

# **Hybrid Pension Plan with Cost Controls for State Employees, Teachers, and Employees of Local Governments Who Elect the Plan**

## **Frequently Asked Questions**

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## Differences between the Hybrid and Legacy Pension Plans

### **Q: In summary, what are the differences between the Hybrid Pension Plan and the Legacy Pension Plan?**

**A:** The Hybrid Pension Plan has two components, a defined benefit plan and a defined contribution plan. The Hybrid Pension Plan increases the requirements for service and early retirement benefits. Previously, a member was eligible for a service retirement upon attaining age 60 and vested status or at any age upon attaining 30 years of service. A member must now attain age 65 and 5 years of creditable service or meet the rule of 90 (where age and years of service total 90). Previously, a member was eligible for early retirement benefits at age 55 with vested status. A member must now attain age 60 and 5 years of creditable service or meet the Rule of 80 (where age and years of service total 80). The benefit accrual factor is 1% under the Hybrid Pension Plan versus 1.5% under the Legacy Pension Plan. The benefits available to members of the general assembly, the attorney general and reporter, district attorney general, district public defender, and state judges were reduced proportionately to the reductions made to general employees. This question only details the differences as they relate to general employees and teachers. A summary of benefits for all groups are available on our website at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs) . Employers can verify in which plan an employee should be enrolled by navigating to the Download Member ID screen via Employer Self-Service and searching for the member within the Member Plan Search section of the screen.

### **Q: What is the cost to the employee for the Hybrid Pension Plan?**

**A:** Employees will contribute 5% of salary to the defined benefit portion of the Hybrid Pension Plan and 2% of salary to the defined contribution portion of the plan. An employee may change the contribution to the defined contribution portion of the plan by filing a form with the defined contribution plan vendor.

### **Q: What is the cost to the employer for the Hybrid Pension Plan?**

**A:** The total employer contribution for the Hybrid Pension Plan is capped at 9% of salary. Employers will contribute 4% of salary to the defined benefit portion of the plan and 5% of salary to the defined contribution portion of the plan for each employee covered by the plan. Due to the cost controls and unfunded liability controls, the allocation of the total employer contribution of 9% between the defined benefit portion and defined contribution portion of the plan may change.

### **Q: If I terminate employment, am I able to refund my account balance from the Hybrid Pension Plan?**

**A:** Yes. You may elect to receive a refund from the defined benefit portion of the plan from TCRS. You will receive the contributions you made to the defined benefit portion of the plan plus interest credited to your account. You can contact the third party administrator to obtain your account balance from the defined contribution portion of the plan. You will receive the contribution you made, the employer contributions made on your behalf, plus any earnings on your account.

**Q: How does service in multiple plans affect an employee's pension benefit?**

**A:** TCRS is a consolidated plan, thus service with all employers count toward vesting and eligibility for retirement. However, the various plans have different retirement eligibility and calculation criteria. Separate benefits will be calculated on the service and combined for a monthly pension amount.

**Q: What if I meet the retirement eligibility criteria for one plan, but not the other?**

**A:** In the case where you met the criteria for a normal retirement benefit in one plan and have met the criteria for an early retirement benefit in the other plan, the benefits will be calculated separately; one benefit will be an unreduced value, while the other benefit will be reduced by an actuarial factor due to early retirement. If you meet the criteria for retirement under one plan, but not the other (such as age), you will not be eligible to draw a benefit on that service until you meet the eligibility for retirement.

**Q: What are the vesting requirements under the Hybrid Pension Plan for State Employees and Teachers?**

**A:** For all members of the Hybrid Pension Plan (except for the attorney general and reporter, a district attorney general, district public defender, a state judge, or a member of the Tennessee General Assembly), vesting is after 5 years of membership service. For the attorney general and reporter, a district attorney general, district public defender, or as a state judge, vesting is after 8 years of membership service. General Assembly members vest after 4 years of membership service. A vested member is one who has accrued enough years of service to receive a retirement benefit once all eligibility requirements are met.

**Q: What are the eligibility criteria and calculations for disability benefits under the Hybrid Pension Plan?**

**A:** The same eligibility criteria are used to determine whether a member is eligible for disability retirement benefits, regardless of whether the member participates in the Hybrid Pension Plan or the Legacy Pension Plan. A member's service will be projected to age 60 or 20 years of service, whichever comes first. The benefit formula will use the 1% accrual factor for disability retirement calculations under the Hybrid Pension Plan.

