior service payments by rolling over tax-deferred funds accumulated in a qualified pension plan.

**PRIOR SERVICE**

Three acceptable payment methods exist for the purchase of prior service: (1) payment by personal check; (2) the TCRS bank-draft installment purchase plan; or (3) rollover or transfer from a qualified tax-deferred 401(k) plan, 403(b) plan, 457 plan, or IRA. Details on using the TCRS installment plan are provided in the TCRS publication, *Purchasing Prior Service through the Installment Purchase Plan*. The publication *Purchasing Prior Service with a Rollover* is also available.

**WITHDRAWN SERVICE**

Any member who has previously been a member of the retirement system and has withdrawn his account balance may reestablish retirement credit. This requires making a redeposit of the entire amount that was withdrawn plus 7.5 percent interest per year since the date of withdrawal. A member must complete at least 12 months of service before being eligible to make a redeposit.

Service withdrawn from an employer no longer participating in the TCRS cannot be reestablished.

**MILITARY SERVICE CREDIT**

There are three ways a TCRS member may receive retirement credit in TCRS for military service rendered in the United States Armed Forces:

1. Interrupted Military Service

- a. In General. The first situation is called interrupted military service and is governed by the federal Uniformed Services Employment and Reemployment Rights Act (USERRA). In general, if a TCRS member takes a leave of absence from the member's TCRS covered employment to serve in the uniformed services of the United States (during, for example, Invasion of Panama, Multinational Force in Lebanon, Operation Urgent Fury (Grenada), Desert Storm, Operation Enduring Freedom, Operation Iraqi Freedom, etc.), the member is interrupting the member's employment for that military service. If the member is reemployed by the member's pre-service TCRS covered employer, TCRS essentially treats the member as though the member never had a break in service.
- b. Requirements. To establish the interrupted military service, the member must:
  - Leave TCRS covered employment to serve in the uniformed services of the United States;
  - Be released from military service for other than dishonorable or other punitive conditions;
  - Serve no more than a cumulative total of five years away from the same pre-service employer. There are a few limited exceptions to the five years such as scheduled drills (inactive duty training);

- Return to employment with the same pre-service employer within six months of discharge;
- Redeposit any contributions the member may have withdrawn from TCRS upon leaving employment to serve in the military;
- Submit to TCRS an application for the military service credit along with a copy of the member's DD214; and

c. Cost. The member must make a back payment to TCRS equal to:

- The amount of employee contributions the member would have paid to TCRS had the member remained continuously employed with the employer during the period of military service claimed. The contributions are based upon the compensation the member was earning at the time the member left employment to enter the military.
- However, if the military service was during the Persian Gulf War, the service is credited without any charge to the member, unless the member is an employee of a political subdivision. If the member is an employee of a political subdivision, the service is credited without charge to the member provided the political subdivision passes a resolution accepting the liability. "Persian Gulf War" means the period from and including August 2, 1990 to the date thereafter prescribed by presidential proclamation or by federal law.

d. TCRS Credit Limits. As stated under the requirements above, the cumulative total of interrupted military service credit that can be established in TCRS with a single employer cannot exceed five years with a few exceptions.

## 2. Non-Interrupted Military Service During Certain Periods of Armed Conflict

a. In General. The second situation is where a TCRS member served in the uniformed services of the United States prior to employment with a TCRS covered employer and the service was rendered during one of the following periods of armed conflict:

- WWI      04/07/17 - 11/11/18
- WWII     12/07/41 - 12/31/46
- Korean Conflict 06/27/50 - 01/31/55
- Vietnam Era      02/28/61 - 05/07/75

❖ If a member served during a different period of armed conflict (for example, Invasion of Panama, Multinational Force in Lebanon, Operation Urgent Fury (Grenada), Desert Storm, Operation Enduring Freedom, Operation Iraqi Freedom, etc.), the member may still obtain the service credit if the military service interrupted the member's TCRS covered employment. See Item 1 above.

b. Requirements. To establish the above non-interrupted military service, the member must:

- Be a state employee or teacher, or an employee of a political subdivision whose chief legislative body has specifically authorized the credit;

- Receive an honorable military discharge;
- Not be able to establish the military service in any other retirement system, unless the member is receiving a disability retirement benefit from the United States Veterans' Administration as a result of a 100% permanent, total disability caused by a service-connected, combat related injury that existed on the date of discharge and the member did not retire from the military with 20 or more years of service;
- Be vested in TCRS before the military service credit can be used in determining any rights under TCRS; and
- Submit to TCRS an application for the military service credit along with a copy of the member's DD214.

c. Cost. There is no cost to the member.

d. TCRS Credit Limits. A member may not establish more than a cumulative total of four years of non-interrupted military service credit in TCRS (this includes both non-interrupted military service during the above periods of armed conflict and the non-interrupted military service during the peacetime periods described in Item 3 below).

### 3. Non-Interrupted Military Service During Certain Periods of Peacetime

a. In General. The final situation is where a TCRS member served in the uniformed services of the United States prior to employment with a TCRS covered employer and the service was rendered at any time from:

- 10/15/40 - 05/07/75

b. Requirements. To establish the above non-interrupted military service, the member must:

- Be a state employee or teacher, or an employee of a political subdivision whose chief legislative body has specifically authorized the credit;
- Receive an honorable military discharge;
- Not be able to establish the military service in any other retirement system, unless the member is receiving a disability retirement benefit from the United States Veterans' Administration as a result of a 100% permanent, total disability caused by a service-connected, combat related injury that existed on the date of discharge and the member did not retire from the military with 20 or more years of service;
- Be vested in TCRS before the military service credit can be used in determining any rights under TCRS; and
- Submit to TCRS an application for the military service credit along with a copy of the member's DD214.

## Tennessee Consolidated Retirement System

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- c. Cost. The member must pay to TCRS an amount equal to:
- First year of such military service – 10½% (i) multiplied by the member’s salary at the time of the claim, or if not in service at the time of the claim, the member’s salary at termination of employment (ii) multiplied by the number of months being established. This cost applies to the member’s first year of such military service.
  - After first year of such military service – 9% (i) multiplied by the member’s salary at the time of the claim, or if not in service at the time of the claim, the member’s salary at termination of employment (ii) multiplied by the number of months being established. This cost applies to payments for service credit after the member’s first year of such military service.
- d. TCRS Credit Limits.
- First year of such military service – One day of creditable service in TCRS for each day of such military service rendered during the first year of the military service.
  - After first year of such military service – One day of creditable service in TCRS for each two days of such military service rendered after the member’s first year of the military service.
  - Aggregate total of non-interrupted military service – A member may not establish more than a cumulative total of four years of non-interrupted military service credit in TCRS (this includes both non-interrupted military service during the above periods and the non-interrupted military service during the periods of armed conflict as described in Item 2 above).

### SERVICE PRIOR TO ENROLLMENT

A member may be eligible to receive retirement credit for service rendered prior to his enrollment in the retirement system upon making application to the Prior Service section and paying the required contributions plus interest. The kinds of service which may be established include service as a member of the General Assembly or as a delegate to a state constitutional convention and certain part-time service.

### ACCUMULATED SICK LEAVE

Any teacher who has unused accumulated sick leave on the date of his retirement may receive one month of retirement credit for each 20 days of unused leave. Sick leave is not recognized for retirement purposes until the member has retired and the sick leave has been certified by the employer.

### EDUCATIONAL LEAVE

Any member who is a full-time employee may receive retirement credit for an educational leave of absence upon meeting the following requirements:

- ❖ The leave must interrupt the member’s service.
- ❖ The leave must be for the purpose of attending school or engaging in academic research related to such employment which is intended to increase his efficiency to his employer.

- ❖ Within one year following the leave, the member must return to service with his former employer for at least one year. If the member left a teaching position, he must return to a Tennessee public school or higher education institution.
- ❖ The member must file an Educational Leave of Absence form and his employer must certify that the leave is for an educational purpose.
- ❖ The TCRS must approve this credit. Retirement credit for educational leave of absence cannot exceed an aggregate of two years for any member during his working career. The receipt of certain competitive awards may extend this period to four years.

Employees considering taking educational leave should check with TCRS regarding required contributions.

