

RETIREE ADVISOR

Summer 2004 • Vol. 24, No.2

Produced for retired members of the Tennessee Consolidated Retirement System



Dale Sims
State Treasurer

New State Treasurer

Dale Sims was elected State Treasurer by the Tennessee General Assembly earlier this year. Sims, a 20-year state employee, was first appointed State Treasurer by Governor Phil Bredesen in late 2003 to fill the vacancy created when Treasurer Steve Adams retired to accept a position with the Tennessee Education Lottery.

Dale began work with the Comptroller of the Treasury in 1980 and later worked as Staff Assistant to Treasurer Harlan Mathews. He also served as Executive Assistant to Treasurer Adams for 17 years. By law, the State Treasurer serves as Chairman of the TCRS Board of Trustees. We congratulate him on his recent appointment.

TCRS Funding Challenge Met!

Everyone is aware of the difficult investment environment since March 2000. Many stocks were over-valued, the technology stock bubble burst, and the markets were rocked with high-profile corporate failures.

Since bonds make up approximately 60% of the portfolio, TCRS came through this period better than most pension plans. Nevertheless, while TCRS outperformed most pensions plans, the financial marketplace did not allow us to earn the 7.5% investment return target in three of the last four years.

TCRS is a “defined benefit” plan, which means the benefits are based on a formula including salary and service. It also means that, unlike IRA or 401(k) plans, the employer takes the investment risk. When investment returns do not meet the 7.5% expectation, the employer must make up the shortfall with additional contributions.

Accordingly, the TCRS Board of Trustees adopted new higher employer contribution rates and certified the needs to the Bredesen Administration. After examining the actuarially-determined rates, Governor Bredesen included \$73 million of additional general fund contributions in his budget request for the 2004-05 fiscal year. The 103rd General Assembly then appropriated the full request from recurring revenue sources. As a result, TCRS employers will contribute a total of over \$400 million on behalf of state employees and teachers this year to keep the plan on course. Most local governments will also be contributing more to fund their portion of the plan.

TCRS Board of Trustees Chairman Dale Sims observed, “I applaud the emphasis given to the pension plan by the governor and the legislature. These additional funds are critical to the long-term interest of the employees and retirees of TCRS.”

TCRS covers more than 210,000 active employees and 80,000 benefit recipients.

Cost-of-Living Adjustment

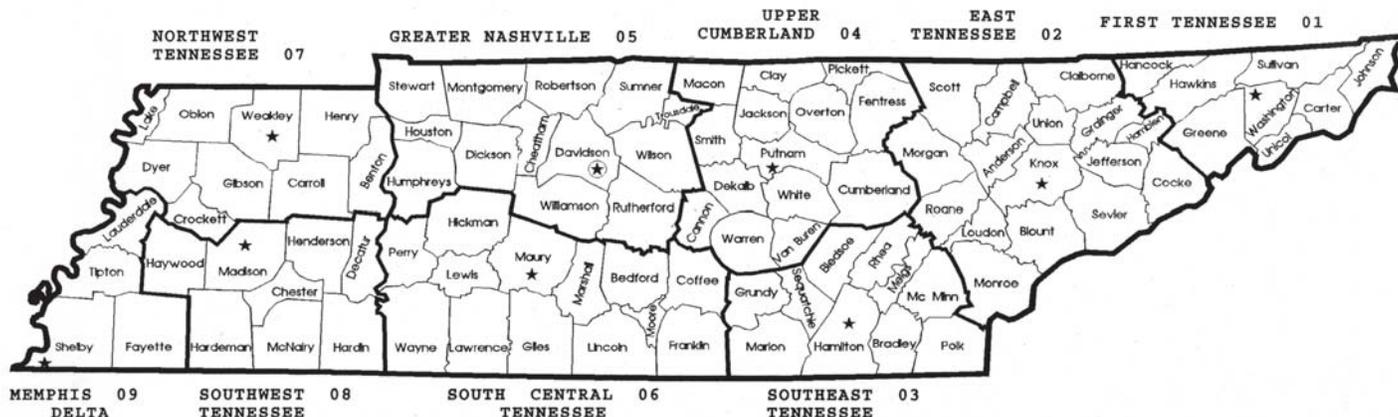
Retired teachers and state employees who have been on TCRS retired payroll for at least 12 consecutive months as of July 1, 2004 will receive a 1.9% cost-of-living adjustment. Retirees of local governments that have authorized COLAs will receive this increase also.



This adjustment is based on changes in the Consumer Price Index (CPI) for the 2003 calendar year and is applied to the benefit of each eligible retiree. Retirement law provides that if there is an increase in the CPI of 1% or more in any year, eligible retirees will receive an adjustment on their retirement benefit equal to the change, not to exceed 3%.

Tennessee Area Agencies on Aging and Disability

The Tennessee Commission on Aging and Disability helps protect the rights, meet the needs, and preserve the dignity of older Tennesseans and adults with disabilities. Services available include caregiving, elder abuse, employment, and health insurance. For a complete list of services, visit the website at www.state.tn.us/comaging or contact your area representative (listed below).



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Treasury Department; July, 2004; Authorization #309088; 82,000 copies. This public document was printed at a cost of \$.03 per copy.