



# Leaving City Service

TIER 4 MEMBERS – 62/5, 55/25, 57/5 PLANS

VERSION JULY 2012

This brochure has been prepared to help NYCERS members learn about any rights and options available to them after leaving City service. Many options are time-sensitive, so members are encouraged to read this brochure **prior** to leaving City service.

**Attention Non-Members:** You may want to consider becoming a NYCERS member before leaving City service. By becoming a member, you preserve your right to membership in the current tier. This may be beneficial if you return to public service in New York State/New York City in the future.

## OPTIONS FOR MEMBERS

The options available to you as a member depends on your total amount of Credited Service and, in some cases, your age. Credited Service is the total amount of years of service you have accumulated, which will count towards your pension calculation. Generally, this includes Membership Service, Purchased Service, Transferred Service, Military Service, and service while on an approved union leave.

**If you have less than five years of Credited Service, you may:**

**1) Apply for a refund of your contributions.** This effectively terminates your membership and you will not be entitled to any future benefits from NYCERS. See the Refunds section for more information.

**OR**

**2) Leave your contributions on deposit.** You will retain all membership rights for up to five years. If you do not return to public service in a NYCERS eligible position within five years from the date of your separation from City service, your membership will be terminated by operation of law;

**AND/OR**

**3) Purchase enough previous service to vest in your plan.** This purchase is possible even if your application is submitted after you go off payroll. See the Buy-Back section of this brochure for more information.

**If you have between five and 10 years of Credited Service, you may:**

**1) Apply for a refund of your contributions.** This eff-

ectively terminates your membership and you will not be entitled to any future benefits from NYCERS. You must also submit an additional form waiving your right to a Vested Retirement Benefit since you have attained the minimum service requirement to vest;

**OR**

**2) Leave your contributions on deposit.** You will retain all membership rights and you will be eligible for a Vested Retirement Benefit upon reaching the Payability Date specified in your plan. See the Vesting section for more information.

**If you have 10 or more years of Credited Service, you are:**

- No longer eligible for a refund of your contributions. You are automatically vested. It is strongly recommended that you file a “Notice of Intent To Vest” form (Form #254). This enables NYCERS to maintain communications with you even after you have left City service. Upon reaching the Payability Date specified in your plan you will be entitled to receive a Vested Retirement Benefit.

## REFUNDS

Refunds are only an option for members with less than 10 years of Credited Service. If you have less than 10 years of Credited Service, there are some things to consider before applying for your refund:

- You must be off payroll for at least 30 days before applying for a refund.
- You would be forfeiting your right to any future benefits from NYCERS, including a Vested Retirement Benefit or Vested Death Benefit, if you were to receive a refund.
- Your refund will be (wholly or partially) subject to Federal income taxes. In addition, if you are under age 59½ you will also be subject to the 10% early distribution penalty tax assessed by the IRS. Exceptions to this penalty may apply, especially if you leave



City service during or after the year you attain age 55. You may also avoid taxation and this penalty by rolling over your refund into a Traditional IRA or Employer Plan, e.g., 401(k). NYCERS cannot advise you on these matters. Please consult your personal tax advisor for additional information on this topic.

If you are a 62/5 Plan participant with less than 10 years of Credited Service, you may withdraw your Basic Member Contributions plus accrued interest. File an Application For Refund of Member's Accumulated Salary Deductions (Form #331) to request this refund.

If you are a 55/25 Plan participant who is leaving City service due to layoff, you may withdraw your Basic Member Contributions plus accrued interest, and the employee portion (50%) of your Additional Member Contributions plus accrued interest. File an Application for Refund of Member's Accumulated Salary Deductions (Form #331) **and** an Application for Refund of Additional Member Contributions (Form #333) to request these refunds.

If you are a 57/5 Plan participant with less than 10 years of Credited Service, you may withdraw your Basic Member Contributions plus accrued interest, and the employee portion (50%) of your Additional Member Contributions plus accrued interest. File an Application for Refund of Member's Accumulated Salary Deductions (Form #331) **and** an Application for Refund of Additional Member Contributions (Form #333) to request these refunds.