### OUT-OF-STATE SERVICE

A state employee or teacher may establish retirement eligibility credit for previous service rendered as a full-time state employee or public school teacher in a state other than Tennessee. Out-of-state service is credited for establishing service retirement eligibility only—no benefit shall be paid on such service. The following conditions apply:

- ❖ The member must be vested and retire with a grand total of 30 years of service prior reaching the age of 60.
- ❖ The member must not be receiving or entitled to receive any retirement credit in any other retirement system for this service.
- ❖ The amount of out-of-state service established cannot exceed the amount of in-state creditable service.
- ❖ At the time the service is established, either all the years of out-of-state service or the number of years which will bring the member's total years of service to 30 must be established.
- ❖ The service and salary must be certified by the prior employer.

When establishing out-of-state service, a member must make a lump-sum payment. If the out-of-state service was rendered on or before June 30, 2000, the payment must equal: (i) the sum the member would have contributed had the member been a member during the period of the out-of-state service, (ii) plus the employer contributions which would have been made in accordance with the contribution rates in effect during the period in which the service was rendered, (iii) plus interest on both at the rate of 7.5 percent annually. If the service was rendered after June 30, 2000, the payment must equal 10 percent of the member's earnable compensation during the period of the out-of-state service plus interest at the rate of 7.5 percent annually.

## SEPARATION FROM SERVICE

Following separation from service, a member may retain his membership in the retirement system for a period of time determined by his vesting status, or he may elect to withdraw those contributions and immediately lose membership and all rights and privileges in the retirement system.

**Vested Member:** A vested member who leaves covered employment prior to retirement or death may retain his membership until he retires or dies. The member must begin drawing benefits from TCRS by age 70½ in order to avoid tax penalties. If a vested member who has contributions credited to his account elects to withdraw his account balance following separation from service, he immediately loses membership.

**Non-Vested Member:** A non-vested member who leaves covered employment may retain his membership in the retirement system for seven years thereafter. After that point, he automatically loses membership and no further interest is credited to his account. Any non-vested member may elect to withdraw his account balance following separation from service and thereby lose membership immediately, or he may wait until automatic loss of membership occurs before requesting a refund. Contributions should not be left in the retirement system after a member reaches age 70½ because the funds may become subject to a penalty tax assessed by the federal government.

## REFUNDS

Upon termination of employment, a member may apply for a refund of his account balance. Employer contributions are not refundable. By obtaining a refund, a member loses all rights and benefits in the retirement system.

A refund is not automatically processed upon termination of employment. A refund cannot be processed until two conditions are met:

1. The member must complete an *Application for Refund of Accumulated Contributions*, have it notarized, and file it with the retirement office. The employer must also certify the application. Applications are available from personnel officers, employers, the TCRS Internet site, or from the TCRS Refund section.
2. Before the refund can be issued, the retirement office must receive the retirement contribution applicable to the member's final paycheck. Since accumulated leave may cause paychecks to continue for several weeks after termination, receipt of the last contribution may be delayed.

Unless one of the following conditions is met, a teacher's *Application for Refund of Accumulated Contributions* may not be processed until he has been separated from service for at least four months.

1. The teacher was dismissed due to budgetary problems of the employing board of education.

2. The teacher was employed and actually worked and paid on a continuous 12-month basis.
3. The teacher has moved to a permanent residence outside the state of Tennessee.

If applicable, a TCRS *Waiver of Refund Waiting Period* form informing the Refund section of the above condition(s) should accompany the teacher's refund application and must be certified by the employer.

A refund will normally be issued within 30 days after all requirements are met.

A member may not receive a refund if he has transferred employment from one employer covered by the TCRS to another employer covered by the TCRS, if he has transferred membership to the optional retirement program (ORP) sponsored by the state, or if he is on authorized leave.

TCRS is required by federal law to withhold federal income tax from all refunds issued to former members. The withholding rate is currently 20 percent of the taxable portion. Any member who plans to roll his refund over to an Individual Retirement Account (IRA) may be able to avoid having 20 percent withholding applied by arranging to have the refund *transferred directly* to the IRA. For more information, refer to the TCRS publications, *Taxes on TCRS Benefits* and *Special Tax Notice Regarding Plan Payments*.

## **SURVIVOR BENEFITS**

One of several death benefits may be payable to the designated beneficiary of a member who dies prior to retirement. The type of death benefit payable will be determined by whether or not death occurred while the member was in service, who is nominated as beneficiary, and by the member's length of service.

A member is considered "in service" if the member has not been refunded or retired and death occurred within 150 days of the member's last paid day of employment with a covered employer.

A member may designate one or more persons, his estate, one or more institutions, or any combination of such as his beneficiary. Estates, institutions, and multiple beneficiaries are only eligible for a lump-sum death benefit and may not receive a monthly annuity, unless the member's surviving spouse is one of the beneficiaries named. If the member's surviving spouse is named, the spouse will be entitled to receive any monthly annuity which would otherwise have been payable had the surviving spouse been named the sole beneficiary. If the named surviving spouse elects to receive a monthly annuity, no benefits are payable to the remaining beneficiaries. If the named surviving spouse elects to receive the lump sum death benefit, the payment will be distributed in equal proportions among the named surviving spouse and the other surviving beneficiaries.

In addition, if a single beneficiary is named other than the member's spouse, the beneficiary is only eligible for the lump-sum death benefit unless the member has reached retirement eligibility.

**LUMP-SUM DEATH BENEFIT**

If a member dies prior to retirement, his designated beneficiary will receive a lump-sum refund of the contributions and interest in his account. If the member was in service on the date of his death, the member's beneficiary will be eligible to receive an additional amount equal to the accumulated contributions and interest. The beneficiary of a member who had at least 10 years of service may convert the lump-sum amount into a monthly annuity payable over a period not to exceed 10 years. This 10-year conversion is not available to multiple beneficiaries, an estate, nor an institution. In lieu of the Lump-Sum Death Benefit, a member's beneficiary may be entitled to a monthly benefit defined below, provided the age and service requirements are met by the member at the time of his death.

**SURVIVOR ANNUITIES**

The following annuity benefits may be reduced by the early reduction factor and/or the appropriate option factor. Refer to the BENEFIT PAYMENT PLANS section for more information.

- ❖ **100 Percent Joint and Survivor Annuity for Spouse after 10 Years Service:** The surviving spouse of an in-service member who has 10 years or more of creditable service is automatically eligible for a 100 percent Joint and Survivor Monthly Annuity, provided the spouse is named as the member's beneficiary. The benefit would be computed as if the member had retired on the date of his death.
- ❖ **100 Percent Joint and Survivor Annuity for any Beneficiary:** When a vested member reaches the conditions for early or service retirement and dies prior to retiring, this option will provide a 100 percent Joint and Survivor Annuity for any one-person beneficiary designated by the member.
- ❖ **Line-of-Duty Death Benefit:** The surviving spouse or surviving minor children of an in-service member who dies as the result of an accident or physical violence occurring in the performance of duty will be entitled to a benefit equal to 52.5 percent of the member's average final compensation. This provision provides guaranteed total minimum benefits of \$50,000 to any named beneficiary(s). If the member's spouse is named as beneficiary and the spouse dies, the benefit will continue to the minor children until they reach age 18 or die.
- ❖ **50 Percent Joint and Survivor Annuity for Spouse of Inactive Member with 10 Years Service:** The surviving spouse of a member not in service who has 10 years or more of creditable service is automatically eligible for a 50 percent Joint and Survivor Annuity, provided the spouse is named as the member's beneficiary. The benefit would be computed as if the member had retired on the date of his death.

**MEMBERS REMAINING IN SERVICE AFTER AGE 65**

For TCRS members who remain in service past age 65, your retirement benefit will be the greater of the Group I benefit calculation or the actuarial equivalent benefit assuming you had retired at age 65. This alternate calculation only takes into consideration service established in TCRS at age 65. Any service (membership and prior service) rendered or established in TCRS after your 65<sup>th</sup> birthday **will not** be included in the alternate age 65 calculation.

Employees of political subdivisions are only eligible for this benefit if adopted by a political subdivision upon passage of a resolution by the chief governing body.

The alternate age 65 calculation does not apply to anyone becoming a member of TCRS after June 30, 2011.

## RETIREMENT BENEFITS

### APPLICATION

Before retirement benefits begin, the member must complete an *Application for Service or Early Retirement* and submit it to the retirement system. The form may be obtained from the TCRS website, [treasury.tn.gov/tcrs](http://treasury.tn.gov/tcrs), from the member's employer, or from TCRS. In order to ensure that benefits will begin promptly, it is suggested that the member submit the application 60 to 90 days before his retirement date. The retirement office will acknowledge all retirement applications upon receipt. Any member who does not receive an acknowledgment should contact his employer or the TCRS Benefits section. Refer to RETIRED MEMBERS section for information on applying for continuation of medical insurance after retirement.

