

Retire*Ready*TN APSU Meeting





Retire*Ready*TN Overview



What is RetireReadyTN?

RetireReadyTN is the state's retirement program, combining the strengths of a defined benefit plan provided by the Tennessee Consolidated Retirement System (TCRS); deferred compensation plans offered by Empower Retirement, TIAA, VALIC and Voya; and retirement readiness education. We strive to empower public employees to take actionable steps toward preparing for the future.





Tennessee Consolidated Retirement System



- TCRS is a defined benefit plan that provides a lifetime benefit at retirement once eligibility has been met.
- Benefits are calculated with a set formula.
- Contributions are not available for withdrawal until termination of employment.
- Employer bears the investment risk.



Deferred Compensation 401(k), 457(b) and ORP



- Members select their investment options based on their individual goals, risk tolerance and timeline.
- Immediate vesting
- The amount received in retirement is based on contributions, plus any accumulated earnings.
- Account balance can be paid in a lump sum, through monthly installments, or through periodic withdrawals.



Retirement Readiness Education



- RetireReadyTN offers retirement readiness education and retirement counseling to all members at any stage in their career.
- Members can meet with a local retirement plan advisor for assistance with retirement planning or to discuss any other financial planning needs.
- These services are provided to members at no additional fee.



Retirement Plan Eligibility



Retirement Plan Eligibility Overview

- New Faculty and FLSA-exempt staff have a choice of participation in the Optional Retirement Program (ORP) or the appropriate State Retirement Plan
- New Non-exempt staff must participate in the appropriate State Retirement Plan (Legacy or Hybrid)
- ORP members who leave and return to service without withdrawing their full account balance should be re-enrolled in the ORP plan they were in previously
- State of Tennessee Retirement Plan members who leave and return to service without losing TCRS membership should be reenrolled in the TCRS plan they were enrolled in previously



Employees Hired Before July 1, 2014

State Legacy Plan

- Defined Benefit Plan
- Non-contributory for member
- Employer TCRS contribution actuarially determined every year
- Voluntary participation in State 401(k) and 457

ORP Plan

- 401(a) defined contribution plan
- Non-contributory for member
- Employer contribution of 10% of compensation up to Social Security wage base; 11% above
- Voluntary participation in State 401(k) and 457



Employees Hired On or After July 1, 2014

State Hybrid Plan

- Required defined benefit (TCRS) AND 401(k) components
- Employer required to automatically enroll member into the State 401(k) at 2% of compensation
- Employer required to make 5% of compensation contribution to member's 401(k)
- Voluntary participation in State 457

ORP Plan

- 401(a) defined contribution plan
- Employer required to make 9% of compensation contribution to member ORP account
- Member required to make 5% contribution to ORP account
- Employer required to automatically enroll member into the State 401(k) at 2% of compensation
- Voluntary participation in State 457



Onboarding New Employees

- All newly hired employees exempt from the FLSA are required to make an election to join the ORP or State Hybrid Plan on the **FIRST DAY OF EMPLOYMENT**.
- Employees who do not make a binding retirement decision on the first day of employment will be automatically defaulted into the State Hybrid Plan.
- Resources needed for your new hires to make an informed decision can be found under the higher education member tab at www.RetireReadyTN.gov



TCRS Plan Overview



TCRS Statistics & Standings

- Provides benefits to more than 214,500 active members and over 153,913 retired members
- \$46.8 billion held in trust for TCRS
- 3rd best funded state pension plan
- Standard & Poor's, Moody's, and Fitch recognize Tennessee for fully funding its annually actuarially-determined contribution every year since 1972
- Recipient of 2017 Public Pension Standards Award



Who are State of Tennessee Retirement Plan Members?

- State Employees
 - Higher Education Employees
 - State Teachers (K-12)
 - Certain Judges/The Attorney General/District Attorneys
General/District Public Defenders
 - Members of the General Assembly
- ***and***
- Local Government Entities That Elect To Participate-
 - Cities
 - Counties
 - Special Districts



TCRS Legacy Plan

- Defined Benefit Plan
 - Benefit paid upon service retirement is based on a formula
- Vesting
 - 5 years
- Service Retirement
 - 30 years of service or age 60
- Covered Members may voluntarily participate in the Deferred Compensation Program (401k/457b) as an added benefit



What determines your TCRS Retirement Benefit?

