

HAPPY HOUR COMING UP

A quick look at Social Security (and an even quicker look at TCRS)

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A program of the
Tennessee Treasury Department
David H. Lillard, Jr., Treasurer



This presentation is intended to provide information only. This material is not intended as advice or a recommendation about investing or managing your retirement savings. By sharing this information, Empower is not acting as your fiduciary as defined by the Department of Labor or otherwise. If you need investment advice, please consult with a qualified professional.

Understanding today's presentation

The information in this guide is:

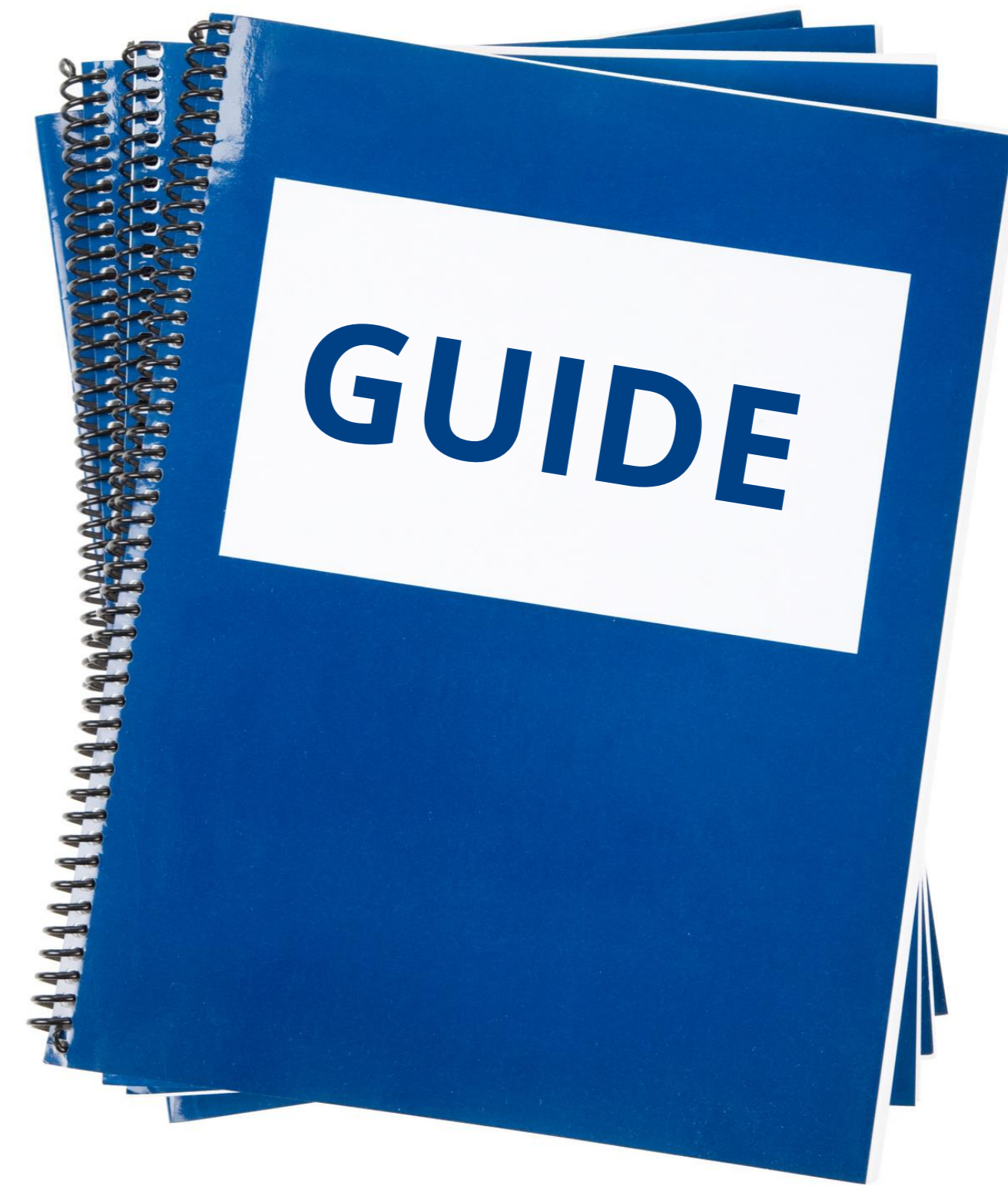
- Generalized.
- Up to date.
- Will need to be updated as circumstances change.

This guide is not:

- Personalized.
- To be taken as advice or recommendations.

Social Security information changes frequently. Review it often at ssa.gov to stay up to date.

TCRS Benefits are updated annually by the State.
MyTCRS.com



Agenda

- How retirement has changed
- Individual benefits
- Working and taking benefits simultaneously
- Spousal benefits
- How Social Security impacts retirement readiness
- Why Social Security and TCRS are the cornerstones to a solid retirement plan foundation



What is Social Security in the United States?

