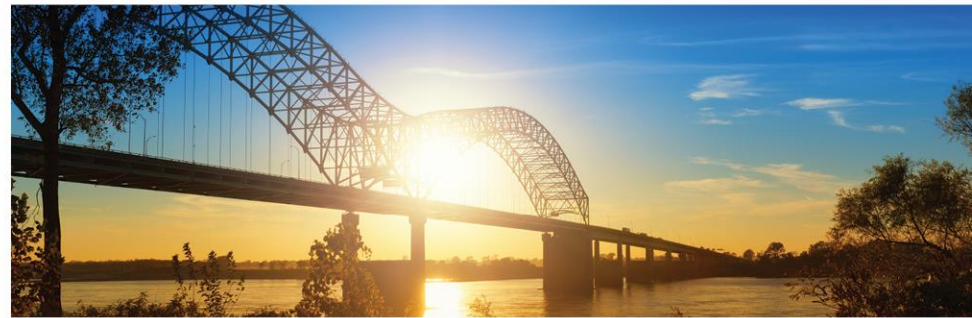


TGFOA Spring Institute
March 3, 2022

State Retirement Program Update

Tennessee Department of Treasury






RETIRE READY



Tennessee
Consolidated
Retirement
System



401(k)/457(b)
Plans



Retirement
Readiness
Education

We strive to empower public employees to take actionable steps toward preparing for the future.



TCRS Data and Statistics



TCRS is turning 50!

- On July 1, 2022, TCRS celebrates 50 years as a consolidated retirement plan!
- On July 1, 1972, Governor Winfield Dunn signed the Consolidation Retirement Act, combining seven separate pension plans into the Tennessee Consolidated Retirement System.





TCRS by the numbers

- TCRS portfolio valued at \$65.8 billion
- Named in Top 3 best-funded State Pensions by Pew Charitable Trusts

GASB Funded Status

FY 2021

	Assets	Liabilities	Funded %
State Legacy	\$ 15,746,112,791	\$ 17,384,423,117	90.58%
State Hybrid	308,241,289	273,028,004	112.90%
Teacher Legacy	25,456,436,717	24,693,863,023	103.09%
Teacher Hybrid	401,015,022	344,150,852	116.52%
Political Subdivisions*	11,439,968,483	11,199,061,543	102.15%

*In the aggregate. Each Political Subdivision is a separate liability pool.

Active Members in the Legacy Plan
 (closed to new members on June 30, 2014)