The first TCRS benefit payment sent to the member will include payments retroactive to the member's effective date of retirement. If a member leaves service with the intent of retiring but delays filing an *Application for Service or Early Retirement*, the application may only be backdated up to 150 days from the actual date of receipt. For example, if a member who is eligible to retire terminates employment on January 2, 2008, but does not submit an *Application for Service or Early Retirement* to the TCRS office until August 2, 2008, his effective date of retirement will be March 6, 2008. The benefits from January 2 to March 6 would be lost.

Upon processing the *Application for Service or Early Retirement*, TCRS will send the member a letter confirming the information used to compute the benefit. TCRS will also inform the member of the amount he would be eligible to receive under each of the other benefit payment plans, and the member will be allowed 60 days to change the payment plan he initially selected.

### BENEFIT FACTORS

TCRS is a "defined benefit" retirement plan, which means that the amount of any future benefit will be determined by a benefit formula rather than by an account balance. The formula for computing a monthly retirement allowance consists of the member's average final compensation, years of creditable service, and the social security integration level.

*Average Final Compensation (AFC)* is the average of the member's five highest consecutive years of salary.

*Creditable Service* means membership service under the TCRS for which contributions are made by the member plus any other periods of service credited to the member by the retirement system (military service, sick leave, etc.).

## *Tennessee Consolidated Retirement System*

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*Social Security Integration Level (SSIL)* is an average of social security wage bases. It allows the benefit formula to provide a slightly higher benefit rate on a portion of the AFC. Since social security benefits are weighted in favor of the lower paid employee, TCRS weights benefits slightly in the other direction so that total benefits can be more level in terms of percentage of income replaced. The social security integration level is \$54,000 for 2009 and is estimated to be \$56,400 for 2010. Since the social security wage base increases each year, it is expected that the SSIL will continue to increase in future years.

### FIVE PERCENT IMPROVEMENT

After the applicable formula is applied, each retiree's base benefit is increased by five percent. This increase applies to monthly retirement or disability benefits as well as to monthly death benefits. It does not apply to lump-sum distributions.

### MAXIMUM BENEFIT

The benefit may not exceed 94.5 percent of the member's average final compensation.

### POTENTIAL LOSS OF BENEFITS

Any member who is convicted in state or federal court of a felony arising out of his employment or official capacity which constitutes malfeasance in office may be prohibited from receiving benefits. This prohibition applies to anyone joining TCRS after July 1, 1982 who is convicted of such a felony in a Tennessee state court as well as anyone joining on or after May 31, 1993 who is convicted of such a felony in a federal court. If the conviction is later overturned and the member is acquitted or is granted a full pardon, the member shall be restored all rights, privileges and benefits as if the conviction never occurred.

Any person convicted of a felony as provided above may elect, within six months of the person's conviction, to have a monthly retirement allowance paid to whomever that person had designated as beneficiary at the time of that person's conviction. However, the beneficiary must have been that person's spouse or child at the time of that person's conviction. The benefits will be payable to the beneficiary upon the person's death provided all other eligibility requirements applicable to a beneficiary have been met. The amount of the benefits will equal the retirement allowance which would have been payable had the person retired under the survivorship option elected.

## **SERVICE RETIREMENT**

### ELIGIBILITY

Vested members become eligible for service retirement upon completion of 30 years of creditable service or upon attainment of age 60. Depending on his date of membership, a teacher becomes vested with four or five years of creditable service. (See MEMBERSHIP-Vested Member.)

$$\frac{\text{Benefit Rate}}{.0150} \times \frac{\text{AFC}}{\$52,000} \times \frac{\text{Years of Creditable Service}}{30} = \$ 23,400$$

$$\frac{\text{Benefit Rate}}{.0025} \times \frac{\text{AFC in Excess of SSIL}}{400} \times \frac{\text{Years of Creditable Service}}{30} + \$ 30$$

$$\frac{\$ 23,430}{12} = \$ 1,953$$

$$5\% \text{ Benefit Improvement (BIP)} \times 1.05$$

$$\text{Monthly TCRS Benefit} = \$ 2,051$$

**BENEFIT CALCULATION**

The following example shows the formula method 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 payment plan in 2008 with an average final compensation of \$52,000, a social security integration level of \$51,600, and 30 years of service.

Any teacher who remains in service after age 65 will automatically receive the greater of a service retirement allowance or the actuarial equivalent of the benefit that would have been payable at age 65.

The following schedule provides sample estimates of Group I TCRS monthly benefits for 2008 under the maximum plan. Members may also create individual service retirement benefit estimates using the TCRS benefit calculator at [treasury.tn.gov/tcrs](http://treasury.tn.gov/tcrs) on the Internet.

Social security benefit estimates may be obtained from your local social security office or by using Social Security's benefit calculator at [www.ssa.gov](http://www.ssa.gov) on the Internet. The benefits provided by the TCRS are in addition to benefits payable by social security.

**GROUP I SCHEDULE**  
**Includes 5% Benefit Improvement**  
**Estimated Monthly Benefits at Age 60**  
**2008 Retirement**

<u>Average</u> <u>Salary</u>	<u>5 Yrs.</u>	<u>10 Yrs.</u>	<u>15 Yrs.</u>	<u>20 Yrs.</u>	<u>25 Yrs.</u>	<u>30 Yrs.</u>	<u>35 Yrs.</u>
\$ 15,000	\$98	\$197	\$295	\$394	\$492	\$591	\$689
16,000	105	210	315	420	525	630	735
17,000	112	223	335	446	558	669	781
18,000	118	236	354	473	591	709	827
19,000	125	249	374	499	623	748	873
20,000	131	263	394	525	656	788	919
21,000	138	276	413	551	689	827	965
22,000	144	289	433	578	722	866	1,011
23,000	151	302	453	604	755	906	1,057
24,000	158	315	473	630	788	945	1,103
25,000	164	328	492	656	820	984	1,148
26,000	171	341	512	683	853	1,024	1,194
27,000	177	354	532	709	886	1,063	1,240
28,000	184	368	551	735	919	1,103	1,286
29,000	190	381	571	761	952	1,142	1,332
30,000	197	394	591	788	984	1,181	1,378
31,000	203	407	610	814	1,017	1,221	1,424
32,000	210	420	630	840	1,050	1,260	1,470
33,000	217	433	650	866	1,083	1,299	1,516
34,000	223	446	669	893	1,116	1,339	1,562
35,000	230	459	689	919	1,148	1,378	1,608
36,000	236	473	709	945	1,181	1,418	1,654
37,000	243	486	728	971	1,214	1,457	1,700
38,000	249	499	748	998	1,247	1,496	1,746
39,000	256	512	768	1,024	1,280	1,536	1,792
40,000	263	525	788	1,050	1,313	1,575	1,838
41,000	269	538	807	1,076	1,345	1,614	1,883
42,000	276	551	827	1,103	1,378	1,654	1,929
43,000	282	564	847	1,129	1,411	1,693	1,975
44,000	289	578	866	1,155	1,444	1,733	2,021
45,000	295	591	886	1,181	1,477	1,772	2,067
46,000	302	604	906	1,208	1,509	1,811	2,113
47,000	308	617	925	1,234	1,542	1,851	2,159
48,000	315	630	945	1,260	1,575	1,890	2,205
49,000	322	643	965	1,286	1,608	1,929	2,251
50,000	328	656	984	1,313	1,641	1,969	2,297
55,000	365	729	1,094	1,459	1,823	2,188	2,553
60,000	403	806	1,209	1,612	2,015	2,418	2,821
65,000	441	882	1,324	1,765	2,206	2,647	3,089
70,000	480	959	1,439	1,918	2,398	2,877	3,357
75,000	518	1,036	1,553	2,071	2,589	3,107	3,624
80,000	556	1,112	1,668	2,224	2,780	3,336	3,892
85,000	594	1,189	1,783	2,377	2,972	3,566	4,160
90,000	633	1,265	1,898	2,531	3,163	3,796	4,428
95,000	671	1,342	2,013	2,684	3,355	4,025	4,696
100,000	709	1,418	2,128	2,837	3,546	4,255	4,964

## EARLY RETIREMENT

The retirement law provides three permanently reduced benefits which may be payable to a vested member who retires early.

