



# Employer Manual

## Tennessee Consolidated Retirement System

A program of the  
*Tennessee Treasury Department*

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## INTRODUCTION

RetireReadyTN is administered by the Tennessee Department of Treasury. It combines the strengths of a defined benefit plan provided by the Tennessee Consolidated Retirement System (TCRS), the State of Tennessee 401(k) plan through services provided by Great-West Life & Annuity Insurance Company (“Empower Retirement” or “Empower”), and retirement readiness education.

The information contained in this publication should not be used in lieu of the applicable provisions of the law or rules. In the event there is a conflict between this manual and the law or rules, the laws and rules shall prevail.

## ONBOARDING

### Membership

#### *Classification for Membership*

State employees, certain higher education employees, and K-12 public-school teachers enrolled in TCRS after June 30, 1976 to June 30, 2014 shall be classified as a Defined Benefit Legacy Plan (“Legacy Plan”) members. State judges enrolled after September 1, 1990 to June 30, 2014 are classified as (Group IV) Legacy Plan members. For TCRS purposes, a “state judge” means any person in office as a judge of a court of record in this State, whose salary for the judge's judicial position has been paid during the period of the judge's service wholly from the Tennessee State Treasury, including the administrative director of the courts. Accordingly, a judge of a general sessions court, probate judge, or judge of a juvenile and/or domestic relations court would not meet the definition of a state judge.

State employees, state judges, certain higher education employees, and K-12 public-school teachers hired after June 30, 2014 that are enrolled in TCRS shall be classified as members of the Hybrid Retirement Plan for State Employees and Teachers (“Hybrid Plan with Cost Controls”). Political subdivision employee membership is determined by the plan adopted by the employer. For more information about employee plan enrollment see Plan Enrollment section.

Higher education employees who are exempt from the Fair Labor Standards Act have the option to participate in TCRS or the Optional Retirement Program (ORP). For more information on membership and enrollment in the ORP see the Optional Retirement Program section.

There are additional types of membership classifications prior to July 1, 1976. They are Prior Class, Group II, or Group III members. Anyone having that membership classification who left employment and returned to service in a position covered by his/her previous classification shall be eligible to continue membership in that classification provided he/she has not lost membership. To lose membership, he/she must have withdrawn his/her contributions or, if not vested, be out of service for more than seven years. If you have any questions related to former plans, please call RetireReadyTN.

**Note: In addition to TCRS Employer Manual there are member guides that are quick reference guides to basic retirement information.**

Supplements to these member guides exist for Legacy and Hybrid Plan members who are:

- Members of the General Assembly
- Attorneys general, district attorneys general, district public defenders, or state judges; and
- Public Safety Officers

These documents and forms can be found under Forms and Guides at [RetireReadyTN.gov](https://www.RetireReadyTN.gov).

### ***Mandatory Membership***

Every full-time state employee, higher education employee, or K-12 public-school teacher must become a member of TCRS regardless of age, with the exception of those employees who are ineligible to participate and those who choose the ORP (see Optional Retirement Plan section). Likewise, full-time employees of political subdivisions hired after the date the political subdivision joined TCRS must become members of TCRS. If the employee was a member or former member of a preexisting defined benefit plan maintained by that political subdivision, the employee must be enrolled in TCRS. Generally, if a member has participated in TCRS before and comes back to a TCRS covered employer they have mandatory membership. It is the responsibility of the employer to ensure that employees are enrolled properly.

### ***Optional (Voluntary) Membership***

The following is a list of employees and officials who have the option to become members of TCRS, provided they have not previously participated in TCRS. These employees shall not become members unless they elect to join. Employees with optional membership must upon the initial date of hire file an irrevocable election to become or not to become a member in TCRS. **Once the employee joins TCRS, the employee does not have an option to cease membership unless employment is terminated.**

Employers must report employees with optional membership who choose not to join. These employees are reported with the data reported on all members, however, they are reported as nonparticipating (NONP).

Employees and Officials with Optional (Voluntary) Membership:

- Part-Time Employees
  - o Teachers: Membership is optional for part-time teachers. Interim teachers employed on a temporary basis to replace regular K-12 public-school teachers on unpaid leave are considered part-time employees and have optional membership. Substitute teachers are not eligible for membership unless they are under contract and are scheduled to work on a regular basis replacing teachers throughout a school year.
  - o State Employees: Membership is optional for part-time employees over age 25, unless the employee has already participated in TCRS as a full-time employee.
  - o Political Subdivision Employees: Part-time employees of political subdivision whose chief governing body has passed a resolution authorizing these members to participate.
    - The chief governing body of a political subdivision that began participating prior to July 1, 1984 must pass a resolution authorizing such coverage for part-time employees. Part-time employees of political subdivisions that began covering their employees on or after July 1, 1984 are automatically eligible for membership, unless the chief governing body has passed the



appropriate resolution excluding such coverage. Once a political subdivision has authorized coverage for their part-time employees, it cannot be revoked.

- Judges
  - o State Judges
  - o City Judges: Those who are employees of the city and whose compensation is paid through the city payroll system whereby federal withholding and Social Security are deducted are eligible.
  - o County Judges: The retirement law specifically defines county judges as a judge of a general sessions court, trial justice court, county chair, county judge, probate judge, or judge of a juvenile and/or domestic relations court and whose compensation is paid wholly by the county or a county attorney receiving regular monthly or quarterly compensation from the county.
- Elected County Officials: The retirement law specifically defines county officials as a county clerk, clerk of a circuit court, independent clerks of a general sessions court, register of deeds, county trustee, sheriff, elected county road superintendent, assessor of property and county mayor.
- Members and Officials of the General Assembly
- Election Commissioners with the completion of five years of service on the Commission
- Members of city, county or special school district boards, commissions, committees, councils, and the like, by whatever name known, who are elected by popular vote and are employed by a political subdivision whose chief governing body has passed a resolution authorizing these members to participate.
- City attorneys whose compensation is paid through the city payroll system whereby federal withholding and Social Security are deducted have optional membership if the employer does not participate in TCRS. If the employer does participate in TCRS, membership is mandatory.
- District Attorneys General, Assistant District Attorneys General
- An employee of a political subdivision who is employed on the date that the political subdivision begins participation in TCRS, unless the employee was a member or former member of a preexisting defined benefit plan maintained by that political subdivision. In such case, the employee must be enrolled in TCRS.

### ***Employees ineligible for TCRS membership***

The following is a list of positions, employees, or officials who are not eligible for membership in the retirement system. Employees who are not eligible are not reported to TCRS.

- Substitute teachers, unless they are interim teachers employed on a temporary basis to replace teachers on unpaid leave or under contract and scheduled to work on a regular basis replacing K-12 public-school teachers throughout the school year.
- Members of city, county, or special school district boards, commissions, committees, councils, and the like, by whatever name known, who are elected by popular vote and **the chief governing body has not passed the appropriate resolutions authorizing membership in TCRS.**

- Anyone employed as an independent contractor or on a percentage basis. This includes county attorneys, city attorneys, and city judges who are paid a retainer fee through a law firm or on a contractual basis. [Note: Retirees who return to work for TCRS-covered employers in substantially the same role as the individual held prior to retirement could still be eligible for TCRS and subject to the return to work rules. See section Reemployment of a Retiree below.]
- Jurors
- Volunteer Firefighters
- Any full-time temporary or part-time temporary employee of an institution of higher education.
- State employees and political subdivision employees under age 25 who are emergency, interim, temporary, or seasonal. When a full-time employee attains age 25, the member should be enrolled into TCRS. When a part-time employee attains age 25, depending on the employee's election to join or not join TCRS, the member will either be enrolled or continued to be reported as non-participating (NON-P).
- Students. For TCRS purposes, a student is defined as any person enrolled in a course of study in a school or post-secondary educational institution who as a condition of such enrollment is employed in a full-time position and also includes any person engaged in advanced training in medicine or dentistry as an intern or resident.
- Part-time employees of a political subdivision where the governing body has not authorized the part-time optional provision.
- Individuals who are not employees of the TCRS-covered entity are not eligible to participate in TCRS. This includes individuals who are employed by a staffing agency or other entity that performs work for a TCRS-covered employer through a contract or grant. For more information on this determination, see the Employee vs. Contractor section below.

**Please contact RetireReadyTN with any questions regarding the eligibility of an employee.**

## **Definition of Teacher**

Retirement law defines a “teacher” as follows: Any person employed in a public school, as a teacher, librarian, principal, superintendent or chief administrative officer of a public school system, administrative officer of a department of education, a supervisor of teachers, an ROTC instructor, or any other position whereby the state requires the employee to be certificated as a teacher, or licensed as a nurse, physical therapist, or occupational therapist in a public school; provided, that any teacher who has taught in the public schools for a period of at least one (1) year who transfers to a position within the Tennessee public school system that does not require a teacher's certificate shall continue participation in TCRS as a teacher. The definition of “teacher” also includes any person who is employed in a public school on or after July 1, 1972, as a guidance counselor, but who is not retired as of July 1, 2019.

Normally the definition of “teacher” includes a physical therapist or occupational therapist; however, physical therapists and occupational therapists employed by the Metropolitan Nashville Public Schools are not included within the definition of teacher for TCRS purposes. Note that principals, superintendents, administrative

officers and supervisors of teachers need not have a teaching certificate to be classified as a “teacher” for TCRS purposes.

**If you have questions regarding the definition of a teacher, please contact RetireReadyTN.**

## **Probationary Period**

A probationary period indicates that an employee is not a member of TCRS until they have been employed for the appropriate waiting period. Probationary members are reported to TCRS, with the data reported on all members; however, they are reported as non-participatory (NONP) until the end of the probationary period and employee contributions should not be withheld from the employee's salary and remitted to TCRS during the probationary period.

For employees of the state, higher education, and K-12 public-school teacher plans, there is currently no probationary period. For more information on the state employee waiting period see Prior Service Credit section.

Effective July 1, 1995, any political subdivision participating in TCRS who has not established a probationary period shall be prohibited from establishing a probationary period.

For those political subdivisions that have already authorized a probationary period, a new employee may not be enrolled in TCRS until completion of such period not to exceed six months. The political subdivision should waive the probationary period for retired employees who are current members of TCRS or who transfer from another participating employer. Additionally, a member may serve only one probationary period per employer.

## ***Employee vs. Contractor***

There are cases where the question might arise as to whether an individual is an employee of an employer. Factors involved in this determination include, but are not limited to, whether the employer has the authority to hire and fire the individual, whether the employer directs the individual's work and whether the employer reports the individual to the IRS as an employee. The source of the payment of salary for employment is not the controlling factor in determining the identity of the employer. **Please contact RetireReadyTN with any questions regarding the eligibility of an employee.**

## ***Plan Enrollment Decision***

Effective July 1, 2014, TCRS implemented the Hybrid Retirement Plan for State Employees and Teachers (“Hybrid Plan”) for newly hired state employees, state judges, certain higher education employees, and K-12 public-school teachers. Prior to this date, employees were members of the Legacy Plan.

In addition to the Legacy Plan, political subdivisions have additional retirement plan options, which include the Alternate Defined Benefit Plan, Hybrid Plan with Cost Controls, and Hybrid Plan without Cost Controls. Each political subdivision has a different retirement plan effective date, based on the date the plan was adopted by its governing board.

For employers adopting new plans, the employer's current plan is closed the day prior to the start date of the new plan. Therefore, new employees are enrolled into the new plan. There are exceptions to the enrollment, employees who are rehired, without the loss of previous membership, may be eligible for participation in

the former plan. **Employers with closed plans will not enroll new employees into the plan. However, the exception for enrollment into the closed plan are employees who are re-hired, who had previous employment with the entity, participated in the retirement plan, and have not lost membership\*. This includes retirees who are receiving benefits based on service in the closed plan.**

Employers are required to understand their retirement plans and the correct enrollment for new and rehired employees. Decision Guides have been developed to support employers with the determination of plan designation for new hires.

For members participating in multiple TCRS plans, service credit from former plans is retained if a member does not refund or lose membership. At retirement, the member will have benefits from each of the plans and will receive one retirement benefit based on all their service with TCRS.

\*A member loses membership (LOST membership) when the member is not vested and leaves employment for more than seven years or takes a refund of their account balance.

The title of the Decision Guides for enrolling employees into the correct plan can be found on the Employer page at RetireReadyTN.gov and are also linked below.

*The Enrollment Decision Guide for New Hires/Rehires for Political Subdivision Employers with Multiple Retirement Plans.*

*The Enrollment Decision Guide for New Hires for State, Higher Education, and K-12 public-school Teacher Employers.*

**For information on exempt, higher education employee enrollment in the Optional Retirement Program see the Optional Retirement Program (ORP) section below.**

Simultaneous membership in more than one publicly supported retirement system is prohibited, wherein the total combined employer contributions to such plans exceed 3% of the employee's salary, unless one of the Hybrid Plans is adopted by the Political Subdivision for such employee. If either Hybrid Plan is adopted by the Political Subdivision, the Political Subdivision may make employer contributions to the defined contribution plan component of that Plan and to any one or more additional tax deferred defined contribution plans on behalf of such employee provided that the total combined employer contributions to such plans on behalf of the employee does not exceed 7% of the employee's salary. No member of TCRS shall be eligible to be a member of any other state, county, or municipal retirement system and receive retirement credit for the same service established in TCRS. If any employee is eligible for membership in more than one retirement system for the same service, the employee is subject to the mandatory membership provisions and must become a TCRS member and withdraw his/her membership from the other plan. TCRS Director approval is required for any supplemental plans that any TCRS participating employer may have or choose to adopt if employer contributions are made.

### ***Employee Contributions***

TCRS retirement plans may be contributory for the TCRS member or non-contributory, as determined by the TCRS plan adopted by the employer.

- **Contributory Members:** Contributions are deducted from compensation at a rate dependent upon the member's retirement type. Employee contributions are calculated by multiplying the employee's gross monthly earnable compensation by the applicable contribution rate. These contributions will be

credited to the member's account. Interest is calculated on the previous June 30 balance at the rate set by the TCRS Board of Trustees from time to time. Currently, the rate is 5% compounded interest annually.

- Non-contributory Members: Members participating in non-contributory retirement plans will not have contributions attributed to their membership account.
  - o Exception: Members who were employed prior to authorization of non-contributory retirement (July 1, 1981 for state and higher education employees or the date of election by a political subdivision) are credited with the employer-assumed 5% contribution in the same manner as contributory members. Employee contributions are not deducted from such member's compensation but are instead credited from the employer's account.

### **Employer Contributions**

Employer contributions are computed by multiplying the employee's monthly earnable compensation by the employer contribution rate. Employer contributions are credited to the employer account to fund benefits of all members participating with that employer and are not refundable to the employee. Employer contribution rates are actuarially determined each year. Following the actuarial valuation, TCRS notifies all employers of their contribution rate, which will be effective on July 1.

Political subdivision employers will certify their rate, providing a signed certification rate approval to TCRS no later than May 30.

If an employer has a question regarding their actuarially determined rate, the employer may contact its Treasury Outreach representative. Employers are required to pay the actuarially determined rate, but they may increase their percentage of contributions in order to offset future market fluctuations and liabilities.

Employers are responsible for reporting the service, salary, and contributions for each employee in the monthly contribution report. The monthly contribution report is submitted to TCRS by the 10th business day of each month, and the contributions are submitted concurrently with the submission. Employers can report to TCRS through *Employer Self-Service* via file upload or enter report details (online entry). To request an *Employer Self-Service Guide*, contact **TCRS.EmployerReporting@tn.gov**.

Additionally, employers can pay the monthly contributions due to TCRS through the ACH (Automated Clearing House) payment system or by using their LGIP (Local Government Investment Pool) accounts.

See *Employer Self-Service Guide* for more information.

### **Earnable Compensation Reported to TCRS**

"Earnable Compensation" is "compensation payable to a member for services rendered to an employer." Generally, compensation, apart from that listed in Part II below, should be reported to the retirement system for consideration as Earnable Compensation.

**Note: Employers must report to TCRS the gross salary payable before application of the salary reductions for income tax and Social Security.**



- I. In addition to salary and wages, Earnable Compensation includes, but is not limited to:
  - A. Bonus or incentive payments, so long as the payments are authorized by legislation stating that it is considered earnable compensation for retirement purposes and is not for the purpose of increasing a member's retirement benefit or inducing a member to retire.
    - An example would be longevity pay as authorized by T.C.A. § 8-23-206(a)(4).
  - B. Bonus or incentive payments, so long as the payments are authorized by a resolution adopted by the chief governing body of a political subdivision employer stating that it is earnable compensation for retirement purposes and is not for the purpose of increasing a member's retirement benefit or inducing a member to retire; it must be a bonus or incentive offered broadly, and if it is only for a class or group, a distinct and reasonable basis must exist for offering the bonus to those particular employees.
  - C. Total amount an employee may choose to receive as cash or a combination of cash and benefits under a cafeteria plan permitted by the Internal Revenue Code.
  - D. Annual lease value of automobile provided for an entire calendar year by an employer to an employee (authorized under Internal Revenue Service Regulation 1.61-2T(d)), if included in gross income for federal income tax purposes.
- II. Compensation not creditable, and thus should not be reported to TCRS includes:
  - A. Compensation paid to a teacher employed in a state-supported institution of higher education for extra services that exceed 25% of the teacher's base compensation. "Extra services" means any duties other than summer school or regular duties.
  - B. Lump sum compensation for unused accumulated leave or compensatory time.
  - C. Retirement Incentives: Payment to a member as part of a termination agreement that is not for services rendered, including, without limitation, payments that incentivize retirement.
  - D. Fire and police bonuses: Contributions shall not be deducted from any bonus paid to a fireman or policeman for completion of an in-service state training and fire-fighting program. (Only applies to the State Law Enforcement Program for political subdivisions)
  - E. Taxable payments that are not salary (reimbursements): Payments for transportation, parking, cars, travel, meals, fringe benefits, office allowances, or other similar payments that may be subject to FICA and withholding but are not included in salary, should not be reported.
  - F. Payments to those other than employees: Payments to independent contractors, law firms, and others who are not employees should not be reported.