159,293

Active Members in the Hybrid Plan

61,479

Retired Members

148,025

TCRS paid

\$2.9 billion



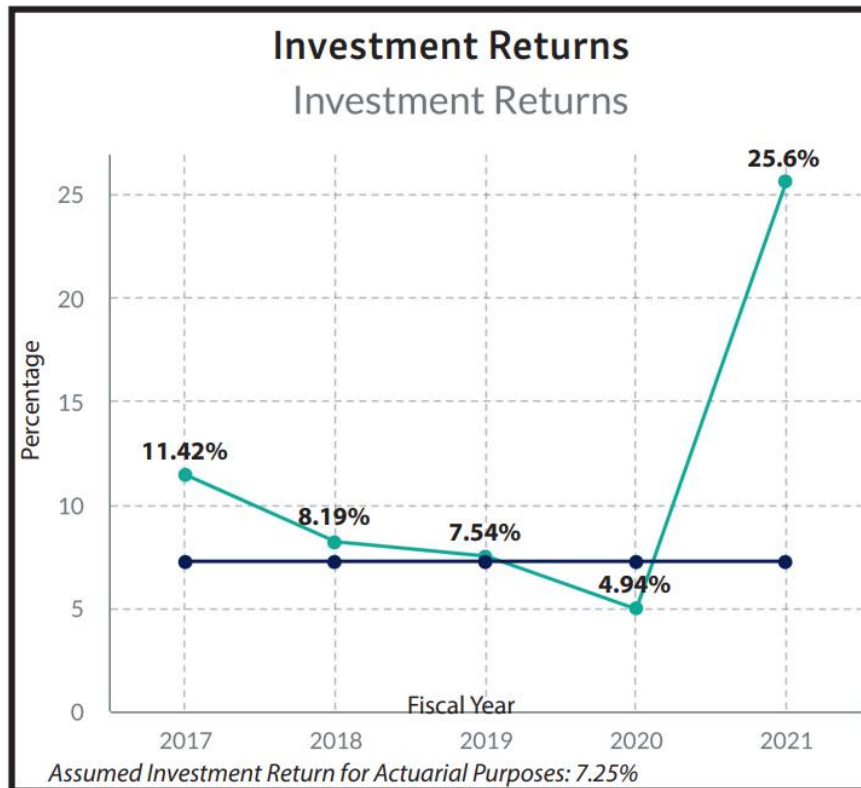
in benefits to **148,025**
 retirees

92% of TCRS retirees
 remain in Tennessee



TCRS by the Numbers

- For every \$100 in retirement benefits paid, 70.02% is paid from investment earnings by the Treasury Department.



- TCRS concluded FY21 recording a historic 25.6% investment return, the fourth highest annual percentage return since consolidation in 1972
- TCRS lowered its assumed rate of return from 7.25% to 6.75% beginning July 1, 2021



TCRS Economic Impact

The \$2.65 billion in TCRS benefits paid to retirees living in Tennessee in 2021

- Created \$4.93 billion of gross output which translates to .08% of GDP
- Benefits paid to retirees is equivalent to 35,500 jobs
 - Roughly the same number of people employed in Anderson County, Tennessee
 - More jobs than in 78 of the 95 counties
- Resulted in \$269 million in State and Local taxes
 - More than the \$264 million estimated cost of Nissan Stadium
- Provided \$384 on average for each of the 6.9 million Tennesseans



TCRS Employer Participation

- All State Agencies, Public Higher Education, and Teachers
- 570 political subdivisions currently participate in TCRS
 - 515 Legacy
 - 21 Hybrid with Cost Controls
 - 29 Hybrid without Cost Controls
 - 5 Alternative Defined Benefit



State of Tennessee Deferred Compensation 401(k) & 457(b)



State of TN 401(k) and 457(b) Plans by the Numbers

	401(k) Plan Participants	Assets	457 Plan Participants	Assets
State	61,920	\$2,507,010,378	6,413	\$258,158,005
University of Tennessee	20,458	\$935,238,394	2,069	\$230,868,050
Tennessee Board of Regents /Higher Education	23,630	\$905,970,926	909	\$89,325,341
K-12 Teachers	53,630	\$716,418,332	343	\$2,895,453
Local Governments	12,240	\$223,989,150	4,732	\$179,210,946
Total	171,878	\$5,288,627,180	14,466	\$760,457,795



401(k) and 457(b) Plans by the Numbers

- 343 local government employers have adopted the 401(k) and/or 457(b)

Hybrid Plan Auto-Enrollment	
Entity	12-month Average Stick Rate
State	97%
University of Tennessee	97%
Tennessee Board of Regents	98%
K-12 Teachers	92%
Local Governments	95%

- Overall teacher participation in the 401(k) Plan increased by 12.4% in FY21



TCRS Plan Structures



Legacy Plan Design

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

- Eligibility for an unreduced retirement benefit begins at age 60 or with 30 years of creditable service
- Members participate in the State 401(k) and 457(b) plan on a voluntary basis and may enroll at any time



Hybrid Plan Design

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

- Eligibility for an unreduced retirement benefit begins at age 65 or based on the “rule of 90”