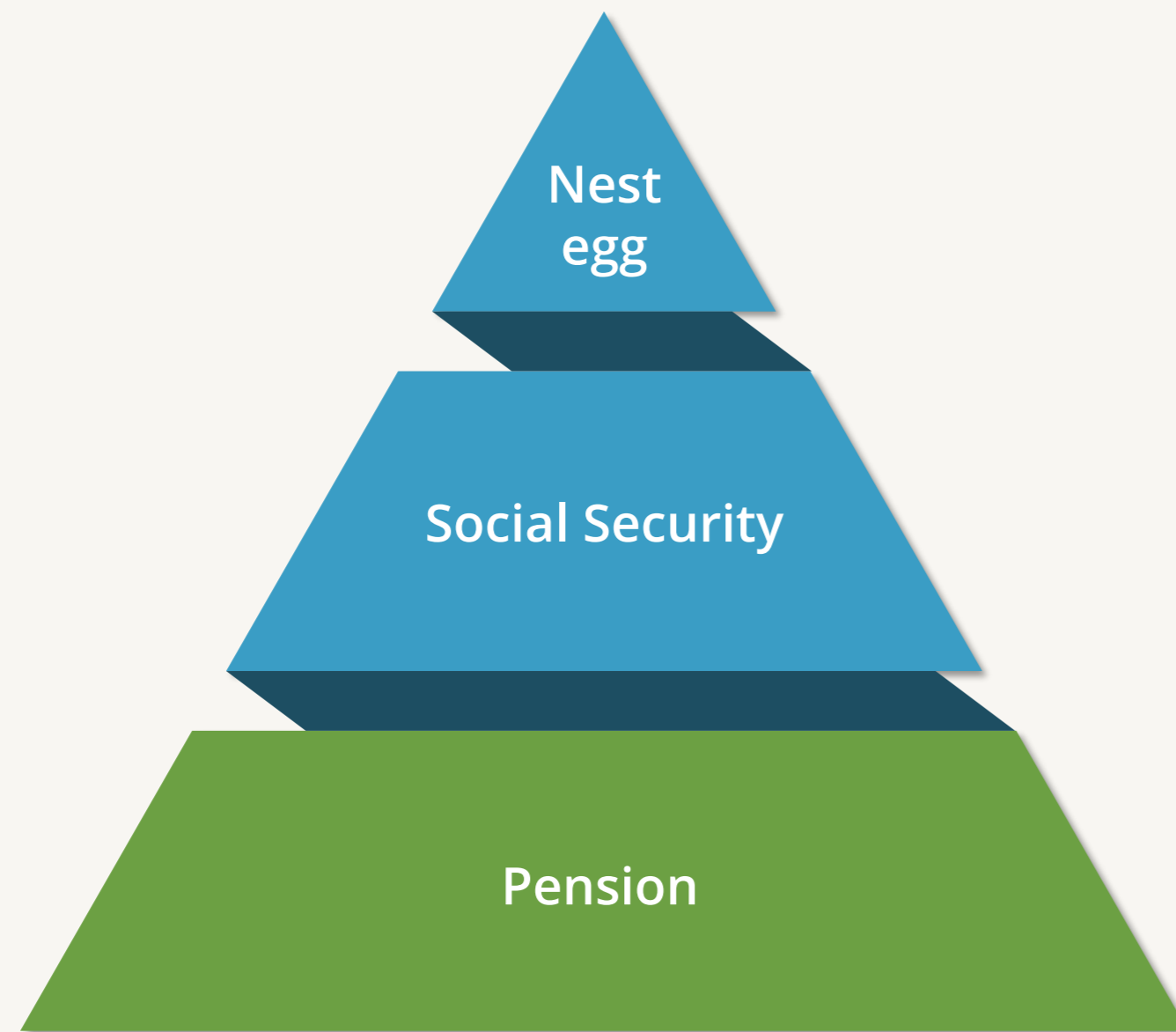
A federal program that provides continuing income to retired people and people who are unemployed or disabled

- Today's presentation focuses specifically on retirement benefits.
- Social Security retirement benefits are typically thought of as a monthly payment that the government gives you during retirement.