1. A member with 10 years of service may retire at age 55. The benefit is computed in the same manner as for service retirement; however, there is a permanent reduction of 0.4 percent for each month by which the member's date of early retirement precedes his service retirement date.

The retirement benefits are reduced to the following percentages of a service retirement allowance:

Service Retirement .....	100.0%
1 Year Early .....	95.2%
2 Years Early .....	90.4%
3 Years Early .....	85.6%
4 Years Early .....	80.8%
5 Years Early .....	76.0%

The following example shows the formula used for computing the TCRS retirement allowance for a member with 20 years of creditable service. The example uses a 55-year-old member retiring in 2008, five years before his service retirement date with 20 years of creditable service, an average final compensation of \$49,000, and a social security integration level of \$51,600.

$$\begin{array}{r}
 \frac{\text{Benefit Rate}}{.0150} \times \frac{\text{AFC}}{\$49,000} \times \frac{\text{Years of Creditable Service}}{20} = \$ 14,700 \\
 \\
 \frac{\text{Benefit Rate}}{.0025} \times \frac{\text{AFC in Excess of SSIL}}{\$ 0} \times \frac{\text{Years of Creditable Service}}{20} + \frac{\$ 0}{\$ 14,700} \\
 \div \frac{\$ 1,225}{\$ 931} \\
 \times \frac{100\% - (.4\% \times 60 \text{ months early})}{.7600} \\
 \times \frac{5\% \text{ Benefit Improvement (BIP)}}{1.05} \\
 \text{Monthly TCRS Benefit} \quad \underline{\$ 977}
 \end{array}$$

**Tennessee Consolidated Retirement System**

For the purpose of determining an early retirement benefit, TCRS uses the requirement for service retirement most favorable to the member. The requirement for a service retirement benefit is that a member be age 60 or have 30 years of service. If a member retires on an early retirement at age 59 with 20 years of service, TCRS would compute the member as retiring one year early based on his age in order to provide the larger benefit. On the other hand, if a member is age 58 with 29 years of service, TCRS would compute the member as retiring one year early based on his years of service, not his age, since under these circumstances this method would provide the member with a larger benefit.

2. A member who retires prior to age 60 with less than 10 years of service will have his benefit computed as outlined above with an additional 15 percent reduction for each year or partial year lacking 10 years.
3. A member may retire prior to age 55 upon attaining 25 years of creditable service. In this situation the member’s benefit will be the actuarial equivalent of the benefit payable at age 55.

The following example shows the formula used for computing the TCRS retirement allowance for a member with 25 years of service who is less than age 55. The example uses a 50-year-old member retiring in 2008, five years before his service retirement date. There is an additional age-based actuarial reduction factor if the member is less than 55 years old.

<u>Benefit Rate</u>		<u>AFC</u>		<u>Years of Creditable Service</u>			
.0150	x	\$49,000	x	25	=	\$ 18,375	
<u>Benefit Rate</u>		<u>AFC in Excess of SSIL</u>		<u>Years of Creditable Service</u>			
.0025	x	\$ 0	x	25	+	<u>\$ 0</u>	
						\$ 18,375	
						÷ 12	
						<u>\$ 1,531</u>	
					100% - (.4% x 60 months early)	x	<u>.7600</u>
						<u>\$ 1,164</u>	
					Age 50 Actuarial Reduction Factor	x	<u>.6267</u>
						<u>\$ 729</u>	
					5% Benefit Improvement (BIP)	x	<u>1.05</u>
						<u>\$ 765</u>	
						Monthly TCRS Benefit	

**DISABILITY RETIREMENT**

Retirement due to a total and permanent medically determinable mental or physical disability is possible for eligible members who can no longer engage in any type of gainful employment and who are ineligible for service retirement.

**APPLICATION**

An *Application for Disability Retirement Benefits* can be obtained from the TCRS Disability Office. The member must furnish a completed retirement application, a completed personal *Statement of Disability*, a completed *Vocational History Form*, a *Medical Release Form*, and an *Attending Physician's Report of Disability*. The TCRS Medical Advisors will usually review the member's application before the TCRS approves or denies it.

Since this process may take more time than a regular retirement application, a member retiring on disability may experience some delay in receiving the first payment; however, benefits will be paid retroactive to the member's effective date of retirement.

**ORDINARY DISABILITY**

To be eligible for an ordinary disability retirement allowance, a member must be ineligible for a service retirement benefit, have a minimum of five years of creditable service, and be unable to engage in gainful employment due to a total and permanent physical or mental disability.

Gainful employment means any type of work which results in earnings considered by the Social Security Administration to be gainful for disability recipients from that system – currently \$980 or more per month. It is important to note that eligibility for TCRS disability benefits is *not* determined by a member's inability to perform his *current* job, but rather by the inability to perform *any type of gainful employment*.

Ordinary disability benefits for members who become disabled while in service are equal to 90 percent of the service retirement allowance that would have been payable to the member.

If the member has less than 20 years of creditable service, the number of years of service used in calculating the benefit will be increased to the greater of 10 years or the number of years he would have had if he continued in service to age 60, but in no event can the total exceed 20 years unless the member's actual service exceeds 20 years.

This example shows the formula method used for computing an ordinary disability allowance. The example uses a disabled member who retires under the maximum plan in 2008 with 10 years of actual service and 10 years of projected service.

*Tennessee Consolidated Retirement System*

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<u>Benefit Rate</u>		<u>AFC</u>		<u>Years of Creditable Service</u>		
.0150	x	\$46,000	x	20	=	\$ 13,800
<u>Benefit Rate</u>		<u>AFC in Excess of SSIL</u>		<u>Years of Creditable Service</u>		
.0025	x	\$ 0	x	20	+	\$ 0
						<u>\$ 13,800</u>
						<i>Disability Factor</i> x <u>.900</u>
						<u>\$ 12,420</u>
						÷ <u>12</u>
						<u>\$ 1,035</u>
						5% <i>Benefit Improvement (BIP)</i> x <u>1.05</u>
						<u>\$ 1,086</u>
						Monthly Disability Benefit

When a disability retiree receiving ordinary disability benefits reaches age 60, his benefits will be increased to 100 percent of a service retirement benefit.

The system also provides special benefits for members who are not in service at the time of disability. The benefit is the actuarial equivalent of the retirement benefit that would have been payable at age 55.

**ACCIDENTAL DISABILITY**

A member who becomes totally and permanently disabled from engaging in gainful employment as the result of an accident or physical violence against his person occurring while in the performance of duty, without negligence on his part, may be retired on an accidental disability retirement allowance. There is no minimum service requirement for this benefit; however, the accident must have been job related.

For anyone becoming a Group I member on or after July 1, 1997, accidental disability benefits are calculated using the ordinary disability benefit formula.

For anyone who became a Group I member before July 1, 1997, accidental disability benefits are calculated as follows. For teachers, state employees, and employees of political subdivisions which have authorized the five percent benefit improvement, accidental disability benefits are equal to 52.5 percent of the member’s AFC. Once the member reaches age 62 or begins receiving a social security benefit, the yearly benefit from TCRS will be reduced to 34.96 percent of the member’s average final salary. All recipients of TCRS accidental disability benefits under this formula are required to apply for social security. If the member does not apply for social security, TCRS benefits will be paid at the lower rate.

**REEVALUATION**

The TCRS will request current medical evidence from a disability retiree each year until the retiree has attained age 60, or until the retiree’s condition supports a decision to end this practice. The purpose of the reevaluation process is to determine if the member continues to

be totally and permanently disabled from all gainful employment. If medical evidence fails to support a continuing disability, the disability benefit will cease.

A disability retiree is also required to report all earnings on an annual basis and his retirement benefit may be reduced or suspended based upon the amount of income earned. For more information see the RETIRED MEMBERS section of this booklet.

**APPEAL**

An applicant who is denied disability benefits may request that his case be reconsidered based upon new medical evidence. All new medical evidence, in addition to that submitted on the original application, will be reviewed again by the TCRS Medical Advisors.

If the disability applicant cannot produce new evidence but still wishes to appeal the original decision, or if the member is reconsidered and subsequently denied, he may appeal the decision to the TCRS director. After meeting with the director and reviewing the facts of his case, he may request further review through a contested case proceeding before an administrative judge.

Requests for reconsideration (with the new medical evidence) or a hearing must be made within 90 days of the initial denial. If not, the member's application will be void.

