

RETIREE ADVISOR

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Produced for retired members of the Tennessee Consolidated Retirement System

Message from the Treasurer

Dear TCRS Retirees:

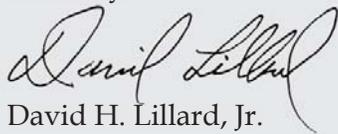
Summer is here, we have closed out another fiscal year and gearing up for the new fiscal year. I want to take this opportunity to share with you exciting events happening in TCRS.

As you may know, we are rolling out our new retirement options to local governments across the state. The options allow individual local governments to put together plans that best suit the retirement needs of both the employers providing the benefits and the employees who will receive the benefits. If a local government opts for a new plan, it will only affect new hires and not existing TCRS participants. More information on the local government options are provided in this newsletter.

We continue to make outstanding progress on our Concord project. As you are aware, the Concord system will replace our current data processing systems and offer more timely services to our members and retirees. Full implementation is expected in early 2014.

Thank you for your attention to our retiree newsletter. We hope you find this information helpful. If there is additional information that you would like to hear about from time-to-time regarding TCRS retirement services, please let us know by e-mailing TCRS.Counseling@tn.gov. Your input is important to us as we continually strive to provide efficient and satisfactory service for you in your retirement.

Sincerely,



David H. Lillard, Jr.
State Treasurer

Direct Deposit of Retirement Benefits Required Going Forward

TCRS has adopted the same schedule as the Social Security Administration and **TCRS will no longer issue monthly retirement benefits by check after March 2013. Please take action today to convert your monthly TCRS benefit payments to direct deposit.** If TCRS has not received your authorization to direct deposit your benefit payment by March 2013, a debit card will be issued and mailed to your home address and all future TCRS benefit payments will be made by adding your monthly benefit to the debit card balance.

Today, more than 100,000 retirees receive their monthly benefit payments by direct deposit. Only 4,000 retirees receive paper checks each month. The reason that such a high percentage of retirees use direct deposit is due to the numerous advantages.

Direct deposit of your benefit eliminates the problems and delays related to lost, stolen or forged checks. Moreover, direct deposit ensures that your benefit is deposited in your checking or savings account even if you are traveling, if you are sick, if the weather is bad or if you have more pressing matters to address. In addition, by using direct deposit, you have access to your funds on the last business day of each month, much earlier than you would with receipt and deposit of a paper check. Bank account changes can be made at any time by notifying TCRS in writing.

As an agency of state government, it is our goal to operate the retirement system in an effective and efficient manner. It is extremely expensive to issue paper checks. Not only is there the cost of postage, envelopes and paper, but there is the significant manpower cost involved in the monthly reconciliation of paper checks, redeeming and storing images of cashed checks, dealing with fraudulent checks, issuing stop payments and re-issuing lost or stolen checks. Moreover, by using direct deposit, the machinery to insert, apply postage and mail a paper check is not necessary.

For more information concerning the direct deposit process, please contact the TCRS Financial Services division at (615) 741-4913 or (800) 770-8277, option 3.

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, 2012 will receive a 3.0% cost-of-living adjustment. Retirees of local governments that have authorized COLAs will receive the same increase.

This adjustment is based on changes in the Consumer Price Index (CPI) for the 2011 calendar year and is applied to the benefit of each eligible retiree. If there is an increase in the CPI of 1% or more in any year, retirement law provides that eligible retirees will receive an adjustment on their retirement benefit equal to the change, not to exceed 3.0%.

2012 Direct Deposit Payment Schedule

July	31	October	31
August	31	November	30
September	28	December	31

TCRS Funded Status is Strong

An actuarial valuation of TCRS was performed as of July 1, 2011. The purpose of an actuarial valuation is to determine the appropriate employer contribution rate so that TCRS is funded on an actuarially sound basis. TCRS remains one of the top funded state retirement plans in the nation with a 91.5% funded ratio.

Most experts agree that a strongly funded retirement plan is at least 80% funded. Unlike Social Security, which is basically on a pay-as-you-go basis, Tennessee's objective is to prefund promised pension benefits so that sufficient assets will be accumulated prior to a member's retirement to pay for the accrued value of benefits. The strong funded status of TCRS is reflected by the AAA rating, the highest possible rating, issued by Standard and Poor's.

Since 1972, every governor has budgeted and every General Assembly has appropriated sufficient money to fund the actuarially required contributions (ARC) as determined by an independent actuary. Unlike some states that do not adequately fund those pension benefits, Tennessee has historically financed its pension costs during both strong and difficult economic times. Unfortunately, there are states that do not include in their budgets the actuarially required contribution amounts. Obviously, these states are not exercising sound financial management, thus causing an even greater pension burden on their taxpayers in the future. Ultimately, the underfunding of contributions plus the missed investment earnings will have to be paid by increased taxpayer dollars by the citizens in those states. Tennessee is paying for the current accrued pension cost for all employees on a current basis rather than pushing the cost to future generations of taxpayers.

TCRS has more than \$34 billion of assets and a positive cash flow. Positive cash flow is created when contributions, dividends and interest exceed the current value of retirement benefits paid to members and the administrative expenses of the plan.

Since TCRS is a strongly funded plan, has a significant asset base and has positive cash flow, current and future retirees should rest assured that assets will be available to pay benefits that have been promised.

Temporary Employment

If you are returning to temporary employment with an agency covered by TCRS, you are limited to 120 days (or 18 semester hours in higher education) during a 12-month period, in addition to salary restrictions. **Don't take the chance of losing your pension benefit. Ask your new employer if it participates in TCRS and be sure to file the proper form with TCRS.**

If you have any questions or would like more information, please contact TCRS Member Services at (800) 770-8277, option 2.

Contacting TCRS

Your calls are extremely important to us. Our office hours are Monday through Friday, 8:00 a.m. – 4:30 p.m. Central time. You may find that 8:00 a.m. to 9:00 a.m. is the best time of day to call.



TCRS has an automated system for your convenience. Our toll-free number is 1-800-770-8277. When calling this number, you will be given the following menu options:

<u>Selection #</u>	<u>Service Area Desired</u>
1	Retirement Counseling and Beneficiary Changes
2	Benefits and Prior Service Questions
3	Retired Payroll, Refunds and Account Balances
4	Flexible Benefits Program
5	Death Benefits Area
6	Disability Retirement
7	Retirement Insurance (transfer to Benefits Administration)

Email us with your questions at:

Counseling TCRS.Counseling@tn.gov

Benefits & Prior Service
TCRS.Member-Services@tn.gov

Payroll TCRS.Financial@tn.gov

New Local Government Retirement Plans

The General Assembly enacted legislation which provides local governments with new pension options within TCRS. These plan changes are being offered to assist local governments in providing a pension product to employees while still managing their fiscal needs. This new legislation only affects employees hired by local governments after the local government elects to adopt a new option. Retirees or current employees of local governments are **not** affected by the changes. In addition, the changes do not apply to state employees, K-12 teachers or higher education employees.

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