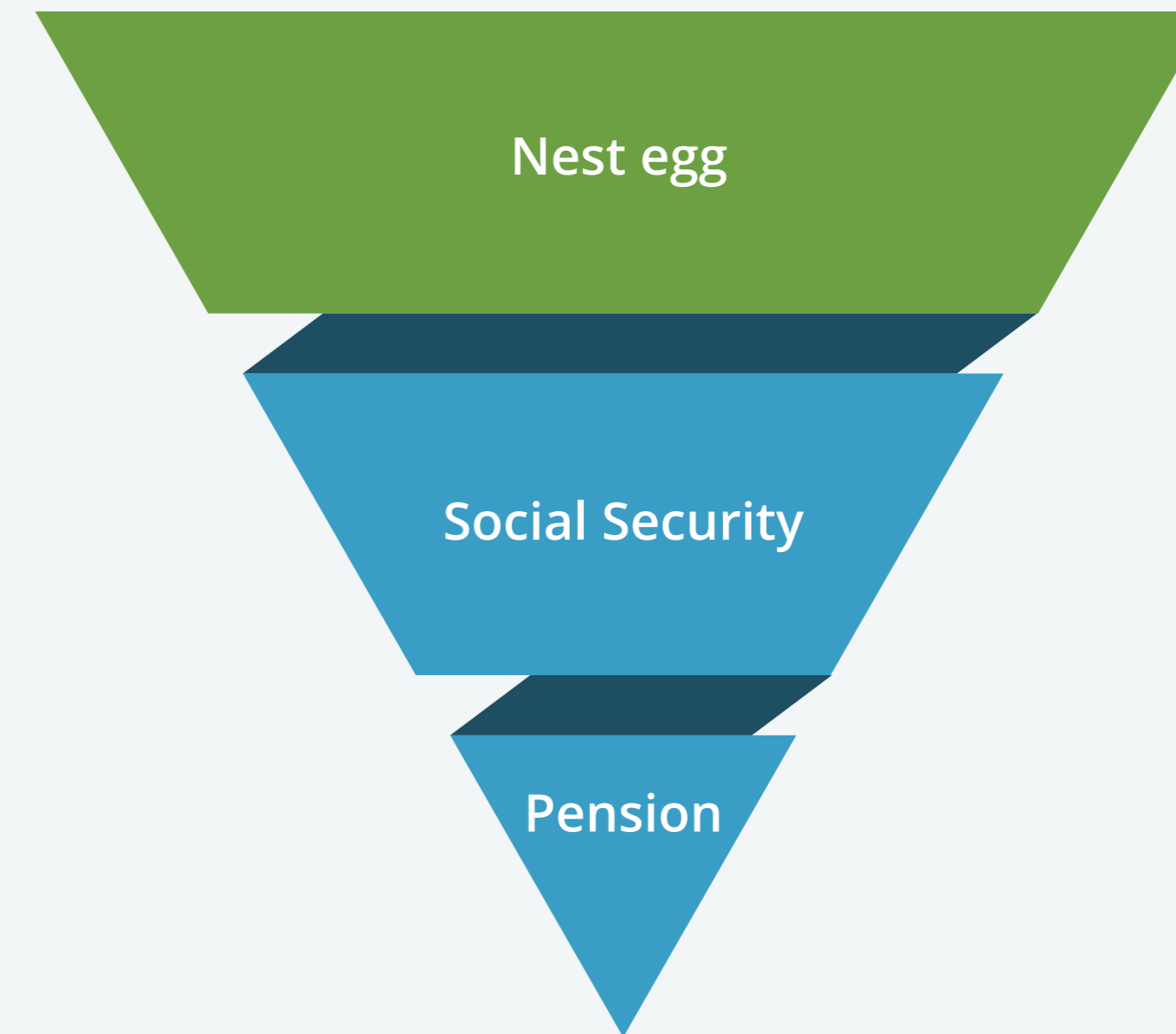


Change in retirement income sources

1983



Today



"Nest egg" includes contributory retirement plans like 401(k)s

Life expectancy has increased



84

A man who's 65 today
can expect to live to 84



87

A woman who's 65 today
can expect to live to 87



90+

1 in 4 people who are
65 today will live to 90+

Calculating individual benefits

Work Year	Earnings Taxed for Social Security	Earnings Taxed for Medicare (began 1966)
1971-1980	\$ 2,142	\$ 2,142
1981-1990	87,102	87,102
1991-2000	246,069	246,069
2001	34,147	34,147
2002	34,846	34,846
2003	36,021	36,021
2004	38,032	38,032
2005	39,711	39,711
2006	41,829	41,829
2007	43,971	43,971
2008	45,170	45,170
2009	44,603	44,603
2010	45,666	45,847
2011	47,093	47,093
2012	48,560	48,560
2013	49,095	49,095
2014	50,605	50,605
2015	51,996	51,996
2016	52,108	52,108
2017	53,251	53,251
2018	53,966	53,966
2019	54,559	54,559
2020	54,489	54,489
2021	Not yet recorded	



Highest-earning 35 years

Your individual benefit is based on:

- How much you made in your 35 highest-earning years.
- How old you are when you begin taking payments.
- Your “full retirement age” (FRA).