- Average Final Compensation (AFC)
 - The average of your highest 60 consecutive months of salary. *Not necessarily last consecutive 60 months of salary.*
- Years of Service
 - Your total number of years and months of creditable service
- Age at Retirement
 - Determines early retirement reduction factors and benefits paid under the optional survivor benefit plans



TCRS Legacy Plan Formula

- Years of Service x AFC (Average Highest Consecutive Five Year Salaries) x 1.575% (Accrual Factor) = Yearly Benefit
- Benefit Payments:
 - Monthly, over the Member's Lifetime
 - There are also Survivorship Options



Retirement Requirements: TCRS Legacy Plan

- Service Retirement
 - Member must be age 60 and vested or have 30 years of service regardless of age
- Early Retirement
 - Member must be age 55 and vested
 - One reduction factor will be applied
- 25-Year Early
 - Member must be under the age of 55 and have 25 years of service
 - Two reduction factors will be applied



Additional Types of TCRS Benefits

- Disability Retirement

- Ordinary - Five years of service; totally and permanently disabled
- Accidental - No minimum service requirement; must be totally and permanently disabled
- Inactive - Five years of service; totally and permanently disabled.

Contact TCRS Disability Benefits Division at 1-800-922-7772 for more information.

- Death Benefits

- Death benefits are determined by who is designated as beneficiary, member age, and length of service.

Contact TCRS Death Benefits Division at 1-800-922-7772 for more information.



TCRS Hybrid Plan

- Components:
 - TCRS Defined Benefit Plan
 - State of Tennessee 401(k) Plan (the “Defined Contribution” (DC) portion of your benefit)
- Vesting
 - 5 year vesting in TCRS
 - Immediate vesting in the DC Plan
- Service Retirement
 - 65 years of age OR rule of 90 (service credit + age = 90)
- Contributory:

Defined
Benefit:

Employee 5%
Employer 4%

Defined

Contribution:

Employee 2%
Employer 5%



TCRS Hybrid Plan Component Features

- Defined Benefit Plan:
 - TCRS
 - Set Benefit Formula
 - Lifetime Benefit Paid Monthly
 - Employer Bears the Investment Risk
- Defined Contribution Plan:
 - 401(k)
 - Multiple Distribution Options
 - Participant Bears Investment Risk
 - Participant Selects Investments
 - Participant May Increase Contributions throughout career
 - Benefit in Retirement is Based upon the Participant's Account Balance