Compensation that exceeds the maximum dollar limitation under § 401(a)(17) of the Internal Revenue Code, as adjusted for cost-of-living increases is not creditable, but salary in excess of the limit should be reported as Regular Pay with Additional Creditable Comp in the "Salary that Exceed IRS Limit" box.

**If there are any questions regarding earnable compensation, please contact RetireReadyTN.**

## Reporting Service Credit

Employers are required to report service credit with the monthly contribution report.

Actual service credit should be reported to the retirement system each month. In no case shall any member receive more than 12 months creditable service in a given year.

Please refer to the *Employer Self-Service Guide* for service credit reporting. Service credit for a full-time employee who is without pay during a period or a part-time employee should be reported on a pro-rated basis in direct proportion to a regular full-time schedule. This means a member will not receive a full month of service credit if they were on leave without pay or part-time employee during the reported period.

## Making Corrections to a Member's Service or Salary History

The Prior Period Adjustment (PPAD) function is used for correction of data that has already been reported to TCRS on the TCRS Monthly Contribution Report by the Employer.

Employers may adjust the previously reported information using the Prior period adjustment process. Adjustments may be completed to correct the following details:

- Salary
- Service
- Contribution group (Department code)
- Retirement type

PPADs may be completed during the open reporting cycle for TCRS Monthly Reporting. This includes from the time period when Templates are issued (approximately the 20th of the month) to the end of the reporting cycle (the 10th business day of the next month at 5:00 p.m. CT).

When adjustments are made regarding salary, the contributions (both employer and employee) will be invoiced to the employer as a result of the PPAD transaction in the Employer Self-Service module.

For education and assistance with adjusting a previously reported record of a member with the PPAD process, please contact **TCRS.EmployerReporting@tn.gov**.

## Beneficiary Election

When a new employee is reported by the Employer, a membership is created in the retirement information system. A welcome letter is sent to the member providing information and requesting that the member elect their beneficiary. The beneficiary election can be made by the member logging into *Member Self-Service* at **MyTCRS.com**

It is important for the member to name a beneficiary, because the beneficiary may be eligible for a survivorship benefit or contribution balance if the member passes away prior to retirement. When selecting a beneficiary, a member should consider the TCRS survivor benefit provisions considering his or her circumstances. Beneficiary designations should be kept current throughout the member's career as changes occur for the member, such as marriage, divorce, remarriage, or birth of a child. Members should be encouraged to update their beneficiary as these life changes occur, and Employers should remind members to review and update their beneficiary annually.

Every TCRS member should have a current beneficiary(s) named. If a member dies prior to retirement, the designated beneficiary(s) may be eligible for one of several death benefits. The type of death benefit payable will be determined by whether or not the death occurred while the member was in service (within 150 days of last paid date), who is designated as beneficiary, and by the member's length of service. If the member does not have a named beneficiary, or if the beneficiary dies before the member, the accumulated contributions, if any, including any matching amount, will be paid to the member's estate. It is important to direct employees to the *Selecting a Beneficiary Member Guide* at **RetireReadyTN.gov** or to call TCRS if they have any questions related to their beneficiary and Survivor Benefits.

When is beneficiary named?

- At enrollment: When members are initially enrolled (through the monthly contribution report), a letter is sent to the enrollee requesting that they designate a beneficiary.
- As changed by the member: Based on new circumstances (death/divorce/marriage) or at any time prior to retirement.

**Tip:** During your agency's annual enrollment for benefits, suggest to employees they review their beneficiary information. Employees should be informed that changing the beneficiary designation for other benefits, such as life insurance or the 401(k) plan does NOT change the TCRS beneficiary.

Active members may change their beneficiary at any time at **MyTCRS.com**.

### ***Penalty for Delinquent Contributions***

If the contribution report is received after required monthly reporting date (the 10th business day of each month) the employer will be assessed a monetary penalty. The assessment is 5.5% of the amount of contribution due if not more than 30 days delinquent and an additional 5% for each additional 30 days of delinquency, up to a 25% total penalty. Upon receipt, the penalty payment will be credited to the TCRS investment income account to compensate for the interest lost on the delinquent payment. Please see the *Employer Self-Service Guide* for more information.

### ***Administrative Cost***

The cost of administering the retirement system is shared by all participating agencies, departments, and political subdivisions based on a pro-rated computation. The administrative cost is expressed as a percentage of payroll that is built into the employer contribution rate paid by each employer.

*Flexibility for all Plans adopted on or after July 1, 2012*

All plan designs adopted on or after July 1, 2012 may prospectively (in the future) freeze, suspend, or modify the following-TCA 8-35-253(e):

1. Retirement Formula
2. Retirement Factors
3. Contribution Rates
4. Cost of Living Adjustments
5. Retirement Eligibility age

These are the elements of cost control. Cost controls are in place to make retirement cost effective to the employer and in order to make sure retirement does not become underfunded.

## RETIREMENT READINESS

### Service Credit

On the monthly contribution report, employers are required to report service credit. Service credit is reported by each monthly period, with a maximum of 12 service credits reporting yearly.

Service credit is a factor in the defined benefit formula which determines the retirement benefit for the member.

Please refer to the *Employer Self-Service Guide* for service credit reporting.

In addition to service being reported by the employer monthly, a member may qualify for additional service credit; referred to as prior service.

### Vesting

The amount of service credit earned by a member may qualify them to be eligible for a defined benefit at retirement age. In order to be eligible for a retirement benefit, the member must attain vested status. A vested member's membership shall continue until he/she terminates employment and withdraws his/her contributions, retires, or dies.

A non-vested member who leaves covered employment for a period of more than seven years, will lose membership in TCRS. If a member was contributory, member contributions and interest will remain available for refund. The individual will enter the retirement plan available at the time of rehire and an individual who has lost membership can reestablish lost years of TCRS service upon reentering covered employment. For more information see the Loss of Membership section.

Vesting requirements are as follows:

- Any Legacy plan member with a membership date before July 1, 1979 who has four or more years of creditable service is a vested member.
- State employees, K-12 public-school teachers, and higher education employees become vested in TCRS upon completing at least 5 years of creditable service with a TCRS-covered employer.
- Political subdivisions have a vesting period of 10 years and must pass a resolution to allow five-year vesting.

If total service does not vest the employee, then service with each employer must be reviewed to determine whether the employee is vested with the employer. It would be possible for an employee to be vested with one employer, but not another.

	Employer with 10-year vesting	Employer with 5-year vesting	Vesting status
Number of years of service with each employer	5 years	5 years	Fully vested with both employers
Number of years of service with each employer	1 year	9 years	Fully vested with both employers
Number of years of service with each employer	6 years	4 years	Fully vested with both employers
Number of years of service with each employer	2 years	5 years	Vested w/Employer with 5-year vesting Benefit is calculated on 5 years only
Number of years of service with each employer	3 years	6 years	Vested w/Employer with 5-year vesting Benefit is calculated on 6 years only
Number of years of service with each employer	3 years	3 years	Vested w/Employer with 5-year vesting Benefit is calculated on 3 years only
Number of years of service with each employer	4 years	4 years	Vested w/Employer with 5-year vesting Benefit is calculated on 4 years only
Number of years of service with each employer	5 years	4 years	Vested w/Employer with 5-year vesting Benefit is calculated on 4 years only

## Current Service

Current service refers to service credit accrued by a member since the date of membership for which the required employee and employer contributions have been made and not withdrawn.

## Member Annual Statement

TCRS provides active members with a statement of benefits annually which reflects the member's account as of June 30 of each year. Members can access their annual statements via Self-Service at **MyTCRS.com**.

The Member Annual Statement provides the member with a summary of their TCRS service, reported salary, and, for contributory members, the amount of accumulated contributions credited to their account as of June 30.

The Member Annual Statement is a retirement readiness tool, providing the member with estimates regarding the retirement benefit at service retirement as well as early retirement. If a member has made a prior service payment, this payment information is provided on the statement in the year in which the payment is made and represents a portion of the accumulated account balance in subsequent years.



Employers should encourage their employees to review their Member Annual Statement. The statements are generally available by the end of the first fiscal year quarter.

The member should be encouraged to review the beneficiary information indicated on the Member Annual Statement and update as needed.

The member should also be encouraged to review the service and salary information that has been reported by the employer to TCRS. If this information does not reflect the member's understanding, they should contact their employer. If employers determine that adjustments need to be made to the service and salary information, they may contact Employer Reporting for information on updating the information through the *Employer Self-Service* reporting portal.

If a member leaves covered employment but maintains their membership in TCRS, the last Member Annual Statement from their active service will remain on their **MyTCRS.com** account, as the estimated benefit amount will not continue to increase if the member is no longer earning additional credit towards retirement.

## Updating Member Information

Employers should request that their employees inform them of a change of address. The employer should update this information with TCRS by updating the member record when submitting the monthly contribution report.

Inactive members (no longer employed) may update their address at **MyTCRS.com**.

## Prior Service Credit

Retirement credit for prior service may be established by completing a request for such service, satisfying all the requirements of the law and making any required payment. If TCRS has no prior record of the service being claimed, the employer must certify the employee's salary and service on an Application for Additional Retirement Credit.

Contributory members are responsible for the employee contributions applicable to the purchase of the prior service credit plus interest on the contributions compounded annually. The current interest rate is 7.25%. In the event an administrative error in reporting by the employer resulted in the failure of the member's service not being reported, the employer may accept the responsibility for the member liability, or the employer may be required by the TCRS Director to accept the liability for the failure to report and establish the member's service.

The prior service will be attributable to the plan the member is eligible for at the time the service is established, unless the member has current service tying them to a previous plan. With the exception of Out-of-State service, a member wishing to establish prior service must purchase all prior service he/she is eligible to purchase.

\*In the absence of payroll records, affidavits may be used. Affidavits should be used when no current records are available with respect to this service and the former employer must certify this on each affidavit. These affidavits must also be signed by different persons who have personal knowledge of the member's service and who are not family members.

## Types of Prior Service Credit

### *Military Service Credit*

The provisions of the retirement plan regarding retirement credit for service in the military are outlined below. These provisions apply to state employees, higher education employees, and K-12 public-school teachers. TCRS members participating as employees of political subdivisions are not covered by the “armed conflict” or “limited peacetime” provisions unless the chief governing body of the political subdivision has specifically authorized these provisions or began participating in TCRS after the date the provisions became effective. The “armed conflict” provisions became effective July 1, 1984 and the “limited peacetime” provisions became effective July 1, 1987.

In order to receive retirement credit for military service, a member must apply for credit with the retirement system and must provide documentation of his/her period of service. Military service credit will be granted by the retirement system only if the member satisfies the following requirements:

- The credit cannot be established in any other retirement system unless the member receives a 100% combat-related military disability based on less than 20 years of service or the member is receiving | credit in the Military Reserve retirement system as a military reservist called into active duty and who was released from military duty on or after December 3, 1974.
- The member was discharged under conditions other than dishonorable.

Military credit is limited to a maximum of four years. However, if any of the credit meets the definition of interrupted employment (below), an additional five years may be established.

- **Interrupted Employment:** Any member may establish retirement credit for any period of military service which interrupted employment. The member must have left employment with the state or a participating political subdivision to enter the military and returned to employment with the state or a participating political subdivision within six months of discharge.

The member may establish credit for armed conflict service that interrupted employment without charge to the member. Peacetime service that interrupted employment may be established by making a lump-sum payment of the contributions that would have been made had the member remained in service. One day of retirement credit may be established for each day served.

- **Persian Gulf War (Desert Storm):** Any member who leaves or left service with the state of Tennessee, a K-12 public-school teacher, or any political subdivision, in order to perform military duty in the armed forces of the United States during the Persian Gulf War and who is reemployed by the state of Tennessee or a participating political subdivision within six months after being relieved of such military duty, shall have the option to establish retirement credit for such military service without charge to the member. A payment of the contributions that would have been made had the member remained in service will be required on behalf of employees of political subdivisions who have not authorized the provision making this service no cost to the member.

The Persian Gulf War means the period from and including August 2, 1990 to the date thereafter prescribed by presidential proclamation or by federal law.

- Armed Conflict Periods: A member who is a K-12 public-school teacher, a higher education employee, a state employee, or an employee of a political subdivision that has authorized armed conflict service may establish retirement credit rendered during the following periods of armed conflict regardless of whether or not it interrupted employment:

World War I	04/07/1917 - 11/11/1918
World War II	12/07/1941 - 12/31/1946
Korean Conflict	06/27/1950 - 01/31/1955
Vietnam Era	02/28/1961 - 05/07/1975

There is no cost to the member for establishing armed conflict service credit. One day of credit may be established for each day served.

- Limited Peacetime Periods: A member may establish retirement credit for military service performed during a period of peacetime from October 15, 1940 through May 7, 1975. Service is granted at the rate of one day of credit for each day served during the first year of duty. Payment for the first year of credit is equal to the member's current monthly salary multiplied by 10.5% multiplied by 12 months. Service after the first year of duty is granted at the rate of one day of credit for every two days served. Payment for service after the first year is equal to the current monthly salary multiplied by 9% multiplied by the number of months of service to be established.

Employees of a political subdivision may establish peacetime military credit if the political subdivision has passed a resolution authorizing such service.

### ***Authorized Educational Leave of Absence***

Any member who is a full-time employee may receive credit for retirement purposes for an educational leave of absence provided such authorization is approved by the TCRS Board of Trustees under the following conditions:

- The leave of absence must be for the purpose of attending school or engaging in academic research related to the member's employment which will increase the employee's efficiency to the employer.
- Employment was interrupted by leave period. The member must return to service with the same employer within one year following the leave and work for one full year after the leave has been taken.
- If the member is on leave from an educational institution supported by the state, he/she will be deemed as returning to the same employer if the member returns to service with an educational institution supported by the state within one year following the leave period and remains employed for at least one year thereafter.
- An Application for Retirement Credit for Educational Leave of Absence form certifying the approval of the leave by the granting agency is furnished to and approved by TCRS.

- Any member shall be entitled to receive retirement credit for educational leaves of absence not to exceed an aggregate of two years credit during a working career. There are exceptions that allow a member to establish up to four years of service for specific scholarships and grants.

### ***Payment for Educational Leave of Absence service credit***

- **Contributory Member:** Contributions should be made during the leave of absence based on the annual salary in effect for the year prior to going on the leave of absence; or after completion of the leave, contributions may be made by a back payment equal to the contributions which would have been made based on the previous year's salary, plus interest compounded annually from the date contributions should have been made.
- **Non-contributory Member:** The member will be credited with salary and service after he/she has returned to work for one full year; however, any employee contributions made by the employer on behalf of a member will not be credited to the member's account for the time he/she is on a leave of absence.

### ***General Assembly Member Prior Service***

Any member of this system or a superseded retirement system who has served in the General Assembly may claim such service as prior service. Contributions must be made in a lump-sum payment equal to the amount which would have been contributed to the retirement system during the period of time claimed, plus interest compounded annually per annum. Each year of service in the General Assembly is equal to one year of service credit. If the General Assembly member elected not to participate in TCRS, the member would have to become a member in order to purchase this type of service.

### ***Prior Service for Political Subdivision Employment***

- **Enrollment Service -** Any person who was employed for 30 days prior to the date the political subdivision begins participating in the retirement system and who elects to join the system within 30 days of the participation date may claim prior service credit as authorized by the political subdivision. The cost for this service must be paid by either the employee or the employer, as provided in the resolution to participate. If the service is to be purchased by the employee, he/she must make a lump-sum payment of the contributions he/she would have made had he/she been a member of the retirement system, plus interest compounded annually.

Employers must make the liability payment for enrollment service in a lump-sum or by an increase in the ADC so that cost is paid within 1 year. However, in the event the employee was not continuously employed by the employer from the period of previous service claimed through and including the date the approval is given, the employee must have been employed by the employer on the date the approval is given and continuously for the six months immediately preceding or after that date.

- **PC801 Service -** If a member elected not to join TCRS when their employer began participating in TCRS or does not meet the enrollment service conditions, but has service prior to the employer joining TCRS and has one year or more of current service in TCRS shall be entitled to establish retirement credit for time during which such member was employed by a political subdivision if the following conditions are met:

- o The political subdivision is a participating employer in TCRS.
- o The political subdivision chief governing body passes a resolution authorizing an actuarial study to determine the liability associated with such membership and prior service and accepts responsibility for the costs of such study.
- o The member files with the political subdivision, within 60 days of the passage of the resolution authorizing the study, a notice of his/her intention to establish such prior service with the employer. Any member failing to file the notice of election within the 60-day period shall not later be eligible to establish such prior service.
- o Following receipt of the actuarial study, the political subdivision chief governing body by a 2/3 vote, adopts a resolution authorizing membership and prior service for such members and accepts the liability thereof, provided that the political subdivision may only authorize credit for such periods of previous service as authorized for other members of the political subdivision.
- o Any person establishing such prior service must make a lump-sum payment equal to the member contributions he/she would have made had he/she been a member of the retirement system during the period claimed, plus interest (if payment is required).

### ***Prior Service for County Officials and County Judges***

County officials who participate pursuant to T.C.A. § 8-35-116 may only receive credit for prior service if the county authorizes and assumes the liability for such prior service. Upon passage of a resolution to provide this credit, the county official or county judge shall be entitled to credit upon making a payment of the contributions he/she would have made had he/she been a member of the retirement system, plus interest compounded annually.