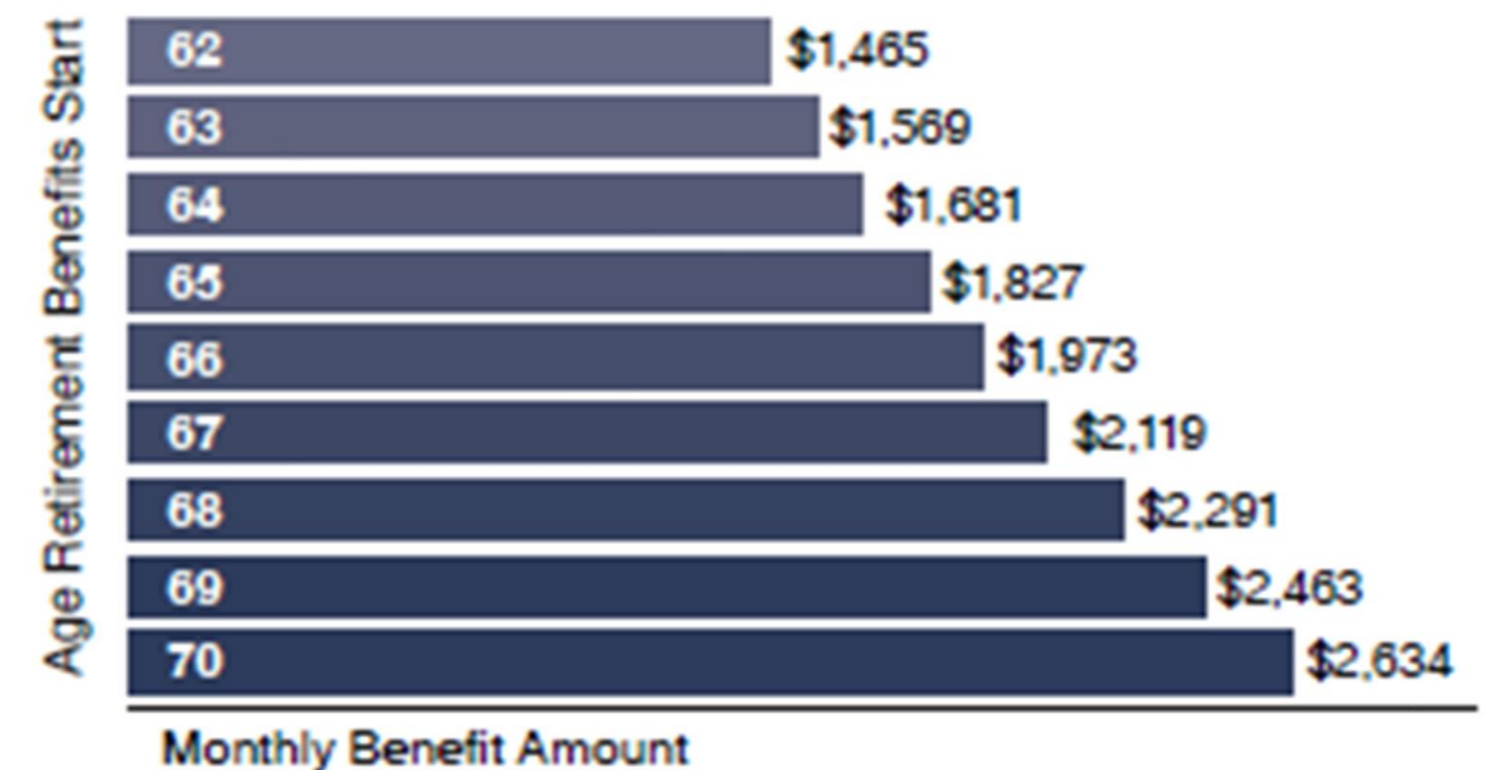
Retirement Benefits

You have earned enough credits to qualify for retirement benefits. To qualify for benefits, you earn “credits” through your work — up to four each year. Your full retirement age is 67, based on your date of birth: April 5, 1962. As shown in the chart, you can start your benefits at any time between ages 62 and 70. For each month you wait to start your benefits, your monthly benefit will be higher—for the rest of your life.

These personalized estimates are based on your earnings to date and assume you continue to earn \$54,489 per year until you start your benefits.

To learn more about retirement benefits, visit ssa.gov/benefits/retirement/learn.html.

Personalized Monthly Retirement Benefit Estimates (Depending on the Age You Start)



FOR ILLUSTRATIVE PURPOSES ONLY.

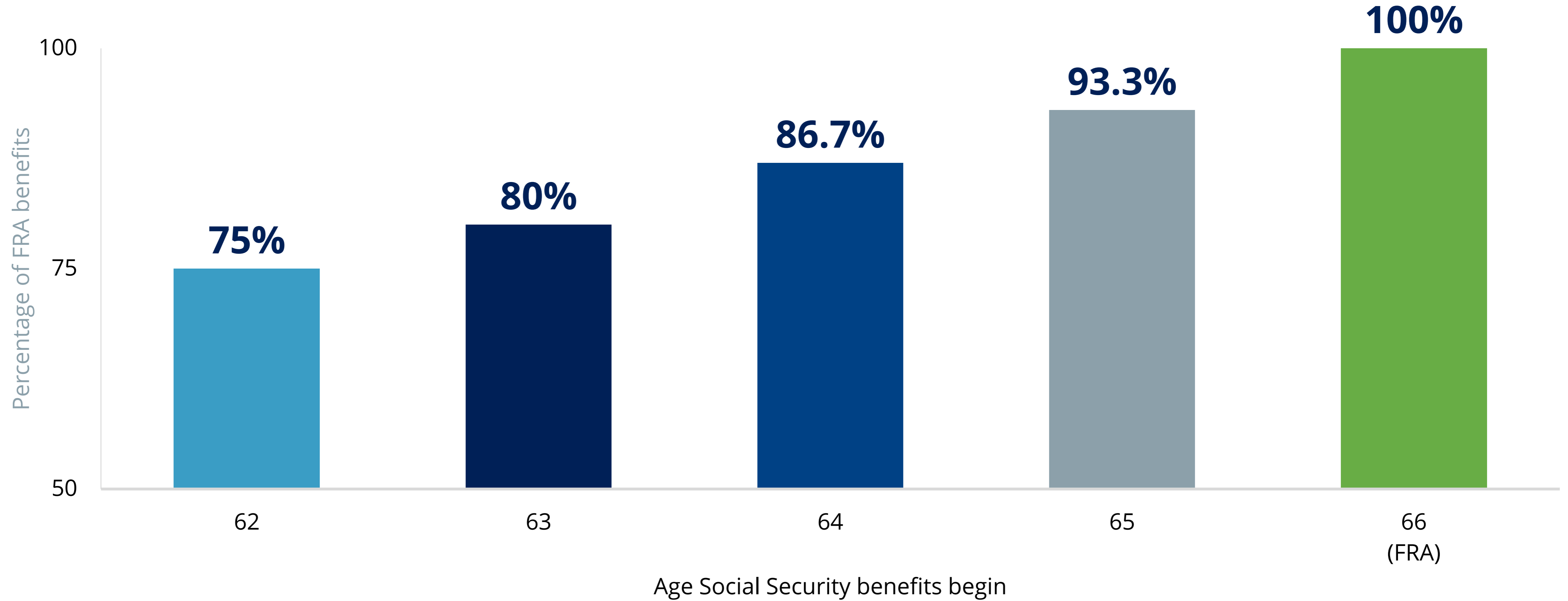
Get statements online and check out the retirement estimator at ssa.gov