**INTEGRATION WITH WORKERS' COMPENSATION**

In cases where members receive Workers' Compensation benefits in addition to ordinary or accidental disability benefits from the retirement system, the TCRS benefit will be limited so that total benefits from the TCRS and Workers' Compensation will not exceed 78.75 percent of the member's average final compensation.

**FOR MORE INFORMATION**

Additional information on disability retirement rules and benefits may be found in the *Disability Retirement Benefits* booklet, available by request from TCRS or from the TCRS Internet site.

**MINIMUM BENEFIT**

The minimum retirement allowance payable to any member who has 10 years or more of creditable service and who has met the conditions for service retirement is \$8 per month multiplied by the number of years of creditable service. The minimum retirement allowance is \$7 per month for members who retire with less than 10 years. The benefit will be reduced if the member retires early or if he chooses an optional payment plan. The minimum benefit before reductions cannot exceed 100 percent of the member's average final compensation.

EXAMPLES

1. **Minimum Benefit under Service Retirement:**

Assume Age 60 with 15 years of service  
 $\$8 \times 15 = \$120$   
TCRS Monthly Benefit =  $\$120 \times 1.05 \text{ BIP} = \$126$

2. **Minimum Benefit Under Early Retirement:**

Assume Age 55 with 15 years of service  
 $\$8 \times 15 = \$120$   
Early Reduction Factor = .7600  
TCRS Monthly Benefit =  $\$91 \times 1.05 \text{ BIP} = \$96$

3. **Minimum Benefit Under Disability Retirement:**

Assume Age 50 with 15 years of actual service  
(service is not projected under the minimum disability benefit).  
 $\$8 \times 15 = \$120$   
TCRS Monthly Benefit =  $\$120 \times 1.05 \text{ BIP} = \$126$

**BENEFIT PAYMENT PLANS**

A member may elect to receive his retirement allowance under one of six payment plans provided by the TCRS.

After the member's retirement allowance has been processed, he will be notified by letter of the amount of his benefit under the payment plan selected as well as the amount he would be eligible to receive under each of the other payment plans. The member will be allowed 60 days from the date of the notice letter to change the payment plan initially selected. After this 60-day period, the election of an optional payment plan cannot be changed nor revoked by the member. A member who selects the regular or maximum plan may change to an option at a later date by repaying the difference in benefits.

The following payment plans are available to retirees:

SINGLE LIFE ANNUITIES

- ❖ **Regular or Maximum Plan:** Maximum monthly benefits are payable to a member for life, with all benefits ceasing at death. Monthly benefits end at the member's death, but the beneficiary is entitled to payment of the remaining contributions, if any, which had been credited to the member's account and which were not returned to the member in the form of retirement benefits.
  
- ❖ **Social Security Leveling:** A member may convert his retirement allowance into an increased benefit payable prior to the date he attains age 62 and a reduced allowance payable after that date, so that his total income will be approximately the same before and after the commencement of social security payments. Monthly benefits end at the member's death, but the beneficiary is entitled to payment of the remaining contributions, if any, in the member's account which were not returned to the member in the form of retirement

benefits. If this plan is elected, the member must furnish the retirement system with a social security estimate. It is the member's responsibility, upon attaining age 62, to apply for his social security benefit.

For example, assume a member is age 55, has 30 years of service, and has an average final compensation of \$52,000. His estimated social security benefit at age 62 is \$900 per month. TCRS will pay a percentage of the estimated social security benefit based upon the member's age at retirement in addition to the TCRS regular benefit. At age 62, the member's benefit is reduced by the estimated social security benefit.

	Income Before <u>Age 62</u>	Income After <u>Age 62</u>
TCRS Regular Benefit	\$2,051	\$2,051
TCRS SSL Adjustment	+ <u>462</u>	- <u>438</u>
Total TCRS Benefit	\$2,513	\$1,613
Social Security	+ <u>0</u>	+ <u>900</u>
Total TCRS and SS Income	\$2,513	\$2,513

Any cost-of-living adjustments before and after age 62 are based upon the regular plan benefit.

**JOINT AND SURVIVOR ANNUITY OPTIONS**

If a joint and survivor annuity option is elected, the member must provide the retirement office with proof of the date of birth of the beneficiary. Examples of documents that can be accepted as proof of date of birth are a birth certificate, infant baptismal certificate, family Bible record, school record or military record.

If a joint and survivorship plan (Option I, II, III, or IV) is selected, the plan cannot be changed, even if there is a divorce, death, or other change of circumstances. A new beneficiary cannot be added to a survivorship plan.

- ❖ **Option I-100 Percent Joint and Survivor:** A permanently reduced retirement allowance is payable during the retired member's life, with the provision that it will continue after his death for the life of, and to, his designated beneficiary. If the beneficiary dies before the member, the monthly allowance will remain the same.
  
- ❖ **Option II-50 Percent Joint and Survivor:** A permanently reduced retirement allowance is payable during the retired member's life, with the provision that it will continue after his death at one-half the rate paid to him and be paid for the life of, and to, his designated beneficiary. If the beneficiary dies before the member, the monthly allowance will remain the same.
  
- ❖ **Option III-Modification of Option I:** A reduced retirement allowance is payable during the retired member's life with the provision that it will continue after his death for the life of, and to, his designated beneficiary. If the designated beneficiary dies before the retiree, the retirement allowance will revert to the maximum amount.

*Tennessee Consolidated Retirement System*

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- ❖ **Option IV-Modification of Option II:** A reduced retirement allowance is payable during the retired member’s life, with the provision that it will continue after his death at one-half the rate paid to him and be paid for the life of, and to, his designated beneficiary. If the designated beneficiary dies before the retiree, the retirement allowance will revert to the maximum amount.

**OPTION FACTORS**

If the retiree chooses one of the optional payment plans, the regular or maximum plan benefit will be reduced to an actuarially determined percentage based on the ages at retirement of the retiree and the beneficiary. The option factors are subject to change by the Board of Trustees based upon the actuarial assumptions recommended by the actuary.

Examples of the percentages of the regular or early retirement benefits paid under the various options are shown in the following chart.

<i><u>Age of Retiree</u></i>	<i><u>Age of Beneficiary</u></i>	<i><u>Option I</u></i>	<i><u>Option II</u></i>	<i><u>Option III</u></i>	<i><u>Option IV</u></i>
50	50	88.18%	93.72%	87.04%	93.07%
50	55	90.72	95.13	89.27	94.33
50	60	93.05	96.40	91.33	95.47
55	50	83.02	90.72	81.80	89.99
55	55	86.20	92.59	84.56	91.63
55	60	89.33	94.37	87.26	93.20
55	65	92.18	95.93	89.77	94.61
60	50	76.36	86.60	75.16	85.52
60	55	80.06	88.92	78.33	87.85
60	60	83.96	91.28	81.62	89.88
60	65	87.78	93.49	84.86	91.81
62	55	77.17	87.11	75.45	86.01
62	60	81.34	89.71	78.94	88.23
62	65	85.54	92.20	82.47	90.39
65	50	68.49	81.30	67.40	80.53
65	55	72.46	84.03	70.80	82.90
65	60	76.94	86.97	74.53	85.41

EXAMPLE OF CALCULATION

$$\frac{\text{Benefit Rate}}{.0150} \times \frac{\text{AFC}}{\$52,000} \times \frac{\text{Years of Creditable Service}}{30} = \$ 23,400$$

$$\frac{\text{Benefit Rate}}{.0025} \times \frac{\text{AFC in Excess of SSIL}}{400} \times \frac{\text{Years of Creditable Service}}{30} + \frac{\$ 30}{\$ 23,430} \div \frac{\$ 1,953}{\$ 2,051}$$

*5% Benefit Improvement (BIP)* x 1.05

Monthly TCRS Benefit

	<u>Member</u>	<u>Beneficiary</u>
Regular Plan	\$2,051	\$ 0
Option I (\$2,051 x 83.96%)	\$1,722	\$1,722
Option II (\$2,051 x 91.28%)	\$1,872	\$ 936
Option III (\$2,051 x 81.62%)	\$1,674	\$1,674
Option IV (\$2,051 x 89.88%)	\$1,843	\$ 921

This example assumes that both the member and beneficiary are age 60.

## **RETIREMENT PLANNING SERVICES**

### ANNUAL STATEMENT

Each year a member is actively employed, TCRS will prepare an annual statement for the member. The statement will show the salaries reported to TCRS, the amount of service credit with TCRS, vesting status, the TCRS beneficiary, and estimates of the TCRS benefits available under various circumstances. TCRS sends the statements to the employers to distribute.