### ***Prior Service for Members of City or County Boards, Commissions, Committees, Councils, Etc. Elected by Popular Vote***

Any person who was employed for 30 days prior to the date that the political subdivision authorizes these employees to participate and becomes a member within 30 days of the authorization date may claim retirement credit for past service rendered in these positions. Credit will only be granted for service that does not overlap with periods of service credited to the member in any other capacity. The member must make a payment of the contribution he/she would have made had he/she been a member of the retirement system, plus interest compounded annually. The employer share of the liability will be funded by monthly employer contributions based on the results of an actuarial study.

### ***Purchase of Probationary Period for Political Subdivision Employees***

Certain political subdivision employees who were required to work a probationary period prior to enrolling in TCRS are eligible to purchase retirement credit for this period if the political subdivision authorizes this process. The member must make a payment equal to the amount he/she would have contributed had he/she been a member of the retirement system during the probationary period. Interest will not be charged.



## ***Retirement Credit for Six Months Waiting Period for State Employees***

Retirement credit may be established by any state employee who was employed in a full-time position during the period July 1, 1972 through June 30, 1973 and who was required by executive order or policy to wait six months to participate in the retirement system. The member shall be granted such credit for the period upon the making of a payment equal to the employee contributions he/she would have made had he/she been a member of the retirement system. Interest will not be charged.

## ***Part-Time Service***

- State Employees and K-12 public-school Teachers: State employees, higher education employees, and K-12 public-school teachers are eligible to establish prior service as a part-time employee by making a lump-sum payment of the employee contributions that would have been made had the employee been a member. Interest compounded annually will be added unless payment is made within one year of the date the employee becomes a member of TCRS. The interest-free provision does not apply to previously refunded part-time service which may only be established as a redeposit with interest.
- Political Subdivision Employees: Employees of political subdivisions may purchase retirement credit for prior service as a part-time employee only if the political subdivision has authorized their part-time employees to participate. If a political subdivision began participation in TCRS prior to July 1, 1984, a resolution of the chief governing body for the political subdivision is required for this authorization. For political subdivisions that begin participation in TCRS after July 1, 1984, the initial participation agreement includes a statement concerning retirement coverage for part-time employees. Political subdivisions that do not authorize retirement coverage for part-time employees upon initial participation may authorize this coverage at a later date.

Eligible political subdivision employees may establish prior service as a part-time employee by making a lump-sum payment of the employee contributions that would have been made had the employee been a member. Interest compounded annually will be added unless payment is made within one year of the date part-time participation is authorized by the political subdivision or within one year of the date the employee becomes a member of TCRS, whichever is later.

All eligible part-time service rendered after the date the political subdivision begins participation in TCRS may be established. However, the amount of part-time service rendered prior to the date of participation which can be established will be determined in accordance with the amount of prior service credit allowed by the employer when TCRS participation was authorized.

If the part-time employee elected not to participate in TCRS, the member would have to become a member in order to purchase this type of service.

## ***Temporary Disability***

- State Employees, Higher Education Employees, and K-12 public-school Teachers: Periods of time when an employee is receiving a temporary disability benefit from the Tennessee Department of Treasury Division of Claims and Risk Management or Workers' Compensation may be established for retirement credit. No member may receive more than one year of service credit for each occurrence of temporary

disability. To establish this credit, the member must make a lump-sum payment of the employee contributions that would have been made based on the salary in effect immediately prior to the period of disability, plus interest compounded annually

- Political Subdivision Employees: The Temporary Disability provision may be adopted by a political subdivision upon passage of a resolution by the chief governing body.

### ***Reestablishing Withdrawn Service (Recontribution of Refunded Service)***

Upon accruing one year of current service, any member who has terminated employment and has withdrawn his/her accumulated contributions from TCRS may redeposit the contributions and receive credit for the years in which the contributions were made. The member's current membership classification will determine the plan in which the service will be credited. The cost to redeposit is equal to the amount withdrawn, plus interest compounded annually per annum, computed from the date of the withdrawal of the funds to the date of redeposit.

If a member wishes to purchase the refunded service, it must be purchased in the entirety of its membership. So, if a member has both contributory and non-contributory refund service, in the same membership, the member must reestablish all types of service. If the previous non-contributory refunded service is established in a plan that now requires employee contributions, a cost for the non-contributory service will be computed.

In the event that an employer within a refunded membership with has withdrawn from TCRS, the member is not eligible to re-establish any service under that withdrawn employer.

### ***Credit for Out-of-State Service***

Any K-12 public-school teacher or state employee may establish retirement credit for previous service rendered as a full-time K-12 public school teacher or full-time state employee in a state other than Tennessee under the following conditions:

- Member must be vested in TCRS
- Member is not receiving or entitled to receive any retirement benefit from another state based on this service
- Out-of-State service being established may not exceed creditable service in Tennessee
- Out-of-State service must be properly documented on an Application for Retirement Credit for Service Rendered Out-of-State.
- The employee shall be required to pay, in one lump-sum payment, both the employee and employer contributions which would have been made had he/she been a member of TCRS, plus interest compounded annually.

**Out-of-State service is credited for establishing service retirement eligibility only. Benefits shall not be paid on the service and the service credit can only be used to eliminate reductions for retirement eligibility.**

For more information, refer to the *Should I Purchase Out-of-State Service* guide on **RetireReadyTN.gov**.

## ***Attaining Credit for Lost Service***

Service is lost from TCRS when the member has not participated in TCRS for more than seven (7) consecutive years after last becoming a member and is not eligible for a deferred retirement allowance as provided in § 8-36-204; (vesting creditable service).

If the individual returns to work with a TCRS-covered employer and participates in TCRS, the member will be eligible to reestablish the lost service by applying for prior service.

If a member has the required months of current service then the member can request a cost of their lost service. If reestablishing the Lost Service will result in a cost, the member must have 12 months of current service to request a cost. If reestablishing the lost service will not result in a cost the member must have one (1) month of current membership service to request to reestablish their service.

The cost is determined by calculating the employee contributions of the plan the service will be credited to plus interest compounded annually. The member's current membership classification will determine the plan in which the service will be credited. If a member wishes to purchase the lost service as prior service, it must be purchased in the entirety of its membership. So, if a member has both contributory and non-contributory lost service, in the same membership, the member must reestablish both types of service. If the previous non-contributory lost service is established in a plan that now requires employee contributions, a cost for the non-contributory service will be computed. In the event that an employer within a LOST membership has withdrawn from TCRS, the member is not eligible to re-establish any service under that withdrawn employer.

**For more information on lost service see *Loss of Membership* section.**

## ***Payment Methods for Prior Service Purchase***

Members who must make a payment to establish their prior service may choose between two payment methods, a lump sum payment, or an installment payment plan. Probationary service, Out-of-State service, and interrupted military service must be purchased in a lump sum payment.

- Lump sum payment: Members may make a lump sum payment for the entire balance due by personal check. A member may also rollover or transfer funds from a qualified 401(k) plan, 403(b) plan, 457 plan, or IRA. To begin the rollover process, the member must complete an Application for Acceptance of Rollover Funds that can be found on **RetireReadyTN.gov**.
- Installment payments: A member may choose to pay for their prior service on an installment plan. This plan operates by automatic electronic transfer of funds from the member's bank account each month until the cost is paid in full. The member may select from a defined set of payment terms ranging from six to 60 months, up to number of months of service that is being established.

## **Qualified Domestic Relations Orders (QDRO)**

Effective July 1, 2016, TCRS began accepting and enforcing Qualified Domestic Relations Orders (QDRO) that are submitted in accordance with Chapter 1700-03-03 of the Official Compilation of Rules and Regulations of the State of Tennessee. As required by Rule 1700-03-03-.04, QDROs must be on the form prescribed by TCRS found on our website. TCRS will not accept a QDRO that is not on the prescribed form or that alters the prescribed form.

QDROs submitted on the TCRS form may pertain to prior divorces. However, they will only be administered prospectively from the effective date of the QDRO. TCRS will not accept a QDRO dated prior to the effective date of Chapter 1700-03-03, which is June 26, 2016.

TCRS encourages parties to request a benefit estimate prior to entering or submitting a QDRO. **Please note the amount provided in the QDRO benefit estimate is based upon the maximum/single life annuity amount at service retirement. If the QDRO is based upon the estimate and the member later retires at early retirement or selects a survivorship option, this may result in the alternate payee receiving more than the member at retirement.** Benefit estimates may be requested by contacting RetireReadyTN at (800) 922-7772. A subpoena is not required to request a benefit estimate.

TCRS will not accept a QDRO that directs payment to an Alternate Payee of funds greater than the value accrued during the period of marriage assuming the member was to retire at full retirement age utilizing the regular service retirement allowance. Note: this amount is calculated at the time the QDRO is entered and does not change because of continued service in TCRS. Additionally, TCRS will not process selection of a survivorship option at retirement by a Member that results in the value of the Member's monthly allowance being less than the amount the QDRO orders TCRS to pay the Alternate Payee. TCRS will not make payment to an Alternate Payee until a Member applies for a monthly retirement allowance or, if applicable, a refund of employee contributions.

In the event that the QDRO is amended, the Member or Alternate Payee must submit a certified copy of the amended order for review and approval by TCRS. TCRS will consider a QDRO in effect unless one of the following occurs: (1) receipt of a certified copy of a court order terminating the QDRO; (2) all amounts provided for in the QDRO have been paid; (3) the person to whom the QDRO applies (TCRS member) ceases to be an annuitant of the TCRS; or (4) the death of the alternate payee or the member. If the Alternate Payee deceases prior to the member, the Alternate Payee would be entitled to receive a full monthly payment within the month of their death.

**For additional questions, please contact RetireReadyTN at (800) 922-7772.**

## **OFFBOARDING**

### **Employee Separation from Service**

#### *Vested members separating from service*

Any member who has acquired vested rights in TCRS has the option of leaving contributions in the system and drawing monthly benefits at retirement age.

When vested members separate from service who are not eligible for retirement, it is important that employers inform members that if they do not refund contributions, they will be eligible for a monthly retirement benefit at retirement age eligibility.

As an example, if a vested member leaves service and becomes inactive, at retirement age eligibility (age 60 for legacy/ age 65 for hybrid), they may apply for retirement. While TCRS seeks to provide communication at intervals for individuals who have not applied for benefits, TCRS is dependent upon the accuracy of the member's address which is the member's responsibility. More importantly, it is the member's responsibility to apply for retirement when eligible. An application can be dated up to 150 days from the date received by the

retirement office as the effective date of retirement if the effective date of retirement follows the date of his/her separation from service. The retirement date may not be effective greater than the 150 days. It is the member's responsibility to apply for retirement when he/she becomes retirement eligible.

### ***Non-Vested members separating from service***

Any member who has not acquired vested rights and chooses to leave his/her contributions in TCRS will gain 5% interest on his/her account balance for a maximum of seven years.

After seven years, a non-vested member's account will cease to accrue interest and will be marked as LOST. This service can be refunded during the time the member is separated from employment. This service can be reinstated as prior service credit if the member returns to TCRS covered employment.

## **Sick Leave and Annual Leave**

### ***Accumulated Sick Leave***

Upon retirement, state, higher education, K-12 public-school teacher, and political subdivisions (who have adopted the provision), may use their accumulated unused sick leave as creditable service at retirement. Each 20 days of unused sick leave shall equal one month of retirement credit and can be used to meet the minimum service requirements for retirement. The employer shall certify the number of accumulated unused sick leave days upon a member's application for retirement or separation from service.

Unused sick leave conversion to retirement service formulas are as follows:

12-month employees:	# sick days ÷ 20
11-month employees:	# sick days ÷ 20 x 1.10
10-month employees:	# sick days ÷ 20 x 1.20
9-month employees:	# sick days ÷ 20 x 1.34

Employees cannot be paid for accumulated sick leave and also receive retirement credit.

Members separating from service with their employer prior to retirement will have their unused sick leave reported by their employer on the monthly contribution report associated with their final month of service. This reported information, or an employer certification of unused leave recorded in the member record, may be used for creditable service at the time of retirement.

### ***Political Subdivision Employers adopting the Sick Leave provision***

- If a political subdivision's date of participation is prior to July 1, 1983, the employer must have a resolution authorizing the plan provision to allow for accumulated sick leave to be applied as service credit at retirement as indicated above.
- If a political subdivision's date of participation is on or after July 1, 1983, retirement credit for unused accumulated sick leave will be applicable, provided that the political subdivision has a sick leave policy. A resolution to provide this benefit is not required.

For administration of the use of unused accumulated sick leave, the political subdivision plan must have a sick leave policy. The sick leave policy is developed at the discretion of the political subdivision within any laws

applicable to the political subdivision, however, the political subdivision's employees may not receive more than one month of retirement credit in TCRS for each 20 days of unused accumulated sick leave. The political subdivision employer must define what constitutes a workday under their policy. If based upon their position the employee does not accumulate sick leave, use of sick leave at retirement for service credit is inapplicable.

### ***Annual Leave***

Unused accumulated annual leave and compensatory leave may not be used as service credit at retirement. Employers, based on their policies, may allow an employee to use annual leave, compensatory leave, or terminal leave and continue to be on payroll at the end of their employment up until their retirement date. If the member remains on payroll until the annual, compensatory, or terminal leave is used, also known as "running out leave", contributions must be deducted from these wages and the salary and service are recognized for retirement purposes. The effective date of retirement will be the day following the day the last day the member reported on payroll.

If the employer compensates members for annual, compensatory, terminal, or sick leave (when not used as creditable service), such payments are not reported to TCRS and the member does not receive service or salary credit towards retirement.

## **Refunds**

### ***Employee Classifications***

- **Contributory Member:** A member whose total retirement contributions are deducted from his/her salary or members covered by 414(h) of the Internal Revenue Code whose contributions are deducted from a member's salary on a tax deferred basis.
- **Non-Contributory Member:** A member whose employer assumes retirement contributions of up to 5% of his/her earnable compensation.
  - o **Non-Contributory Member with Ability to Refund:** A member whose individual retirement account is credited with employer-assumed employee contributions because he/she was employed in a covered position immediately prior to and on the date the non-contributory retirement provisions went into effect.
  - o **Non-Contributory Member without Ability to Refund:** A member whose individual retirement account is not credited with employer-assumed employee contributions because he/she was not employed in a covered position on the date the non-contributory provisions went into effect.

### ***Refund of Accumulated Contributions***

Any member whose retirement account has been credited with contributions (either employee or employer-assumed employee contributions) and has terminated service is eligible to withdraw the funds in his/her retirement account by completing an Application for Refund of Accumulated Contributions.



The refund includes all the contributions made by the member, the employer-assumed employee contributions (only in the case of a non-contributory member with the ability to refund), plus interest. A member whose service began after the non-contributory provisions went into effect is not eligible for a refund because he/she does not have any contributions in his/her account.

By obtaining a refund, a member loses all rights, benefits, contributions, and service credit in the retirement system. This includes any non-contributory service that the member has prior to the refund date. For members in the state health insurance plan, the member also loses the right to continue insurance coverage. A new membership date will be assigned in the event a refunded member subsequently returns to service and becomes a TCRS member. Non-contributory service (lost service or service refunded when the member took a refund of contributory service) may be subject to a cost if the member decides to purchase prior service upon returning to service with a TCRS-covered employer. See *Prior Service Credit* section.

### ***Eligibility for a Refund***

A member who has contributions in his/her individual retirement account is eligible for a refund and may file a refund application upon termination of employment only if (1) employment has not been transferred from one agency covered by TCRS to another agency covered by the system; (2) membership has not been transferred to the Optional Retirement Program (ORP) for higher education employees, which is sponsored by the State; and (3) retirement deductions are no longer being withheld.

### ***K-12 public-school Teacher Waiting Period***

For members working as K-12 public-school teachers there is a mandatory waiting period of four months beginning with the last day of teaching service before a teacher's refund can be made, unless one of the following conditions is met: (1) the teacher was dismissed due to budgetary problems of the employing board of education; (2) the teacher was employed and actually worked and was paid on a continuous 12-month basis; or (3) the teacher has moved to a permanent residence outside the state of Tennessee.

If one or more of the above conditions apply, a *Waiver of Refund Waiting Period for Teachers* form should accompany the application for refund and must be certified by the employer.

### ***Circumstances of Ineligibility for a Refund***

There must be an actual termination of employment before a member is eligible for a refund of accumulated contributions. Members who go on maternity leave, authorized leaves of absence, or transfer employment from one agency to another are not eligible to apply for a refund. Employment positions that do not require 12 months of service due to various reasons such as school closings, inclement weather, etc. are not eligible for refunds during the break in service. Employees who change from full-time to part-time are not eligible for a refund.

### ***Refund Process***

When the application for a refund is received by the retirement system, it is reviewed for completeness and correctness. The name, date of birth, Social Security number, and other items are matched against the enrollment information reported to TCRS by the employer. The application must be signed by the member and certified by the employer. The application will be returned to either the employer or member if there is a problem concerning any item that cannot be resolved by TCRS.

If the member has accrued annual leave to carry him/her over into one or more pay periods, the application is held until the last contribution is received from the employer. Once the final contribution is received by the retirement system and the application has been received in good order, the refund payment will be processed within 90 days. If the four-month waiting period for teachers applies, the refund will be paid not less than four months following the cessation of service.

### ***Employee Interest Computation***

On June 30 of each fiscal year, 5% of the member's previous June 30 TCRS account balance is credited to each individual's TCRS account. If a member terminates and withdraws his/her contributions, interest will be computed through the month of the refund.

