

The State of Tennessee Retirement Plan RetireReadyTN





What is RetireReadyTN?

RetireReadyTN is the State's retirement program, combining the strengths of a defined benefit plan provided by the Tennessee Consolidated Retirement System (TCRS), 401(k) and 457(b) plans through services provided by Empower Retirement, and retirement readiness education. We strive to empower public employees to take actionable steps toward preparing for the future.





Who are State of Tennessee Retirement Plan Members?

- State Employees
- Higher Education Employees
- Public K-12 Teachers
- Certain Judges/The Attorney General/District Attorneys General/District Public Defenders
- Members of the General Assembly
- Local Government Entities that elect to participate such as:
 - Cities
 - Counties
 - Special Districts



Tennessee Consolidated Retirement System (TCRS)



- TCRS is a defined benefit plan providing a lifetime retirement benefit, survivor and disability benefits for members and beneficiaries
- After meeting vesting requirements, a member becomes eligible to receive a monthly retirement benefit upon reaching the age and/or service requirement
- Benefits are calculated with a set formula



What Determines Your TCRS Retirement Benefit?



- **Average Final Compensation (AFC)**
 - The average of your highest 60 consecutive months of salary
- **Years of Service**
 - Your total number of years and months of creditable service
- **Age at Retirement**
 - Determines early retirement reduction factors and benefits paid under the joint and survivor plan options



Deferred Compensation Plans – 401(k) and 457(b)



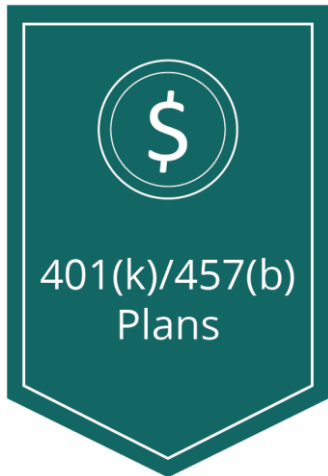
- The amount available in retirement is based on contributions, plus any accumulated earnings
- Members are immediately vested in the 401(k) & 457(b)¹ Upon terminating employment or retiring, an employee may leave the account balance in the plan, roll it over to another qualified plan, or begin taking distributions²
- Members select their investment options based on their individual goals, risk tolerance, and timeline

¹ State, Higher Education employees, and K-12 Public Teachers have immediate vesting in the 401(k) and 457(b). Local Government employees should call their plan specialist.

² Withdrawals from the 401(k) Plan may be subject to income tax and a 10% early withdrawal penalty if taken before age 59½. Withdrawals from the 457(b) plan may be subject to income tax.



Deferred Compensation Plan Options



- Three deferred compensation plan options:
 - 1) **401(k)** – make pre-tax contributions to reduce your current taxes
 - 2) **Roth 401(k)** – make after tax contributions to reduce your taxes in retirement
 - 3) **457(b)** – make pre-tax contributions to reduce your current taxes

The 401(k)/457(b) offer the same investment options, each plan has its own IRS contribution limit



TCRS Definition of a Teacher

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.



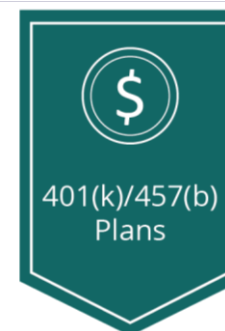
Legacy Plan Overview





Employees Hired Before July 1, 2014 – Legacy Plan

- Members may be contributory or non-contributory to TCRS
- Generally, 5-year vesting under TCRS, with some exceptions
- Service Retirement at age 60 and vested, or with 30 years of service
- Early retirement may be available with a reduced benefit
- General State and Higher Education employees participate in the 401(k) plan on a voluntary basis and qualify for a dollar-for-dollar match up to \$50 each month (2022 to 2023 fiscal year has a 2 for 1 dollar match up to \$100 each month)





TCRS Legacy Plan Formula

Accrual Factor ¹	Average Final Compensation	Years of Service	Annual Benefit
1.575%	Average of Member's Highest 60 Consecutive Months of Salary	Service established while in a position covered by the Legacy Plan	
	x	x	=

¹General State, Higher Education Employees, and K-12 Public School Teachers receive a 5% Benefits Improvement Percentage (BIP), which raises the Accrual Factor from 1.5% to 1.575%. The BIP does not apply to members of the General Assembly, State Judges, and any superseded plans.

