



# Tier 6 Basic Plan Fact Sheet

Tier 6

May 2017

A new law (Chapter 18 of the Laws of 2012) was enacted amending the retirement benefits of public employees who establish membership in a public employee retirement system **on or after April 1, 2012**. Chapter 18 is commonly referred to as Tier 6. This fact sheet provides answers to frequently asked questions about the obligations and benefits provided to members of a Tier 6 Basic Plan. In the event of a conflict between the information provided in this fact sheet and any provision of Chapter 18 and/or applicable law, the provisions of Chapter 18 and/or applicable law shall govern.

## **Who is a Tier 6 member?**

A Tier 6 member is someone who joins the New York City Employees' Retirement System (NYCERS) on or after April 1, 2012.

## **If I was a member of a public retirement system in New York City or New York State before April 1, 2012 and that membership has been terminated, can I be reinstated to an earlier tier?**

Yes, provided that you meet the eligibility requirements of the "tier reinstatement" law which, among other things, requires that you repay any contributions refunded to you when your membership was terminated (if any) plus 5% compounded interest from the date of the refund to the date of payment.

## **If I am employed in a special occupational title, e.g., New York City Transit Bus Operator, Train Conductor, Emergency Medical Technician, Special Peace Officer, etc., am I a Tier 6 member if I join NYCERS on or after April 1, 2012?**

Yes. However, you will not be a participant in the Tier 6 Basic Plan; you will be a participant in a special plan for your title which permits early service retirement based on age and/or service requirements. While the Tier 6 law did not eliminate these special plans, many changes were made affecting provisions relating to contributions, vesting requirements, and benefit calculations. (See the Tier 6 Special Plan Fact Sheet for more information.)

## **If I am employed as a member of the Uniformed Correction Force, Uniformed Sanitation Force, or as a District Attorney Investigator, am I a Tier 6 member if I join NYCERS on or after April 1, 2012?**

No. You will be in a Tier 3 22-Year Plan. (See the 22-Year Plan Fact Sheet for more information.)

## **I am employed in a physically taxing title, am I eligible for a special plan in Tier 6 affording early retirement?**

No. The Tier 6 law eliminated the Tier 4 55/25 and 57/5 Plans, which provided early retirement for members employed in physically taxing titles. Members in physically taxing titles who join NYCERS on or after April 1, 2012 will be participants in the Tier 6 Basic Plan.

## **How much do I have to contribute as a Tier 6 member?**

Tier 6 Basic Plan members who join NYCERS between April 1, 2012 and March 31, 2013 are required to contribute 3% of gross wages until a new contribution structure takes effect on April 1, 2013. Beginning April 1, 2013, the contribution rate for all Tier 6 Basic Plan members is dependent upon annual wages earned during a "plan year" according to the schedule in the table on page 2.

**Basic Plan Member Contribution Table:**

<b>Annual Wages Earned During Plan Year</b>	<b>Contribution Rate</b>
Up to \$45,000	3%
\$45,001 to \$55,000	3.5%
\$55,001 to \$75,000	4.5%
\$75,001 to \$100,000	5.75%
Greater than \$100,000	6%

A **plan year** was defined as the period from April 1st to March 31st. During the first three plan years of membership (or the first three plan years beginning 4/1/13 if you joined NYCERS between 4/1/12 and 3/31/13), NYCERS uses a projection of your annual wages to determine your BMC rate (Projected Wage Method). For your fourth Plan year and each Plan year thereafter, NYCERS uses your gross wages earned two plan years prior to determine your BMC rate (Actual Wage Method). Recent legislation changed the plan year definition to a calendar year (1/1 to 12/31). For that reason, if your membership date falls between 4/1/12 and 3/31/14, the Actual Wage Method will be applied for the plan year 1/1/17-12/31/17. The chart below illustrates the application of each method based on hypothetical wages.

<b>PROJECTED WAGE METHOD (FIRST 3 PLAN YEARS ONLY)</b>			
	<b>1st Plan Year</b>	<b>2nd Plan Year</b>	<b>3rd Plan Year</b>
<b>Projected Annual Salary</b>	\$70,000	\$70,000	\$70,000
<b>Rate Based on Projected Annual Salary</b>	4.5%	4.5%	4.5%
<b>Actual Wages Earned in Plan Year</b>	\$72,000	\$72,500	\$76,000
<b>Contributions Made in Plan Year</b>	\$3,240 (4.5% of \$72,000)	\$3,263 (4.5% of \$72,500)	\$3,420 (4.5% of \$76,000)
<b>ACTUAL WAGE METHOD (4<sup>TH</sup> PLAN YEAR AND THEREAFTER)</b>			
	<b>4th Plan Year</b>	<b>5th Plan Year</b>	
<b>Actual Wages Earned in Plan Year</b>	\$80,000	\$82,500	
<b>Rate Based on Actual Wages Earned Two Plan Years Prior to the Current Plan Year</b>	4.5%	5.75%	
<b>Contributions Made in Plan Year</b>	\$3,600 (4.5% of \$80,000)	\$4,744 (5.75% of \$82,500)	