**Q: What are the eligibility criteria and calculations for death benefits under the Hybrid Pension Plan?**

**A:** The same eligibility criteria are used to determine whether a member's beneficiary is eligible for death benefits, regardless of whether the member participates in the Hybrid Pension Plan or the Legacy Pension Plan. Any death benefits payable to a member's spouse under the Hybrid Pension Plan will be reduced by an actuarial factor (as opposed to the 0.4% reduction applied under the Legacy Pension Plan).

## **Enrollment questions – Hybrid vs. Legacy Pension Plan**

**Q: As an employer, how will I know whether to enroll an employee in the Legacy Pension Plan or the Hybrid Pension Plan?**

**A:** The employer will need to ask the employee at hire whether the employee has ever been a TCRS member. Once the employer submits the monthly file to TCRS, Concord will determine whether the member is enrolled in the correct plan. If the member is enrolled in the incorrect plan, an error will be generated for the employer to correct.

**Q: If I am covered by the Legacy Pension Plan as a teacher or state employee, under what circumstances will I be enrolled in the Hybrid Pension Plan?**

**A:** The Hybrid Pension Plan only applies to state employees, higher education employees, and public school teachers who meet all of the following: (i) hired as a state employee, higher education employee, or teacher after June 30, 2014 and (ii) who have not maintained membership in the TCRS Legacy Pension Plan based on previous service as a state employee, higher education employee, or teacher prior to July 1, 2014. A member that refunds all contributions or leaves employment prior to attaining vested status and remains out of service with a TCRS covered employer for seven (7) consecutive years loses membership and would be covered by the Hybrid Pension Plan upon returning to covered TCRS employment.

**Q: A TCRS member employed by a local government is hired as a state employee or teacher on or after July 1, 2014 (the member has never been a state employee or teacher). Which Pension Plan is the employee to be enrolled, Hybrid or Legacy?**

**A:** The employee will be enrolled in the state/teacher Hybrid Pension Plan on a prospective basis. The service earned in the Legacy Pension Plan as a local government employee will remain unchanged. All service earned in TCRS plans count towards vesting requirements and the average final compensation is the highest five consecutive years under all plans.

**Q: A state agency hires a former teacher (covered by the Legacy Pension Plan) after July 1, 2014 (the teacher has never been employed by the state and the teacher has not taken a refund of the teacher's accumulated contributions from TCRS). Which Pension Plan is the employee to be enrolled, Hybrid or Legacy?**

**A:** The employee will continue participating in the Legacy Pension Plan.

**Q: If I opted into the Optional Retirement Plan (ORP) instead of TCRS, when I become eligible for the ORP transfer, which plan will I transfer into?**

**A:** Employees whose membership date in the ORP is prior to July 1, 2014 will be eligible to transfer their membership to the TCRS Legacy Pension Plan. Employees whose membership date in the ORP is after June 30, 2014 will be eligible to transfer their membership to the TCRS Hybrid Pension Plan.

**Q: A general assembly member is elected to office prior to July 1, 2014 and elects not to participate in TCRS. The same general assembly member is re-elected after July 1, 2014 and elects to participate in TCRS. In which plan would the member be enrolled, the Legacy or Hybrid Pension Plan?**

**A:** The general assembly member would be enrolled in the Hybrid Pension Plan. By electing not to participate in TCRS originally, the general assembly member was never covered by TCRS.

**Q: A part-time state employee is hired prior to July 1, 2014 and elects not to participate in TCRS. The employee becomes a full-time state employee after July 1, 2014 and is mandatorily covered by TCRS. In which plan would the employee be enrolled, the Legacy or Hybrid Pension Plan?**

**A:** The employee would be enrolled in the Hybrid Pension Plan. By electing not to participate in TCRS as a part-time employee, the employee was never covered by TCRS.

**Q: A state employee participating in the TCRS Legacy Pension Plan terminates employment before attaining vesting status and remains out of service for seven consecutive years thereby losing membership and forfeiting the service. The employee returns to service as a state employee or teacher after July 1, 2014 and wants to re-establish the previous service forfeited as a result of losing membership in the Legacy Pension Plan. In which plan will the previously forfeited service be established, the Legacy Pension Plan or the Hybrid Pension Plan?**

**A:** The member will establish the previously forfeited service in the Hybrid Pension Plan by making the appropriate payment to TCRS.