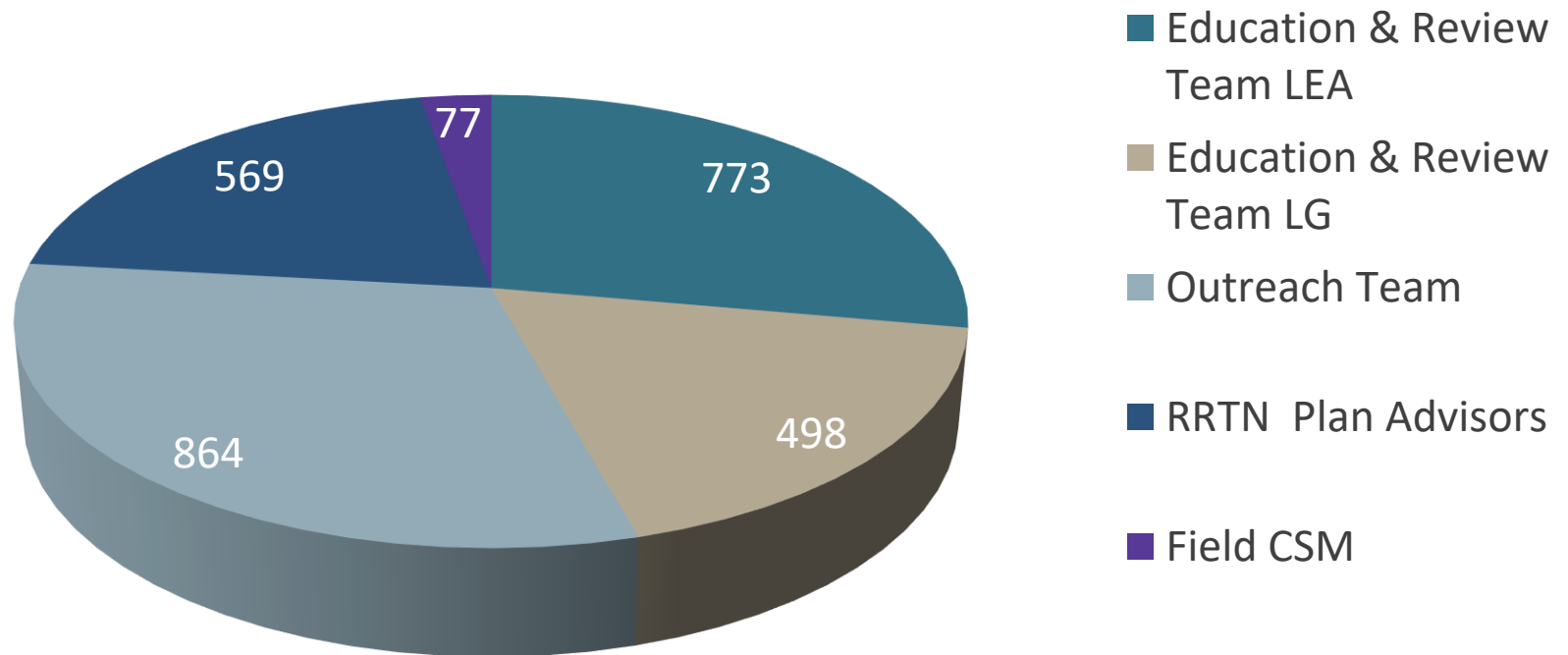
	Employer Contributions	Member Contributions	Total Contributions
TCRS	4%	5%	9%
401(k)	5%	2% ¹	7%
Total	9%	7%	16%



