Optional Retirement Plan

Why do I have to choose an annuity
Pension Options

• TCRS - Defined benefit pension based on a formula of:
  • Salary (high 5 years)
  • Years of service (has a 5 year vesting requirement)
  • Age

• Optional Retirement Plan
  • Attempts to look like a defined pension plan
  • Insurance product
Pension Options

- At retirement you will be required to annuitize at least 50% of the aggregate balance of your ORP accounts.

- Annuity choices:
  - One life annuity
  - Two life annuity
  - Interest only payments
  - Minimum withdrawal contract
  - Exception to Lifetime Distribution (if aggregate balance is under $15,000 you can rollover or cash out the entire balance)
How Did We Get Here?

• The legislature has attempted to make sure that ORP members are not irresponsible with their retirement funds.
  • Problems created by this law include:
    • Making people purchase an annuity product that may not be appropriate for them
    • Costs associated in purchasing the annuity reduces funds available
    • Assumes that employees are not capable of devising their own appropriate retirement plans
    • Tennessee is the only state that requires this of their ORP members
    • Disproportionately impacts Faculty at UT and TBR (Tennessee Board of Regents)
    • Exposes the State, UT and TBR to unnecessary litigation risk
Key Decision Makers – Pensions and Insurance Committee

- Joint Committee of the Tennessee Senate and House of Representatives
- This issue has been before this committee in the last couple of years
- There has been key turnover within this committee
Pension and Insurance Committee

- Bo Watson – Co-Chair – Senator from Hixson, TN  email: sen.bo.watson@capitol.tn.gov
- Charles Sargent – Co-Chair – Representative from Franklin, TN  email: rep.charles.sargent@capitol.tn.gov
  - Senate Members: Todd Gardenhire, Thelma Harper, Mark Norris, Doug Overbey and Jim Tracy
  - House Members: Kevin Brooks, Kent Calfee, Karen Camper, Craig Fitzhugh, Gerald McCormick and Steve McDaniel
Timeline for Pension and Insurance Committee Meetings

- This group meets the legislative session, in the first half of the calendar year, usually beginning in late February.

- Other members of the committee on an ex officio basis include:
  - Comptroller of the Treasury
  - The State Treasurer
  - Commissioner of Human Resources
  - Commissioner of Finance and Administration
  - Director of TCRS (Tennessee Consolidated Retirement System)
Available Options

• Contact members of the Pension and Insurance Committee
• Gain support from additional faculty and exempt staff that are in the ORP.
• Reach out to other Faculty Senate groups within UT and TBR.
• Watch the meetings here: http://wapp.capitol.tn.gov/apps/livevideo/
Recommendation

• Continue to gain support for changing this requirement and attend the hearing that has this initiative on the agenda.