**Q: How will agencies know if an employee has lost membership?**

**A:** TCRS encourages agencies to ask employees upon hire whether they have been a member of TCRS and previously refunded or lost membership. Concord will also provide a Member Plan Search screen that will enable agencies to inquire by SSN and will indicate the plan in which the member should be enrolled. In addition, an employer's report will be verified by Concord and if an employee is enrolled in the wrong plan, the employer will be notified.

**Q: Are pre-k teachers affected by the Hybrid Pension Plan?**

**A:** In order to determine if a member meets the definition of a teacher and should be enrolled in the Hybrid Pension Plan after July 1, 2014, please refer to the teacher definition as set forth in T.C.A. § 8-34-101(46).

**Q: If an employee retired under the Legacy Pension Plan, suspends his/her benefit, and returns to work full-time, under which plan should the employee be enrolled?**

**A:** The member has not lost membership. Therefore, the employee should be enrolled in the Legacy Pension Plan.

## Local Education Agencies (LEAs)

**Q: A local education agency (LEA) covers its support staff (non-teachers) in the Legacy Pension Plan. On or after July 1, 2014, the LEA hires an employee that was previously a support staff employee covered in the Legacy Pension Plan as a teacher. Which Pension Plan is this employee to be enrolled, Hybrid or Legacy?**

**A:** The employee will be enrolled in the state/teacher Hybrid Pension Plan on a prospective basis.

**Q: An LEA hires a state employee as a teacher (covered by the Legacy Pension Plan) after July 1, 2014 (the state employee has never been employed by the LEA). Which Pension Plan is the employee to be enrolled, Hybrid or Legacy?**

**A:** The employee will continue participating in the Legacy Pension Plan.

**Q: A teacher hired after July 1, 2014 who has never been a TCRS member will be enrolled in the Hybrid Pension Plan. The LEA covers non-teachers in the Legacy TCRS plan. If the teacher also works as a support staff for the LEA (e.g. bus driver, coach, etc.), how would the service as a teacher and as support staff bus driver be reported to TCRS?**

**A:** The service and salary earned as a teacher would be reported to TCRS under the Hybrid Pension Plan. The service and salary earned in a support staff role would be reported under the Legacy Pension Plan. The service would be allocated between the teaching service and support staff role service based on the salaries reported.

**Q: If a person is hired in June, but does not begin instruction until after July 1, 2014 and has never been covered by the Legacy Pension Plan, is this person to be enrolled in the Hybrid Pension Plan or Legacy Pension Plan?**

**A:** Hybrid Pension Plan. The pertinent date is the date the individual begins rendering services to the employer. Until then, the individual is not eligible to participate in any TCRS plan. *See*, Rule 1700-3-1-.22 of the *Official Rules and Regulations of the State of Tennessee*, which provides that “(t)he membership of an employee in the retirement system shall be effective as of the first date for which employee or employer contributions are made for service rendered by the employee, provided such contributions are not later withdrawn”. *See also*, Tennessee Code Annotated, Section 8-36-903(a), which provides in pertinent part that “(n)otwithstanding any other law to the contrary and except as provided in this section, any person otherwise eligible to participate in the retirement system who **enters service as a** state employee or **teacher** on or after July 1, 2014, shall participate in the Hybrid Pension Plan established under this part”. The term “service” is defined in Tennessee Code Annotated, Section 8-34-101(36) to mean “**service as a** general employee, **a teacher**, a state police officer, a wildlife officer, a firefighter, a police officer, a state judge, a county judge, an attorney general, a commissioner or a county official **which is paid for by an employer ....**”

**Q: If an LEA has adopted a plan (Hybrid) with the governing body's approval and the governing body has the Legacy Pension Plan, which plan will an employee join if he/she moves from the LEA (Hybrid) to the LG (Legacy)? What about vice versa?**

**A:** Under the above scenario, if the employee (is hired) by the local government in a non-LEA position, the employee will be enrolled in the Legacy Pension Plan. If the employee (is hired) by the LEA in an LEA position, the employee will be enrolled in the Hybrid Pension Plan. Reason: With the passage of Tennessee Code Annotated, Section 8-35-201(f), if an LEA participates separately from the local government with which it is associated, then the LEA is considered a separate employer from that local government for TCRS purposes.