Employer Outreach & Retirement Readiness Resources



Employer Meetings – Calendar Year 2021



Total Employer Meetings: 2,781



Retirement readiness resources

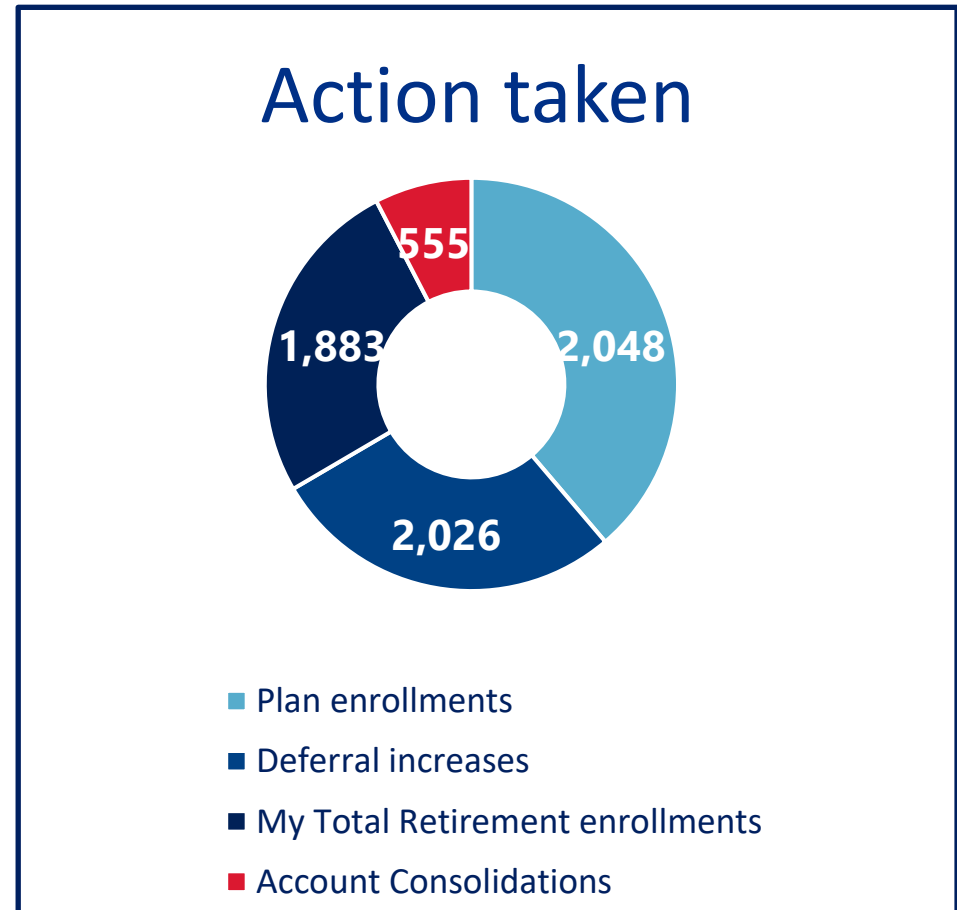
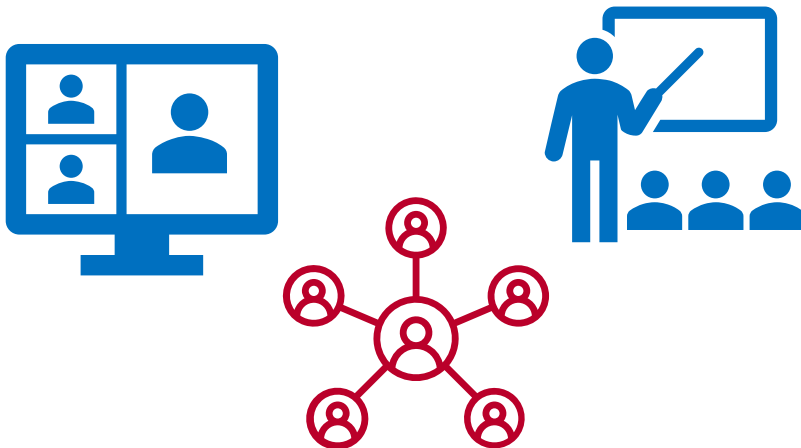


- One dedicated Call Center to assist members with their TCRS and 401(k)/457(b) accounts
- Access to one-on-one and group counseling services provided by FINRA series 6 and 65 licensed investment advisors
- Online tool providing a comprehensive picture of retirement readiness
- *Services procured through a contract with Empower Retirement, the State's 401(k) and 457(b) recordkeeping provider.*



CY2021 participant education activity

- 150,556 calls handled by RetireReadyTN call center agents
- 16,283 meetings conducted by RetireReadyTN Plan Advisors
 - 618 group meetings with 10,500 attendees
 - 15,655 individual meetings





2021 Plan Advisor Satisfaction Surveys

Plan Advisor Net Promoter Scores based on 3,162 respondents as of 11/30/21



Promoters

90% of respondents rate their RPA meeting a 9 or 10



Detractors

3% of respondents rate their RPA meeting a 1 – 6

Neutrals

7% of respondents rate their RPA meeting a 7 or 8

Net Promoter Score = 87



Lifetime Income Score

- Log in to your 401(k) and 457 accounts to see your Lifetime Income Score.
- A projection of your TCRS benefit is now included for all vested TCRS members.
- Your Lifetime Income Score (the percentage in the circle) shows you how close you are to meeting your income replacement goal.