### SPECIAL PUBLICATIONS

Members are encouraged to review *Retirement a New Beginning* and the *Retirement Planning Checklist* on our Internet site, [treasury.tn.gov/tcrs](http://treasury.tn.gov/tcrs), or to request them by mail.

### GROUP MEETINGS

A TCRS representative is available upon request to meet with employee groups across the state to discuss the benefits provided by the retirement system. Pre-retirement Planning Seminars are also available to employee groups, which explain all facets of post-career retirement planning. Contact the TCRS Counseling Services Division to schedule a group meeting.

## *Tennessee Consolidated Retirement System*

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### PERSONAL CONFERENCES

Retirement benefit counselors are available in Nashville to provide estimates of benefits, information on options, service credit verification, or to answer questions concerning retirement. Appointments are preferred, but are not required. Please call 615-741-1971 to schedule an appointment.

If the member prefers, the retirement process can be handled entirely by mail between the member and the system.

### ESTIMATE OF BENEFITS

Members may create and print a TCRS estimate using the Internet benefit calculator at [treasury.tn.gov/tcrs](http://treasury.tn.gov/tcrs). To request an estimate of retirement benefits by mail, the member should include the following information.

1. Full name, social security number, and current mailing address.
2. Date of anticipated retirement.
3. Number of years of creditable service and accumulated sick leave.
4. Date of birth (month, day, year).
5. If considering options, include the name and date of birth of the person to be designated as the beneficiary.

An estimate is strictly a projection of benefits prior to retirement and is subject to change based on actual information used at the time of retirement.

## **RETIRED MEMBERS**

### COST-OF-LIVING ADJUSTMENTS

Any retired teacher who has been retired for at least 12 full months on July 1 of each year is eligible to receive an adjustment in his retirement allowance based on any increase in the Consumer Price Index for the preceding calendar year.

If there is an increase in the Consumer Price Index between one-half of one percent and one percent in any year, retired members will receive a one percent cost-of-living adjustment. If there is an increase in the Consumer Price Index of one percent or more in any year, retired members will receive an amount equal to the increase in the Consumer Price Index, not to exceed three percent. Cost-of-living adjustments are now compounded each year. Adjustments appear in the July 31 payment.

### BENEFIT FORMULA CHANGES AFTER RETIREMENT

Retirees will also receive any increases due to changes in the benefit formula after their retirement date.

HOSPITALIZATION INSURANCE BEFORE MEDICARE ELIGIBILITY STATE-SPONSORED LOCAL EDUCATION PLAN

Local education employees or their dependents may be eligible to continue State group insurance coverage at retirement. Retired employees or their dependents may continue until they become eligible for Medicare by virtue of age. Dependents must be covered at the time of retirement and must continue to meet eligibility conditions.

The eligibility guidelines for continuation of insurance coverage are as follows:

- ❖ 10 years of employment with the State or local education agency participating in the insurance plan and at least three years of insurance coverage immediately prior to retirement. The date of retirement must immediately follow the date of final termination from employment.
- ❖ At least 20 or more years of employment with the State or local education agency participating in the insurance plan and at least one year of insurance coverage in the plan immediately prior to retirement. The period of time between the employee's final termination date and the date of retirement may be up to five years.

Upon the death of a retiree, a covered spouse or dependent will receive six months free insurance coverage. Continuation of coverage beyond the six-months free coverage will be made available to those dependents that are covered by the plan upon the retiree's death and are not eligible for Medicare by virtue of age.

Employees who qualify for disability retirement through TCRS may continue coverage if they participated in the State plan at the time the injury or illness occurred and have five years of service. Upon eligibility for Part A of Medicare, disability retirees may continue in the plan to the point at which Medicare eligibility would have been attained had the disability not occurred, provided the retired employee remains eligible for the disability allowance and Part B of Medicare is retained.

Retirees and their dependents who continue participation in the State plan and subsequently qualify for Medicare Part A due to a disabling condition continue to be eligible for coverage until such time as they would have been eligible for Medicare by virtue of age. Proof of disability must be shown. Medicare will be the primary coverage and Part B of Medicare must be retained.

When an employee retires, he may only continue coverage under the same plan he had before retirement unless he does not live in the service area for that plan. Any retiree covered by an option that has a limited service area and who moves out of the service area should notify TCRS immediately so that coverage may be transferred. Once a year, retirees will be allowed to review their health coverage and transfer to other available plans if desired.

Eligible employees who wish to continue insurance coverage after retirement should submit an *Application for the Continuation of Insurance* with their retirement application to TCRS. The application must be submitted within a full calendar month from the effective date of retirement.

## Tennessee Consolidated Retirement System

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If eligible retirees do not enroll within a full calendar month from the effective date of retirement, they may only re-enroll if they were on the medical insurance at the time they retired and were eligible to continue that coverage by their length of service and their length of participation in the plan. They must also qualify by meeting a special enrollment provision under the guidelines of the Health Insurance Portability and Accountability Act (HIPAA) or by being approved as a late applicant by medical underwriting.

For additional information, request the brochure *Continuing Insurance at Retirement for Local Education Plan (TCRS Participants)* from the TCRS Retiree Insurance Section at 1-877-681-0155.

### HOSPITALIZATION INSURANCE AFTER MEDICARE ELIGIBILITY

Retirees and their dependents who are eligible for Medicare Part A may be eligible for the State's Medicare Supplement Plan. A brochure describing the plan available and the eligibility requirements can be obtained from your personnel office, by contacting TCRS, or by accessing the TCRS website.

Employees who are eligible for Medicare at retirement by virtue of age (or who have Medicare eligible dependents) should submit an *Application for Medicare Supplement Program* with their retirement application to TCRS. This application must be submitted within 60 days of your effective date of retirement. A copy of the Medicare card must be submitted with the application.

Retirees and their dependents who become eligible for Medicare by virtue of age after retirement will be sent an application approximately three months before the date of their Medicare eligibility. To enroll in the Medicare Supplement plan, retirees must submit an application to TCRS within 60 days of Medicare eligibility. A copy of the Medicare card must be submitted with the application.

Premiums for the Medicare Supplement plan are deducted from the monthly TCRS benefit. Retirees with 15 or more years of State and/or teaching service are eligible to have a portion of their monthly premium paid by the State. The State does not contribute toward the cost of dependent coverage.

### OVERPAYMENTS OR UNDERPAYMENTS

In the event that an error is made which results in a member or beneficiary receiving more or less from the system than he should, the law states that the error must be corrected. Any overpayments or underpayments must be paid. If a payment error is discovered by the retirement office or by the member, the retirement office will take all necessary steps to correct the problem. Any member who has questions about the amount of a check should contact the Retired Payroll section.

### DIRECT DEPOSIT

Direct deposit of pension benefits is required by State law. This plan guarantees that the money will be deposited in the member's financial institution by the last business day of each month, even if the member is away on vacation or ill. This service also relieves the member from concern over lost or stolen checks.

The member should still notify the retirement system if his home address changes. Important correspondence such as statements for income tax purposes and notification of cost-of-living increases will still be sent to the member's home address.

**SOCIAL SECURITY BENEFITS**

Social security benefits are paid in addition to the amount of retirement allowance received from the TCRS. Social security benefits do not begin automatically once age and service requirements are met; a member must complete an application and submit it to the Social Security Administration. A member covered by social security should contact the nearest social security office for more information regarding estimates, applications, and Medicare coverage. Visit Social Security on the Internet at [www.ssa.gov](http://www.ssa.gov).

**TEMPORARY RETURN TO SERVICE**

Any retired member may return to service after 60 days without loss of retirement benefits for the equivalent of 120 days within a 12-month period. A retired member who returns to service before 60 days is also limited to half-time. Under certain conditions, a member may work an additional 90 days during the 12 month period as a substitute teacher. If employed as a teacher in an institution of higher education, the member may teach 24 quarter hours or 18 semester hours. Compensation is limited to 63% of final salary indexed by 5% per year. A *Temporary Employment Report* must be completed and filed with the TCRS Benefits section before the employment period begins.

If a disability retiree returns to any employment which results in earnings in excess of the Social Security Administration's definition of gainful employment, the disability benefit will be suspended. As of January 1, 2009, this amount was \$980 per month.