## VESTING

Vesting is about your right to receive future benefits from NYCERS even if you leave City service. You are vested when you have accumulated the minimum service requirements specified in your plan.

### Eligibility By Plan

Knowing which Tier 4 plan you belong to is key to knowing if and when you may collect a Vested Retirement Benefit. Listed below are the vesting requirements and Payability Dates for the 62/5, 55/25 and 57/5 plans.

**62/5 Plan-** Generally, you are a member of this plan if you began City service and joined NYCERS between July 26, 1976 and June 28, 1995 AND you did not elect to participate in the 55/25 plan. Under this plan, the Vested Retirement Benefit is payable at age 62 provided you have at least five years of Credited Service.

**55/25 Plan -** Generally, you are a member of this plan if you were in an eligible position on June 28, 1995 AND you filed an election to participate in the 55/25 plan within the specified time period. *This plan does not have a vesting provision. Participants must meet both the age and service requirements, while on payroll, in order to be eligible for a Service Retirement Benefit under the 55/25 plan.* However, members who do not meet such requirements are able to vest under the provisions of the 62/5 plan.

**57/5 Plan -** Generally, you are a member of this plan if you first began City service after June 28, 1995. Under this plan, you are eligible for a Vested Retirement Benefit at age 57 provided you have at least five years of Credited Service.

### Calculating Your Vested Retirement Benefit

The formula used to calculate your Vested Retirement Benefit is the same formula used to calculate a Service Retirement Benefit. The formula depends on your amount of Credited Service.

**If you have less than 20 years of Credited Service, your benefit is calculated using the following formula:**

$1.67\% \text{ times Final Average Salary (FAS) times the number of years of Credited Service}$

**If you have 20 - 30 years of Credited Service, your benefit is calculated using the following formula:**

$2\% \text{ times FAS times the number of years of Credited Service}$

**If you have more than 30 years of Credited Service, your benefit is calculated using the following formula:**

$2\% \text{ times FAS times 30 years of Credited Service; plus 1.5\% times FAS for each year of Credited Service in excess of 30.}$

**NOTE:** A deficit in any of your contribution accounts will result in a reduction in your Vested Retirement Benefit.

Final Average Salary is defined as the greater of:

The average of wages earned during any three consecutive calendar years;

**OR**

The average of wages earned during the 36 months immediately preceding your retirement date.



**Note:** Wages earned in any year used in the FAS computation cannot exceed more than 10% of the average of the previous two years.

### Payment of Your Vested Retirement Benefit

To begin receiving payment of your Vested Retirement Benefit you must file an Application For Payment of a Vested Retirement Benefit (Form #266).

You may file the application as early as 90 days before your Payability Date. Your benefit will not start until you file this application, however, you are entitled to a Vested Retirement Benefit as of your Payability Date.

### Vested Death Benefit

In the event of your death prior to your Payability Date, a death benefit may be payable to your designated beneficiary(ies).

If you have 10 or more years of Credited Service, the Vested Death Benefit payable is:

- 50% of the Ordinary Death Benefit that would have been payable if you had died on your last day of active service; plus
- A refund of your Basic Member Contributions and accrued interest; plus
- If you are a participant of the 55/25 or 57/5 plans, a refund of 50% of your Additional Member Contributions and accrued interest.

If you have less than 10 years of Credited Service, the only amounts payable to your beneficiary(ies) are:

- A refund of your Basic Member Contributions and accrued interest; plus
- If you are a member of the 55/25 or 57/5 plans, a refund of 50% of your Additional Member Contributions and accrued interest.

You may change your beneficiary(ies) on file at any time prior to making a final retirement option selection. You will not make a final retirement option selection until after your Payability Date has passed. If you have not designated a beneficiary, the death benefit will be paid to your estate.

For additional information on vesting, please consult Brochure #904.

## LOANS

After you have separated from City service, you are no longer able to apply for any new loans. In order to apply for a loan, you must be on active payroll.