In retirement starting 2030

Sean Lewis

My savings	TCRS/Employer contributions	Social Security	Other assets	Income gap
\$273	\$921	\$1,996	\$865	\$1,070

79%
of my goal

Estimated monthly income: **\$4,140**

Retirement income | Healthcare costs | How do I compare | How long will my money last?

PRETAX CONTRIBUTION RATE: 5%

RETIREMENT AGE: 67

INVESTMENT STYLE: Moderate (40/60)

Conservative | Aggressive

Next step
 Increase your contribution to 6%

Today
\$51,738.17
 Total account balance

[State of Tennessee 457 Plan](#)
 \$3,214.00 QUICK VIEW

[State of Tennessee 401\(k\) Plan](#)
 \$48,524.17 QUICK VIEW

[Tennessee Consolidated Retirement System](#)
 \$608.93/month QUICK VIEW

I want to ▾

- [View/manage investments](#)
- [Update personal information](#)
- [View/edit beneficiary information](#)
- [View transaction history](#)
- [View statements](#)
- [Upload a document](#)
- [View brokerage account](#)



Driving Toward Participant Retirement Readiness

- Goal-based annual communication strategy incorporating specific calls to action
- Focused on high need (at-risk) participants:
 - Lifetime Income Score below 70%, which includes the TCRS Benefit projection
 - Hybrid plan member not deferring to the 401(k) (members opting out of 401(k) auto-enrollment)
 - Equity risk (Age 50+ with 75%+ equity exposure in the DC plans)
 - Inflation risk (Age 50+ with 10% or less equity exposure/Under 50 with 25% or less equity exposure in the DC plans)
- Measurements of Success:
 - Email open and click-through rates
 - Requests for meetings with Retirement Plan Advisors
 - Positive actions occurring within a designated timeframe – enrollments, increased deferrals, account consolidations and reallocations



TCRS Actuarial Information



Ensuring a sufficient and sustainable retirement plan

- Tennessee is the first state in the nation to enact a requirement that all defined benefit public pension plans offered by public entities must annually fund 100% of the Actuarially Determined Contribution and must adhere to certain recognized standards in plan management
- The Tennessee has voted to fully fund the ADC for TCRS since at least 1972



Actuarial Experience Study Overview

- A periodic review and analysis of the actual experience of a plan compared to the actuarial assumptions which may lead to a revision of some assumptions used in the actuarial valuation
- Typically conducted every 4 years
- Last performed based on the four-year period ending June 30, 2020
- Examined demographic and economic assumptions



Demographic Assumptions

- Mortality
 - Pre-retirement
 - Post-retirement
- Membership termination activity
 - Employee turnover
 - Pattern of retirement
 - Pattern of disability