**FULL-TIME OR PART-TIME EMPLOYMENT AFTER RETIREMENT EXCEEDING TEMPORARY RETURN TO SERVICE PROVISIONS**

In general, if a retired member returns to service on a full-time or part-time basis in any position covered by the retirement system, his retirement allowance is suspended during reemployment. This includes any retiree who has an employment contract with an entity covered by the retirement system. The existence of a written contract does not exclude the retiree from the limitations on reemployment contained in the retirement law if the relationship between the retiree and the entity is that of "employer/employee".

Any retiree who returns to service in a covered position has the option of becoming a member of the TCRS or of making an irrevocable election not to participate; however, regardless of his choice, his retirement benefits will cease while he is reemployed.

A reemployed retiree who elects to again become a member and who completes three or more years of creditable service will have his benefits recomputed on the total number of years of service and the highest average final compensation. If the additional service is less than three years, benefits are computed on the last period of active service and added to the original benefit. If the retiree selected the Social Security Leveling Plan at retirement, the member must repay the supplement received under the leveling plan in order to have the benefit recalculated.

## *Tennessee Consolidated Retirement System*

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If the reemployed retiree chooses not to participate, his employer will not make contributions on his behalf nor will he receive any additional benefits based on his reemployment.

Benefits do not cease for TCRS retirees who become employed with an employer not covered by TCRS.

Currently, there are a few limited circumstances under which a retiree may return to service without loss of benefits. During the period July 1, 2000 through June 30, 2010, any qualified person retired from TCRS for one year or longer may accept a one-year untenured appointment as a K-12 grade teacher without loss of retirement benefits provided that the superintendent certifies that no other qualified persons are available to fill the position and that the commissioner of education certifies that the school system serves an area that lacks qualified teachers to serve in that position. Certain minimum and maximum salaries apply. The retiree is not eligible to accrue additional retirement benefits as a result of such employment.

## **TAXES**

### FEDERAL INCOME TAXES

The TCRS is a qualified pension plan under Section 401(a) of the Internal Revenue Code and payments received from the plan are taxed according to the rules that apply to qualified pension plans. Those rules vary depending on the type of payment received. Detailed information on the federal income tax rules applicable to payments received from TCRS is provided in the TCRS publications, *Taxes on TCRS Benefits* and *Special Tax Notice Regarding Plan Payments*.

### STATE INCOME TAXES

The State of Tennessee does not apply a state income tax to TCRS benefits (or to any other pension benefits) received by state residents.

### FEDERAL AND TENNESSEE ESTATE TAXES

Generally, retirement benefits payable to a survivor from the TCRS are included in the taxable estate of the member. Estate tax will not normally be due on the payment of retirement benefits to a member's spouse since the net value of property passing to a surviving spouse usually does so free of federal and Tennessee estate taxes. Different federal and state exemption limits currently apply to property passing to someone other than the spouse.

**Tennessee Inheritance Tax:** In 2008, property (including TCRS benefits) having a value of less than \$1,000,000 can pass to someone other than the member's spouse free of Tennessee inheritance tax.

**Federal Estate Tax:** In 2008, property (including TCRS benefits) having a value of less than \$2,000,000 can pass to someone other than the member's spouse free of federal estate tax. The exempted amount becomes \$3,500,000 in 2009.

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**ADDITIONAL TAX ASSISTANCE**

Questions concerning federal taxes on payments from the retirement system should be directed to the Internal Revenue Service, a professional tax advisor, or an attorney. IRS publications and forms are available free of charge. To obtain the ones you need, call 1-800-829-3676, download them from the IRS site, visit a local IRS office, or write to the IRS Distribution Center, P.O. Box 9903, Bloomington, IL 61799. Questions concerning Tennessee estate taxes should be directed to the Tennessee Department of Revenue, a professional tax advisor, or an attorney licensed to practice in Tennessee.

**ADMINISTRATION**

The Tennessee Consolidated Retirement System (TCRS) is a trust established by the General Assembly of the State of Tennessee for the purpose of administering a retirement program for public employees. The trust instrument is enacted as state law in Chapters 34-37 of Title 8, *Tennessee Code Annotated*. Amendments to the plan may only be made by legislation enacted by Tennessee's General Assembly.

A Board of Trustees was created to administer and manage the retirement system. The board consists of the following members:

- ❖ State Treasurer
- ❖ Director of the Retirement System
- ❖ Commissioner of Finance and Administration
- ❖ Comptroller of the Treasury
- ❖ Administrative Director of the Courts
- ❖ Commissioner of Personnel
- ❖ Secretary of State
- ❖ Chairman and Vice-Chairman of the legislative Council on Pensions and Insurance (non-voting)
- ❖ Three elected teacher representatives
- ❖ Two elected state employee representatives
- ❖ One representative appointed by the Tennessee County Services Association
- ❖ One representative appointed by the Tennessee Municipal League
- ❖ One representative appointed by the County Officials Association of Tennessee
- ❖ One retired state or higher education employee appointed by the Governor
- ❖ One retired teacher elected by the Tennessee Retired Teachers' Association (non-voting)

The State Treasurer is responsible for the operation of the retirement system. The Director of the retirement system is appointed by the State Treasurer and is the chief administrative officer of the plan.

*Tennessee Consolidated Retirement System*

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The retirement system is funded by employee contributions, employer contributions, and investment earnings. All contributions received are held in trust until disbursed as retirement allowances or refunds to withdrawing members.

Funds of the TCRS are invested by the Investment Division of the Treasury Department, primarily in low risk, high yield stocks and bonds. Investment policy is established by the Board of Trustees upon receiving and considering the advice of the Investment Advisory Council. The Investment Advisory Council consists of six professionals with experience as investment portfolio managers, economists, and investment advisors appointed by the Treasurer with the consent of the Board of Trustees. A complete annual financial report containing financial, actuarial, and investment information is available to all TCRS members.

In addition to providing retirement coverage for state employees, higher education employees and teachers, the TCRS also provides coverage for employees of local governments (political subdivisions) which elect to participate.

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## TCRS OFFICES

Members may address correspondence to the appropriate section of the retirement system at the address below. Please include your social security number on all correspondence.

Tennessee Consolidated Retirement System  
502 Deaderick Street  
10th Floor Andrew Jackson Building  
Nashville, Tennessee 37243-0201

Internet Site: [treasury.tn.gov/tcrs](http://treasury.tn.gov/tcrs)

### TCRS Directory

Counseling Services Division .....	(615) 741-1971
Field Services	E-mail: ..... TCRS.Counseling@state.tn.us
Benefit Estimates	
Pre-Retirement Planning	
Change of Beneficiary	
Disability Retirement .....	(615) 253-8693
 Member Services .....	(615) 741-4868
Retirement Application Status	E-mail: ..... TCRS.Member-Services@state.tn.us
Prior Service (military, refunded, out-of-state, educational leave)	
 Financial Services Division.....	(615) 253-6781
Annual Statements	E-mail: ..... TCRS.Financial@state.tn.us
Retired Payroll (change of address, taxes, direct-deposit)	
Refunds (account balances, refund information)	
Death Benefits .....	(615) 253-6800
TCRS Toll-Free .....	1-800-770-8277
Retiree Insurance Toll-Free .....	1-877-681-0155

### Additional Numbers for Other Important Information

Social Security Administration .....	1-800-772-1213
Tennessee Department of Insurance Administration .....	1-800-253-9981
(In Nashville) .....	(615) 741-3590
Blue Cross State Group Insurance .....	1-800-558-6213
Medigap Insurance (Medicare supplement) .....	1-800-221-7828
Life Insurance information through Provident .....	1-800-635-5597
Life Insurance information through Fort Dearborn .....	1-800-621-3251
Internal Revenue Service .....	1-800-829-1040

## RETIREMENT GLOSSARY

**Average Final Compensation (AFC):** The average of the member's five highest consecutive years of salary.

**Benefit Improvement Percentage (BIP):** The General Assembly and the TCRS Board of Trustees authorized a five percent base benefit improvement for all Group I teachers and state employees effective January 1, 1994.

**Contributory Member:** A member who makes contributions to the retirement system from his salary.

**Cost-of-Living Adjustments:** An annual increase of up to three percent given to retirees who have been retired for at least 12 months on July 1 of each year.

**Creditable Service:** Membership service under the retirement system for which contributions are made by the member or are assumed by the employer on behalf of the employee, *and* any other periods of service credited to the member by the retirement system.

**Disability:** The inability to engage in substantial gainful employment due to a physical or mental impairment which can be expected to last a continuous period of not less than 12 months.

**Early Retirement:** A reduced benefit payable to a member who retires prior to attaining the requirements for a full service benefit.

