



Purchase of Service Credit in TCRS for Service Rendered to A City, Metropolitan Government, County, Utility District, or Other Political Subdivision

Public Chapter (PC) 797

The 112th General Assembly enacted new legislation (**Public Chapter (PC) 797**) that authorizes a member of the Tennessee Consolidated Retirement System (TCRS) to purchase retirement credit in TCRS for all of the member's service previously rendered while a full-time employee and participating member of a Tennessee local government's defined benefit retirement plan. PC 797 states that it applies on such date as the operating systems for TCRS are able to accommodate the payment for the service credit and that the State Treasurer will make this determination. TCRS is actively working to make the requisite updates to its systems. Once this occurs, TCRS will update its website with the necessary forms along with instructions that will hopefully address any questions a TCRS member may have. TCRS anticipates this occurring by late 2022. Below are frequently asked questions related to this legislation.

What is the impact of this legislation (PC797)?

This legislation allows a TCRS member to purchase retirement credit for all the member's previous service rendered while a full-time employee and participating member in the local government's defined benefit plan. To purchase the service, the local government must not be a current or former participating TCRS employer. A member may purchase the service by personal check, by rolling over or transferring the member's funds from a qualified 401(k) plan, 403(b) plan, 457(b) plan, or IRA. If the member made employee contributions to the local government's defined benefit plan, the member may also use those employee contributions to purchase the service.

Is the amount required to purchase the service credit added to the member's account balance?

Yes, payments for the purchased service will be added to the member's TCRS account balance.

In which plan will the service credit be established in?

The service will be credited to the plan in which the member is participating at the time the service is purchased.

What is the cost of this service?

To purchase the service, a member must make a lump sum payment equal to the actuarial cost as determined by the retirement system without creating unfunded accrued liability at the date the service is established. The cost is based on the difference in the actuarial value of benefits payable by TCRS with and without the added service.

What funds can I use to purchase the service?

A member may purchase the service credit by personal check, by rolling over or transferring the member's funds from a qualified defined contribution plan such as a 401(k) plan, 403(b) plan, 457(b) plan, or IRA. If the member made employee contributions to the local government's defined benefit plan, the member may also use those employee contributions to purchase the service.

May a TCRS member purchase retirement credit for the member's previous service rendered while a part-time employee and participating member of a political subdivision's defined benefit retirement plan?

No. The member must have been a full-time employee while participating in the political subdivision's defined benefit retirement plan.

May a retired TCRS member purchase the retirement credit?

A member who retired prior to the date established by the Treasurer as explained above is not eligible to establish the credit. However, a retired TCRS member who retired after that date may purchase the retirement credit provided the retiree meets the requirements of PC 797.

Can this service be used towards vesting?

Yes, this service can be used for vesting purposes.

Will the establishment of the credit in TCRS increase my average final compensation for calculating my TCRS retirement benefits?

No. Salaries earned for service established under PC 797 cannot be used in determining a member's average final compensation for retirement benefit calculation purposes.

Will establishing the credit in TCRS increase the amount of service credit I have in TCRS for calculating my TCRS benefits?

Yes.

Will establishing the service credit in TCRS be used to eliminate reduction factors in determining my TCRS benefit?

Yes. For example, assume a member would otherwise be eligible for service retirement benefits from the TCRS Legacy Plan at any age with thirty years of service credit or at age 60 with 5 years of service, and would be eligible for a reduced retirement benefit at any age with 25 years of service or at age 55 with 5 years of service. The member is age 50 with 27 years of service credit in TCRS prior to purchasing the PC 797 service. Assume that by purchasing the PC 797 service, the member obtains an additional three years of service credit in TCRS. The member would now be eligible for full service retirement benefits as opposed to early retirement benefits, which would have carried with it a permanent reduction of 0.4% for each month the member's date of early retirement precedes his/her service retirement date.

Can purchasing this external service credit impact my bridge benefit?

If the service is purchased and otherwise established while you were in a position covered by the TCRS mandatory retirement provision and you are otherwise entitled to a bridge benefit, the purchased service will be used in calculating the bridge benefit, but not for calculating the unreduced retirement benefits should you retire upon attainment of age 55 with 25 years of creditable service.

To establish the service credit in TCRS, must the member forfeit all of the member's service in the political subdivision's plan, and not receive a benefit from the political subdivision's retirement plan?

Yes.

How does a member start the process for establishing PC797 service in TCRS?

TCRS encourages members to submit a Request to Purchase External Plan Retirement Credit in TCRS application located in the Forms and Guides section at RetireReadyTN.gov. The application needs to be completed by both the member and the former Tennessee local government employer for whom the prior service was rendered. Once TCRS receives the application, TCRS will calculate the amount it will cost the member to establish the service credit. TCRS will thereafter send a letter to the member advising of the cost. Should the member wish to purchase the service credit after receiving the cost letter from TCRS, the member will be responsible for obtaining the funds necessary to purchase the credit. A final establishment letter will be sent to the member upon completion of the purchase.

Contact Us

Call (800) 922-7772 Monday through Friday 8:00 a.m. to 7:00 p.m. CT

Visit www.RetireReadyTN.gov



@RetireReadyTN

RetireReadyTN offers retirement readiness education and retirement counseling to all members regardless of career stage. Members are encouraged to meet with a local RetireReadyTN Plan Advisor for assistance with retirement planning and to discuss other financial planning needs. To schedule a meeting, contact us at (800) 922-7772 or visit RetireReadyTN.gov.