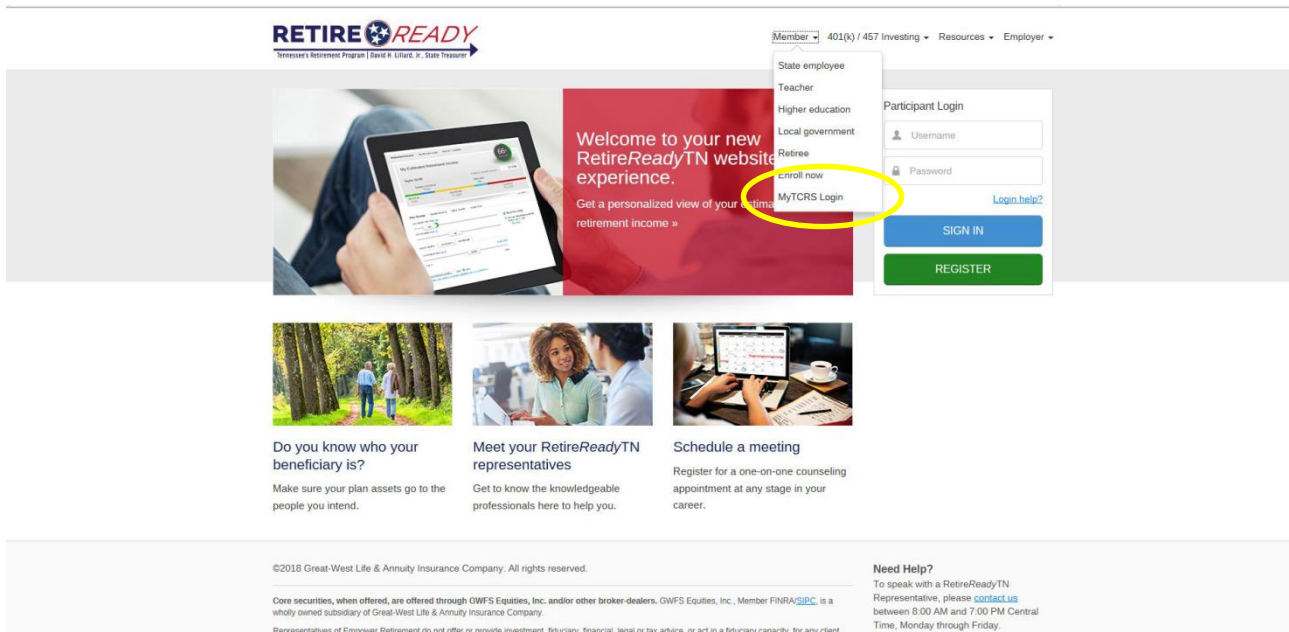
Hybrid Plan Formula

- Years of Service x AFC (Average Highest Consecutive Five Year Salaries) x 1.0% (Accrual Factor) = Yearly Benefit
- Benefit Payments:
 - Monthly, over the Member's Lifetime
 - There are also Survivorship Options



Selecting a Beneficiary for your TCRS Benefits

- Update your Beneficiary & View your Annual Statement by visiting www.retirereadytn.gov
– Access www.mytcrs.com by clicking on “My TCRS Login”



The screenshot shows the RetireReadyTN website interface. At the top, the RetireReady logo is displayed. Below it, a navigation bar includes links for Member, 401(k), 457, Investing, Resources, and Employer. A dropdown menu is open under the Member link, showing options: State employee, Teacher, Higher education, Local government, Retiree, Enroll now, and MyTCRS Login (which is circled in yellow). To the right of the dropdown is a Participant Login form with fields for Username and Password, a Login help? link, and buttons for SIGN IN and REGISTER. Below the login form, there are three promotional tiles: 'Do you know who your beneficiary is?', 'Meet your RetireReadyTN representatives', and 'Schedule a meeting'. At the bottom, there is a footer with copyright information and a 'Need Help?' section.

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Need Help?
To speak with a RetireReadyTN Representative, please [contact us](mailto:contactus@retirereadytn.gov) between 8:00 AM and 7:00 PM Central Time, Monday through Friday.



Working After Retirement

- Retired members receiving a monthly benefit may temporarily return to work with a TCRS-covered employer under the following provisions:
 - Limited to 120 days of employment within a 12 month period
 - Salary limit per year
 - 60-day waiting period from the member's date of retirement unless waived by employer



Optional Retirement Plan (ORP)



ORP Vendor Contact Information

TIAA
(800) 842-2776

VALIC
(888) 569-7055

Voya
(866) 776-6704



Contributions to Legacy ORP

	Employer Contributions		Member Contributions
	Below Social Security Wage Base	Above Social Security Wage Base	
ORP	10% ²	11% ²	0% ²
401(k)	0%	0%	Optional to Contribute

² The employer and member contribution percentages are established in state law and may not be altered by the employer or the member.



Contributions to Hybrid ORP

	Employer Contributions	Member Contributions	Total Contributions
ORP	9%	5%	14% ¹
401(k)	0%	2% ²	2%
TOTAL	9%	7%	16%

¹ The employer and member contribution percentages are established in state law and may not be altered by the employer or the member.

² The employee's contribution to the 401(k) plan may be modified at any time, including a 90 day window to opt out of the 2%. New members will receive notice on how to opt out or change their contribution amount. Members may also go online to make any changes to their accounts at www.RetireReadyTN.gov.



