



Options for Tier 2 Members

Tier 2

March 2017

This information is intended for use by Tier 2 members who joined the New York City Employees' Retirement System (NYCERS) after June 30, 1973 but prior to July 27, 1976 and Investigators employed in District Attorney offices who joined NYCERS in an Investigator title between July 1, 1973 and March 31, 2012.

INTRODUCTION

When you prepare for retirement, you need answers to several questions:

- ▶ Do you want to provide continuing retirement income to your spouse, partner or survivor(s) after your death?
- ▶ What is the cost of continuing this income?
- ▶ What is the effect on your retirement allowance?

If you choose, you can provide continuing income to your designated beneficiary by selecting an option. By selecting an option, you accept a reduced lifetime retirement allowance in exchange for the payment of a benefit to your designated beneficiary upon your death.

The following information explains the options available to you. NYCERS cannot tell you which option, if any, you should select. Your retirement needs are unique to your situation. Representatives in NYCERS' Customer Service Center will try to answer your questions regarding options and other matters pertaining to your retirement. However, you, and only you, can make the option choice that's right for you.

If you do not select an option, you will be awarded the Maximum Retirement Allowance.

NO OPTION (Maximum Retirement Allowance)

If you have no spouse, partner or children who depend on you for financial support, you may decide not to select an option. If you cannot afford to receive a reduced pension, you might wish to maximize your retirement income by electing to receive the Maximum Retirement Allowance. There is no reduction in benefit associated with this election.

Your retirement benefit will depend primarily on:

- ▶ the pension plan in which you are enrolled (for example:

the Modified Career Pension Plan (Plan C), the Modified Increased-Service-Fraction-Plan (Plan D), the Modified Transit 20-Year Plan, etc.)

- ▶ the amount of service to your credit in NYCERS
- ▶ your earnings
- ▶ your contributions
- ▶ your age

Based on these factors, NYCERS computes the Maximum Retirement Allowance. The Maximum Retirement Allowance provides the greatest benefit payment to you while you are retired, for as long as you live. However, under the Maximum Retirement Allowance, no further payments will be made after your death.

IN SUMMARY:

The Maximum Retirement Allowance:

1. is the largest amount that is payable to you at the time of retirement
2. is payable to you for life
3. does not permit the designation of a beneficiary
4. ceases upon your death, with no benefit payable to a beneficiary

OPTION 1 (Return of Annuity Reserve)

Option 1 reduces your Maximum Retirement Allowance. However, Option 1 guarantees that the full amount of the Annuity Reserve (member contributions with interest) determined at the time of retirement will be paid to you and, upon your death, the remaining balance, if any, will be paid to your designated beneficiary(ies).

Each monthly payment you receive will decrease the Annuity Reserve by a commensurate amount.

Under Option 1, if the death of the retiree occurs shortly after retirement, the majority of the Annuity Reserve will be payable to the designated beneficiary(ies). However, if you live long enough to use up the entire Annuity Reserve, nothing will be payable to your designated beneficiary(ies) upon your death.

Option reduction factors are based on the age of the member at retirement. If you elect Option 1, you must designate a beneficiary. You may name more than one beneficiary, and you may change the beneficiary(ies) designated at any time prior to using up the Annuity Reserve.

IN SUMMARY

The Option 1 retirement allowance:

1. is a reduced benefit
2. is payable to you for life
3. ceases upon your death, but guarantees that if you die before receiving payments equal to your Annuity Reserve, the balance of the Annuity Reserve at the time of your death will be paid to your designated beneficiary(ies)
4. permits you to change your beneficiary(ies) at any time prior to using up the Annuity Reserve.

OPTION 2 (100% Joint-and-Survivor)

Option 2 is intended for the retiree who wishes to ensure that after his or her death, a designated beneficiary will continue to receive a fixed annual lifetime benefit.

Option 2 reduces your Maximum Retirement Allowance, with the provision that upon your death the same reduced retirement allowance is continued to your surviving designated beneficiary for life.