### ***Issuance of Refund Checks and Refund Statement***

The payment for a refund of the member's accumulated contributions is issued by TCRS.

### ***Income Taxes***

- In accordance with IRS rules, TCRS is required to withhold 20% of the taxable portion of the refund for federal income tax unless the taxable portion is rolled over to an Individual Retirement Account (IRA) or other qualified retirement plan. There may be federally mandated exceptions to the 20% withholding related to national emergencies. Please contact TCRS if you have questions related to any exceptions.
- Withholding tax is sent by TCRS to the Internal Revenue Service. The total taxable amount of the refund is reported to the IRS as taxable income of the member. When the refund check is mailed to the member, a statement is also mailed which shows taxable and nontaxable amount and any withholding. This statement should be retained by the refunded member and filed with his/her annual tax return.
- TCRS is a qualified retirement plan under Internal Revenue Code Section 401(a). As such, any time there is a distribution of a member's TCRS account, the taxable portion may be rolled over tax-free to an IRA or another qualified retirement plan which accepts such rollovers.

If a member wants to rollover his/her refund, he/she should select that option on the refund application. The entire taxable portion will be rolled over unless another amount is specified. The member must provide the name, address, and account number for the plan accepting the rollover. When the refund is processed, the amount of the rollover will be made payable to the IRA or other retirement plan. Any nontaxable contributions will be made payable to the member.

### ***Refund of Incorrect Contributions***

Any time a member is refunded more or less than the amount of contributions he/she should have received, an adjustment must be made. This may occur if an employer makes an adjustment in the salary and contributions reported for the member while the refund is in process. If additional contributions are due, another refund check will be issued. If the former member has been overpaid, he/she must remit the amount overpaid to the retirement system upon notification of the overpayment. The overpayment should be repaid in a lump sum.

## ***Borrowing, Attachment, Garnishment, or Assignment of Contributions***

Accumulated contributions of a member are not subject to voluntary or involuntary execution, attachment, garnishment, or assignment except under the following conditions:

- The State may claim from a member's accumulated contributions any amounts owed to the State upon the member's termination from service and application for a refund. Any contributions remaining after satisfaction of the State's claim shall be paid to the member.
- Under certain conditions, once a member has applied for a refund, claims made by the Internal Revenue Service, a bankruptcy trustee, or for child support may be satisfied out of a member's refund.

In the event a claim to a member's contributions is made, an explanation of the claim will be included on the statement that accompanies the refund payment.

## ***Bank Deposit Error***

If bank deposit information is incorrect, and the deposit is not received, the individual will need to notify TCRS and provide corrected information and verification.

## ***Lost, Destroyed, or Forged Checks***

If a check is inadvertently lost or destroyed, notify TCRS immediately so that a stop payment may be placed on the check following 30 days from the issue date and a duplicate check issued. If at any time there is reason to believe a check has been forged, TCRS should be notified immediately.

## **Death of an Active Member Prior to Retirement - Types of Survivorship Benefits**

In the event the beneficiary is eligible for either a monthly benefit or a refund, the beneficiary may elect the death benefit. Upon notification of the death of a member, TCRS will mail a letter to the designated beneficiary requesting a copy of the death certificate and appropriate information from both the beneficiary and employer. When a TCRS member, retiree, or a beneficiary of a retiree passes away it is the responsibility of the surviving family member and/or beneficiary to report the death to TCRS by calling (800) 922-7772.

If the beneficiary is deceased, or if the estate was designated as beneficiary, there must be a copy of the deceased beneficiary's death certificate and a copy of an appointment of an administrator or executor of the estate furnished to the retirement system so the refund can be made payable to the estate of the deceased member.

Any death benefit due to someone under age 18 shall be made payable to the minor and sent in care of his/her guardian. In most cases, a father or mother is the natural guardian of the minor for amounts less than \$2,500. In all other cases, a guardian will need to be appointed by the court or the minor must wait until he/she attains his/her eighteenth birthday to receive the funds.

## ***Single Lump Sum Payment***

For a contributory member with an account balance greater than zero and who dies while not in service (150 or more days after last paid day of employment), a lump sum payment of accumulated member contributions, plus interest, may be paid to the named beneficiary. The named beneficiary may be an individual, estate, or institution. If multiple individuals are named the payment will be split equally.

### ***Double Lump Sum Payment***

For a contributory member with an account balance greater than zero and who dies in service (within 150 days of last paid day of work) a lump sum payment of accumulated employee contributions, plus a matching amount from the employer, may be paid to the named beneficiary. The named beneficiary may be an individual, estate, or institution. If multiple individuals are named the payment will be split equally.

### ***10-Year Annuity Payment***

In lieu of receiving the Double Lump Sum Payment, a sole individual designated as beneficiary by a member who had at least 10 years of service may convert the lump-sum amount into a monthly annuity payable over 120 consecutive monthly payments. For political subdivision employees, this option is only available if the political subdivision has elected to provide it.

### ***Automatic Option 1 Retirement Annuity to Spouse***

For a member who is vested and dies in service (within 150 days of last paid day of work), a lifetime monthly annuity may be paid to the member's spouse, if the spouse is named as beneficiary. The payment is equal to that of the member's benefit calculated under Survivorship Option 1 for retired members. The benefit is reduced for each month that the member's death precedes the member's service retirement date. For political subdivision employees, this option is only available if the political subdivision has elected to provide it. A political subdivision may require a member to have 10 years of service to be eligible for this provision.

### ***In-Service Option 1 Retirement Annuity***

For a member who dies in service (within 150 days of last paid day of work) and who was eligible for early service or full-service retirement, a lifetime monthly annuity may be paid to the individual or individuals named as the member's beneficiary(s). The payment is equal to that of the member's benefit calculated under Survivorship Option 1 for retired members. The benefit is reduced by the early retirement reduction factor if the member was eligible for early service retirement, but not for service retirement, at the date of death. If multiple beneficiaries are named, the distribution of the monthly allowance is evenly paid amongst all named beneficiaries, regardless of relationship to a member. Annuities are only payable to individuals and cannot be paid to institutions and/or estates.

### ***Inactive Death Option 2 Retirement Annuity to Spouse***

For a member with 10 years of applicable service, who dies while not in service (150 or more days after last paid day of employment), a lifetime monthly annuity may be paid to the member's spouse if the spouse is named as beneficiary. The payment is equal to 50% of the member's calculated benefit under Survivorship Option II for retired members. For political subdivision employees, this option is only available if the political subdivision has elected to provide it.

If multiple beneficiaries are named by a member, only the spouse would receive a lifetime monthly annuity due to the member not actively working upon their date of death for a TCRS covered employer (150 or more days after last paid day of employment).

## ***Death in the Line of Duty***

For a member who dies while in the actual performance of his or her duties as a result of an accident or physical violence, a monthly annuity payment equal to one-half of the member's 5-year Average Final Compensation, plus, if applicable, benefit improvement factor, may be paid to the spouse or minor children of the member if named as beneficiary or beneficiaries. The monthly annuity payment is paid for the life of the spouse if named, and until age 22 if a minor child or children are named. If no surviving spouse exists at the date of death and the total projected payments to all minor children do not exceed \$50,000, the projected excess will be paid to the member's estate for the sole benefit of all surviving children. If a spouse or minor children are not named as the member's beneficiary, then a named beneficiary(s) or the member's estate may receive a \$50,000 lump sum payment. The lump sum payment is made to the member's estate if no beneficiary is named. For political subdivision employees, this option is only available if the political subdivision has elected to provide it.

The monthly retirement allowance payable under the provisions outlined above will be effective on the day the death occurs or the date the deceased member's annual leave is exhausted; whichever is later.

## ***Death of an Active Member with Multiple Beneficiaries***

A member may designate his/her estate, an institution, or more than one person as his/her beneficiary. If more than one beneficiary is named, the amount payable would be divided equally among the designated beneficiaries and the only benefit payable is the return of contributions unless the spouse is one of the beneficiaries. If the spouse is among the multiple beneficiaries named, he/she will have the option for a monthly benefit, if eligible. Monthly benefits are only payable to individuals and cannot be paid to institutions and/or estates.

Information regarding deceased benefits can be reviewed in the brochure *Selecting a Beneficiary* at [RetireReadyTN.gov](http://RetireReadyTN.gov).

## **Loss of Membership**

Any member who has acquired vested rights in the retirement system has the option of leaving contributions in the system and drawing monthly benefits at retirement age. Any member who has not acquired vested rights and chooses to leave his/her contributions in TCRS will gain interest on his/her account balance for a maximum of seven years. After seven years, a non-vested member's account will cease to accrue interest and will be marked as LOST. This service can be reinstated through the Service Purchase process or it can be refunded, if the member is separated from employment. If a member wishes to purchase the lost service as prior service, it must be purchased in the entirety of its membership. All service Lost together must be purchased together. A member may only take a refund of lost contributions if he/she is separated from employment. See Prior Service section.

## **Preparing for Retirement**

Members are encouraged to review their member annual statement and to meet with a retirement plan advisor for a retirement readiness review. Employers are encouraged to schedule group meetings or make members aware of individual meetings available to discuss retirement planning and retirement education. Retirement plan advisors are available throughout the state and the services are available at no cost to the employer or the member.

## ***Benefit estimates***

In order to plan for a specific retirement date, members may wish to request a benefit estimate that will provide the maximum monthly benefit payable to the member upon their specified retirement date, as well as the survivorship options as mentioned in the Retirement Benefit Options section.

To request a benefit estimate, the member should be within three (3) to five (5) years of being eligible for any of the following retirement types:

- Service Retirement (Legacy Plan Eligibility: Age 60 or 360 months of Service) (Hybrid Plan Eligibility: Age 65 or Rule of 90)
- Early (Legacy Plan Eligibility: Age 55) (Hybrid Plan Eligibility: Age 60 or Rule of 80)
- 25 Year Early (Legacy Plan Eligibility Only: 300 months of service)

If a member is not yet within five (5) years of reaching any of the above retirement types, the member will be directed to review their Member Annual Statement.

A member who is seeking to purchase prior service may request a benefit estimate if he/she has been in active status for at least 12 consecutive calendar months prior to submitting the request.

A member may choose to default their estimate to any of the above retirement eligibility dates. If a member does not use the default retirement dates, the member must provide a specific date of retirement for staff to use in the estimation of benefits. Because service and salary information does not typically fluctuate significantly to affect a marked increase or decrease in a benefit estimate, members may request a maximum of three (3) benefit estimates within a 24 calendar month period. Members are encouraged to only submit each date of retirement at a minimum, 12 calendar months apart. Comprehensive planning for retirement will be advantageous as members make decisions regarding retirement. While some members seek multiple scenarios of a benefit estimate to determine the “magic” date for retirement, the defined benefit does not fluctuate significantly to provide information regarding the ideal time for retirement, which should be placed on planning and individual circumstances.

Although unused accumulated sick leave may be included for the retirement benefit, generally, sick leave accumulation will not be considered for the purposes of creating a benefit estimate. Although, upon special request, TCRS can include sick leave in an estimate. The member will be informed that this is an estimate that would change with the change in the sick leave amounts used in the estimate. Additionally, TCRS staff will not project future salaries for the purposes of creating a benefit estimate.

A member may request a benefit estimate at any time for purposes of a Qualified Domestic Relations Order (QDRO). Please see QDRO section for more information.

## ***Requesting a benefit estimate***

The member may request a benefit estimate by contacting RetireReadyTN at (800) 922-7772.

Members preparing to retire should request the estimate eight months to a year prior to the estimate retirement date to allow for time to receive the estimate, meeting with a retirement plan advisor, discuss their plans with their employer, make other important arrangements, and submit their application.



Members should allow up to 60 days to receive their benefit estimate. When creating the estimate, a member's service history is reviewed, and the estimate receives a secondary review before it is provided to the member.

Additional processing time may be needed if verification of service and salary history is required.

### ***Retirement Counseling Meeting***

Members can schedule a counseling meeting with a RetireReadyTN Plan Advisor and request a benefit estimate by calling RetireReadyTN. During a counseling session you will:

- Review your TCRS benefit estimate, benefit payment options, and employment history
- Review your 401(k)/457(b) account balances, investment choices, and retirement income options
- Discuss Social Security options
- Discuss how to execute your retirement plan

The full *Retirement Checklist* can be found on **RetireReadyTN.gov**.

## **APPLYING FOR RETIREMENT**

### **Retirement Application**

When a member is ready to retire, their application for retirement will be completed via Self-Service at MyTCRS.com. Members should apply 60-90 days prior to their date of retirement to allow for processing of the request. The Employer Certification will also be completed online, through Employer Self-Service.

In order to effectively process a retirement application without multiple changes in the last date or employment or certification, the Application for Retirement should not be submitted to the retirement system more than 150 days prior to the effective date of retirement.

An application, however, can be backdated 150 days from the date received by the retirement office if the effective date of retirement follows the date of his/her separation from service. It is the member's responsibility to apply for retirement when he/she becomes retirement eligible.

**Please note that these benefits will not increase after reaching retirement age eligibility (age 60 for Legacy and 65 for Hybrid) if you are no longer working for an employer covered by TCRS. By not drawing your TCRS benefits you are effectively missing payments.**

### **Member Retirement Application and Certification**

#### ***Applying for Retirement***

When members are actively employed by a TCRS-covered employer, they should follow their employer's guidelines regarding separation from service, including retirement. Each employer should have their own procedures for their employees regarding separation from service, as there may be additional steps members need to complete, distinct from the filing of a TCRS retirement application. Employer certification will require that the employer indicate the last paid date of employment by the member. This information should be

discussed with the member as part of the separation process. The employer should also verify in the separation process the employee's sick and annual leave status, and review with the member the employer's policy regarding use of leave at retirement.

Additionally, members should review the *Retirement Checklist* at [RetireReadyTN.gov](http://RetireReadyTN.gov).

Before logging on to begin the online retirement application, members should be prepared with the following information and decisions:

- Do they need to update any contact information? Are they moving immediately, does their email or phone need to be updated?
- Have they determined whether they will be selecting the member only option or a joint and survivor option? See detail at *Retirement Benefit Options*. Retirement joint and survivor options are provided on the Benefit estimate and may be discussed with a retirement planning advisor. Based upon the decision, is the beneficiary information current or does this need to be updated. The social security number for the beneficiary is required in order to complete or update the information.
- As discussed with their employer, what is their last paid date of employment?
- Bank routing and account number for establishing their direct deposit should be available as this is needed to complete the application
- Tax withholding information is required, and the member needs to have determined the number of allowances to claim or the percent/dollar amount to be withheld

### ***Retirement Benefit Options***

Members must select a payment plan when applying for retirement. The member may select a single life annuity plan or select a reduced joint and survivor plan to provide his/her beneficiary(s) with a lifetime monthly benefit upon the member's death. If a Joint and Survivor plan, is selected, the monthly benefit for the member and the beneficiary(s) will be calculated by applying an actuarial reduction to the member only monthly benefit based on the ages of the retiree and the beneficiary(s) at retirement. If multiple beneficiaries are named, the monthly survivor benefit will be split equally between all beneficiaries for their lifetimes.

Plan Options	Monthly Benefit	Survivor Benefit	Designated Beneficiary(s) Benefit
<b>Single Life Annuity Plans:</b>			
<b>Member Only</b>	A maximum monthly benefit payable for the member's lifetime with all benefits ceasing at the member's death.	<b>No</b>	Any remaining balance of accumulated contributions and interest will be paid to the surviving designated beneficiary(s) in a lump sum in the event of your death.
<b>Social Security Leveling*</b>	A member may convert his or her monthly retirement benefit into an increased benefit payable prior to the date the member attains age 62 and is eligible to draw Social Security Benefits.	<b>No</b>	Any remaining balance of accumulated contributions and interest will be paid to the surviving designated beneficiary(s) in a lump sum in the event of your death.  <b>This retirement plan requires a benefit estimate from the Social Security Administration that has been completed within a year of your date of retirement from TCRS.</b>
<b>Joint and Survivor Plans:</b>			
<b>Option 1:</b>	<b>100% Survivorship</b> - Reduced retirement benefit. The beneficiary(s) will receive 100% of the member's benefit for the remainder of the beneficiary's lifetime.	<b>Yes</b>	If a member has designated more than one beneficiary, the benefit will be divided equally between the beneficiaries. If any or all beneficiaries pass away before the member, the member's benefit amount will remain the same.
<b>Option 2:</b>	<b>50% Survivorship</b> - Reduced retirement benefit. The beneficiary(s) will receive 50% of the member's benefit for the remainder of the beneficiary's lifetime.	<b>Yes</b>	If a member has designated more than one beneficiary, the 50% benefit amount will be divided equally between the beneficiaries. If any or all beneficiaries pass away before the member, the member's benefit amount will remain the same.
<b>Option 3:</b>	<b>100% Survivorship with Pop Up</b> - Reduced retirement benefit. The beneficiary(s) will receive 100% of the member's benefit for the remainder of the beneficiary's lifetime.	<b>Yes</b>	If a member has designated more than one beneficiary, the benefit will be divided equally between the beneficiaries. In the event the beneficiary passes away before the member, the member's benefit will increase to the member's maximum benefit under the single life annuity option.
<b>Option 4:</b>	<b>50% Survivorship with Pop Up</b> - Reduced maximum retirement benefit. The beneficiary(s) will receive 50% of the member's benefit for the remainder of the beneficiary's lifetime.	<b>Yes</b>	If a member has designated more than one beneficiary, the 50% benefit amount will be divided equally between the beneficiaries. In the event the beneficiary passes away before the member, the member's benefit will increase to the member's maximum benefit under the single life annuity option.