Additional Savings Opportunities

- State 457(b)
- Offered by the State through contract with Empower Retirement
- Does not share contribution limit with 401(k)/403(b)
- Same investment selection as 401(k)
- 403(b)
- Same vendors as ORP: TIAA, VALIC, & Voya
- Shares contribution limit with 401(k)
- Mostly same investment options as ORP



Retirement Plan Comparisons



Vesting

State Retirement Program	ORP
Fully vested after 5 years of service in the defined benefit plan; immediately vested in all contributions to the 401(k) plan.	Immediately vested from date of contributions in both 401(a) and 401(k).



How the Benefit is Determined

State Retirement Program	ORP
<p>Retirement benefit from the defined benefit plan is based on years of service, salary, and the payment option chosen, including credit for any unused sick leave (if applicable).</p> <p>The 401(k) benefit is your account balance upon retirement.</p>	<p>Retirement benefit is based on your account balance upon retirement in both the ORP and 401(k).</p>



Creditable Service

State Retirement Program	ORP
<p><u>Defined Benefit Plan</u>: based on salary history and years of service in an eligible position.</p> <p>After vesting, participants are eligible to receive 1% of the average of their highest five salary years for each full year of creditable service.</p> <p><u>401(k)</u>: not applicable to the 401(k)</p>	<p>Not applicable to the ORP.</p>



Unreduced Benefit Eligibility

State Retirement Program	ORP
<p><u>Defined Benefit Plan</u>: Age 60 or 30 years of creditable service (LEGACY). Age 65 plus five years creditable service, or the Rule of 90 where age plus years of service equal 90 (HYBRID).</p> <p><u>401(k)</u>: Eligible to begin receiving distributions from account balance at any age if separation from service has occurred, subject to IRS requirements.</p>	<p>Amount of benefit based on account balance. Members are eligible to begin receiving distributions at any age after separation from service, subject to IRS requirements.</p>



Disability

State Retirement Program	ORP
Defined benefit plan members approved for disability may receive 90% of service retirement benefit that would have been payable.	Not applicable to the ORP



Payout Methods

State Retirement Program	ORP
<p><u>Defined Benefit Plan</u>: vested members are eligible to select a single life annuity or joint and survivor annuities at retirement.</p> <p><u>401(k)</u>: based on the member's account balance and can be distributed in lump sum payments, periodic payments, and required minimum distribution payments, among others.</p>	<p>A member's account balance can be distributed in lump sum payments, partial lump sum payments, periodic payments, and required minimum distribution payments, among others. Payouts are subject to any restrictions on individual funds.</p>



Cost of Living Adjustment

State Retirement Program	ORP
<p><u>Defined Benefit Plan</u>: A retired member who has been retired for at least 12 full months on July 1 of each year is eligible to receive an increase in his or her retirement allowance if there is an increase in the Consumer Price Index of at least .5% for the preceding calendar year.</p> <p><u>Defined Contribution Plan</u>: No automatic increases for COLA, but benefit may fluctuate up or down due to market conditions.</p>	Not Applicable.



Death Benefits Before Retirement

State Retirement Program	ORP
<p><u>Defined Benefit Plan:</u> Beneficiaries of members who die before they retire may be eligible for benefits.</p> <p><u>Defined Contribution Plan:</u> The value of the total accumulation is payable to the listed beneficiary or the estate.</p>	<p>The value of the total accumulation is payable to the listed beneficiary or the estate. The beneficiary may be eligible to elect an annuity payout. Restrictions may apply.</p>



ORP/TCRS Transfers



Transfers from the ORP to TCRS

- All higher education employers are to report ORP members to TCRS through Employer Self-Service.
- Individuals that join the ORP and later decide to join TCRS will have a one-time transfer option upon reaching 5 years of service.
- The individual electing to transfer must file the election and remit funds to TCRS no later than December 31st of the following year in which they reached 5 years of service.
- TCRS notifies all eligible members of this transfer opportunity.