- Retirement benefit payments are made monthly via direct deposit
- A member may choose a Single Life Annuity or Joint and Survivor Plan



Legacy Plan TCRS Benefit Calculation Example

Average Final Compensation (AFC) = \$30,000

Years of Service	Accrual Factor ¹	Annual Benefit	Monthly Benefit
5	1.575%	\$ 2,362.50	\$ 196.88
10	1.575%	4,725.00	393.75
15	1.575%	7,087.50	590.63
20	1.575%	9,450.00	787.50
25	1.575%	11,812.50	984.38
30	1.575%	14,175.00	1,181.25

¹General State, Higher Education Employees, and K-12 Public School Teachers receive a 5% Benefits Improvement Percentage (BIP), which raises the Accrual Factor from 1.5% to 1.575%. The BIP does not apply to members of the General Assembly, State Judges, and any superseded plans.



Hybrid Plan Overview





Employees Hired on or After July 1, 2014 – Hybrid Plan

	Employer contributions	Member contributions	Total contributions
TCRS	4%	5%	9%
401(k)	5%	2% ¹	7%
TOTAL	9%	7%	16%

- Members are contributory to TCRS
- 5-year vesting in TCRS, immediate vesting in 401(k)²
- TCRS Service Retirement at age 65 or by meeting the rule of 90 (service credit plus age = 90)
- General State and Higher Education employees qualify for a dollar-for-dollar match up to \$50 each month to the 401(k) plan (2022 to 2023 fiscal year has a 2 for 1 dollar match up to \$100 each month)

¹Members have 30 calendar days to opt out of the 2% member contribution before a contribution is made to the member's account; otherwise, contributions to the 401(k) of 2% will be deducted each pay period for the member. The member may modify, or opt out of, future contributions to the 401(k) plan at any time.

²State, Higher Education employees, and K-12 Public Teachers have immediate vesting in the 401(k). Local Government employees should call their plan specialist.



TCRS Hybrid Plan Formula

Accrual Factor		Average Final Compensation		Years of Service		Annual Benefit
1.0%	x	Average of Member's Highest 60 Consecutive Months of Salary	x	Service established while in a position covered by the Hybrid Plan	=	

- Benefit payments are made monthly via direct deposit
- A member may choose a Single Life Annuity or Joint and Survivor Plans



Hybrid Plan TCRS Benefit Calculation Example

Average Final Compensation (AFC) = \$30,000

Years of Service	Accrual Factor	Annual Benefit	Monthly Benefit
5	1.0 %	\$ 1,500.00	\$ 125.00
10	1.0%	3,000.00	250.00
15	1.0%	4,500.00	375.00
20	1.0%	6,000.00	500.00
25	1.0%	7,500.00	625.00
30	1.0%	9,000.00	750.00



Maximizing Your Retirement Benefits





Save Enough to Afford Retirement

- Many financial advisors say you'll need about 70% of your pre-retirement earnings to comfortably maintain your pre-retirement standard of living.
- Many people are living longer and healthier lives than ever before.¹
- Social Security may not be enough.
- Don't forget about taxes and inflation.

Item	Typical Cost in 2021	Estimated Cost in 2041
New American home	\$336,900 ²	\$613,412
Gallon of gasoline	\$3.48 ³	\$8.55
In-state tuition per year (public four-year college or university)	\$10,740 ⁴	\$19,555
Whole milk (1 gal)	\$3.67 ³	\$6.68
New vehicle	\$45,013 ⁵	\$81,958

FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration assumes a 3% rate of inflation for 20 years.