**Retirement Payment Plan Option Comparison:** For detailed information including definitions of key terms, please refer to the Active Member Resource Guides located at [RetireReadyTN.gov](http://RetireReadyTN.gov).

\*Social Security Leveling is an option that allows a member to convert his retirement allowance into an increased benefit payable prior to the date the retiree attains age 62 and a reduced allowance payable after that date, so that the member's total income will be approximately the same before and after the commencement of Social Security payments. If the amount of the Social Security Leveling reduction will result in a negative monthly benefit amount after age 62, an alternate calculation will be used to determine the amount of the Social Security Estimate used in the benefit calculation.

After submission, the member will receive an acknowledgement within two weeks of making application.

Any member who does not receive an acknowledgment within two weeks of applying may review the status of the application at [MyTCRS.com](http://MyTCRS.com) or contact RetireReadyTN regarding the status. If TCRS needs additional information regarding the application, they will notify the member or the employer.

In order to effectively process a retirement application without multiple changes in the last date or employment or certification, the Application for Retirement should not be submitted to the retirement system more than 150 days prior to the effective date of retirement.

An application, however, can be backdated 150 days from the date received by the retirement office if the effective date of retirement follows the date of his/her separation from service. It is the member's responsibility to apply for retirement when he/she becomes retirement eligible.

**Please note that these benefits will not increase after reaching retirement age eligibility (age 60 for Legacy and 65 for Hybrid) if you are no longer working for an employer covered by TCRS. By not drawing your TCRS benefits you are effectively missing payments.**

### ***Employer Certification***

After the member submits their retirement application, if a member is currently working for a TCRS-covered employer, or has within the last 150 days, the employer will receive a notification when a retirement application has been submitted and is ready for certification. The primary contact in Employer Self-Service will receive the notification. Internal notifications should be established if another staff member will be certifying the application.

The employer will certify the member's salary information up to the date of retirement. The date of retirement is no sooner than the day after the last paid date of service. Employers, based on their policies, may allow an employee to use annual leave or terminal leave and continue to be on payroll at the end of their employment up until their retirement date. Alternatively, as indicated by the employer's policies, the employer may allow the member to receive annual or compensatory leave as a lump sum payment, and the retirement date will be the day that the member from employment.

Contributions are not deducted or reported for lump sum payments, and these payments are not included in the member's average final compensation and should not be certified on the retirement application.

In addition to certifying the retirement date, and the service and salary up to that date, the employer will also certify any unused accumulated sick leave credit. Political subdivisions must have this provision in order for this service credit to be credited towards a member's retirement service.

## ***Confirming Retirement Benefits***

When the retirement benefit is finalized, the member will receive a notice of retirement letter indicating the effective date of retirement, the benefit option selected, and the benefit amount.

If the member elected a Joint and Survivorship Plan Option and would like to make any change to the benefit option selection, the member must do so within 60 days of the date of the Retirement Notice Letter by submitting a Change of Benefit Payment Plan form. Any change in option selection may result in an overpayment or an underpayment of benefits. If the change results in an overpayment of benefits, the option change will not become effective until the member repays the overpaid amount.

The member will not be permitted to change the benefit option or the member's designated beneficiary after the 60-day period. However, a retiree may change his or her beneficiary after the 60-day period upon death of or divorce from the beneficiary, but the retiree's benefit will not increase, and the newly elected beneficiary will only be entitled to any remaining accumulated member contributions or the final benefit payment upon the retiree's death.

A retiree who selects the Member Only Option may, at a later date, change his or her beneficiary and may further change to a Joint and Survivorship Plan Option by repaying the difference in benefits. Only the member can request a benefit option change. If the change results in an overpayment of benefits, the option change will not become effective until the member repays the overpaid amount.

TCRS can only pay retirement benefits to which the member or his / her designated beneficiary is entitled, and TCRS is required by law to recover any overpayments. Therefore, it is important that a member or his or her designated beneficiary contact the TCRS immediately if he/she notes a discrepancy or has questions regarding the monthly benefit amount.

## **Legacy Plan Retirement Benefits**

### ***Most Common Legacy Plan Codes***

- 024 - Teachers and local Education Agency
- 021 - State and Higher Education Teachers
- 091 - ORP
- 075 - State Public Safety
- 275 - State Bridge Benefit
- 051 - Political Subdivision General Employees
- 083 - Political Subdivision Public Safety
- 251 - Political Subdivision Board and Commissioners

## Elements of the Legacy Benefit Calculation

TCRS provides a lifetime monthly benefit as determined by a formula specified in state law. The formula for computing a monthly retirement benefit consists of a member's Average Final Compensation (AFC), years of creditable service, and the benefit accrual factor, which are described below.

<b>Accrual Factor</b>		<b>Average Final Compensation</b>		<b>Years of Service</b>		<b>Annual Benefit</b>
	<b>x</b>		<b>x</b>		<b>=</b>	
<b>1.50%</b>		<b>Average of Member's Highest 60 Consecutive Months of Salary</b>		<b>Service established while in a position covered by the Legacy Plan</b>		

## Average Final Compensation (AFC)

The AFC is the average of the member's five highest consecutive years of earnable compensation. The five consecutive years are counted by month and can start at any time. They are not limited to calendar or fiscal years. The federal government limits the maximum amount of compensation that may be recognized by a defined benefit plan. Limits can be found at [irs.gov](https://www.irs.gov).<sup>1</sup>

## Creditable Service

Creditable Service means membership service under the Legacy Plan plus any other periods of public service credited by TCRS. Service credit may be accrued for service as a state employee, higher education employee, a K-12 public-school teacher, or a full-time employee of a participating political subdivision. In addition, a member may be entitled to establish credit for other types of service. The types of service that may be established include those listed above in the *Prior Service* section.

## Benefit Accrual Factor

Tennessee state law provides that the benefit accrual factor for the Legacy Plan is 1.5%.

## Benefit Improvement (BIP)

Tennessee state law provides that a state employee, higher education employee, and a K-12 public-school teacher Legacy Plan member's base benefit is increased by 5%.<sup>2</sup> This increase applies to monthly retirement, disability, and survivor benefits, but it does not apply to lump-sum distributions. Political subdivisions must authorize this benefit improvement.

## Maximum Benefit Accrual

Under Tennessee state law, the maximum annual base benefit payable at retirement (under either service or early service retirement) is limited to 90% of the member's AFC.

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<sup>1</sup> Additional information about annual compensation limits and cost-of-living adjustments regarding retirement plans can be found at [www.irs.gov](https://www.irs.gov).

<sup>2</sup> General State and Higher Education Employees receive a 5% Benefits Improvement Percentage (BIP), which raises the Accrual Factor from 1.5% to 1.575%.



## **Social Security Integration Level (SSIL)**

The SSIL is an average of Social Security wage bases. Benefits provided by Social Security decrease as compensation increases (i.e., the relative value of Social Security benefits are higher for low wage earners than high wage earners). To offset this adjustment, the SSIL allows TCRS to provide a slightly higher benefit rate on a portion of the AFC that exceeds the SSIL. The Social Security integration level is \$83,400 for 2020 and estimated to be \$85,800 for 2021. Since the Social Security wage base increases each year, it is expected that the SSIL will continue to increase in future years. If a member has an AFC in excess of the social security integration level applicable at the time of retirement, such excess amount is multiplied by .25%, then multiplied by the number of years of the member's creditable service before being added to the member's benefit.

## **Eligibility for Service Retirement**

Any vested member in Legacy Plan shall be eligible for full unreduced service retirement upon reaching age 60 or completing 30 years of service.

The following Legacy example shows the formula used for computing the TCRS retirement benefit for a member who is 60 years old retiring with an AFC of \$30,000 and 30 years of creditable service. The member is meeting Service Retirement eligibility with service and age. This example assumes the member selects the Member Only Option and is eligible for the Benefit Improvement.

$$\begin{array}{r r r r r r r r} \text{Accrual} & & & & \text{Years of} & & & \\ \text{Factor} & & & & \text{Creditable Service} & & & \\ \hline .015 & \times & \frac{\text{AFC}}{\$30,000} & \times & \frac{30}{30} & = & \$13,500 & \\ & & & & & \div & \underline{12} & \\ & & & & & & \$1,125 & \\ & & & & & \times & \underline{0.05} & \\ & & & & & & \underline{\$1,181.25} & \end{array}$$

## **Members remaining in service after age 65 (AE65)**

For certain Legacy Plan members who remain in service past age 65, the retirement benefit is the greater of the service retirement benefit at retirement or the actuarial equivalent benefit assuming the member had retired at age 65. Only service established in TCRS as of age 65 is considered in the alternate calculation, the alternate age 65 calculation does not apply to anyone becoming a member of TCRS after June 30, 2011.

## **Early Service Retirement for Legacy Plan Members with at least 10 years of service**

Any member who has attained age 55 and vested is eligible for an early service retirement allowance. Benefits are computed in the same manner as a service retirement allowance except there is a permanent reduction of 0.4% for each month the member's date of early retirement precedes his/her service retirement date.

If a member retires on an early service retirement at age 59 with 20 years of service, benefits would be computed as if the member were retiring one year early based on his/her age, rather than on his/her years of service since this would provide the member with a larger benefit. The same would hold true if the member

were 58 with 29 years of service. Retirement benefits would be reduced by one year of service rather than by two years on age. For the purpose of determining an early service retirement allowance, the reduction factor most favorable to the member is used.

### ***Early Service Retirement for Legacy Plan Members with less than 10 years of service***

Upon reaching age 55, a vested member with less than 10 years of service is eligible for a retirement allowance. The member's benefit is reduced for early retirement as described above. In addition, his/her benefit shall be limited to the following percentages of the early retirement allowance:

5 years of service	25%
6 years	40%
7 years	55%
8 years	70%
9 years	85%
10 years	100%

### ***25-Year Early Retirement***

A Legacy member, whose employer has passed the appropriate plan provision, may retire prior to age 55 upon attaining 25 years of creditable service. In this situation, the member's benefit will be the actuarial equivalent of the benefit computation for early retirement that the member could have received at age 55.

Supplements to member guides exist for Legacy Plan members who are:

- Members of the General Assembly
- Attorneys general, district attorneys general, district public defenders, or state judges; and
- Public Safety Officers

These documents, and forms can be found under Forms and Guides at **RetireReadyTN.gov**.

### ***Minimum Benefit Payment***

The minimum retirement allowance payable to any member who has 10 years or more of creditable service and who has met the conditions for service retirement is \$8 per month multiplied by the number of years of creditable service. The minimum retirement allowance is \$7 per month for members who retire with less than 10 years, or political subdivision employees whose governing body has not passed a resolution authorizing the \$8 per month rate. The benefit will be reduced if the member retires early or if he chooses an optional payment plan. The minimum benefit before reductions cannot exceed 100 percent of the member's average final compensation.

### **Legacy Plan Examples:**

1. Minimum Benefit under Service Retirement:  
Assume Age 60 with 15 years of service  
 $\$8 \times 15 = \$120$   
TCRS Monthly Benefit =  $\$120 \times 1.05 \text{ BIP} = \$126$

2. Minimum Benefit Under Early Retirement:

Assume Age 55 with 15 years of service

$$\$8 \times 15 = \$120$$

Early Reduction Factor = .7600

$$\text{TCRS Monthly Benefit} = \$91 \times 1.05 \text{ BIP} = \$96$$

3. Minimum Benefit Under Disability Retirement:

Assume Age 50 with 15 years of actual service

(Service is not projected under the minimum disability benefit.)

$$\$8 \times 15 = \$120$$

$$\text{TCRS Monthly Benefit} = \$120 \times 1.05 \text{ BIP} = \$126$$

## Hybrid with Cost Controls Retirement Benefits

As of July 1, 2014, the Hybrid Plan with Cost Controls became effective for state, K-12 public-school teacher and higher education employees. Political subdivisions have the option to adopt a hybrid plan for their employees. Please note: The Hybrid Plan with Cost Controls is not recommended for any agency with fewer than 100 employees. Since this plan is optional, there is no requirement for political subdivisions to implement a change. In order to adopt a new plan, political subdivisions are required to pass a resolution.

The Hybrid Plan with Cost Controls contains both a defined benefit component, TCRS, and deferred compensation component. The employee contributes 5% of earnable compensation to the defined benefit plan and is auto enrolled at 2% to the deferred compensation plan. The employer contributes 4% to the defined benefit component and 5% to the deferred compensation component. For state employees the deferred compensation component refers to the State of TN 401(k). Higher education employers and K-12 public school teacher employers have the ability to adopt other deferred compensation options.

	<b>Employer<sup>3</sup> contributions</b>	<b>Member contributions</b>	<b>Total contributions</b>
<b>TCRS</b>	<b>4%</b>	<b>5%</b>	<b>9%</b>
<b>401(k)</b>	<b>5%</b>	<b>2%<sup>4*</sup></b>	<b>7%</b>
<b>TOTAL</b>	<b>9%</b>	<b>7%</b>	<b>16%</b>

<sup>3</sup> Employer contributions to TCRS are not refundable and employer 401(k) contributions are pre-tax only.

<sup>4</sup> The employee's contribution to the 401(k) plan may be modified at any time. If the employee was auto enrolled in the plan, the employee has a 90-day window to opt out of the 401(k) plan and obtain a refund of the 2% employee contribution. New members will receive notice on how to opt out and or change their contribution amount. Members may also go online to make any changes to their accounts at [RetireReadyTN.gov](http://RetireReadyTN.gov). Contributions are subject to Internal Revenue Service (IRS) limitations, which can be found at [irs.gov](http://irs.gov).

## Summary of Plan Structure for State & K-12 public-school Teacher Hybrid with Cost Controls

- Members are contributory
- 5-year vesting in TCRS, immediate vesting in 401(k)
- Service Retirement at age 65 or by meeting the rule of 90 (service credit + age = 90)
- Early Retirement at age 60 or by meeting the rule of 80 (service credit + age = 80)

### ***Benefit and Use of Cost Controls Structure***

Under the Hybrid with Cost Controls, the employer contributions will never exceed a total of 9% of earnable compensation. The cost controls structure of the plan is designed to ensure that the unfunded liabilities do not exceed certain limits.

The plan provides employers with a stable TCRS employer contribution rate and allows for employer contributions in excess of the actuarially determined contribution (ADC) to be placed in a stabilization reserve trust (SRT). Should the ADC for the fiscal year be greater than the TCRS employer contribution rate of 4%, the SRT will be utilized.

The following adjustments will occur should the TCRS employer contribution rate exceeds 4% of payroll or if the target unfunded liabilities are exceeded:

1. Utilize funds in the actuarial stabilization account
2. Reduce or suspend the maximum 3% annual COLA
3. Shift some or all the Defined Contribution employer contribution to the Defined Benefit Plan
4. Increase employee contribution to the Defined Benefit plan by 1%
5. Reduce future service accrual below 1%
6. Freeze plan; no future accruals

Cost controls are in place to make retirement cost effective to the employer and in order to promote adequate funding of the plan. If in subsequent valuations, the employer cost is below 4% and/or the unfunded liabilities are below the targets, the cost controls previously implemented will be reversed prospectively.

### ***Hybrid with Cost Controls Plan Codes***

- 040 - Teachers and local Education Agency
- 041 - State and Higher Education Teachers 042- General Assembly
- 043 - State and Political Subdivision Judges (1.6%)
- 044 - ORP 265- Political Subdivision Bridge Benefit
- 045 - State Public Safety
- 245 - State Bridge Benefit
- 062- Political Subdivision General Employees
- 065 - Political Subdivision Public Safety
- 254 - Political Subdivision Board and Commissioners

## ***Elements of the Benefit Calculation***

TCRS provides a lifetime monthly benefit as determined by a formula specified in state law. The formula for computing a monthly retirement benefit consists of a member's Average Final Compensation (AFC), years of creditable service, and the benefit accrual factor, which are described below.

### ***Average Final Compensation (AFC)***

More information on the AFC can be found in the Legacy Plan Retirement Benefits section. Limits can be found at **irs.gov**.

### ***Creditable Service***

Creditable Service means membership service under the Hybrid Plan plus any other periods of public service credited by TCRS. Service credit may be accrued for service as a state employee, higher education employee, a K-12 public-school teacher, or a full-time employee of a participating political subdivision. In addition, a member may be entitled to establish credit for other types of service. The types of service that may be established include those listed above in the *Prior Service* section.

### ***Unused accumulated sick leave at retirement***

More information on sick leave can be found in the *Legacy Plan Retirement Benefits* section.

### ***Benefit Accrual Factor***

Tennessee state law provides the benefit accrual factor for the Hybrid Plan, and it is 1.0%.<sup>5</sup>

A vested member is eligible to receive a lifetime monthly retirement benefit from TCRS upon reaching either service retirement eligibility or early service retirement eligibility. Retirement benefits may be subject to income tax at the time of distribution. Eligibility requirements for service retirement and early service retirement are described below.

### ***Service Retirement Eligibility for Service Retirement***

A member becomes eligible for unreduced service retirement benefits upon attainment of age 65 and completion of five years of creditable service or reaching the Rule of 90. The Rule of 90 means the attainment of a combination of age and years of creditable service as to equal 90. For example, a member age 55 with 35 years of service would qualify for service retirement since the member's age and service totals 90 ( $55 + 35 = 90$ ).

### ***Service Retirement Formula***

The annual service retirement allowance (or annual base benefit) payable to a member is equal to 1.0% of the member's AFC, multiplied by the number of years of creditable service. The annual service accrual (1.0% formula) may be decreased as part of the cost controls for the Plan.

The following example shows the formula used for computing the TCRS retirement benefit for a member who is 60 years old retiring with an AFC of \$30,000 and 30 years of creditable service. This example assumes the member selects the Member Only Option.