Under Option 2, the retirement allowance is paid to you no matter how long you live; payments then continue to your surviving designated beneficiary for as long as he or she lives. Because Option 2 guarantees two specific people an income for life, the life expectancies of the retiree as well as the beneficiary are taken into consideration. Therefore, under Option 2, once you designate a beneficiary and the option is in force, you cannot change your beneficiary designation. Even if your designated beneficiary dies before you, you may not designate another person. You will continue to receive the reduced lifetime allowance.

All payments cease upon the death of the retiree, if the designated beneficiary predeceases him or her.

IN SUMMARY

The Option 2 retirement allowance:

1. is a reduced benefit
2. is payable to you for life
3. guarantees that the same lifetime benefit is payable to your designated beneficiary, if he or she survives you
4. ceases after the death of both you and your designated beneficiary
5. does not permit you to change your beneficiary designation

OPTION 3 (50% Joint-and-Survivor)

Option 3 is also intended for the retiree who wishes to ensure that after his or her death, a designated beneficiary will continue to receive a fixed annual lifetime benefit.

Option 3 provides a reduced Maximum Retirement Allowance, with the provision that upon your death one-half of the reduced retirement allowance is continued to your surviving designated beneficiary for life. The Option 3 reduction is not as great as the Option 2 reduction, because the surviving beneficiary receives only one-half of the retiree's allowance.

Because Option 3 guarantees two specific people an income for life, the life expectancies of the retiree as well as the beneficiary are taken into consideration. Therefore, under Option 3, once you designate a beneficiary and the option is in force, you cannot change your beneficiary designation. Even if your designated beneficiary dies before you, you may not designate another person. You will continue to receive the reduced lifetime allowance.

All payments cease upon the death of the retiree, if the designated beneficiary predeceases him or her.

IN SUMMARY

The Option 3 retirement allowance:

1. is a reduced benefit
2. is payable to you for life
3. guarantees that one-half of your retirement allowance is payable to your designated beneficiary for his or her life time, if he or she survives you
4. ceases after the death of both you and your designated beneficiary
5. does not permit you to change your designated beneficiary.

OPTION 4 (Lump-Sum Payment)

Option 4 allows you to set aside a specific lump-sum benefit for your designated beneficiary(ies), which he or she will receive upon your death. Your retirement allowance will be reduced from the Maximum Retirement Allowance.

The lump-sum benefit is usually provided in units of \$1,000. For each \$1,000 to be set aside, your Maximum Retirement Allowance is reduced by an actuarially determined amount depending on your age at retirement. The greater the lump-sum set aside, the greater the reduction from your Maximum Retirement Allowance.

Your reduced retirement allowance under Option 4 is determined by subtracting from your Maximum Retirement Allowance the annual cost of the lump-sum benefit you elect to provide to your designated beneficiary(ies).



IN SUMMARY

The Option 4 retirement allowance:

1. is a reduced benefit
2. is payable to you for life
3. ceases upon your death, but guarantees that a lump-sum benefit is payable to your designated beneficiary(ies)
4. permits you to change your designated beneficiary(ies) at any time

OPTION 4-2 AND OPTION 4-3 (Pop-Up Joint-and-Survivor)

Option 4-2 and Option 4-3 are known as the "Pop-Up" options. Like Option 2 and Option 3, they are intended for the retiree who wishes to ensure that after his or her death, a designated beneficiary will continue to receive a fixed annual lifetime benefit.

Option 4-2 and Option 4-3 provide a reduced Maximum Retirement Allowance, with the provision that upon your death either the same reduced retirement allowance (Option 4-2), or one-half of the reduced retirement allowance (Option 4-3), is continued to your surviving designated beneficiary for life.

The Pop-Up feature provides that if the designated beneficiary dies before the retiree, the retiree's benefit will "pop up" to the Maximum Retirement Allowance. All payments cease upon the death of the retiree, if the designated beneficiary predeceases him or her.

