

City of Crossville **current** retirement program(s):

Tennessee Consolidated Retirement (TCRS) Legacy – Defined Benefit Plan

- Plan for employees hired **prior to June 30, 2013**
- Employees eligible for enrollment after 6 months of satisfactory employment
- Government funded plan; no monies can be rolled into plan from outside sources
- Fully funded by the employer
 - No contribution on behalf of employee
 - Current rate the City pays for each employee is at 13%
 - Rate is variable year to year depending on TCRS annual update
- Employee is vested in plan at 5 years; no funds are accessible by employee if 5 year requirement is not met
- Employee can only begin withdrawals once eligibility requirements are met:
 - Age 60 with minimum 5 years of service
 - Age 55 with minimum 10 years of service; reduced retirement benefit
- At eligibility date, TCRS will average employee highest 5 consecutive years of annual earnings and build into a formula to determine the monthly retirement benefit
 - Retirement benefit can be calculated and reduced to offer a spouse continuing benefits should the retiree pass away
- Accumulated sick leave can be credited as service time: 20 days of sick leave is equivalent to 1 month of service credit in the TCRS system
 - 75 remaining active participants in TCRS Legacy
 - Employer annual contribution (current) = \$676,000
 - All employees in this plan must remain in this plan; cannot be given option to move into the Hybrid plan if it is selected by the City

MissionSquare 401A – Defined Contribution Plan

- Plan for employees hired after July 1, 2013
- Employees eligible for enrollment after 6 months of satisfactory employment
- Government funded plan; no monies can be rolled into the plan from outside sources
- Mandatory employee contribution of 5%
 - Employees are given a 5% salary increase at conclusion of 6 months satisfactory employment
- City match of 5%
- Employee can opt to voluntarily contribute 6, 7 or 8% with a like City match
 - Employees that voluntarily contribute in excess of 8% will only get 8% City match
- Employee is 25% vested in City matching contribution at 2 years; 50% at 3 years; 75% at 4 years; 100% at 5 years
- Employee contributions and vested City contributions are available to the employee at time of separation, regardless of separation circumstance and age
- Credit is not applied for any accumulated sick leave
 - Total account balance as of 2/6/2023= \$2,471,920
 - 90 active participants in Mission Square
 - 35 of the active participants are contributing the maximum of 8%
 - Employer annual contribution (current) = \$325,000
 - Employees in this plan would be given the opportunity to move into the TCRS Hybrid plan, if selected by the City; employees would voluntarily move their own funds from Mission Square to the 401k plan in the TCRS system

Proposed program:

Tennessee Consolidated Retirement (TCRS) Hybrid (with Cost Controls)

**Required for New Hires Upon Adoption*

- Defined Benefit
 - Eligibility to retire: Rule of 90 or age 65 and vested
 - Employee contribution rate: 5.0%
 - Employer contribution rate: 4.0%
 - Right to freeze, suspend, or modify benefits, employee contributions, plan terms, and design prospectively. Accrued benefits will not be affected.
- Defined Contribution
 - 5% employer contribution made to an employee's account and not subject to any matching employee contribution
 - Auto-enrollment for employees of 2% contribution, with opt-out feature
- 5-year vesting requirement for TCRS; immediate vesting in 401(k)
- TCRS service retirement at age 65 or by meeting rule of 90 (service credit plus age=90)
- Other retirement funds can be rolled into this 401(k) plan
- Accumulated sick leave can be credited as service time: 20 days of sick leave is equivalent to 1 month of service credit in TCRS system

	Employer Contributions	Member Contributions	TOTAL Contributions
TCRS	4%	5%	9%
401(k)	5%	2%*	7%*
TOTAL	9%	7%*	16%*

*Members will be auto-enrolled for 2% into 401(k) but can opt out

- Maximum employer contribution rate toward both plans= 9% of payroll; 4% to DB and 5% to DC
 - 9% is fixed and not variable

Key Notes:

- If the City re-enters TCRS, there is no option to withdraw again. Since we have withdrawn once, and would be making a request to re-enter their system, the Resolution will reflect that we will not be permitted to separate again.
- Employees participating in the Mission Square plan will not be required to enroll in the TCRS Hybrid option. TCRS will conduct education sessions with the Mission Square participants to evaluate the option most beneficial to the employee based upon the service time they have remaining.
- Should employees participating in Mission Square choose to move into the TCRS Hybrid plan, their funds would be deposited into the 401k.
- All employees hired after the adoption date of the Hybrid plan would be required to enroll in the Hybrid plan
- Employees in the current TCRS Legacy plan would remain in the Legacy plan; option would not be available to move into Hybrid.
- For comparison: Based on today's salary numbers, the City's matching contribution to Mission Square for the 90 participants is \$325,000 annually. If all of those same 90 participants were in the Hybrid plan today, the City's contribution would be \$473,335 annually at the 9% fixed rate.
- TCRS Hybrid plan would make the City more attractive in recruiting efforts for employees with municipal experience (Police, Fire, Administrative)