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<sup>5</sup> The Hybrid with Cost Controls Plan benefit accrual factor could be lowered due to the cost control structure of the plan.

In this example, TCRS service retirement benefits replace 30% of the member's AFC after 30 years of service.

$$\begin{array}{rcccccc}
 \text{Accrual} & & & & \text{Years of} & & \\
 \text{Factor} & & & & \text{Creditable Service} & & \\
 \hline
 .01 & \times & \frac{\text{AFC}}{\$30,000} & \times & \frac{30}{30} & = & \$9,000 \\
 & & & & & \div & \underline{12} \\
 & & & & \text{Monthly Benefit} & & \$750
 \end{array}$$

### Maximum Benefit Accrual

The maximum annual base benefit payable at retirement (under either service or early service retirement) is limited to the lesser of 90% of the member's AFC or the base benefit in effect at the time of the member's retirement but is subject to adjustment based on the cost-of-living provisions of the plan. For the current base benefit in effect, please see the Hybrid Retirement Plan for State Employees and Teachers Resource Guide at [RetireReadyTN.gov](http://RetireReadyTN.gov).

### Early Retirement Eligibility

A member becomes eligible for reduced early retirement benefits upon attainment of age 60 and completion of five years of creditable service or the Rule of 80. The Rule of 80 means the attainment of a combination of age and years of creditable service as to equal 80. For example, a member age 57 with 23 years of service would qualify for early retirement since the member's age and service totals 80 (57 + 23 = 80).

### Early Retirement Formula

The benefit is computed in the same manner as a service retirement benefit except there is a permanent actuarial reduction determined by how far the member is away from Service Retirement at the date of retirement.

The following example shows the formula for computing the TCRS early retirement benefit for a 60-year-old member retiring under the Member Only Option with an AFC of \$30,000 and 25 years of creditable service.

$$\begin{array}{rcccccc}
 \text{Accrual} & & & & \text{Years of} & & \text{Early} \\
 \text{Factor} & & & & \text{Creditable Service} & & \text{Reduction Factor} \\
 \hline
 .01 & \times & \frac{\text{AFC}}{\$30,000} & \times & \frac{25}{25} & \times & 0.612933^* \\
 & & & & & & = & \$4,597 \\
 & & & & & & \div & \underline{12} \\
 & & & & & & \text{Monthly Benefit} & \$383
 \end{array}$$

Supplements to member guides exist for Hybrid Plan members who are:

- Hybrid Public Safety Benefits
- Hybrid Judges
- General Assembly Members

These documents, and forms can be found under Forms and Guides at [RetireReadyTN.gov](http://RetireReadyTN.gov).

\* The reduction factor is specifically calculated for member's age and service of this example and may not be the same for all Hybrid early retirement calculations.



## **HYBRID PLAN WITHOUT COST CONTROLS RETIREMENT BENEFITS**

The Hybrid Plan without Cost Controls was established July 1, 2012 as an additional plan that political subdivisions may join.

### **Hybrid without Cost Controls Plan Codes**

- 253 - Elected Board Members and Commissioners
- 513 - General Employees
- 833 - Fire Fighters and Police Officers

### **Elements of the Benefit Calculation**

TCRS provides a lifetime monthly benefit as determined by a formula specified in state law. The formula for computing a monthly retirement benefit consists of a member's Average Final Compensation (AFC), years of creditable service, and the benefit accrual factor, which are described below.

#### ***Average Final Compensation (AFC)***

More information on the AFC can be found in the Legacy Plan Retirement Benefits section. Limits can be found at [irs.gov](http://irs.gov).

#### ***Creditable Service***

More information on Hybrid plan Creditable Service can be found in the Creditable Service section under Hybrid with Cost Controls.

#### ***Unused accumulated sick leave at retirement***

More information on sick leave can be found in the Accumulated Sick Leave section.

#### ***Benefit Accrual Factor***

Tennessee state law provides the benefit accrual factor for the Hybrid without Cost Controls Plan, and it is 1.0%.

A vested member is eligible to receive a lifetime monthly retirement benefit from TCRS upon reaching either service retirement eligibility or early service retirement eligibility. Retirement benefits may be subject to income tax at the time of distribution. Eligibility requirements for service retirement and early service retirement are described below.

#### ***Service Retirement Eligibility for Service Retirement***

A member becomes eligible for unreduced service retirement benefits upon attainment of age 65 and completion of five years of creditable service or reaching the Rule of 90. The Rule of 90 means the attainment of a combination of age and years of creditable service as to equal 90. For example, a member age 55 with 35 years of service would qualify for service retirement since the member's age and service totals 90 ( $55 + 35 = 90$ ).

#### ***Service Retirement Formula***

- The annual service retirement allowance (or annual base benefit) payable to a member is equal to 1.0% of the member's AFC, multiplied by the number of years of creditable service.

The following Hybrid without Cost Controls example shows the formula used for computing the TCRS retirement benefit for a member who is 60 years old retiring with an AFC of \$30,000 and 30 years of creditable service. The

member is meeting Service Retirement eligibility with the Rule of 90. This example assumes the member selects the Member Only Option.

$$\begin{array}{rcccl}
 \text{Accrual} & & & & \\
 \text{Factor} & & & & \\
 \hline
 .01 & \times & \frac{\text{AFC}}{\$30,000} & \times & \frac{\text{Years of}}{\text{Creditable Service}} & = & \frac{\$9,000}{12} \\
 & & & & 30 & \div & \\
 & & & & \text{Monthly Benefit} & & \hline
 & & & & & & \$750
 \end{array}$$

### **Early Retirement Eligibility**

A member becomes eligible for reduced early retirement benefits upon attainment of age 60 and completion of five years of creditable service or the Rule of 80. The Rule of 80 means the attainment of a combination of age and years of creditable service as to equal 80. For example, a member age 57 with 23 years of service would qualify for early retirement since the member’s age and service totals 80 (57 + 23 = 80).

### **Early Retirement Formula**

The benefit is computed in the same manner as a service retirement benefit except there is a permanent actuarial reduction determined by how far the member is away from Service Retirement at the date of retirement.

## **ALTERNATE DEFINED BENEFIT (ADB) RETIREMENT BENEFITS**

The Alternate Defined Benefit (ADB) Plan was established July 1, 2012 as an additional plan that political subdivisions may join.

### **Alternate Defined Benefit**

- 252 - Elected Board Members and Commissioners
- 512 - General Employees
- 832 - Fire Fighters and Police Officers

### **Elements of the Benefit Calculation**

TCRS provides a lifetime monthly benefit as determined by a formula specified in state law. The formula for computing a monthly retirement benefit consists of a member’s Average Final Compensation (AFC), years of creditable service, and the benefit accrual factor, which are described below.

### **Average Final Compensation (AFC)**

More information on the AFC can be found in the Legacy Plan Retirement Benefits section. Limits can be found at [irs.gov](http://irs.gov).

### **Creditable Service**

More information on Hybrid plan Creditable Service can be found in the Creditable Service section under Hybrid with Cost Controls.

## Unused accumulated sick leave at retirement

More information on sick leave can be found in the Accumulated Sick Leave section.

## Benefit Accrual Factor

Tennessee state law provides the benefit accrual factor for the Alternate Defined Benefit Plan, and it is 1.4%.

A vested member is eligible to receive a lifetime monthly retirement benefit from TCRS upon reaching either service retirement eligibility or early service retirement eligibility. Retirement benefits may be subject to income tax at the time of distribution. Eligibility requirements for service retirement and early service retirement are described below.

## Service Retirement Eligibility for Service Retirement

A member becomes eligible for unreduced service retirement benefits upon attainment of age 65 and completion of five years of creditable service or reaching the Rule of 90. The Rule of 90 means the attainment of a combination of age and years of creditable service as to equal 90. For example, a member age 55 with 35 years of service would qualify for service retirement since the member's age and service totals 90 (55 + 35 = 90).

## Service Retirement Formula

- The annual service retirement allowance (or annual base benefit) payable to a member is equal to 1.4% of the member's AFC, multiplied by the number of years of creditable service.

The following Alternate Defined Benefit Plan example shows the formula used for computing the TCRS retirement benefit for a member who is 60 years old retiring with an AFC of \$30,000 and 30 years of creditable service. The member is meeting Service Retirement eligibility with the Rule of 90. This example assumes the member selects the Member Only Option.

$$\begin{array}{rcccl} \text{Accrual} & & & \text{Years of} & \\ \text{Factor} & \times & \text{AFC} & \text{Creditable Service} & \\ \hline .014 & \times & \$30,000 & 30 & = \\ & & & & \text{\$12,600} \\ & & & & \div \\ & & & & \hline & & & \text{Monthly Benefit} & \text{\$1,050} \end{array}$$

## Early Retirement Eligibility

A member becomes eligible for reduced early retirement benefits upon attainment of age 60 and completion of five years of creditable service or the Rule of 80. The Rule of 80 means the attainment of a combination of age and years of creditable service as to equal 80. For example, a member age 57 with 23 years of service would qualify for early retirement since the member's age and service totals 80 (57 + 23 = 80).

## Early Retirement Formula

The benefit is computed in the same manner as a service retirement benefit except there is a permanent actuarial reduction determined by how far the member is away from Service Retirement at the date of retirement.

## **Retirement Benefit less than \$75.00: Actuarial Lump Sum Benefit (Applies to all plans)**

State law provides that, upon certain circumstances, the retiree has a choice of a monthly benefit or an actuarial lump sum payment. If the member is eligible to choose between the monthly benefit and the actuarial lump sum a letter will be generated for the member to select between the monthly benefit or the lump sum. If the member is not eligible to choose the benefit will automatically be calculated using the actuarial lump sum formula. Additionally, if a member's account balance is greater than the actuarial lump sum calculation they have the option to refund their accumulated contributions and interest in lieu of the actuarial lump sum payment.

**Note: If the member's monthly benefit is less than \$10 the member will receive an actuarial equivalent lump sum payment regardless of the member's DOM.**

### **If the member's date of membership (DOM) is before July 1, 2001:**

If the member's monthly benefit is more than \$10 and less than \$75 and the DOM is prior to July 1, 2001 the member will receive an actuarial equivalent lump sum payment OR the monthly benefit dependent on the members choice.

### **If the member's date of membership (DOM) is on or after July 1, 2001 and before July 1, 2013:**

If the member's monthly benefit is more than \$10 and less than \$50 and the DOM is on or after July 1, 2001 and before July 1, 2013 the member will receive an actuarial equivalent lump sum payment; the member does not have an option to receive the monthly payment. If it is between \$50 and \$75, the member has the choice between monthly benefit or a lump sum.

### **If the member's date of membership (DOM) is on or after July 1, 2013:**

If the member's monthly benefit is more than \$10 and less than \$75 and the DOM is on or after July 1, 2013: the member will receive an actuarial equivalent lump sum payment, the member does not have an option to receive the monthly payment.

The actuarial lump sum formula is as follows:

The Member Only Option Payment x 12 x Actuarially Determined Annuity factor based on age

## **Disability Benefits**

TCRS Disability Retirement is available for members in all TCRS retirement plans. Eligibility for Disability retirement is approved when a member meets TCRS service requirements and is not able engage in substantial gainful employment due to a total and permanent physical or mental disability, which is documented by a medical review.

### **The Disability retirement types include:**

- Ordinary: Active vested members who have been disabled since date of separation from employment They must not be eligible for regular retirement.

- Accidental: Active members, with no minimum service requirement, who have a job-related injury with no negligence on the part of the member. The member must apply within one year of last paid date of service or within 2 years of the injury.
- Inactive: Members who are vested but not in service at the time of disability. They must not be eligible for regular or early retirement,  
\*Political Subdivisions must have adopted this provision and Inactive Disability only applies to Legacy plan members.

**Note: If a member terminates service and refunds their contributions, they will not be eligible for disability benefits.**

### ***Ordinary Disability Retirement***

Vested members in the Legacy, Hybrid, or Alternate Defined Benefit plans may apply for an ordinary disability benefit when they become disabled prior to separation from service. They must not be eligible for regular retirement. The member must meet medical criteria indicating that they are totally and permanently disabled and unable to engage in any substantial gainful activity as the result of a mental or physical impairment which can be expected to last for a continuous period of not less than 12 months.

- Ordinary Disability Retirement Allowance: The benefit formula for an ordinary disability retirement allowance is 90% of the retirement benefit for service retirement.
- Projected Years under the Ordinary Disability Retirement Allowance:
- If a member qualifies for a disability retirement benefit under the ordinary disability provision with less than 20 years of service, his/her benefits are computed as though he/she had 20 years of service. However, the projected years cannot exceed what the member would have earned in his/her own right had he/she remained in service to age 60 for Legacy and 65 for Hybrid or alternate plans. For example, if a Legacy member is age 50 with five years of service, his/her benefits would be computed on 15 years of service because he/she would have earned only 10 additional years had he/she remained in service from age 50 to age 60.

**Note: A member will receive at least 10 years of service if they would not have had it at retirement.**

- Should a member remain on disability until their service retirement age, the benefit will increase to the regular benefit amount at that time.

### ***Accidental Disability***

A member who becomes totally and permanently disabled as the result of an accident or physical violence against them occurring while in the performance of duty without negligence on their part, may be eligible for an accidental disability retirement allowance. There is no minimum service requirement to receive accidental disability. The member must meet medical criteria indicating that they are totally and permanently disabled and unable to engage in any substantial gainful activity as the result of a mental or physical impairment which can be expected to last for a continuous period of not less than 12 months.

## Accidental Disability Retirement Allowance

- For those members joining TCRS prior to July 1, 1997, the monthly benefit shall equal one-half of the member's average final compensation divided by 12. If the member receives a Social Security disability benefit or attains age 62, his/her monthly retirement allowance from TCRS is reduced to one-third of his/her average final compensation divided by 12.
- For those members joining TCRS after 7/1/97, the benefit shall be calculated the same as ordinary disability.

## Inactive Disability for Legacy Plan Members

A vested Legacy Plan member who is not in service at the time of a total and permanent disability may be considered eligible for inactive disability. They must not be eligible for regular or early retirement. The member must meet medical criteria indicating that they are totally and permanently disabled and unable to engage in any substantial gainful activity as the result of a mental or physical impairment which can be expected to last for a continuous period of not less than 12 months.

- Political Subdivisions must have adopted this provision
- Members of the Hybrid with Cost Controls plan, Hybrid without Cost Controls plan, and alternate defined benefit plan are not eligible for inactive disability benefits.

## Social Security Disability Benefits

To apply for social security disability benefits, a member must file a separate application with the Social Security Administration. Visit [SSA.gov](http://SSA.gov) for more information. Please note that the eligibility requirements for TCRS disability retirement are different from the requirements for SSA disability.

- Eligibility for TCRS Disability does not also render a member eligible for Social Security Disability Benefits.
- Eligibility of Social Security Disability Benefits does not of itself render a member eligible for TCRS disability but **may render** a member eligible for TCRS Disability benefits.
- A TCRS member may apply for Social Security Disability Benefits before, concurrently, or after application to Social Security Disability.

Applying for TCRS Disability Benefits after receiving award of Social Security Benefits

TCRS **may** establish a member's eligibility for TCRS Disability Retirement benefits as follows:

- The member's approval of disability benefits by the Social Security Administration were awarded on the member's the initial request or reconsideration.
- If a member is awarded Social Security Disability benefits on the initial request or reconsideration, the member **must submit to TCRS, within 12 months** of the award, both the letter from Social Security awarding the benefit, and the medical file that was submitted to Social Security with the application for disability, in order to establish eligibility for TCRS Disability benefits.

- If the Social Security disability benefits were awarded based on an Administrative Law Judge decision, the member will not be eligible for TCRS disability benefits on the basis of that decision and award by the Social Security Administration (TCA 8-36-504 (c)(3)). The member may, however, apply for TCRS Disability Retirement, and may be eligible for benefits if found to meet medical criteria indicating that they are totally and permanently disabled and unable to engage in any substantial gainful activity as the result of a mental or physical impairment which can be expected to last for a continuous period of not less than 12 months.

## Applying for TCRS Disability Retirement

Employers may refer their employees to RetireReadyTN to obtain information about applying for disability retirement if they have had an accident, have a medical condition which is considered terminal, or if they have a chronic condition and are not able to maintain gainful employment.

Members may contact RetireReadyTN to discuss information regarding the application process for disability retirement by calling (800) 922-7772.

When members call, the medical review process will be discussed with them, and if they meet the criteria to apply for ordinary, accidental or inactive disability, a benefit estimate will be created for them. They will also receive information about the following forms they will need to submit for the medical review:

- ***Application for Disability Retirement Benefits***

After completing their portion, the member should provide the application to the employer for certification. Employers must provide certification for Disability Retirement applications for active members (currently employed or within 150 days from separation).

The application will not be processed for the retirement benefit until the member is approved for disability as a result of the medical review. Based upon the circumstances, information regarding the final paid day of employment or worker's compensation benefits may be provided by the employer after the medical approval when the retirement application is processed.

Please see the attached checklist for employers certifying Disability Applications (attached)

Members and employers may submit completed forms using one of the following options:

- Mailing Address: Andrew Jackson State Office Building,  
TCRS Disability Retirement,  
502 Deaderick Street Nashville, Tennessee 37243
- Fax: (615) 401-6820 Attention – TCRS Disability Retirement
- Email: **TCRS.Disability@tn.gov**

- ***Declaration of Disability***

The member will complete this form in detail by describing the nature of their disability and the reason why they can no longer engage in any type of substantial gainful employment due to the disability.

- ***Medical Records Release Authorization***

This form authorizes the member's designated healthcare providers to release the member's medical records to TCRS for purposes of the medical review. The member's attending physician(s) will be asked



to provide medical records when they sign the Attending Physician's Report of Disability described below.