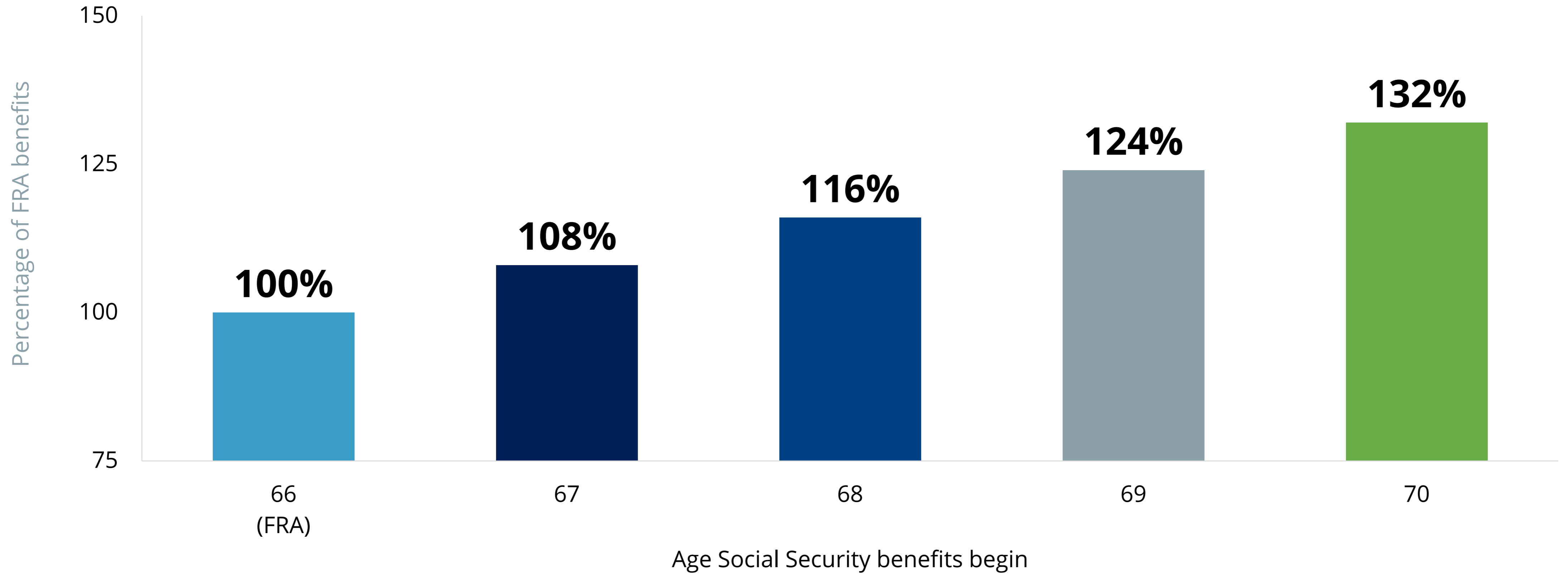
Understanding full retirement age (FRA)

Date of birth	Full retirement age
1943-1954	66 years
1955	66 years and 2 months
1956	66 years and 4 months
1957	66 years and 6 months
1958	66 years and 8 months
1959	66 years and 10 months
1960 and later	67 years