**Q: A state employee or teacher covered by the TCRS Legacy Pension Plan leaves employment with the state or LEA and goes to work for a political subdivision participating in TCRS. The employee returns to employment as a state employee or teacher after July 1, 2014. What plan is the member enrolled in upon returning to employment?**

**A:** If the member maintains membership in the Legacy Pension Plan, the employee will be covered by the Legacy Pension Plan upon returning to service as a state employee or teacher.

**Q: A teacher participates in the TCRS Legacy Pension Plan. At termination of employment, the teacher takes a refund of his/her account balance. The teacher returns after July 1, 2014 and participates in the TCRS Hybrid Pension Plan. The teacher wants to re-establish the previously refunded service. In which plan will the previously refunded service be established, the Legacy Pension Plan or the Hybrid Pension Plan?**

**A:** The member will establish the previously refunded service in the Hybrid Pension Plan after making the appropriate payment to TCRS.

**Q: If a participating interim teacher or full time substitute (serving during a maternity leave) is hired as a full time teacher after July 1, 2014, which plan are they under?**

**A:** Interim or full-time substitutes are part-time employees that have optional membership. If the interim or full-time substitute elected to participate in TCRS prior to July 1, 2014 and maintained membership in TCRS, then when hired as a full-time teacher they would be in the Legacy Pension Plan.

## **Impact on local government agencies**

**Q: Are local government employers participating in TCRS impacted by the new Hybrid Pension Plan for state employees and teachers?**

**A:** No. Employees of local governments participating in TCRS will continue to participate in the retirement plan adopted by the local government. Local government agencies are only impacted by the Hybrid Pension Plan if the local government's governing body chooses to adopt the Plan by way of resolution.

**Q: A local government employee changes employment to a different local government employer participating in TCRS. The two local government employers offer different plans (one Legacy, the other one of the alternative plans and/or state Hybrid Pension Plan). At the new employer, is the employee covered by the plan in effect with the new local government employer or the plan of the previous employer?**

**A:** The employee is covered by the plan in effect with the new local government employer on a prospective basis.

**Q: A local government employee became a member of the Legacy Pension Plan on or before June 30, 2012 (plan adopted by the employer) and later leaves employment with the employer. The employee does not take a refund of the employee's accumulated contributions from TCRS. A few years later, the employee returns to employment with the same local government, but the local government employer has now changed to the state/teacher Hybrid Pension Plan. Which Pension Plan is the employee to be enrolled, Hybrid or Legacy?**

**A:** The employee will remain in the Legacy Pension Plan.

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**A:** The employee will be enrolled in the state/teacher Hybrid Pension Plan.

## **Contributions to the defined contribution plan**

**Q: If I am a Legacy Pension Plan member, may I voluntarily enroll in the 401(k) plan?**

**A:** Yes. However, the employer will not contribute 5% of salary to the plan on your behalf.



**Q: Who ensures that the employee contributions to the defined contribution plan is correct?**

**A:** An employee covered by the state/teacher Hybrid Pension Plan is auto-enrolled in the DC component of the Hybrid Pension Plan. The third party administrator (TPA) will be the deferral record keeper, meaning that all deferral changes will be made online or over the phone with them and not the employer (including changes from the auto-enrollment percentage). The TPA will then pass the elections to the employer. The TPA will keep up with the deferral amount the employee has elected but they will not keep up with how much 2% of salary is or if the employer doesn't send the correct amount.

## **Impact on employees**

**Q: What is the cost to the employee for the Hybrid Pension Plan?**

**A:** Employees will contribute 5% of salary to the defined benefit portion of the Hybrid Pension Plan and 2% of salary to the defined contribution portion of the plan. An employee may change the contribution to the defined contribution portion of the plan by filing a form with the defined contribution plan vendor.

**Q: If I terminate employment, am I able to refund my account balance from the Hybrid Pension Plan?**

**A:** Yes. You may elect to receive a refund from the defined benefit portion of the plan from TCRS. You will receive the contributions you made to the defined benefit portion of the plan plus interest credited to your account. You can contact the third party administrator to obtain your account balance from the defined contribution portion of the plan. You will receive the contribution you made, the employer contributions made on your behalf, plus any earnings on your account.

