



Steve Adams
State Treasurer

Dear Retirees:

This year, the Tennessee General Assembly made major improvements in the retirement benefits available to retired state employees and teachers.

First, legislation was passed authorizing compounding of the annual TCRS cost-of-living adjustment.

In the past, TCRS cost-of-living adjustments have been calculated on a simple basis, which meant that increases were based on your original benefit rather than your most recent benefit.

Second, this year's General Assembly authorized a special catch up increase ranging from .1% to 17.5%. (See the chart included on the back.)

Assuming that the state's employer contribution rate can be reduced following the June 30, 1997 actuarial valuation as expected, the catch up increase will begin January 1, 1998 and the compounding will begin July 1, 1998.

Third, this act eliminates the provision in the law which required retirement benefits to be reduced in the event of a decrease in the Consumer Price Index.

Fourth, the act provides for a COLA increase of 1% when the Consumer Price Index (CPI) increases by ½% to 1%. In the past, no increase was granted if the percentage change in the CPI was less than 1%.

These provisions are optional to participating political subdivisions.

Your years of public service are appreciated by your Legislature and we hope this concrete expression of that appreciation will be beneficial to you for many years to come.

Sincerely,

Steve Adams
State Treasurer

JULY 1, 1997 COST-OF-LIVING ADJUSTMENT ANNOUNCED

Retired state employees and teachers who have been retired for at least 12 months on July 1, 1997 will receive a 3.0% increase in their base retirement benefit as a cost-of-living adjustment (COLA). Retirees of local governments that have authorized the COLA will also receive this increase.

The adjustment is based on changes in the Consumer Price Index (CPI) for the preceding calendar year and is applied to the base benefit of the retiree. Retirement law currently provides that if there is an increase or decrease in the CPI of 1% or more in any year, eligible retired members will receive an adjustment on their base benefit equal to the change, not to exceed 3%.

Example

Base Benefit as of 6/30/80	\$ 300.00
5% Benefit Improvement Effective 1/1/94	<u>15.00</u>
New Base for Cost-of-Living Effective 1/1/94	\$ 315.00
Previous Ad Hoc Increases	10.00
Previous Regular COLA Increases (44.9%)	135.89
1997 COLA Increase (3.0% of \$315)	<u>9.45</u>
Benefit Payable as of 7/1/97	\$ 470.34

For state employees and teachers, July 1997 will be the last time the COLA will be calculated on the base benefit. With the passage of Senate Bill 517, COLAs granted beginning in July 1998 will be compounded.



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Of Special Interest

CATCH UP PROVISION

*Increase to be granted
Beginning January 1, 1998*

Date of Retirement	Percentage Increase*
Prior to 1972	17.5%
7/2/72 to 7/1/73	16.8
7/2/73 to 7/1/74	15.1
7/2/74 to 7/1/75	14.1
7/2/75 to 7/1/76	12.9
7/2/76 to 7/1/77	11.7
7/2/77 to 7/1/78	10.5
7/2/78 to 7/1/79	9.5
7/2/79 to 7/1/80	8.4
7/2/80 to 7/1/81	7.4
7/2/81 to 7/1/82	6.5
7/2/82 to 7/1/83	5.6
7/2/83 to 7/1/84	4.8
7/2/84 to 7/1/85	4.1
7/2/85 to 7/1/86	3.4
7/2/86 to 7/1/87	3.1
7/2/87 to 7/1/88	2.5
7/2/88 to 7/1/89	2.0
7/2/89 to 7/1/90	1.5
7/2/90 to 7/1/91	1.0
7/2/91 to 7/1/92	.7
7/2/92 to 7/1/93	.4
7/2/93 to 7/1/94	.2
7/2/94 to 7/1/95	.1

* *In most cases, the percentage will be applied to the December 1997 gross benefit before any insurance or withholding deductions.*

SITES OF INTEREST

If you have Internet access, visit our TCRS site to obtain information and print out popular forms:

www.treasury.state.tn.us/tcrs.htm

Other sites which may be of interest include:

Social Security Administration:

www.ssa.gov/

Internal Revenue Service:

www.irs.ustreas.gov/plain/cover.html

BOARD OF TRUSTEES FOR TCRS

Theresa Leadbetter and Ted Thaler have been elected as the state employee representatives to the TCRS Board of Trustees for the period July 1, 1997, through June 30, 1999.

The Tennessee Education Association Representative Assembly has reelected Randy Wright to serve as the Middle Tennessee teacher representative, and Robert Wormsley has been reappointed by the Tennessee County Services Association. The County Officials Association of Tennessee has reappointed Gerald Hensley.

TUITION PREPAYMENT PROGRAM

State Treasurer Steve Adams recently unveiled a prepaid college tuition program designed to help make higher education more affordable for Tennesseans. Created by the General Assembly, the Baccalaureate Education System Trust, or BEST, allows parents, grandparents, or others to pay for a child's college tuition in advance at current prices.

Units may be purchased in any amount and at any time by check or through automatic deductions from a checking account.

"The BEST program encourages people to save for college by purchasing tuition units to be used in the future. They make ideal gifts for parents, grandparents and friends to present a child," says Steve Adams, chairman of the board for the BEST program.

Tuition units may be used at public or private schools and universities, in state or out of state, at any accredited two or four year college or university. These units also may be used at any accredited graduate or professional school.

For more information about this program, call toll free 1-888-486-BEST, or in Nashville, call 532-8056. Visit us at our Internet site:

www.treasury.state.tn.us/best.htm

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