Collecting early: The cost



Collecting late: The guaranteed increase

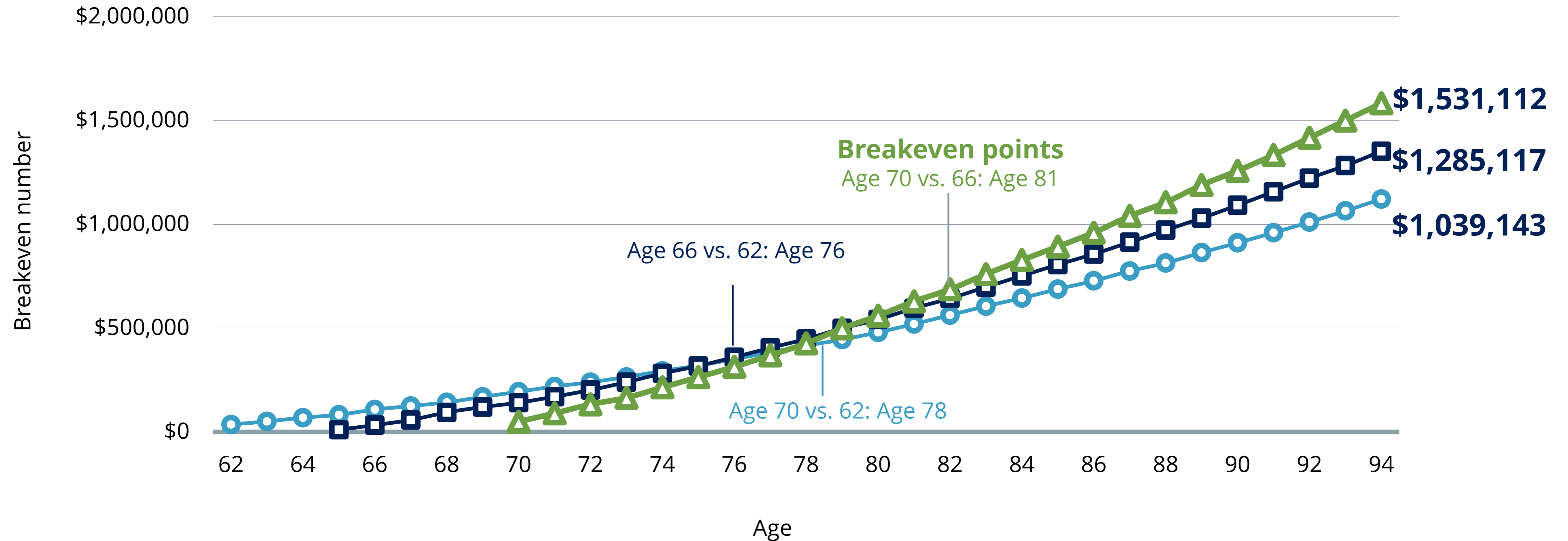


■ When should you take Social Security?



Taking Social Security before reaching your full retirement age means smaller monthly checks for life.

Social Security maximization strategy



Monthly payment

○ Claim at 62: \$1,500

◻ Claim at 66: \$2,000

◄ Claim at 70: \$2,640

This is a hypothetical example for illustrative purposes only. This assumes a full retirement age benefit of \$24,000 a year, an annual cost-of-living adjustment of 3%, and the client living to age 95.



Collecting early: Consider these questions

Working

Are you actually retiring?
Will you work more, even part-time, before your FRA?

Longevity

How is your health?
Is there an expectation of longevity — or a reduced life expectancy?

Spouse

Are you married?
What is the age difference between spouses?
Will spousal benefits affect you or your spouse?

Consequences of taking benefits and working

2023 Retirement earnings limit

Your age	2023 Limit	What happens above the limit
Under FRA	\$21,240/year	\$1 of benefits withheld per \$2 of earnings above limit
Year you reach FRA	\$56,520/year	\$1 of benefits withheld per \$3 of earnings above limit (for months prior to reaching FRA)
Month you reach FRA and beyond	None	Nothing

Applies to any retirement benefits collected before FRA. Earnings limit looks at wages only.

Working while collecting Social Security

John is age 62 with a \$12,000 annual benefit:

- Still working, he earns **\$25,000** per year.
- This is **\$3,760** over the earnings threshold.
- John loses **\$1,880** of benefits.
- John receives only **\$10,120** in benefits this year.

At full retirement age, there will no longer be any benefit reduction.



Taxation of Social Security benefits

Benefits are only taxable if your provisional income exceeds:

Single or head of household



\$25,000 =

Social Security not taxable

Above \$25,000 – \$34,000 =
up to 50% taxable

Above \$34,000 =
up to 85% taxable

Married filing jointly



\$32,000 =

Social Security not taxable

Above \$32,000 – \$44,000 =
up to 50% taxable

Above \$44,000 =
up to 85% taxable



Provisional income includes

Half of Social Security benefits

Income from municipal bonds

Wages

Business income

Interest

Capital gains

Dividends

Traditional IRA distributions

Rental income

And more...

Spousal benefits

Married individuals can claim Social Security benefits based on:

- Personal earnings record.
- Spouse's earnings record.

If electing based on spouse's earnings record

- Spousal benefit is up to 50% of their spouse's Social Security benefit.
- Cannot claim spousal benefit until the spouse files for benefits.