¹ Source: Social Security Administration website, Benefits Planner/Life Expectancy webpage, December 2021

² Source: U.S. Census website, Median and Average Sales Prices, December 2021

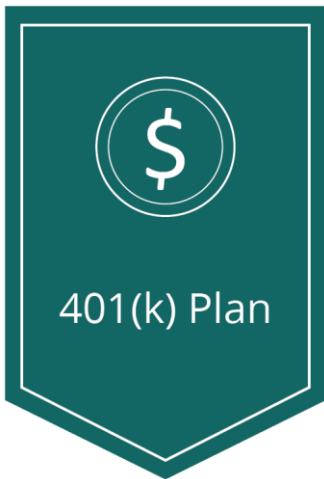
³ Source: Source: U.S. Bureau of Labor Statistics CPI-Average Price Data, November 2021

⁴ Source: College Board.org website, Trends in Higher Education webpage, December 2021

⁵ Source: Forbes magazine website, average car cost article, October 31, 2021



The 401(k) Plan



- In 2023, you can contribute 100% of your compensation or \$22,500 (whichever is less)
- Members Age 50+ or older may contribute an additional \$7,500 in 2023
- Traditional 401(k) contributions are made pre-tax and are taxed in retirement
- Roth 401(k) contributions are made after-tax, but are not taxed when withdrawn

Any earnings are not taxed if taken with a qualified distribution



The 457(b) Plan



- In 2023, you can contribute 100% of your compensation or \$22,500 (whichever is less)
- Members Age 50+ or older may contribute an additional \$7,500 in 2023
- Contributions to the plan through voluntary salary deferral and any earnings can grow tax deferred until withdrawn, usually during retirement



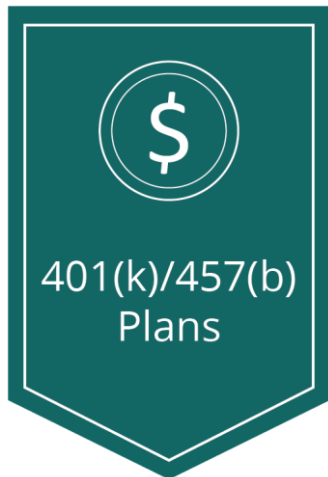
Contributing to multiple plans



- 401(k) and 457(b) plans have their own contribution limits, meaning you can contribute up to the maximum limit to each plan
- However, if contributing to both a 401(k) and 403(b) plan, the combined total contributions cannot exceed the maximum limit of \$22,500 in 2023, or \$30,000 if age 50 or older
- For more information about contributing to multiple plans, please visit [irs.gov](https://www.irs.gov)



401(k)/457(b) Investing



- RetireReadyTN offers a variety of carefully selected investment choices, enabling you to decide how your money should be invested given your individual goals, risk tolerance, and timeline
- The investment options are the same in both the 401(k) and the 457(b)
- Age-based target date funds are the default investment option for the 401(k) / 457(b) plans

The date in the name of the target date fund is the assumed date of retirement. The asset allocation becomes more conservative as the fund nears the target retirement date; however, the principal value of the fund is never guaranteed. Asset allocation and balanced investment options and models are subject to the risks of their underlying investments.



Rollovers

- You can roll over approved balances from a former employer's 401(a), 401(k), 403(b) or governmental 457(b) ¹ or from an IRA.
- Consider all your options and their features and fees before moving money between accounts.



¹ Funds rolled into a governmental 457 plan from a non-governmental 457 plan may still be subject to the 10% early withdrawal penalty if taken before age 59½. Governmental 457 funds rolled into another type of plan may become subject to the 10% early withdrawal penalty if taken before age 59½.



Nearing Retirement

RETIRE  **READY**



- 
Tennessee Consolidated Retirement System
- 
401(k)/457(b) Plans
- 
Retirement Readiness Education



Within 3 Years of Retirement

- Schedule a counseling meeting with a RetireReadyTN Plan Advisor and request a benefit estimate by calling **800-922-7772**. 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
 - Create a monthly retirement budget
 - Consider your eligibility for 401(k)/457(b) Catch-Up Contributions

The Retirement Readiness Review is provided by an Empower representative registered with Advised Assets Group, LLC and may provide investment counseling and/or recommendations at no additional cost to you. There is no guarantee provided by any party that use of the review will result in a profit. Point-in-time advice is provided by an Empower representative registered with GWFS Equities, Inc. at no additional cost to you. There is no guarantee provided by any party that use of the advice will result in a profit.