- ***Attending Physician's Report of Disability***

After completing the member information section, this form should be provided to the member's attending physician for completion of section 2. In addition to this form, the physician is requested to attach all office notes, hospital summaries, test results and any other available medical records related to the disability.

The following forms will be completed if the member is applying for disability as a result of a job injury:

- ***Vocational History***

This form is used to authorize TCRS to evaluate the member's vocational history.

- ***TCRS Report of Accidental Disability***

The member will complete this form only if they are applying for disability retirement benefits as the result of an on the job injury.

The member *Disability Retirement Checklist* can be found at **RetireReadyTN.gov**.

## **Certification of Disability Applications**

### **Medical Review Process**

- Upon receipt of the required statements and medical records, TCRS will submit the information for medical review to determine if the member is determined to be totally and permanently disabled and unable to engage in any substantial gainful activity as the result of a mental or physical impairment which can be expected to last for a continuous period of not less than 12 months.

TCRS contracts with a third-party vendor to conduct the medical review and provide disability recommendations. Members and their medical professionals may be contacted by the vendor for additional information which may be provided by mail, fax, or through an online portal.

### ***Approval or Denial***

The member will receive written notification regarding approval or denial of disability eligibility. If the application is approved, TCRS will then process the member's disability retirement benefit.

If the member is not approved the member will receive information regarding the ability to request a reassessment or appeal.

### **Applying for Health Insurance**

If members are eligible for continuation of health insurance through their employer when they retire, the employer should provide information regarding eligibility and coverage options.

- o For employer continuation of coverage coordinated through Benefits Administration, members may contact Benefits administration at (800) 253-9981.

- o If a member is enrolled in a reimbursable account through the Flexible Benefit Program, consider how your retirement will affect this account. For more information contact your Flexible Benefits Program.

### Requirements of continuing TCRS Disability Benefits *Report of Annual Earnings*

Each year, members are required to submit a report of their annual earnings.

The amount of income a member may earn while receiving a TCRS disability benefit is based upon the federal guideline for individuals receiving social security disability benefits. This amount is published annually and communicated in the notice of approval. Visually impaired individuals may earn a designated amount that is different from other recipients.

In April of each year, members are sent notice to submit the earnings report. The report may be completed at MyTCRS.com or may be submitted and mailed to TCRS. Failure of a member to report their annual earnings may result in suspension of their TCRS disability retirement benefit

### ***Reevaluations for Disability Retirement Eligibility***

TCRS disability members are re-evaluated every three (3) years, unless otherwise specified by the medical reviewer.

Members are notified regarding the requirement for re-evaluation and are provided with the forms and information that must be submitted within 90 days of the initial request. Failure to submit the necessary forms and medical information for reevaluation may result in the suspension of disability retirement benefits (TCA 8-36-506; TCRS Rule 1700-03-01-.10).

- The re-evaluation letter is sent during the month of a member's 3-year disability retirement anniversary date, unless another evaluation timeframe has been established.
  - o The member is requested to return the information in 30 days.
- Following receipt of the requested information, a medical review is completed.

The member will be notified in writing if they continue to meet the eligibility requirements for disability retirement. If they are no longer eligible, they will be provided information regarding a request for reassessment or appeal. If a member is found to no longer meet medical criteria indicating that they are totally and permanently disabled and unable to engage in any substantial gainful activity as the result of a mental or physical impairment which can be expected to last for a continuous period of not less than 12 months, their benefit will be suspended.

### ***Worker's Compensation - Board of Claims***

For retirees receiving compensation from the Board of Claims or Workers' Compensation in addition to disability retirement, Tennessee Code Annotated, Section 8-36-501 provides the TCRS disability retirement benefit will be limited so that the retiree's disability benefit together with compensation from the Board of Claims or Workers' Compensation does not exceed 75% of the retiree's average final compensation. Compensation by the Board of

Claims or Workers' Compensation includes any payment except those made for hospital or medical expenses. Any lump sum payment shall be prorated over the appropriate period of time.

If at any time a TCRS member with a disability benefit receives compensation from the Board of Claims or Workers' Compensation, the member should notify RetireReadyTN immediately. An award from the Board of Claims or Worker's compensation may affect the amount of the member's approved disability benefit.

## **RETIRES RETURNING TO WORK**

### **Returning to Work Full-time with a TCRS-covered Employer**

If a retired member returns to service with a TCRS-covered employer under any circumstance other than 120-day Temporary Employment or Limited Reemployment of Retired Teachers, his/her retirement allowance is suspended during reemployment.

A reemployed retiree who completes three or more years of creditable service will have his/her benefits recomputed based on the total number of years of service and the highest average final compensation. If the retiree selected the Social Security Leveling Plan at retirement, the member must repay the supplement received under the leveling plan in order to have the benefit recalculated.

If the additional service is less than three (3) years, benefits are separately computed for the last period of active service and added to the original benefit.

### **Employment of a Retired General State Employee by a Political Subdivision**

A retired general state employee with a retirement date before January 1, 2006 may accept employment with a political subdivision without loss or suspension of retirement benefits under the following conditions:

- The retirement benefits received by the retired state employee shall not include compensation for any disability.
- The retired state employee shall not be eligible to accrue additional retirement benefits as a result of employment with the political subdivision.

## **120-Day Temporary Employment**

### ***Eligibility***

Any retired member may return to service after 60 days have elapsed since the retirement date, without loss of retirement benefits, for the equivalent of 120 days within a 12-month period, the beginning date of employment for the 12-month period is the date of hire. The anticipated termination date should be no later than one year from the retiree's hire date. Employers may waive the 60-day waiting period, on the Temporary Employment Report, if there are no other qualified personnel to work for the specified period, and the retiree works only half the hours the retiree was working prior to retirement. The Temporary Employment Report form can be found under the "Forms and Guides" section at RetireReadyTN.gov. It is important to note that retirees are not eligible to accrue additional retirement benefits working under the 120-day Temporary Employment provision.

## Compensation Limits

A retiree's compensation under a 120-day Temporary Employment contract is limited to 60% of the annual full-time salary received by the retiree in the year immediately prior to retirement. This limit on salary increases by 5% for each year since retirement.

Below is an example of salary limits for years one to three under Temporary Employment:

<b>Pre-Retirement Annual Salary</b>	<b>Yearly Limits Final Year's Salary x 1.05 per year x 60%</b>	<b>Maximum Allowable Salary Under Temporary Employment</b>
\$50,000	Retired less than 1 year = 60%	\$30,000
\$50,000	Retired 1 year = 63%	\$31,500
\$50,000	Retired 2 years = 66.15%	\$33,075

## State of Tennessee Deferred Compensation Plan Participation

120-day employees are eligible to participate in the State of Tennessee 401(k) and 457(b) plans if adopted by their employer's governing body.

### Annual Notification to TCRS

A Temporary Employment Report must be completed and filed each year with TCRS before the 120-day employment period begins. When completing the form, the beginning date of employment for the 12-month period is the date of hire. The anticipated termination date should be one year from the retiree's hire date. Completion and submission of the form is a shared responsibility between the employer and the employee.

### Monthly TCRS Contribution Report

Employees must be reported on the employer's monthly report in a non-participant status while employed under a 120-day Temporary Employment contract.

### 120-day Conversion to Hours

Generally, one day is equivalent to the number of hours the retiree worked on average each day pre-retirement. For a retired state employee, 7.5 hours will equal one day for temporary employment. In contrast, a retired bus driver who worked 4 hours a day pre-retirement, would be limited to 4 hours/day for up to 120 days.

Additionally, days can be converted to hours. If a retiree worked 7.5 hours pre-retirement and takes a position post-retirement working 4 hours per day, he/she can work a maximum of 900 hours – the equivalent of 120 full days of work- during the 12-month temporary employment period.

If employed as a teacher in an institution of higher education, the retiree may teach 24 quarter hours or 18 semester hours annually.

Effective July 1, 2017, a retired K-12 public-school teacher employed as a substitute teacher may work beyond 120 days during a 12-month period, provided that the additional days would not cause the retiree's salary to exceed the salary rate set by the school system for substitute teachers filling similar vacant positions.

## **Limited Re-Employment for Teachers**

### ***Eligibility***

Any person retired from a TCRS-covered employer for one year or longer may accept a one-year untenured appointment as a K-12 public-school teacher without loss of retirement benefits provided that the superintendent certifies that no other qualified persons are available to fill the position and that the Commissioner of the Tennessee Department of Education certifies that the school system serves an area that lacks qualified teachers to fill such position. Also, the retiree must possess an active, professional teacher's license. Certain minimum and maximum salaries apply that can be found on the Limited Reemployment of Retired Teachers form. It is important to note that the retiree is not eligible to accrue additional retirement benefits as a retired teacher working under the limited reemployment guidelines.

### ***Annual Notification to TCRS***

A Limited Reemployment of Retired Teachers form must be completed and submitted to TCRS each year before the reemployment period begins. The year begins with the date of hire for the retiree, and the notification applies to that year. Completion and submission of the form is a shared responsibility between the employer and the employee. The form can be accessed under the *Forms and Guides* section at **RetireReadyTN.gov**.

### ***Monthly TCRS Contribution Report***

Employees must be reported on the employer's monthly report in a non-participant status while employed under the limited reemployment guidelines.

### ***TCRS retirees employed by private (non TCRS) entities***

Retired TCRS members may be employed with a non-TCRS entity and continue to receive their TCRS retirement benefit. Please note, a TCRS retiree cannot return to work as an independent contractor or through employment with a separate entity, doing the same job with a TCRS-covered employer that the retiree had as an employee. TCRS strongly encourages all employers to check with TCRS first before entering into a contractual relationship with a TCRS retiree.

### ***Disability Retirees***

Retirees receiving TCRS disability retirement benefits must report annual earnings and will be notified annually. If a disability retiree returns to any employment, whether with a TCRS-covered employer or private employer, which results in earnings in excess of the Social Security Administration's definition of Substantial Gainful Activity (SGA), his disability benefit will be suspended. The amount of earnings considered SGA is published annually and included in the Annual Earnings letter. For more information see Disability Section above.

**TCRS monitors compliance with Return to Work requirements for retirees. Exceeding the 120-day Temporary Employment limits, Limited Reemployment of Retired Teachers guidelines and/or not notifying TCRS upon returning to work full time (after retirement or while receiving disability**

**retirement benefits) will result in a suspension of retirement benefits and may result in an overpayment of benefits that must be repaid to TCRS by the employee (retiree). Additionally, the employer is responsible for accurately reporting all Return to Work employees.**

## **Additional Exceptions**

### *Optional Membership*

Prior to July 1, 2018, a retiree returning to full-time employment had the option to rejoin the retirement system as a participating member. The retiree still had to stop their retirement benefits but did not have to join TCRS.

### *Return to Work 70% Reduction*

From July 1, 2009 to June 30, 2012, retirees could continue to receive their retirement benefits and work full-time but agreeing to reduce their retirement benefits to 70% while they were actively working. There were other conditions to the agreement and the reduction would be removed when they stopped working.

### *Members of the General Assembly*

TCA 8-36-808 permits any person who becomes a member of the General Assembly (Legislator) after November 1, 1982 to continue in the General Assembly without loss or suspension of any other retirement allowance to which they are entitled. For example, if a Legislator also has teaching service, he/she may retire from teaching, activate his or her retirement benefit related to his or her teaching service (if eligible) and collect compensation from his or her General Assembly service without loss or suspension of his retirement benefit. Such service may overlap with the General Assembly service or it may be prior to his election to the General Assembly.

However, a retired Legislator cannot return to work full-time as a teacher, state, or political subdivision employee and continue to draw retirement benefits.

### *Senior Judges*

Retired state judges can return to work in a senior judge status with the state, continue to receive retirement benefits and earn additional credit towards retirement. Employment as a Senior Judge is managed by the Administrative Office of the Courts and allows for retired judges to preside over certain court cases as needed.

### *State Employees returning as Political Subdivision employee*

Prior to January 1, 2006, a retired state employee, could return to work full-time for a political subdivision and continue to draw his retirement benefit. Any retired state employee with a date of retirement on or after January 1, 2006 returning to work full-time with a political subdivision must notify TCRS and have their retirement benefit suspended.

## **Retired Payroll**

### *Change of Address*

Retirees may change their address by logging into Retiree Self-Service via **MyTCRS.com**.

## ***Direct Deposit***

Upon the completion of a direct deposit application authorizing such action, the retirement system will deposit the retirement benefit directly to the retired member's designated account at a financial institution. A direct deposit application will be furnished to the retired member upon request. Retirees are required by law to use the direct deposit plan for monthly retirement benefits. This guarantees that the money will be deposited in the member's account on the last business day of each month. This service also frees the member from concern over lost or stolen checks. It is very important that a direct deposit participant notify TCRS if their home address changes to ensure TCRS can notify the member of any account changes.

Retirees can maintain their direct deposit information by logging into Retiree Self-Service via **MyTCRS.com**.

## ***Debit Cards***

If a retiree submits a paper retirement application and omits direct deposit information or upon written request for a debit card a member can be paid their monthly retirement benefit by prepaid debit card. TCRS uses a vendor for issuance and administration of its debit cards. For more information related to obtaining a debit card please contact Retire Ready TN. For information related to the debit card vendor and fee schedule please see the disclosure form enclosed with the Notice of Retirement letter.

## ***Death of the Retiree or Beneficiary***

An employer may report the death of an employee or retiree by contacting RetireReadyTN at (800) 922-7772.

TCRS will request the correct contact information for the surviving family member.

It is the responsibility of the family to notify TCRS upon the death of the retired member or beneficiary by contacting RetireReadyTN at (800) 922-7772.

Information requested when the report of the death is made include:

1. full name of the deceased retiree or beneficiary
2. date of death;
3. Social Security number; and
4. if the information is furnished by telephone, the caller's name, address, and telephone number.

At the time of the notification, no determination of benefits will be provided.

If the member selected a payment plan providing for a continuing monthly benefit to his/her designated beneficiary, the beneficiary must submit the completed Claim Form along with a copy of the death certificate to the retirement system before payments to the beneficiary can begin.

If the beneficiary is deceased or the retired member designated his/her estate, the executor or administrator should submit a certified copy of his/her appointment with the Claim Form and death certificate. These documents must be furnished before the claim can be processed.

Survivor Benefits will review all information and determine if survivors are eligible for any retirement benefits.

Any payments made after the member's death that result in an overpayment of benefits will be collected by the retirement system.



## **Federal Income taxes**

### ***Year End Statement (1099R)***

TCRS members receiving monthly retirement benefits are liable for federal income taxes.

At the end of January, TCRS will provide all retirees a statement of the annual amount of benefits paid to the retiree during the previous year. This 1099R will be used by retirees to file their federal income tax. 1099R statements are mailed to the home address, and if there is a change in the amount of benefits to be received, the retiree will be notified in writing.

The 1099R will be mailed to the address of the retiree on file, and will also be available to the retiree at **MyTCRS.com**

### ***Tax Withholding information***

Federal law requires TCRS to automatically withhold income tax as if the member was married with three dependents unless the member elects no withholding or specifies that withholding be deducted based on a specified number of allowances and marital status.

To avoid automatic withholding, members may complete a tax election on the Application for Retirement.

- Retired employees have the option to change the tax withholding at any time via the Substitute Withholding Certificate or by logging into Retiree Self-Service via **MyTCRS.com**.
- Federal law requires TCRS to inform retirees each year that they are liable for federal income taxes on the taxable portion of their retirement benefit and may be subject to tax penalties if estimated tax payments and withholding do not cover 90% of their tax liability.

**Members with questions about completing tax withholdings at MyTCRS.com, may contact RetireReadyTN**

### ***Divorce after Retirement***

In the event of divorce of a retiree who retires under a Joint and Survivor optional retirement payment plan where the spouse is the designated beneficiary, the beneficiary may be removed upon the written request of the retiree. A copy of the divorce decree and property settlement or marital dissolution agreement must accompany the request and such request must not be contrary to the decree or settlement. The retirement allowance payable to the retiree after the designation of a new beneficiary shall not be affected by such change.

### ***Cost of Living Adjustment***

Any retired member who has been retired for at least 12 months on July 1 of each year is eligible to receive an increase in retirement benefits based on an increase in the Consumer Price Index. If the change in the Consumer Price Index is between 0.5% and 1% in any calendar year, the cost-of-living adjustment will be 1%. If the change in the Consumer Price Index is between 1% and 3%, the cost-of-living adjustment will be the actual percent. If the change in the Consumer Price Index is above 3%, the cost-of-living adjustment will be 3%. However, if the change in the Consumer Price Index is less than 0.5% for the year, there will be no cost-of-living adjustment. Any increase is effective on July 1 after the calendar year.

The governing body of Political Subdivisions participating in the Legacy plan or Alternate Defined Benefit plan in TCRS must approve this cost-of-living (COLA) provision. COLA is included as part of the Hybrid without Cost Controls and Hybrid with Cost Controls. COLA may be adjusted as part of the cost controls in the Hybrid Plan with Cost Controls.

### ***Ad-Hoc Benefit Increases***

From time to time, the General Assembly may authorize special benefit increases for retirees of which will be optional for political subdivisions.

### ***Garnishment, Attachment, or Assignment of Contributions or Benefits***

Retirement allowance and accumulated contributions of a member are not subject to voluntary or involuntary execution, attachment, garnishment, or assignment except under the following conditions:

- The State may claim from the member's accumulated contributions any amounts owed to the State upon the member's termination from service. Any remaining contributions, upon satisfaction of the State's claim, shall be paid to the member.
- Any member who is found to owe money to the State upon retirement and who elects a monthly benefit shall have his/her debt satisfied from his/her monthly benefit.
- Under certain conditions, claims for child support may be satisfied.