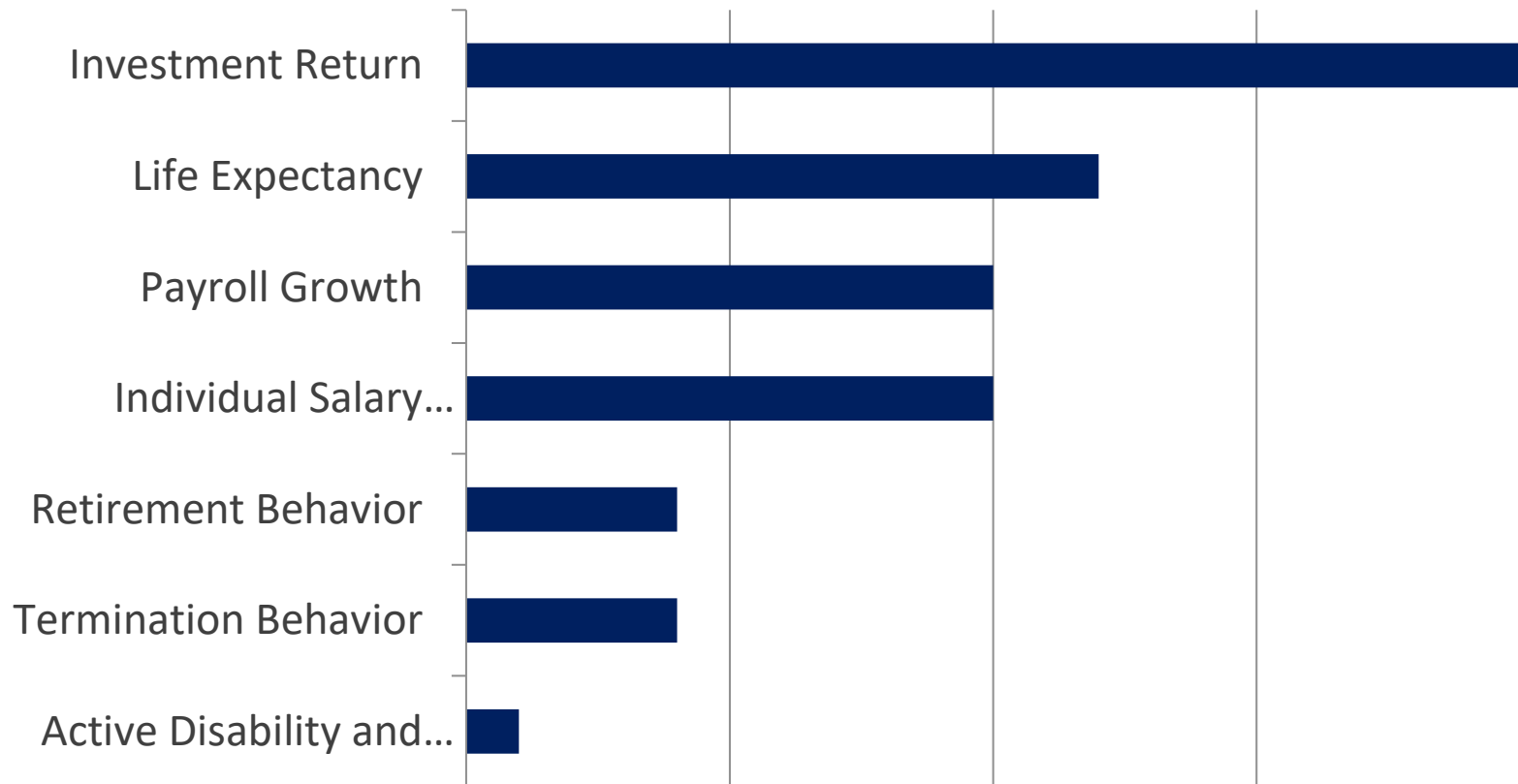
Economic Assumptions

- Investment earnings
 - Real return plus inflation
 - Currently 6.75%, net of investment expenses
- Salary increase
 - Productivity plus inflation
 - Age based
 - Currently, average of 4.00%
- Retiree Cost of Living Assumption (COLA)
 - Consumer Price Index capped at 3.0%
 - Currently 2.25%
- Underlying inflation that impacts the economic assumptions
 - Currently 2.5%