When You're Ready to Retire



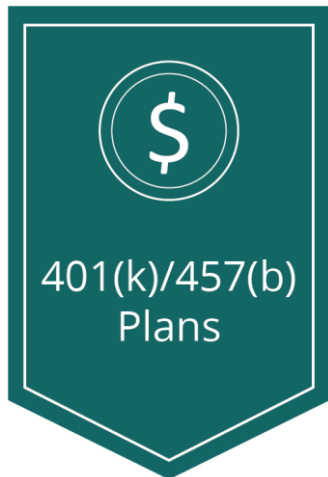
For your TCRS Benefit

Once you have met the TCRS retirement eligibility requirements, apply for retirement benefits. Before getting started, you should:

- Review the Retirement Checklist available at RetireReadyTN.gov
- Schedule a one-on-one retirement counseling appointment to discuss your next steps
- File your application online by logging into Self-Service at MyTCRS.com



When You're Ready to Retire



For your 401(k) and 457(b) Accounts

- **401(k)** – You may begin taking qualified distributions without early withdrawal penalty upon reaching age 59 ½
- **457(b)** – You may begin taking qualified distributions at any age without early withdrawal penalty as long as you have separated from service
- Distributions can be set up in a variety of ways, including:
 - periodic payments
 - partial lump-sum
 - full lump-sum, or a combination of those options.



TCRS Retirement Plan Option Selection



- Single Life Annuity Plans
 1. Member Only Option - Maximum monthly benefits payable to member for life. Benefits cease at death.
 2. Social Security Leveling - An increased benefit payable to member until age 62, then a reduced benefit payable after that date. The reduction would be equal to the full amount the member is eligible to receive from Social Security at age 62.
- Four Joint and Survivor Plans



TCRS Retirement Plan Options – Joint and Survivor Plans



- *Option 1 (100% Joint and Survivor)*
 - Permanently reduces the member's maximum retirement benefit based on the dates of birth of the member and his or her beneficiary(s). In the event the member passes away, the member's beneficiary(s) will receive the same benefit amount as the member for the remainder of the beneficiary's lifetime.
- *Option 2 (50% Joint and Survivor)*
 - Permanently reduces the member's maximum retirement benefit based on the dates of birth of the member and his or her beneficiary(s). In the event the member passes away, the beneficiary(s) will receive 50% of the member's benefit for the remainder of the beneficiary's lifetime.

With option 1 and 2, if a member has designated more than one beneficiary, the 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.



TCRS Retirement Plan Options – Joint and Survivor Plans



- *Option 3 (Modification of Option 1)*
 - Permanently reduces the member's maximum retirement benefit based on the dates of birth of the member and his or her beneficiary(s). In the event the member passes away, the beneficiary(s) will receive the same benefit amount as the member for the remainder of the beneficiary's lifetime.
- *Option 4 (Modification of Option 2)*
 - Permanently reduces the member's maximum retirement benefit based on the dates of birth of the member and his or her beneficiary(s). In the event the member passes away, the beneficiary(s) will receive 50% of the member's benefit for the remainder of the beneficiary's lifetime.

With Option 3 and 4, 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 Member Only Option. If multiple beneficiaries have been designated, a portion of the member's benefit that was designated for a beneficiary that dies before the member will revert to the amount the member would have received under the Member Only Option.