### ***Overpayment and Underpayment***

The law governing the TCRS retirement plan requires that any error which results in a member or beneficiary receiving more or less than he/she is entitled to receive must be corrected and adjusted accordingly. If an overpayment is made, the overpayment amount must be returned to the retirement plan. The amount should be paid in a lump sum.

### ***Impact of Felony Convictions on Retirement Benefits***

Employers are required to report to TCRS felony convictions of employees or former employees resulting from malfeasance in office. Certain members or retirees of TCRS could be denied retirement benefits if convicted of a state or federal crime arising from their employment or official capacity. Application of the law depends on the jurisdiction of the crime. Effective 2006, each time a person is elected to public office in Tennessee, the person consents to forfeit his/her retirement benefit if convicted in any state or federal court of a felony arising out of the official's employment or official capacity.

Additionally, TCA 8-36-113 provides that, upon certain circumstances related to felony convictions, TCRS can withhold payment of contributions and interest or monthly benefit. Furthermore, if the service of a member is terminated, for any reason, and the member is found to owe money to a TCRS participating employer, the employer can make a formal written request to TCRS to have the amount owed withheld from the member's refund of contributions or monthly benefit.

## ***Garnishment of Retirement Benefit***

If a member or retiree is terminated, for any reason, and the member is found to owe money to a TCRS participating employer, the employer can make a formal written request to TCRS to have the amount owed withheld from the member's refund of contributions or monthly benefit.

## ***Additional Resources for Political Subdivisions***

### **Compliance Requirements for Political Subdivisions with closed or withdrawn plans**

#### ***Enrollment in a withdrawn/closed plan***

After a political subdivision withdraws from TCRS, the only employees permitted to participate in the former(closed) TCRS plan are those who participated in the withdrawn employer's plan prior to the date of the withdrawal and maintain current membership with that political subdivision. Individuals who participated in TCRS as part of employment with a different TCRS employer (such as the State or a different political subdivision) are not able to participate in the closed political subdivision plan unless they still maintain membership in the political subdivision. See T.C.A. § 8-35-218(a)(6).

Employees who retired from the withdrawn/closed plan may not participate in a new retirement plan sponsored by the political subdivision. See T.C.A. § 8-35-218(a)(9).

#### ***Probationary Period during date of withdrawal***

An employee serving a probationary period on the date of withdrawal will have the probationary period waived and has thirty (30) days to elect to become a member of TCRS. See T.C.A. § 8-35-218(a)(5).

#### ***Current Employees in service during the date of withdrawal***

Those who are employees of the political subdivision as of the date of the withdrawal from TCRS will continue membership in TCRS, and the employer is liable for the contributions and benefits for members as long as those employees retain their membership with that political subdivision. See T.C.A. § 8-35-218(a)(4).

#### ***Prior Service in a withdrawn plan***

Members in a withdrawn plan can establish any type prior service that has not previously been established. Two types of prior service that a member cannot establish from a withdrawn plan is Recontribution of Refund (reinstating refunded service) and Reinstating Lost Service.

#### ***Retired Members from a withdrawn plan returning to work***

A retiree from a withdrawn plan may receive their TCRS benefit and return to work for the same employer only up to 120 days in a twelve (12) month period. Employees who retire under TCRS are still subject to TCRS rules. See T.C.A. § 8-35-218(a)(4) and (a)(9).

A member returning to work under the temporary 120-day employment provision must complete the 120-day Temporary Employment Report found at [RetireReadyTN.gov](http://RetireReadyTN.gov) and file it with TCRS when resuming employment. To learn more about the 120-day Temporary Employment limits please refer to the Temporary Employment

Section in this document.

Before accepting a position with a TCRS covered employer, we recommend all retirees contact RetireReadyTN to determine how TCRS retirement benefits will be impacted.

## **Optional Plan Provisions for Political Subdivisions**

Whenever a benefit provision is added to the retirement plan due to the enactment of legislation, the provision is optional to a political subdivision if it will increase retirement costs. There are additional, supplemental provisions that are optional. These supplemental provisions do not apply to employees of a political subdivision unless the chief governing body passes a resolution authorizing the provision and accepting the additional liability. The resolution to provide the optional provision must apply to all employees in all departments that are covered by TCRS.

## **Funding of TCRS**

Funding of TCRS is provided through employee and employer contributions plus earnings received from the invested assets. A standard actuarial “advanced funding” method is used to provide for the accumulation of assets to fund the cost of monthly retirement benefits. Each participating employer is totally responsible for the pension costs of its employees; therefore, individual asset balances are maintained for each participating governmental unit.

## ***Accounting for Assets***

Each political subdivision employer has two funds established with TCRS: (1) an employee asset fund; and (2) an employer asset fund. The employee asset fund represents the assets of the employees while the employer asset fund represents the assets of the participating political subdivision employer.

## ***Employer Assets***

The employer asset fund is increased by (1) employer contributions; (2) the transfer of an employee's account at retirement from the employee asset fund; and (3) earnings on investments. Investment earnings are distributed to each employer based on the average asset balance. The average asset balance is the average of the employee and employer assets at the beginning and end of the fiscal year.

The employer asset fund is decreased by (1) the payment of a matching lump sum death benefits to the beneficiary of a deceased member; (2) the payment of monthly retirement annuities; (3) the transfer of money to the employee asset fund to credit interest to the accounts of employees; (4) losses on investments; and (5) administrative expenses.

## ***Employee Assets***

The employee asset fund is increased by (1) employee contributions; and (2) the transfer of money from the employer asset fund to credit interest to employee accounts. The employee asset fund is decreased by (1) the refund of employee contributions and interest upon the termination of an employee; and (2) the transfer of an employee's account at retirement to the employer asset fund.

There are no employee contributions for employers that have adopted non-contributory provisions.

### ***Actuarial Valuation***

In addition to funding annual benefit payments, a sound retirement system must also work toward funding a reserve to meet future benefit payments. In order to provide for sufficient annual funding to meet the reserve requirements, the retirement law provides that an actuarial valuation be performed. This valuation considers the present employee and employer assets, projects employee contributions and investment earnings, and projects payouts in refunds and benefits for both present and future retirees. As a result of the actuarial valuation, each employer's contribution rate which is required to keep the system on a sound actuarial basis is determined.

Using the prospective contributions of the employees and the employer, a recommended employer contribution rate is calculated based on the annual salary of the employees under the retirement program.

Additional factors taken into consideration by the actuary during the actuarial valuation include:

- Turnover rate
- Disability rate
- Retirement rate
- Salary increase assumption
- Number of male and female participants
- Return on investments
- Mortality before and after retirement

The retirement system contracts with an independent actuarial firm which performs the system's valuations.

### ***Employer Actuarially Determined Contribution (ADC) Rate Sheet***

The actuarial valuation process produces an ADC Rate Sheet which sets out the actuarial present value of benefits and the employer ADC rate. On this sheet, the total present value of benefits (PVB) is the sum of the (1) actuarial value of assets, (2) expected employee contributions, (3) expected employer normal cost, and (4) unfunded accrued liability. The total PVB is the present value of basic benefits to be paid to the current and prospective retirees and the present value of cost-of-living benefits to be paid to those retirees after their retirement as of the valuation date. Basic benefits include refunds to employees, death benefits, and monthly retirement benefits. The PVB reflect benefits payable to three groups of employees: (1) those retired at June 30; (2) those employed by the employer at June 30; and (3) those who have terminated their employment with the employer but have not requested a refund.

The actuarial value of assets are the total of employee assets and employer assets adjusted to lessen the impact of investment return volatility on determining the ADC rate. The expected employee contributions and employer normal cost pertains to the prospective contributions, on a present value basis, that will be contributed by employees and by the employer during the career of those employees who were active members at June 30. The unfunded accrued liability is the difference between the total present value of benefits and the sum of the actuarial value of assets and expected employee contributions and employer normal cost. This reflects the cost of service rendered by members of the system that has not yet been funded

or, if the amount is negative, it reflects the plan has assets in excess of the total present value of benefits at the valuation date.

### Actuarial Liability

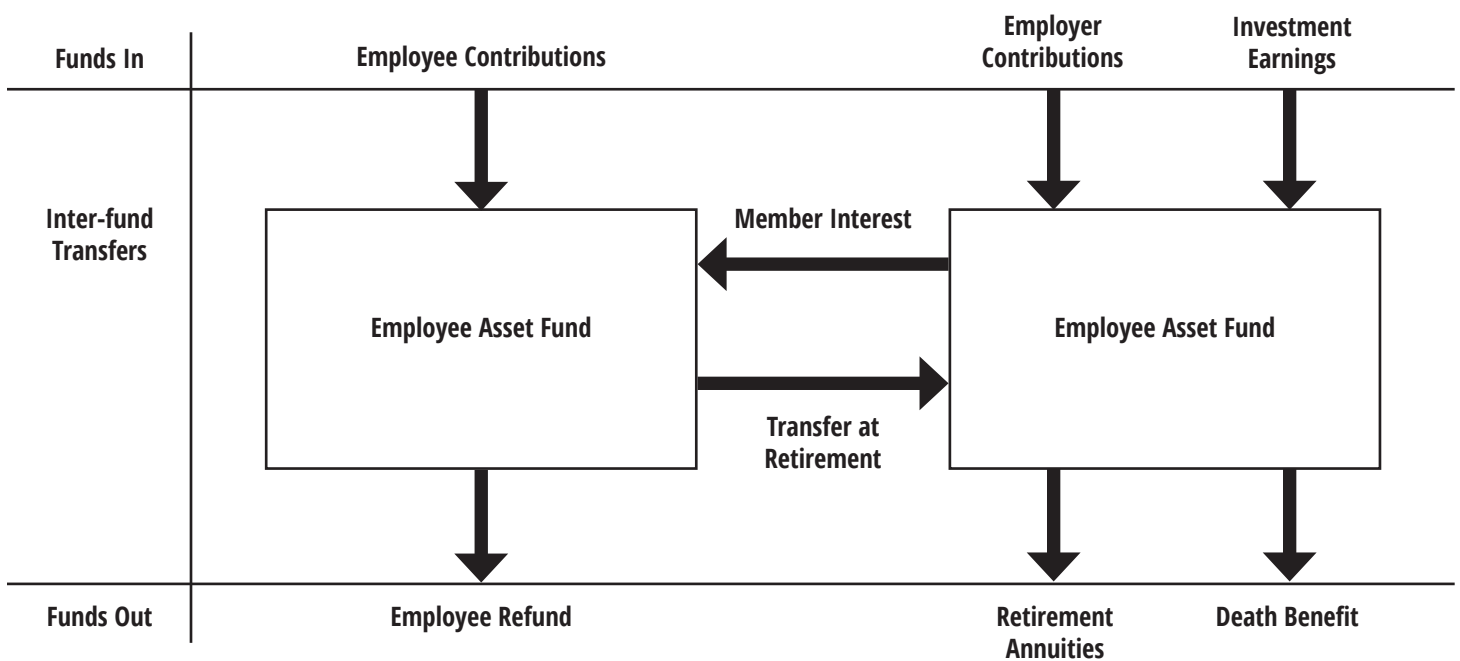
The employer’s liability to a retirement plan is expressed in terms of the normal cost and unfunded accrued liability. Normal liabilities are generally funded by a level percentage of payroll over an employee’s working lifetime. The unfunded accrued liabilities represent costs to the employer for benefits which will not be covered by future normal costs or by assets already on hand. These liabilities are being funded or amortized utilizing the level dollar amortization method over a closed period not to exceed 20 years. A tier approach will be utilized with new actuarial gains and losses from each actuarial valuation.

### Financial Statement Information

TCRS provides the information needed to report your participation in TCRS in your financial statements; however, as the employer you are responsible for your financial statements, including application of the GASB 68 provisions. We recommend that you utilize the services of your internal and external auditors to understand the requirements of GASB 68 and determine the appropriate disclosures and accounting entries.

This information can be found at <https://treasury.tn.gov> by selecting “GASB and Actuarial Information” under the “Retirement” tab.

### Diagram of the Flow of Employee and Employer Funds



### General Information

#### Council on Pensions and Insurance Duties

This legislative oversight committee reviews legislation affecting state provided retirement and insurance programs. For more information please see the Council on Pensions and Insurance link on RetireReadyTN.gov

## ***Board of Trustees***

For more information on the TCRS Board of Trustees and a list of the members, please refer to the TCRS Board of Trustees link on RetireReadyTN.gov.

## **Optional Retirement Program (ORP) for Tennessee Institutions of Higher Education**

### ***Joining the Optional Retirement Program***

All full time faculty and staff of the Tennessee Board of Regents (TBR), the University of Tennessee (UT), the Locally Governed Institutions (LGI's), and the Tennessee Colleges of Applied Technology (TCAT) that are exempt from the Fair Labor Standards Act (FLSA) are eligible and required to participate in either the Optional Retirement Program (ORP) or the Tennessee Consolidated Retirement System (TCRS) as a condition of employment. If no decision is made, the employee will be enrolled in TCRS.

Unlike TCRS, which is a defined benefit plan, the ORP is a defined contribution plan. In other words, the total amount of contributions and interest credited to each ORP member's account is used to provide benefits for the retiree's lifetime.

An eligible employee choosing to join TCRS should complete and sign the Notice of Election to Participate in the ORP or the Tennessee Consolidated Retirement System.

If he/she chooses ORP membership, he/she should complete and sign the Application for Contract with the ORP and the Notice of Election to Participate in the ORP or the Tennessee Consolidated Retirement System. These forms should be promptly forwarded to TCRS. The individual must also file an application with the ORP provider(s) he/she selects, or no contributions will be accepted. The individual names his/her beneficiary and records his/her date of birth on the ORP provider application.

### ***Contributions to the ORP***

- Employee Contributions: Employees participating in the ORP prior to July 1, 2014 do not make employee contributions to the ORP. Employees beginning participation in the OPR after June 30, 2014, are required to make employee contributions to the ORP.
- Reporting of Contributions by Higher Education to ORP: Each institution will deposit with the ORP the appropriate employer contributions on the first working day of the month following the month that wages are actually paid. Also, each institution will make the appropriate report directly to the ORP providers. The report is due within 10 working days of the deposit. If the report is not received by the ORP providers, SEC regulations will require that the funds be returned to the institution. Each institution will notify TCRS of the amount deposited to the ORP.
- Recording of Employer Contributions: Each ORP provider credits the employer contributions to enrolled individuals on the date the funds are deposited with the ORP provider.

### ***Retirement Allowance***



When any ORP member retires with retirement credit in TCRS, his/her retirement allowance should be computed and paid in accordance with the procedures described in this manual.

Employees who initially elect to participate in the ORP are limited to the benefits of the ORP upon and after retirement.

### ***Transferring from TCRS to ORP***

All FLSA-exempt employees that have elected to become TCRS members may make a one-time, irrevocable decision to transfer to the ORP at any time. Only employee contributions to TCRS and accrued interest, if applicable, may be transferred to the ORP.

If an employee is a member of the TCRS Legacy Plan as a state or higher education employee or as a K-12 public-school teacher, he/she will be in the ORP Legacy plan going forward and the accrued TCRS service will remain.

If the employee has been a TCRS Hybrid Plan member or a TCRS member with a political subdivision employer and chooses to enroll in the ORP, he/she will be in the ORP Hybrid plan going forward. The employee will have the option to roll his/her employee contributions from TCRS to the ORP. If the member decides to do so, the employer contributions to TCRS will be forfeited and any TCRS service will be forfeited.

Those entering TCRS after July 1, 1981 will not have funds in an account to transfer. Those entering TCRS after July 1, 2014 will have an employee balance to transfer.

### ***Transferring from ORP to TCRS***

All FLSA-exempt employees that have selected ORP membership may elect to transfer membership to TCRS after the completion of their fifth full year but before the end of their sixth full year as an ORP member, or after five years but before six (6) years of combined service in TCRS and the ORP. The decision to transfer from the ORP to TCRS is only offered one-time and is irrevocable.

Members have a one-year period to make the transferred and are notified in February of their year of transfer eligibility. The employee must make a payment to the retirement system pursuant to T.C.A § 8-25-204(g). Current-year employer and employee ORP contributions may not be used for payment. Current-year employer and employee contributions will be recalled by the employer to offset current-year TCRS contributions owed due to service adjustments. TCRS will send notification of eligibility to transfer to all members the year they are eligible to transfer. The decision to transfer from the ORP to TCRS is irrevocable.

### **Higher Education retirement decision guide.**

#### **Optional Retirement Program (ORP)**

- Notice of Election to Participate in the ORP or TCRS
- Election to Transfer Funds from TCRS to ORP
- Election to Transfer Membership from TCRS to ORP

For more information on ORP enrollment please see the ORP Enrollment Flow Chart for New Full-Time, FLSA-Exempt Higher Education Employees at [RetireReadyTN.gov](http://RetireReadyTN.gov).

For more information on ORP including transfer scenarios please see the ORP Frequently Asked Questions for Higher Education Employees at **RetireReadyTN.gov**.

### ***401(k) Program Administration***

The State of TN 401(k) recordkeeper is Empower Retirement. Empower provides comprehensive deferred compensation plan administration and record keeping,

Empower also provides intermediary services between the program and the investment providers and does not directly hold or invest contributions

In addition to the administration of the 401k plan, Empower provides comprehensive retirement planning services for TCRS members, including information regarding the TCRS defined benefit and the 401(k) plan.

For 401(k) investment information, including important information related to investment risks, fees, and expenses, visit **RetireReadyTN.gov** or call (800) 922-7772.