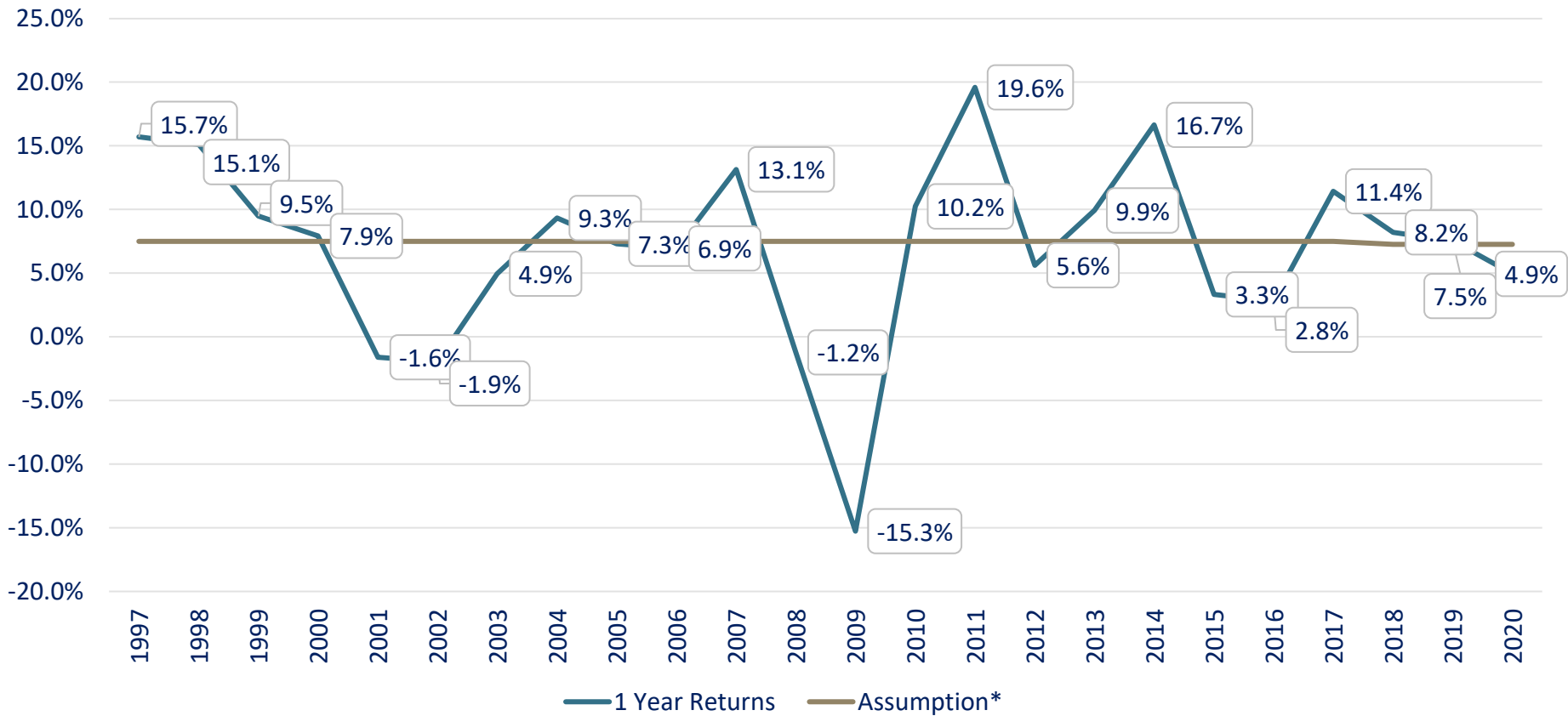
Relative Effect of Individual Actuarial Assumptions