**Gainful Employment:** A member is not eligible to draw disability benefits from TCRS if he is able to engage in gainful employment. Gainful employment means any type of work which results in earnings exceeding the amount the Social Security Administration applies to its disability retirees. As of January 1, 2009, this amount is \$980 or more per month.

**In Service:** An employee is considered "in service" if he has not been refunded or retired and death occurs within 150 days of his last paid day of employment with a covered employer.

**Maximum Benefit:** The benefit payable at retirement under the regular formula cannot exceed 94.5 percent of the member's AFC.

**Membership Date:** The later of (1) the date the member first enrolls in the TCRS and makes any required contributions or (2) in the case of an individual who has forfeited his membership by taking a refund of his member account, the date of re-entry to active membership in the system. A redeposit or back payment of previously withdrawn contributions does not restore a forfeited membership date.

**Minimum Benefit:** The minimum retirement allowance payable to any member who has 10 years or more of creditable service and who has met the conditions for service retirement is \$8 per month multiplied by the number of years of service. The minimum benefit is \$7 if the

member has less than 10 years of service. The benefit will be reduced if the member retires early or chooses an optional payment plan. The minimum benefit before reductions cannot exceed 100 percent of the member's AFC.

**Optional Payment Plans:** Plans available to a retiree that provide continuing monthly benefits to be payable to the designated beneficiary upon the death of the retiree.

**Political Subdivisions:** City or county governments which have elected to participate in the retirement system.

**Service Retirement:** An unreduced benefit payable to a member who has met the requirements for retirement.

**Social Security Integration Level (SSIL):** Average of the social security wage bases. It allows TCRS to provide a slightly higher benefit rate on a portion of the AFC.

**Social Security Leveling Plan:** A benefit payment plan which allows a member to convert his retirement into an increased benefit payable prior to the date he is eligible to receive a social security benefit and a reduced allowance payable after that date so that his total income will be approximately the same before and after the commencement of social security payments.

**Vested Member:** A member who has accrued enough service to guarantee him a retirement benefit once the age requirements are met. Group I members attain vesting rights with five years of service. Group I members of a political subdivision attain vesting rights with 10 years of service unless the governing body passes a resolution authorizing five-year vesting.



# Benefit Estimate Request

If you are a member of the Tennessee Consolidated Retirement System and are considering retirement within the next three years, you may obtain an estimate of your benefit by providing the following information:

Type of Benefit (Check One)

Service Retirement

Early Retirement

Disability Retirement

## Member Information

Full Name \_\_\_\_\_

Telephone (\_\_\_\_\_) \_\_\_\_\_ Date of Birth \_\_\_\_\_

Social Security # \_\_\_\_\_

Estimated Date of Retirement \_\_\_\_\_  
Month Day Year

Mailing Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

## Beneficiary Information (Required for Survivor Options)

Name of Beneficiary \_\_\_\_\_

Date of Birth \_\_\_\_\_ Relationship to Member \_\_\_\_\_

*Note: This form cannot be used to change the beneficiary you have on file with TCRS. If you wish to change your beneficiary, you must submit a Change of Beneficiary form.*

## Retirement Information

Current Annual Salary \_\_\_\_\_ Days of Accumulated Sick Leave \_\_\_\_\_

Months Worked Per Year:  10  11  12 Years of Service \_\_\_\_\_

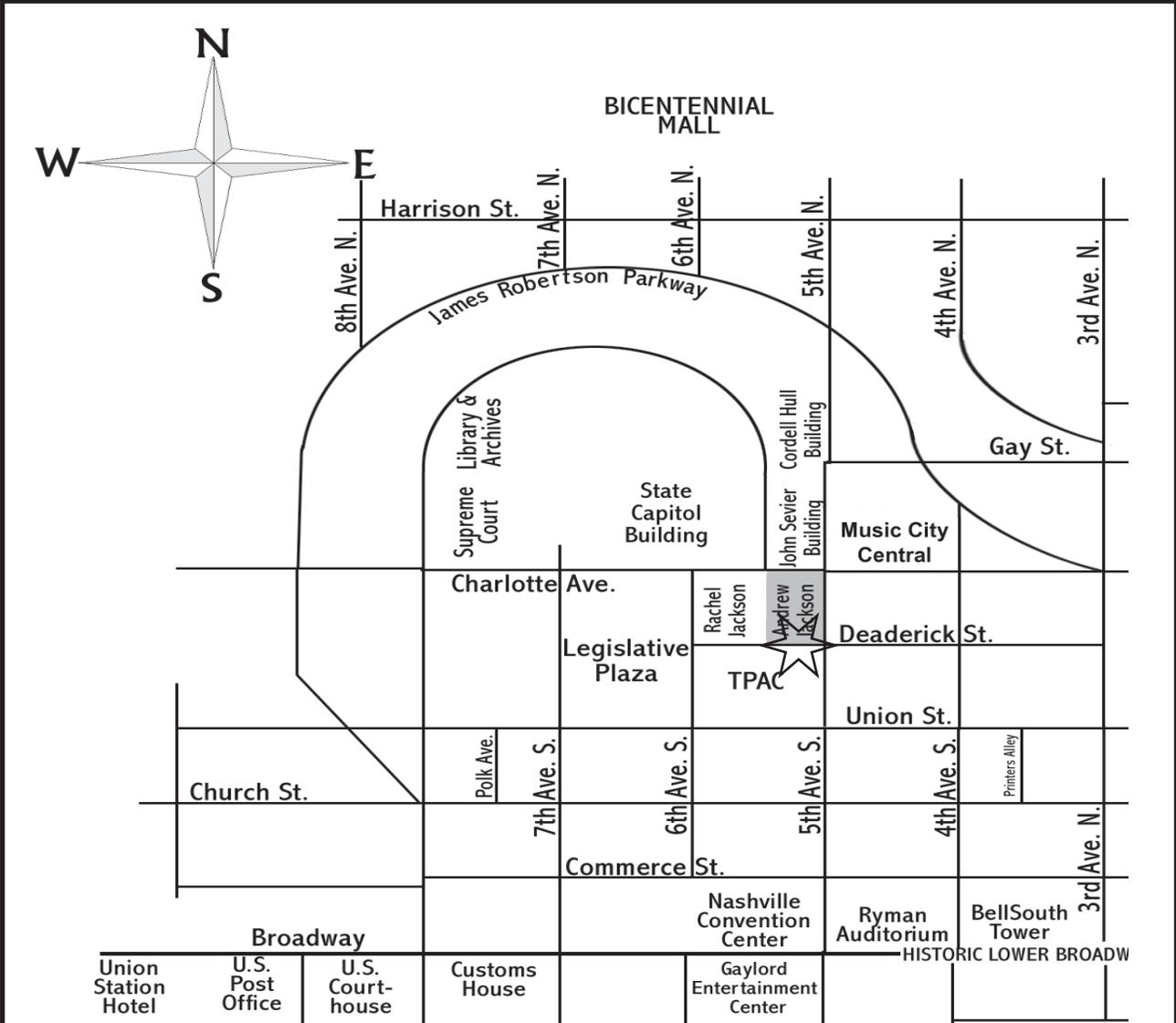
For leveling estimate, please enter estimated Social Security benefit amount at age 62 \_\_\_\_\_

\_\_\_\_\_  
Signature of Member

\_\_\_\_\_  
Date

**Mail this information to:**

Tennessee Consolidated Retirement System  
502 Deaderick Street  
10th Floor, Andrew Jackson State Office Bldg.  
Nashville, Tennessee 37243-0201



TCRS is located in downtown Nashville on the 15th floor of the Andrew Jackson Building. The building is located between Charlotte Avenue and Deaderick Street at 5th Avenue.

This booklet is intended to provide Group I Contributory Teachers of the Tennessee Consolidated Retirement System with a general outline of their retirement plan. Booklets are available from the retirement office for other membership classifications. This booklet summarizes the plan provisions applicable to individuals who were members of the plan on July 1, 2005. The information in this booklet is subject to legislative change and judicial interpretation. It does not supersede nor restrict procedures or authority established under state statute. Statutory authority for the plan is contained in Chapters 34-37 of Title 8, *Tennessee Code Annotated*. Wherever used for convenience, the masculine pronoun includes the feminine.

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Treasury Department;  
 March 2009;  
 Authorization #309218;  
 1,500 copies.  
 This public document  
 was produced at a cost  
 of \$1.89 per copy.