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

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

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

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Introduction to Your Retirement System

Group I

Political Subdivision Employees

Tennessee Consolidated Retirement System

Introduction

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

Membership

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

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

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

Employee Contributions

Contributory members who participate through a political subdivision contribute five percent of salary up to the Social Security wage base and five and one-half percent of salary above the wage base, unless the political subdivision has authorized a single five percent rate. If authorized by the participating political subdivision, employee contributions are made on a tax-deferred basis.

Vesting

A new political subdivision employee attains vesting rights after either five or 10 years of

service, depending upon the election made by the political subdivision. A vested member is one who has accrued enough years of service to guarantee a retirement benefit once age requirements are met. You may retain your TCRS membership until retirement or death by leaving your contributions in the system.

Refunds After Separation from Service

Upon termination of employment, a member with employee contributions may apply for a refund of the account balance. *By obtaining a refund, you give up your TCRS membership and all rights and benefits in the retirement system.* Before a refund can be processed, you must file a completed Application for Refund with TCRS. Your refund will not be processed until you are off the payroll and TCRS has received the retirement contribution from your final paycheck. Federal law requires TCRS to withhold federal income tax from refunds. The withholding rate is currently 20 percent of the taxable portion. If you arrange to have your refund transferred directly to an Individual Retirement Account, you may avoid having taxes withheld.

Benefit Formula Factors

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

- *Average Final Compensation (AFC)* — The AFC is the average of your five highest consecutive years of salary. The benefit payable cannot exceed 90 percent of your average final compensation unless your employer has authorized a higher ceiling.
- *Creditable Service* — Creditable service means membership service under the TCRS plus any other periods of service credited to you by the retirement system. Service credit may be

accrued for full-time service as a state employee, as a public school teacher in Tennessee or as an employee of certain local governments in Tennessee. A Group I member may claim credit for certain part-time service if the political subdivision has authorized this optional provision. You may also be entitled to establish credit for other types of service, depending on your circumstances and the elections made by your employer. Some of the other types of service that may be established include:

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

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

- *Social Security Integration Level (SSIL)* — The SSIL is an average of Social Security wage bases. The SSIL is \$56,400 for 2010 and is projected to be \$58,800 for 2011.
- *Five Percent Benefit Improvement* — If the political subdivision has authorized this feature, any monthly benefit payable from TCRS will be increased by five percent. This increase applies to monthly retirement, disability and survivor benefits. It does not apply to lump sum refunds.

Retirement Benefits

Retirement income generally comes from three sources: your employer-provided retirement plan (TCRS), Social Security, and your personal savings. TCRS offers two kinds of retirement

benefits: service retirement benefits or reduced early retirement benefits.

- *Service Retirement* — A vested member becomes eligible for service retirement upon completing 30 years of membership service or upon reaching age 60. The following example shows the formula used to compute the TCRS retirement benefit for a member with 10 years or more of service. The example uses a 60-year-old member retiring under the maximum payment plan in 2010 with an AFC of \$49,000 and 30 years of service. In this example, TCRS service retirement benefits replace 45 to 47 percent of final average compensation after 30 years of service.

<i>Benefit Rate</i>	x	<i>AFC</i>	x	<i>Years of Creditable Service</i>	\$ 22,050
.0150		\$49,000		30	
<i>Benefit Rate</i>	x	<i>AFC In Excess of SSIL</i>	x	<i>Years of Creditable Service</i>	\$ 0
.0025		\$0		30	\$ 22,050
					÷ 12
Monthly Benefit Without 5% Improvement					\$ 1,837
<i>Optional 5% Improvements</i>					x 1.05
Monthly Benefit With 5% Improvement					\$ 1,929

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

Disability Benefits

An active member who is not eligible for service retirement but who can no longer engage in any type of substantial gainful employment due to a total and permanent medically-determinable

disability may be entitled to disability benefits. The member must submit an Application for Disability Benefits and furnish objective medical records to support the claim. A disability retiree is subject to annual medical re-evaluation and to an annual review of earnings until age 60.

TCRS provides coverage for two kinds of disability: ordinary disability and job-related accidental disability.

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

Survivor Benefits

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

One of the most important decisions you are asked to make as a new member of the retirement system is to name a beneficiary. When selecting a beneficiary, you should consider the system's survivor benefit provisions in light of your circumstances. It is very important that you keep your TCRS beneficiary designation current throughout your career. Situations such as marriage, divorce or death do not automatically change your beneficiary. You may change your TCRS beneficiary at any time prior to retirement by submitting a notarized Change of Beneficiary form to TCRS.

- *Lump Sum Refund* — Any beneficiary you have named would be entitled to a refund of the amount you have contributed to TCRS at

the time of your death, plus interest. Assuming you were in service at the time of death, the beneficiary would also receive a matching amount from the system.

- *Automatic Option I to Spouse* — Available at any age upon completion of 10 years of service, this benefit is calculated as if the member retired on the date of death and selected Option I, the 100% joint survivorship plan. The benefit is reduced by 0.4% for each month the member lacked attainment of service retirement conditions (age 60 or 30 years for Group I, which includes most members). If multiple beneficiaries are named and the spouse is also named, the spouse will first be given the choice to receive the monthly benefit to the exclusion of the other beneficiaries. This plan is available to all state employees and teachers, but is optional for local governments.
- *In-Service Option I* — This benefit is payable to anyone who is eligible for early or service retirement. It is calculated as if the member retired on the date of death. This benefit is payable to any sole beneficiary. If multiple beneficiaries are named and the spouse is also named, the spouse will first be given the choice to receive the monthly benefit to the exclusion of the other beneficiaries.
- *Line-of-Duty Death* — This benefit is payable for life to a surviving spouse or to minor children until age 18 in the event of a member's death while in the actual performance of duty. The benefit amount is up to 50% of the 5-year average final compensation. This plan is optional to local governments.

Applying for Benefits

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