Because Option 4-2 and Option 4-3 guarantee two specific people an income for life, the life expectancies of the retiree as well as the beneficiary are taken into consideration. Therefore, under Option 4-2 and Option 4-3, once you designate a beneficiary and the option is in force you cannot change your beneficiary designation.

IN SUMMARY

Both the Option 4-2 and 4-3 retirement allowances:

1. are reduced benefits
2. are payable to you for life
3. guarantee that 100% (Option 4-2) or 50% (Option 4-3) of your retirement allowance is payable to your designated beneficiary for life, if he or she survives you
4. provide that if your designated beneficiary dies before you, your retirement allowance will "pop up" to the Maximum Retirement Allowance
5. cease after the death of both you and your designated beneficiary
6. do not permit you to change your designated beneficiary

OPTION 5 (Five-Year Certain Option)

Under Option 5, the retiree receives a reduced monthly lifetime benefit. If the retiree dies within five years from the date of retirement, the reduced monthly retirement benefit will continue to be paid to the surviving designated primary

beneficiary for the unexpired balance of the five-year period. If the designated primary beneficiary predeceases the retiree, the balance of the payments due for the remainder of the five-year period is paid in a lump sum to the retiree's contingent beneficiary. If none exists, it is paid in a lump sum to the estate of the retiree.

Should a designated primary beneficiary die, after having started to receive payments, the balance will be paid in a lump sum to the designated contingent beneficiary. If none exists, the lump-sum balance is paid to the estate of the primary beneficiary.

IN SUMMARY

The Option 5 retirement allowance:

1. is a reduced benefit
2. is payable to you for life
3. pays your beneficiary a reduced monthly benefit, if you should die within five years from the date of your retirement. Payments continue until the five-year period is expired.
4. allows payments to go to your contingent beneficiary, if your designated primary beneficiary predeceases you
or
if there is no contingent beneficiary, a lump sum will be paid to your estate
5. pays a lump-sum balance to your contingent beneficiary, if your primary beneficiary begins to collect your retirement benefit and then dies within five years from the date of your retirement
or
if there is no contingent beneficiary, the lump-sum will be paid to the estate of your primary beneficiary

OPTION 6 (Ten-Year Certain Option)

Under Option 6, the retiree receives a reduced monthly lifetime benefit. If the retiree dies within ten years from the date of retirement, the reduced monthly retirement benefit will continue to be paid to the surviving designated primary beneficiary for the unexpired balance of the ten-year period. If the designated primary beneficiary predeceases the retiree, the balance of the payments due for the remainder of the ten-year period is paid in a lump sum to the retiree's contingent beneficiary. If none exists, it is paid in a lump sum to the estate of the retiree.

Should a designated primary beneficiary die, after having started to receive payments, the balance of the payments due for the remainder of the ten-year period will be paid in a lump sum to the designated contingent beneficiary. If none exists, the lump-sum balance is paid to the estate of the primary beneficiary.

IN SUMMARY

The Ten-Year Certain Retirement Allowance:

1. is a reduced benefit



2. is payable to you for life
3. pays your beneficiary a reduced monthly benefit, if you should die within ten years from the date of your retirement. Payments continue until the ten-year period is expired.
4. allows payments to go to your contingent beneficiary, if your designated primary beneficiary predeceases you
or
if there is no contingent beneficiary, a lump sum will be paid to your estate
5. pays a lump-sum balance to your contingent beneficiary if your primary beneficiary begins to collect your retirement benefit and then dies within ten years from the date of your retirement
or
if there is no contingent beneficiary, the lump-sum balance will be paid to the estate of your primary beneficiary

In addition to the options described in this brochure, you may elect any form of payment that is the actuarial equivalent of your Maximum Retirement Allowance as certified by the actuary and approved by NYCERS. You are not eligible, however, to receive one lump-sum payment of the entire Initial Reserve at retirement.