References: T.C.A. 8-25-204; T.C.A. 8-36-903



Transfers from TCRS to ORP

- Employees who are eligible to participate in the ORP but who elected to participate in TCRS may make an election to transfer membership over to the ORP at any time, but that election is irrevocable.
- Non-contributory employees hired between 7/1/1981 – 6/30/2014 executing this transfer will transfer membership only since all contributions were made by the employer.
- Members with employee contributions in TCRS may transfer the employee account balance to the ORP by completing two forms:
 - Election to Transfer Funds from TCRS to the ORP form
 - Election to Transfer Membership from TCRS to the ORP form
- Contributions made by the employer are not transferable



Updates



403(b) Update

- Tennessee Treasury Department will become the Plan Administrator for all UT and TBR 403(b) plans
 - Providing oversight of plan design and investment options
 - Providing the ability to pool a greater amount of assets for lower fees
 - Allowing 403(b) to be considered alongside other state retirements plans (TCRS, 401(k), 457, ORP) for more holistic retirement planning
- Employer responsibilities will remain the same



2018 Legislative Changes

- Eliminates the requirement to annuitize 50% of ORP balances
- Eliminates language that requires the State to have at least 2 but no more than 3 ORP vendors
- Shifts responsibility of the 403(b) contracts to the Department of Treasury
- Clarifies that Tennessee Colleges of Applied Technology can participate in the ORP

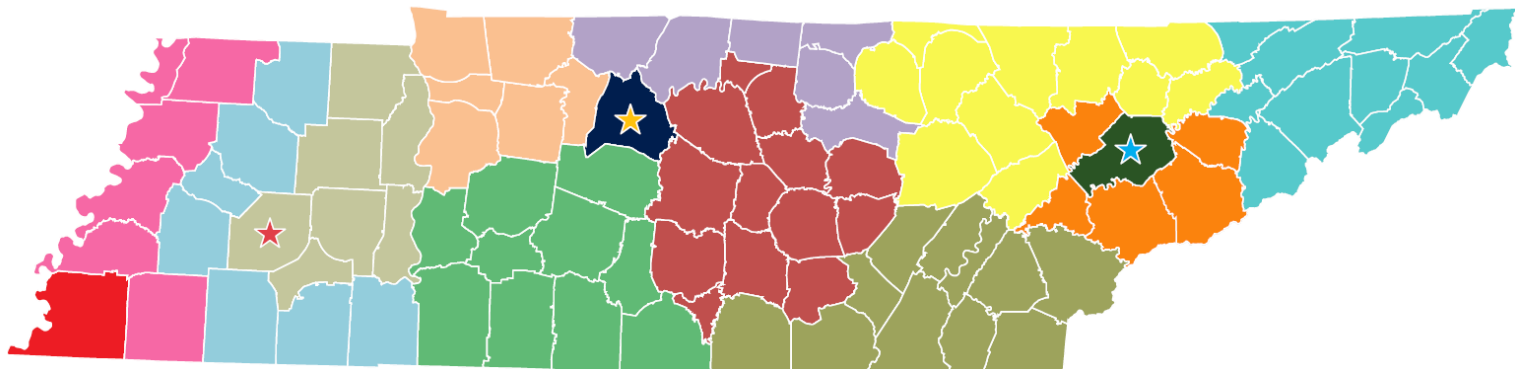


Retirement Readiness Education



Resources

- RetireReadyTN.gov
- Customer Service Call Center: 1-800-922-7772, open Monday - Friday from 8:00 a.m. - 7:00 p.m. CST
- Group Presentations
- Comprehensive Individual Retirement Planning and Counseling
- 15 RetireReadyTN Plan Advisors





Retirement Readiness Reviews

- Members can take advantage of throughout career
- Review all retirement savings plans, including TCRS and deferred compensation plan
- Focus on planning, budgeting, and goal setting
- Determine whether savings levels and investment choices are in line with financial goals





Retirement Counseling

- For members 5 years from retirement
- Review benefit estimate and annuity options from TCRS
- Review 401(k)/457(b) plan account balances, investment choices, and retirement income options
- Discuss Social Security options
- Discuss how to execute your retirement plan



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Questions?



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