**Q: How does service in multiple plans affect an employee's pension benefit?**

**A:** TCRS is a consolidated plan, thus service with all employers count toward vesting and eligibility for retirement. However, the various plans have different retirement eligibility and calculation criteria. Separate benefits will be calculated on the service and combined for a monthly pension amount.

**Q: What if I meet the retirement eligibility criteria for one plan, but not the other?**

**A:** If you meet the criteria for retirement under one plan, but not the other (such as age), you will be eligible to draw a benefit under the plan in which you have met the retirement eligibility requirements. However, you will not be eligible to draw a benefit under the other retirement plan until you have met the retirement eligibility requirements for that plan. Note: You cannot draw any retirement benefits under any TCRS plan until you have terminated all service covered by TCRS. In the case where you met the criteria for a normal retirement benefit in one plan and have met the criteria for an early retirement benefit in the other plan, the benefits will be calculated separately; one benefit will be an unreduced value, while the other benefit will be reduced by an actuarial factor due to early retirement.

**Q: How does service in multiple plans affect an employee's pension benefit?**

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**Q: What if I meet the retirement eligibility criteria for one plan, but not the other?**

A: In the case where you met the criteria for a normal retirement benefit in one plan and have met the criteria for an early retirement benefit in the other plan, the benefits will be calculated separately; one benefit will be an unreduced value, while the other benefit will be reduced by an actuarial factor due to early retirement. If you meet the criteria for retirement under one plan, but not the other (such as age), you will not be eligible to draw a benefit on that service until you meet the eligibility for retirement.

**Q: What are the vesting requirements under the Hybrid Pension Plan for State Employees and Teachers?**

A: For all members of the Hybrid Pension Plan (except for the attorney general and reporter, a district attorney general, district public defender, a state judge, or a member of the Tennessee General Assembly), vesting is after 5 years of membership service. For the attorney general and reporter, a district attorney general, district public defender, or as a state judge, vesting is after 8 years of membership service. General Assembly members vest after 4 years of membership service. A vested member is one who has accrued enough years of service to receive a retirement benefit once all eligibility requirements are met.

**Q: Can an employee elect more than one beneficiary at retirement with the TCRS component of the Hybrid Pension Plan?**

A: Yes; once the systems used by TCRS are capable of administering multiple beneficiaries, employees can designate multiple beneficiaries at retirement for both the Legacy and Hybrid Pension Plans.

**Q: What happens to a member's Legacy Pension Plan service when it's forfeited? Do you automatically refund the member's contributions, or does TCRS maintain them? What happens if the member doesn't have an account balance?**

A: TCRS will notify a non-vested member if the member is losing membership after a seven (7) year absence and if a refund is available due to the member having contributed employee contributions to the Legacy Pension Plan. If the member is eligible for a refund, the member must file an application with TCRS in order to obtain the refund of contributions. If an individual thereafter becomes a state employee, higher education employee, or a public school teacher after losing TCRS membership, the member will re-enter TCRS in the Hybrid Pension Plan. The member will be required to pay 5% employee contributions, plus interest, on the refunded service if the member wishes to purchase the prior service, regardless of whether the service was originally contributory or non-contributory service and regardless of whether the service was originally in the Legacy Pension Plan or the Hybrid Pension Plan. The service will be credited to the Hybrid Pension Plan.

**Q: I'm working under the Legacy Pension Plan now. If I previously refunded my contributions but don't repurchase the service until after July 1, will I still be purchasing my service in the Legacy Pension Plan?**

**A:** If you continue to be a member of the Legacy Pension Plan, you may still buy the service in the Legacy Pension Plan even if the repurchase date is after July 1.

**Q: If I am in the Hybrid Pension Plan, do I have to apply for retirement with both TCRS and the 401(k) administrator?**

**A:** Yes. In order to begin receiving benefits from TCRS, you must submit a retirement application to TCRS. You will also need to complete the necessary forms with the 401(k) administrator if you wish to begin receiving distributions from the 401(k).

**Q: If I terminate employment with both Legacy and Hybrid service and apply to refund my Hybrid contributions, does that also forfeit my Legacy contributions?**

**A:** By taking a refund from TCRS, you are taking a refund and forfeiting all service from both the Legacy and Hybrid Pension Plans in TCRS. However, this does not apply to your funds in the 401(k) account.

For additional enrollment questions regarding (Hybrid vs. Legacy Pension Plan), refer to the [Enrollment questions – Hybrid vs. Legacy Pension Plan](#) section.