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Please include your Social Security number and your current address on any correspondence.

For more TCRS information, to download forms or to use our benefits calculator, visit TCRS at tcrs.tn.gov.

This brochure is intended to provide a general introduction to some of the provisions applicable to active employees joining TCRS. This information is subject to legislative change and judicial interpretation. It does not supersede nor restrict procedures or authority established under state statute. The provisions of the Tennessee Consolidated Retirement System are set forth in Chapters 34-37 of Title 8 of Tennessee Code Annotated. The Tennessee Consolidated Retirement System is a qualified pension plan under Section 401(a) of the Internal Revenue Code. Additional booklets on various topics mentioned in this brochure are available from the TCRS Membership office.

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Introduction to Your Retirement System

Group I

Non-Contributory Political Subdivision Employees



Tennessee Consolidated
Retirement System
502 Deaderick Street
Nashville, TN 37243-0201

Introduction

One of the most valuable benefits of your public service employment is coverage under the Tennessee Consolidated Retirement System (TCRS). This coverage grows in value each year you work as a public employee. TCRS is designed to provide three types of benefits: retirement benefits, disability benefits, or survivor benefits. This brochure provides a general overview of those benefits as they apply to newly-hired political subdivision employees.

Membership

Political subdivisions of the state (local governments) may elect to cover their employees under TCRS. Full-time employees of participating political subdivisions are covered by Group I of the retirement system as a condition of employment.

Provisions of the retirement system which are enacted after the date on which the political subdivision first begins participating in TCRS may be offered at the option of the political subdivision's chief governing body. Political subdivisions should inform their employees of options that apply.

Each year that you are actively employed, TCRS will prepare an annual statement for you. The statement will show the salaries reported to TCRS, the amount of service credit you have with TCRS, your vesting status, your TCRS beneficiary, and estimates of the TCRS benefits you could receive under various circumstances. TCRS will send your statement to your employer to give to you.

Your employer has elected to assume the employee contributions to the retirement system, so you are not required to make contributions to the system.

If you were employed at the time your employer first made this election, the employer-assumed contributions will be credited to your account balance. Upon termination of employment, you may apply for a refund of your account balance. By obtaining a refund, however, you give up your TCRS membership and all rights and benefits in the retirement system.

Vesting

A new political subdivision employee attains vesting rights after either five or 10 years of service, depending upon the election made by the political subdivision. A vested member is one who has accrued enough years of service to guarantee a retirement benefit once age requirements are met. If you leave covered employment before you become vested, you will automatically lose membership in TCRS after seven years. If you leave employment after you become vested, you may retain your TCRS membership until retirement or death. If you have employer-assumed contributions credited to your account, you will lose membership in TCRS immediately if you receive a refund of your account balance.

Benefit Formula Factors

TCRS is a "defined benefit" retirement plan, which means the amount of any future benefit will be determined by a benefit formula rather than by an account balance. In most cases, the amount of the benefit will be affected by three factors: your length of service, your final average salary, and the social security integration level in the year you retire or die. In addition, participating political subdivisions have the option of offering a five percent benefit improvement.

- *Average Final Compensation (AFC)* — The AFC is the average of your five highest consecutive years of salary. The benefit payable cannot exceed 90 percent of your average final compensation unless your employer has authorized a higher ceiling.
- *Creditable Service* — Creditable service means membership service under the TCRS plus any other periods of service credited to you by the retirement system. Service credit may be accrued for full-time service as a state employee, as a public school teacher in Tennessee, or as an employee of certain local governments in Tennessee. A Group I member may claim credit for certain part-time service if the political subdivision has authorized this optional provision. You may also be entitled

to establish credit for other types of service, depending on your circumstances and the elections made by your employer. Some of the other types of service that may be established include:

- previously withdrawn service;
- military service which interrupted your public employment;
- military service rendered during a period of armed conflict;
- peacetime military service rendered prior to February 28, 1961;
- educational leave of absence which interrupted your employment;
- unused accumulated sick leave at retirement; and
- service rendered during a probationary period of employment.

Some types of service may be established without charge, while other types of service require payment of contributions and interest. If you would like additional information on establishing prior service, contact the TCRS Member Services Division.

- *Social Security Integration Level (SSIL)* — The SSIL is an average of social security wage bases. The SSIL is \$59,400 for 2011 and is projected to be \$61,200 for 2012.
- *Five Percent Benefit Improvement* — If the political subdivision has authorized this feature, any monthly benefit payable from TCRS will be increased by five percent. This increase applies to monthly retirement, disability, and survivor benefits. It does not apply to lump sum refunds.

Retirement Benefits

Retirement income generally comes from three sources: your employer-provided retirement plan (TCRS), social security, and your personal savings. TCRS offers two kinds of retirement benefits: service retirement benefits or reduced early retirement benefits.