Spousal benefits

Gary:

Primary insurance amount (PIA): \$2,000

Amy:

Primary insurance amount (PIA): \$0

$$50\% \times \$2,000 = \\ \$1,000$$

Spousal benefit — \$1,000

at age

62

66

FRA

70

74

Reduced spousal benefit — \$700

Survivor benefits

Surviving spouse can receive or step up to the benefit of the deceased spouse:

- If survivor is full retirement age, 100% of spouse's benefit
- Generally, survivor benefits begin at age 60
 - Survivor benefits reduced if received before full retirement age — up to 28.5%
 - Exceptions for surviving spouse with children who are under 16 or have a disability
- Survivor can switch to their own benefits
 - Advantageous if greater when full retirement age is reached



Collecting benefits based on the earnings of a divorced spouse

It is possible to collect retirement and survivor benefits from a divorced spouse.

Retirement benefit qualifications

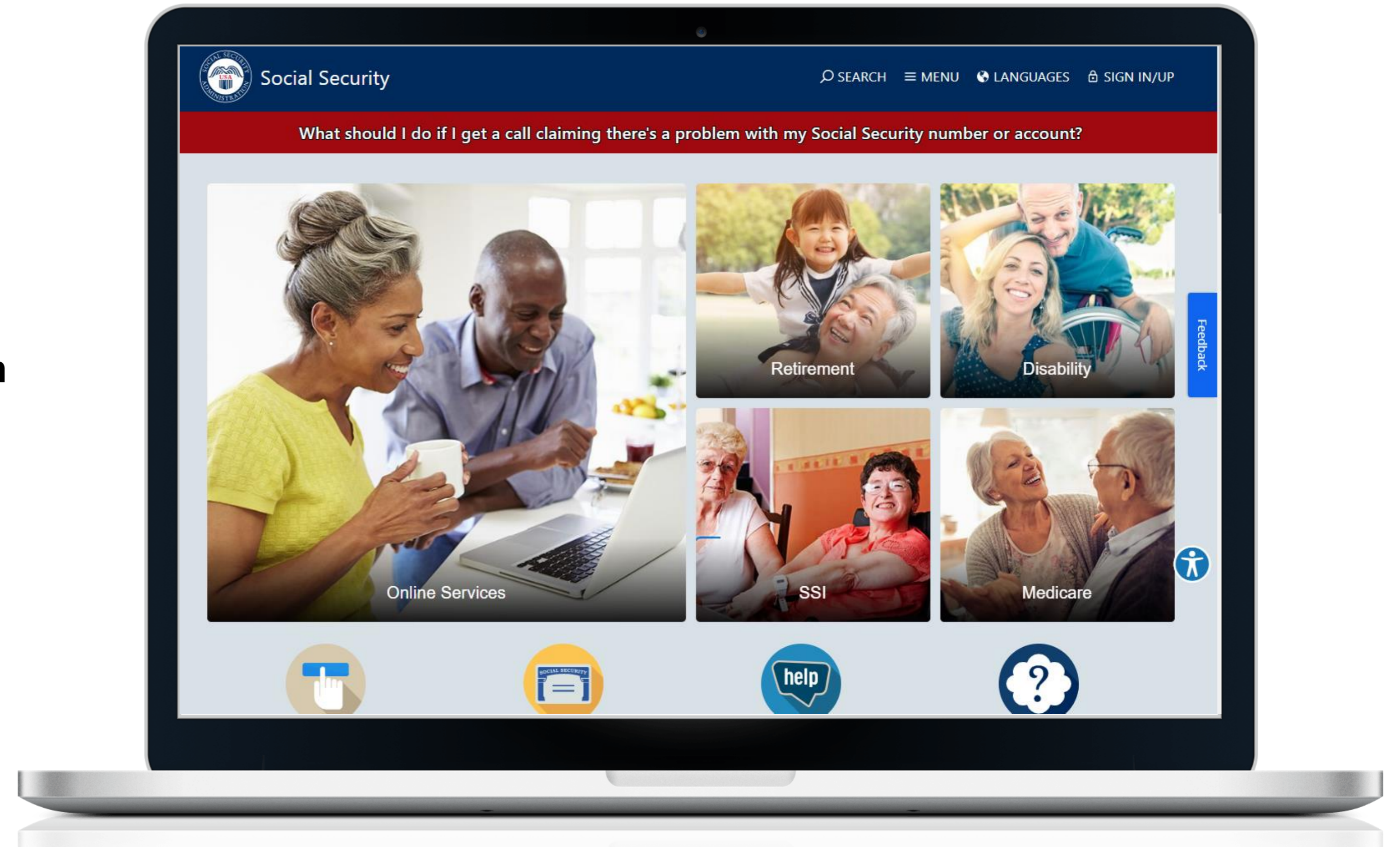
Your marriage lasted at least 10 years.
You have not remarried.
Your ex-spouse must be entitled to Social Security.

Survivor benefit qualifications

Your marriage lasted at least 10 years.
You are at least age 60 or older.
You cannot remarry until after age 60.

Summary

- **Monitor your Social Security statements**
 - Statements are now available online.
 - Go to ssa.gov to create a secure user account and view your statement.
- **Review and evaluate retirement plan options in conjunction with Social Security options.**
- **Work with a financial professional to review your income sources and evaluate options for retirement income flexibility.**



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.