Selecting a TCRS Beneficiary *at Retirement*



- Monthly benefits cannot be paid to estates or institutions
- The member may designate multiple beneficiaries
- If you selected a Joint and Survivor Plan, you may only make changes within 60 days after the effective date of retirement or date of retirement notice letter and must pay the difference received in benefits and the optional plan
- Situations such as birth of a child, marriage, divorce, remarriage, or death do not automatically change a designated beneficiary. Your beneficiary designation on file with TCRS will supersede any other document, including a will, for receipt of any benefits due from TCRS upon your death.
- For more information, review the *Selecting a Beneficiary Guide* available at RetireReadyTN.gov



Selecting Your Beneficiary(s)

- Update your TCRS Beneficiary by logging into Self-Service for more information, review the TCRS *Selecting a Beneficiary* Guide
- Update your 401(k) & 457(b) beneficiary(s) by accessing the retirement dashboard via RetireReadyTN.gov
- You may select multiple beneficiaries
- You must elect beneficiaries for your TCRS, 401(k), and 457(b) plans separately, even if designating the same beneficiary for all plans
- Remember, your beneficiary(s) will not automatically be changed in the event of a birth, marriage, divorce, and death, or other change in circumstance





Cost of Living Adjustment (COLA)



- Must be retired 12 months by the upcoming July 1 in order to receive COLA
- Based on the percentage increase in the Consumer Price Index (CPI) for the previous year
- Payable up to three percent (3%) and compounded annually
- Local Government employees should coordinate with their benefits specialist to see if COLA is available



Working After Retirement



Retired members receiving a monthly TCRS benefit may temporarily return to work with a TCRS-covered employer under the following provisions:

- Limited to 120 days of employment within a 12-month period
- Salary limit per year
- 60-day waiting period from the member's date of retirement unless waived by employer

Before accepting a position with a TCRS-covered employer, contact RetireReadyTN to see how your benefits may be impacted.



Social Security Benefits

- SSA.gov – Official Social Security website
- Social Security is estimated to replace 35%-40% of your income¹
- Set up your **my Social Security** account on the website
 - Enter security questions to protect your account
 - View your estimated monthly retirement benefit
 - Update your personal information
- Review your estimated benefit for early, normal or late retirement ages

¹ <https://www.ssa.gov/policy/docs/ssb/v68n2/v68n2p1.html>



Retirement Readiness Education





Retirement Readiness Education



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



Retirement Readiness Review

Take advantage of retirement readiness education at all stages of your career.

With a RetireReadyTN Plan Advisor, you can review:



- Your retirement plans, including TCRS, and 401(k)/457(b) accounts
- Your TCRS Member annual statement. Access at MYTCRS.com yearly
- How much of your working income you'll need to replace
- Your personal retirement goals and planned retirement age
- Whether your savings and investment choices are in line with your goals
- Financial planning and budgeting

These services are offered at no additional cost to you. The Retirement Readiness Review is provided by an Empower representative registered with Advised Assets Group, LLC and may provide investment counseling and/or recommendations at no additional cost to you. There is no guarantee provided by any party that use of the review will result in a profit.



Retirement Counseling

Members within 5 years of retirement can schedule a retirement counseling session to:

- Determine the total income you will need in retirement
- Review benefit estimate and annuity options from TCRS and Social Security
- Review 401(k)/457(b) balances, investments, and retirement income options
- Discuss how to execute your retirement plan

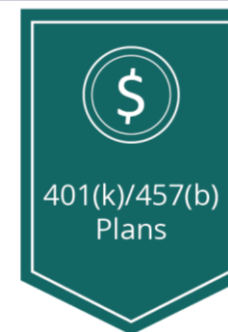
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Take Action to be Retire Ready!

- Log into your accounts at **RetireReadyTN.gov**
- Review your beneficiaries for TCRS, 401(k) and 457(b) accounts, and make updates if needed
- Review your TCRS Member Annual Statement
- If you are in the Legacy Plan and don't already have a 401(k) or 457(b) account, consider enrolling
- Evaluate your 401(k) and/or 457(b) contributions. Are you saving enough to support your desired lifestyle in retirement?
- Schedule a meeting with a RetireReadyTN Plan Advisor





Stay Connected to your Retirement Plans



www.RetireReadyTN.gov



800-922-7772

Monday - Friday from
8 a.m. - 7 p.m. Central time



@RetireReadyTN



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