



MEMORANDUM:

To: TCRS Participating Local Governments and LEAs

From: Jamie Wayman, Director of TCRS

Subject: Important Considerations Regarding Financing Retirement Obligations

Date: March 18, 2026

TCRS Investment Performance and Financial Health

The Tennessee Consolidated Retirement System (TCRS) finished the 2025 fiscal year with a strong 10.2% return, surpassing the plan's 6.75% assumed rate of return. This performance resulted in over \$7.0 billion in new investment income added to the portfolio. As of June 30, 2025, TCRS's total portfolio value stands at \$74.9 billion. For every \$100 paid to retirees, \$69.35 is derived from investment earnings, with employer contributions making up \$23.05 and employee contributions accounting for \$7.60.

TCRS is consistently recognized among the top three best-funded retirement plans nationwide, with many participating local government plans exceeding a 100% funded status. While TCRS's strong investment returns and prudent actuarial process contribute to the system's overall health, it is crucial for each participating employer to play an active role in ensuring the continued sustainability of its retirement plan. Each local government plan within TCRS operates as a separate liability pool. Although investments are commingled, each local government is individually responsible for financing the future benefits promised to its employees.

2024 Actuarial Experience Study

TCRS conducts actuarial experience studies every four years to examine the appropriateness of the financial and demographic assumptions used in actuarial valuations. This comprehensive analysis assesses whether the current assumptions reflect actual trends and experiences. This ongoing review process is an important step in ensuring the continued reliability and stability of the system's financial outlook.

The results of the 2024 experience study were presented to the TCRS Board of Trustees on June 6, 2025. The Board adopted the recommended changes to the assumptions. The economic changes to the assumptions included increases in the inflation and cost of living adjustment assumptions from 2.25% to 2.4% and 2.125% to 2.25%, respectively. The salary scale assumption was also increased by 0.15% to a 4.15% weighted average. The mortality tables were updated to use the most recently published tables.

The newly adopted assumptions based on the 2024 experience study, were implemented with the June 30, 2025, actuarial valuation which will determine actuarially determined contribution (ADC) rates effective July 1, 2026.

Actions to Support Long-Term Financial Health

To help support the long-term financial health of your agency's individual retirement plan, we encourage you to regularly consider the following actions during your annual budget preparations:

- **Review Contribution Rates:** Engage with agency leadership annually to assess your contribution rate and understand the factors that influence rate volatility. It's important to evaluate your annual contribution in the context of the agency's broader budget and to incorporate a forward-looking perspective on potential financial trends.
- **Consider Enhanced Contributions:** When possible, consider adopting a contribution rate above the actuarially determined contribution (ADC) rate. This proactive approach can help to mitigate future rate volatility while reducing net pension liability.
- **Explore Alternative Plan Structures:** Evaluate potential adjustments to your TCRS plan structure or provisions that could help manage future retirement costs more effectively.

We understand that even small changes to your budget can shift fiscal priorities. However, there are steps you can take to bring greater predictability to retirement benefit financing.

Should you need any assistance in evaluating your contribution rate or wish to discuss potential changes to your plan provisions, please do not hesitate to contact your regional Treasury Outreach Representative.

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