Tennessee Consolidated Retirement System (TCRS)



- TCRS provides a lifetime monthly benefit at retirement once vesting period and eligibility has been met
- Members may be contributory or non-contributory
- Benefits are calculated based on the member's years of creditable service, age, the benefit accrual factor, and average final compensation (AFC). AFC is the average of the highest 60 consecutive months of compensation
- Contributions are not available for withdrawal until termination of employment
- Employer bears the investment risk



TCRS by the numbers



- \$60 billion held in trust
- One of the top three best funded state pension plans
- More than 92% of the \$2.75 billion in annual retiree benefits paid by TCRS remain in Tennessee
- For every \$100 paid out to retirees, around \$70 comes from investment earnings
- 222,682 active members and 146,382 retirees



Who are State of Tennessee Retirement Plan Members?

- State Employees
- Higher Education Employees
 - State Teachers (K-12)
- Certain Judges/The Attorney General/District Attorneys
General/District Public Defenders
 - Members of the General Assembly
and
- Local Government Entities That Elect To Participate-
 - Cities
 - Counties
 - Special Districts



Retirement Requirements for TCRS

- Service Retirement
 - Legacy Members must be age 60 and vested or have 30 years of service regardless of age
 - Hybrid Members must be age 65 and vested or meet Rule of 90 (age + service = 90)
- Early Retirement
 - Legacy Members must be age 55 and vested
 - Hybrid Members must be age 60 and vested
 - Reduction factor will be applied
- 25-Year Early or Rule of 80
 - Legacy Members must be < than 55 and \geq 25 years of service- multiple reductions will be applied
 - Hybrid Members must meet Rule of 80 (age + service = 80)- multiple reductions will be applied



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.



TCRS Retirement Plan Option Selection



- **Single Life Annuity Plans**
Member Only Option - Maximum monthly benefits payable to member for life. Benefits cease at death.
- **Four Survivorship Plans**
Designate a beneficiary to inherit your pension.



Retirement Readiness Review

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

With your local 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.



Retirement Counseling: 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



Thanks for attending today.

Ted Choate

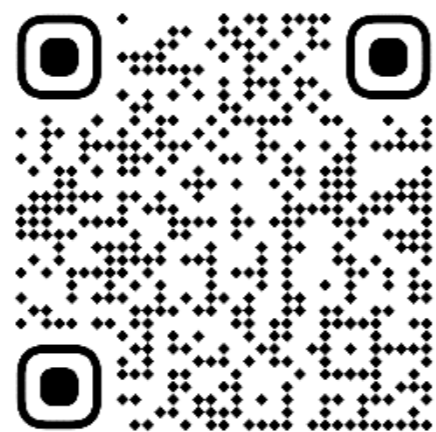
Retirement Plan Advisor

Direct: 931-797-4758

Customer Service: 800-922-7772

Ted.Choate@empower.com

[Schedule a consultation](#)



www.RetireReadyTN.gov

Thank you!



Important information regarding your meeting with representatives of Empower

Your Empower representative is a financial planner acting on behalf of Empower Advisory Group, LLC (EAG) and Empower Financial Services, Inc. (EFSI). EAG is a federally registered investment adviser that provides investment advisory services to retirement plan participants and IRA holders nationwide. EAG's goal, through the financial planners and otherwise, is for you to leverage EAG's investment expertise to make retirement planning smarter and more accessible than ever before. EFSI is a broker-dealer registered with FINRA and the U.S. Securities and Exchange Commission. EFSI primarily provides broker-dealer services to employer-sponsored retirement plans. Both EAG and EFSI are members of the Empower Retirement, LLC family of companies.

Your financial planner is authorized to act as both an investment advisor representative of EAG and a registered representative of EFSI. Your financial planner acts as an EAG investment advisor representative when providing investment counseling or recommendations and as a EFSI registered representative when executing securities transactions on your behalf.

Your financial planner may conduct a Retirement Readiness Review with you and educate you about available investment options and products offered by EAG. During a Retirement Readiness Review, you will meet with a financial planner to discuss your current and future goals. Your financial planner will look at your full financial picture and provide tailored recommendations in order to help you achieve your personal retirement readiness. Your financial planner will assist you with learning about (and, when appropriate, enrolling in) Empower managed accounts solutions, rollovers into plan options, optimized investment allocation and savings amounts, financial planning, general financial wellness, health savings accounts (HSAs), distribution options, and additional products/ solutions offered by your plan and aligned with your needs. While basic investment strategies consider only your age, the service of your financial planner includes consideration of a wide range of factors to develop a more in-depth picture of who you are before creating a strategy that best fits your individual needs. Your financial planner considers your individual financial situation and goals to create a plan designed to help you reach the future you want. Your financial planner, acting on behalf of EFSI, can assist you with executing securities transactions related to the recommendations they provide. There is no guarantee provided by any party that participation in any of the advisory services will result in a profit.

By engaging in a dialogue with your financial planner, you will receive ongoing direction and advice, including professional support through education when it comes to making important savings, investing, and retirement income decisions. Although your financial planner cannot provide you with advice on your tax situation, they will share information related to the potential tax implications of taking receipt of the proceeds from your retirement investments. If you feel that you need specific tax advice, please consult with your personal tax advisor.

To obtain the EAG and EFSI Form CRS, or for more information about Empower representatives, visit **empower.com**.

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