If you have an outstanding pension loan at the time you leave City service, there are some important consequences you should know:

- 1) You are obligated to pay your outstanding loan. If loan payments are not made for a 90-day period, the IRS considers the loan to be a Non-Performing Loan and the outstanding balance will be deemed taxable.
- 2) Your outstanding loan continues to accrue interest even if it has become taxable due to being classified as a Non-Performing Loan.
- 3) An outstanding loan balance will reduce any future benefit that you receive from NYCERS including any retirement, disability and death benefits.

Members who leave City service may remit loan payments directly to NYCERS on a monthly basis (for a fee of \$5.00 per payment) or pay the loan in full at any time. It is the member's responsibility to make timely payments after going off payroll.

For more information on loans, please consult Brochure #911.

## BUY-BACK

Buy-back enables you to receive service credit for previous public service rendered in New York State/New York City prior to your NYCERS membership.

Prior to your separation from City service, you may apply and purchase any amount of previous public service.

After your separation from City service, you may only purchase enough service needed to vest in your plan. This purchase will have to be completed before your membership is terminated by operation of law. If you have more than five years of Credited Service at the time you separate from City service, you may not initiate a new claim to purchase previous service while you are off payroll.

**Important Note:** In order to receive credit for any time you are purchasing, you must have at least two years of Membership Service.

### Special consideration for employees who leave City service due to layoff for economic reasons:

If you file a buy-back application within 90 days from the date you separate from City service due to layoff for economic reasons, you are entitled to buy back as much time as you want.

If you file a buy-back application after 90 days from the date you separate from City service due to layoff for economic reasons, you may only purchase enough service that will allow you to vest in your plan.

Members with less than five years of Credited Service at the time they are laid off will have to complete the purchase before their membership is terminated by operation of law.

To be eligible for this special consideration, members must submit their layoff letter along with their buy-back application.

**Important Note:** In order to receive credit for any time you are purchasing, you must have at least two years of Membership Service.

For additional information on buy-back, please consult Brochure #901.

### TIER EQUITY (62/5 MEMBERS ONLY)

Tier Equity allows 62/5 Plan members to retire as early as age 55; however, there is a lifetime reduction to your retirement benefit if you retire prior to age 62. *You must be at least age 55 and file for retirement while still on active payroll in order to take advantage of Tier Equity.* The following table shows the percentage reduction for various ages:

AGE PAYMENT BEGINS	PERCENT OF BENEFIT REDUCTION
61	6%
60	12%
59	15%
58	18%
57	21%
56	24%
55	27%

### TRANSFERRED SERVICE

NYCERS is one of eight public retirement systems in New York State. After you leave City service, you may transfer your membership to another public retirement system if you

should become a member of that system. To complete this transfer, file an Application for Transfer of a Member's Accumulated Salary Deductions to Another Retirement System within New York State (Form #321). NYCERS encourages you to consult with representatives of both retirement systems before you transfer your membership.

### HEALTH BENEFITS

NYCERS does not administer health benefits for employees of NYC mayoral agencies or for employees of any participating employers of NYCERS. For most New York City employees, your health care coverage is administered by the Office of Labor Relations. Contact 212-513-0470 or visit their website, [www.nyc.gov/html/olr](http://www.nyc.gov/html/olr), for information about health benefits.

Transit Authority employees should contact their employee benefits department at 646-376-0123 for additional information on health care coverage.

MTA Bridges and Tunnels employees should contact their employee benefits department at 646-252-7935 for additional information on health care coverage.

### WORKING AFTER RETIREMENT

If you begin collecting a Vested Retirement Benefit and subsequently return to public service in New York State or New York City, you should be aware that there is a limit on how much salary you can earn while also collecting a retirement benefit from NYCERS. Section 212 of the Retirement and Social Security Law (RSSL) sets the amount a retired person may earn in public employment without loss, suspension or diminution of his or her retirement allowance during a calendar year. The current Section 212 limit is \$30,000. Pensioners who are under 65 and return to public service with New York State or New York City are subject to this limit.