Impact on Determination of Contribution Requirements





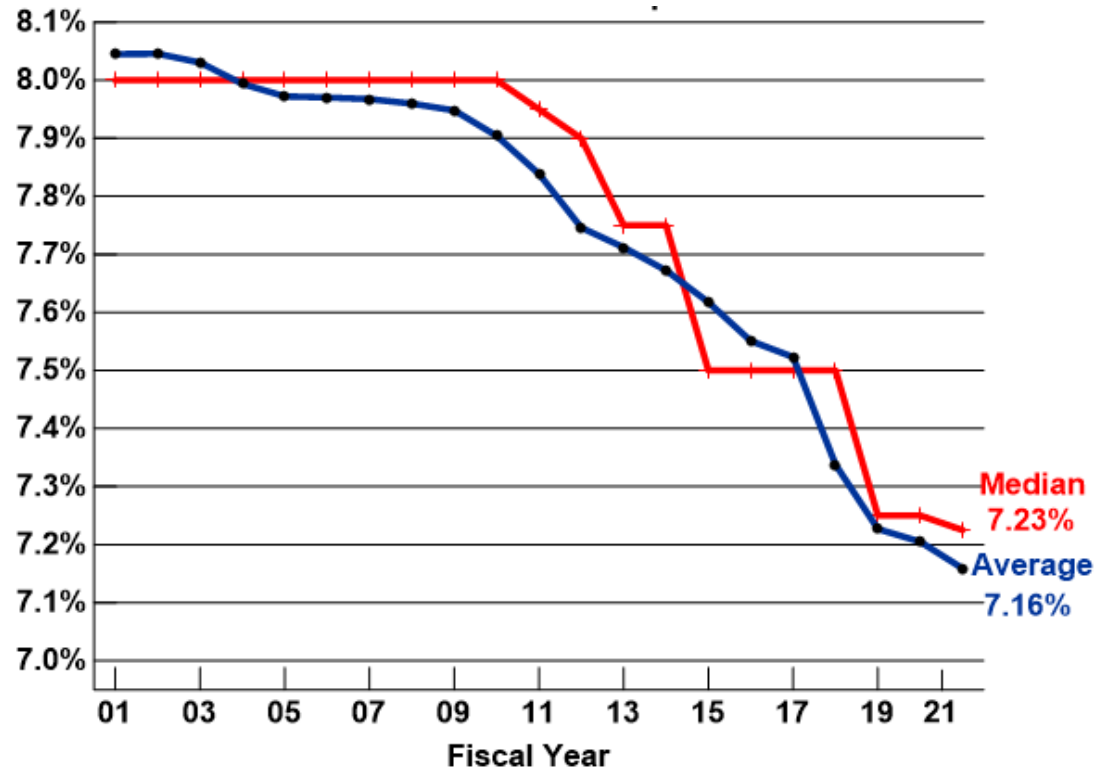
TCRS Investment Performance





Change in Median and Average Public Pension Investment Return Assumption

- Downward trend in return assumptions used among peer public pensions
- Trend likely to continue as interest rates are low and equity prices are high





GASB and Actuarial information

Treasury Website/Retirement/GASB

Search Name or Code

Tennessee Department of Treasury
Tennessee Consolidated Retirement System

[GASB 68 Home](#) [TCRS Home](#)

- [GENERAL](#)
- [LOCAL EDUCATIONAL AGENCIES](#)
- [POLITICAL SUBDIVISION](#)
- [STATE](#)
- [TCRS - GASB 67](#)

Information and reports pertaining to a single employer ID will be located under the corresponding employer ID. Reports and information encompassing multiple employer IDs will be located in a consolidated document under the General Information section. If you or your auditors have any questions regarding the information provided, contact Mary Collins, Senior Accounting Business Analyst, at 615-770-1744.

↓ Employer Code	Name	🔍 Search
+ 80000	Aggregate Political Subdivisions	
+ 80010	Kingsport	
+ 80020	Johnson City	
+ 80022	Johnson City Power Board	
+ 80030	Bristol	
+ 80032	Bristol Tennessee Essential Services	
+ 80033	Bristol Housing Authority	
+ 80036	Bristol	



TCRS Census Reviews



Ensuring data integrity

- Information reported to TCRS is verified through periodic census reviews to identify:
 - Demographic inconsistencies (SSN, Date of Birth, Gender)
 - Compensation inconsistencies
 - Unreported employees required to be reported to TCRS
 - Reporting of employees ineligible for TCRS
- Education and Review Team Specialists assist employers with corrections to member records and provide training and information to employers regarding reporting requirements



TCRS Education and Review Team

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Legislative Updates



Recent Legislation

- Federal American Rescue Plan Act: Premium Pay
 - Premium pay is considered earnable compensation for retirement purposes and should be reported with contributions deducted
- Correctional Officers and Mandatory Retirement/Bridge
 - Public Chapter 486 gives local governments ability to cover correctional officers under mandatory retirement with the 55/25 Provision which includes a bridge benefit
- Limited Re-employment of Public Safety Officers
 - Allows retired law enforcement officers to return to work in a limited capacity, with a TCRS covered employer, while continuing to draw a benefit



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