**How long do I have to make contributions?**

Unlike Tier 4 members whose contributions cease after attaining 10 years of Credited Service or 10 years of membership, whichever occurs first, Tier 6 Basic Plan members must contribute until they separate from City service or until they retire.

**When can I retire under the Tier 6 Basic Plan?**

Tier 6 Basic Plan members must have a minimum of 10 years of Credited Service and be at least age 63 to retire and collect an unreduced Service Retirement Benefit.

## Can I retire earlier than age 63 under the Tier 6 Basic Plan?

Tier 6 Basic Plan members may retire as early as age 55 with at least 10 years of Credited Service provided that they file their service retirement application while still on active payroll. However, early retirement carries a penalty of a permanent reduction in your retirement benefit at a rate of 6.5% for each year that you have retired prior to age 63. The following table illustrates the benefit reduction for retirement between ages 55-63.

Age At Retirement	Benefit Reduction
63	None
62	6.5%
61	13%
60	19.5%
59	26%
58	32.5%
57	39%
56	45.5%
55	52%

## What happens if I leave City Service before I'm eligible to retire?

If you have at least 10 years of Credited Service your pension vests automatically, which means you can collect a Vested Retirement Benefit at age 63. If you have less than 10 years of Credited Service, you may request a refund of your contributions, plus 5% compounded interest. Alternatively, you may leave your contributions on deposit with NYCERS for a period of five years. If you do not return to active service within those five years, your NYCERS membership will be terminated. This scenario is commonly referred to as a "five-year out."

## How is my Service/Vested Retirement Benefit calculated?

The Service/Vested Retirement Benefit payable under the Tier 6 Basic Plan is calculated as follows:

- For a Participant with less than 20 years of Credited Service:  
1.67% *times* Final Average Salary (FAS) *times* years of Credited Service
- For a Participant with 20 or more years of Credited Service:  
35% of FAS for the first 20 years of Credited Service; **plus**  
2% *times* each year of Credited Service in excess of 20

## What is Credited Service?

In general, Credited Service is service rendered while a NYCERS member, previous public service or military service that was purchased, and service transferred from another public retirement system in New York City or New York State to NYCERS.

## How is my FAS calculated?

FAS is defined as the average of wages earned by a member during any continuous period of employment for which the member was credited with five years of Credited Service. However, wages earned during any year used in an FAS calculation cannot exceed the average of the previous four years by more than ten percent.

## Are any wages excluded from the FAS calculation?

Yes. The Tier 6 definition of wages includes an "overtime ceiling," which limits overtime compensation for pension purposes to no more than \$15,000; this amount is indexed annually according to the Consumer Price Index. Any overtime compensation earned in excess of the overtime ceiling is excluded from the FAS calculation. Overtime compensation is compensation paid at a rate greater than the standard rate.

***The definition of wages also excludes:***

1. wages in excess of the annual salary paid to the Governor of the State of New York;
2. lump sum payments for deferred compensation, sick leave, accumulated vacation or other credits for time not worked;
3. any form of termination pay;
4. any additional compensation paid in anticipation of retirement; and
5. in the case of employees who receive wages from three or more employers in a twelve month period, the wages paid by the third and each additional employer.

**If I do not join NYCERS immediately after my employment, can I purchase (buy back) my pre-membership service and how much will it cost me?**

You may purchase previous public service rendered anywhere in New York City or New York State. The cost is 6% of the wages earned during the period you are buying back, plus 5 percent interest compounded annually from the date of your previous service until the date of payment.

**I served in the U.S. Military prior to my NYCERS membership. Can I purchase my military service?**

Yes, if you meet the eligibility criteria specified in Article 20 of the New York State Retirement and Social Security Law (RSSL). The cost to purchase military service under Article 20 of the RSSL is 6% *times* the number of years of military service being purchased *times* the salary you earned during the 12 months prior to the date of your application. Interest is not factored into the cost.

**Did the Tier 6 law affect other benefits of membership such as loans, disability and death benefits?**

No. The Tier 4 provisions relative to loans, disability and death benefits remain unchanged and, therefore, apply to Tier 6 Basic Plan members in the same manner as applicable to Tier 4 members.