- *Service Retirement* — A vested member becomes eligible for service retirement upon completing 30 years of membership service or upon reaching age 60. The following example shows the formula used to compute the TCRS retirement benefit for a member with 10 years or more of service. The example uses a 60-year-old member retiring under the maximum payment plan in 2011 with an AFC of \$49,000 and 30 years of service. In this example, TCRS service retirement benefits replace 45 to 47 percent of final average compensation after 30 years of service.

$$\begin{array}{rcccccc} & \textit{Benefit} & & & \textit{Years of} & & \\ & \textit{Rate} & & \textit{AFC} & \textit{Creditable} & & \\ .0150 & \times & \$49,000 & \times & 30 & & \$22,500 \end{array}$$

$$\begin{array}{rcccccc} & \textit{Benefit} & & \textit{AFC} & \textit{Years of} & & \\ & \textit{Rate} & & \textit{in Excess} & \textit{Creditable} & & \\ .0025 & \times & \$0 & \times & 30 & & \$ \underline{\quad 0} \end{array}$$

$$\begin{array}{r} \$22,500 \\ \div \underline{\quad 12} \\ \text{Monthly Benefit Without 5\% Improvement} \quad \$ \quad 1,837 \\ \text{Optional 5\% Improvement} \quad \underline{\quad 1.05} \\ \text{Monthly Benefit With 5\% Improvement} \quad \$ \quad 1,929 \end{array}$$

- *Early Retirement* — A vested member becomes eligible for reduced early retirement benefits upon reaching age 55. The benefit is computed in the same manner as a service retirement benefit except there is a permanent reduction of .4 percent for each month the date of retirement precedes service retirement eligibility. If authorized by the political subdivision, a member with 25 years of service may retire prior to age 55; however, the benefit will be further reduced to the actuarial equivalent of the benefit payable at age 55.

Disability Benefits

An active member who is not eligible for service retirement but who can no longer engage in substantial gainful employment due to a total and permanent medically-determinable disability may be entitled to disability benefits. The member must submit an Application for Disability Benefits and

furnish objective medical records to support the claim. A disability retiree is subject to annual medical re-evaluation and to an annual review of earnings until age 60. TCRS provides coverage for two kinds of disability: ordinary disability and job-related accidental disability.

Disability benefits are equal to 90 percent of the service retirement benefit that would have been payable. To be eligible for ordinary disability retirement benefits, you must have a minimum of five years of creditable service. There is no minimum service requirement for accidental disability benefits; however, the accident must have occurred in the performance of duty.

Survivor Benefits

The beneficiary of an active member who dies prior to retirement may be entitled to one of four survivor benefits described in this section. The type of benefit payable to your beneficiary would be determined by your age and length of service, by who is named as beneficiary, and by the optional elections made by your employer. Any annuity benefits payable may be reduced by the early retirement reduction factor and/or the appropriate option factor.

One of the most important decisions you are asked to make as a new member of the retirement system is to name a beneficiary. When selecting a beneficiary, you should consider the system's survivor benefit provisions in light of your circumstances. For example, if you are married, if you are not eligible for retirement, and if you have no contributions credited to your account, you should name your spouse as your beneficiary. It is very important that you keep your TCRS beneficiary designation current throughout your career. Situations such as marriage, divorce, or death do not automatically change your beneficiary. You may change your TCRS beneficiary at any time prior to retirement by submitting a notarized Change of Beneficiary form to TCRS.

- *Lump Sum Refund* — If you have made a payment to TCRS to establish credit for a period of prior service or if you have employer-assumed employee contributions credited to your account,

any beneficiary you have named would be entitled to a refund of your account balance, plus interest. Assuming you were in service at the time of death, the beneficiary would also receive a matching amount from the system.

- *100 Percent Joint and Survivor Annuity for Spouse after 10 Years Service* — If this optional benefit has been authorized by the political subdivision and your spouse is named as your beneficiary, he or she would be entitled to receive a 100 percent joint and survivor annuity if you should die after accruing 10 years or more of service credit.
- *100 Percent Joint and Survivor Annuity for Any Beneficiary after Reaching Early Retirement Eligibility* — After you have reached the conditions for early retirement, any one person you have named as your only TCRS beneficiary would be entitled to receive a 100 percent joint and survivor annuity.
- *50 Percent Joint and Survivor Annuity for Spouse* — If the political subdivision has not authorized the 100 percent joint and survivor spouse annuity described above, your spouse would be entitled to receive a 50 percent joint and survivor annuity if you were to die after accruing 30 years or more of service credit or after reaching age 60 with 10 years of service, provided your spouse is named as your beneficiary.

Applying for Benefits

Before retirement, disability, or death benefits can begin, you or your surviving beneficiary must complete an application and submit it to TCRS. Applications are available from TCRS, your employer or the TCRS Internet site. At retirement, you may select the maximum benefit calculated by the benefit formula or a reduced benefit under one of the optional plans. The optional plans allow your beneficiary to receive a monthly benefit after your death.