



62/5 Retirement Plan For Tier 4 Members

TIER 4

MARCH 2013

This brochure describes the obligations and benefits of the 62/5 Retirement Plan for Tier 4 members. The 62/5 Retirement Plan, also referred to as the Basic Tier 4 Plan, allows participants to retire with a full pension at age 62 with at least five years of Credited Service, or with a reduced pension between the ages of 55 and 61 (see Tier Equity section on page 2). For a comprehensive explanation of benefits, please see the 62/5 Summary Plan Description (SPD), available at www.nycers.org.

PARTICIPATION

Membership in this plan is for:

- Employees of the City of New York or a Participating Employer who joined NYCERS after July 26, 1976 but prior to June 29, 1995 and **did not elect** to participate in the 55/25 Retirement Plan; or
- Employees who were employed by New York City or a Participating Employer in an eligible position on June 28, 1995, but were not NYCERS members, and who did not elect the 55/25 Retirement Plan (See 55/25 Plan Brochure #944); or
- Members who are mandated into the 57/5 Retirement Plan (established by Chapter 96 of the Laws of 1995) and transfer a prior membership from another retirement system in New York City or New York State, where such membership was prior to June 28, 1995, and who do not elect to remain in the 57/5 plan; or
- Employees of the Triborough Bridge and Tunnel Authority (TBTA) in the title of Bridge and Tunnel Maintainer, including Assistant and Senior levels, and in the title of Laborer with the TBTA who join (or joined) NYCERS after July 26, 1976; or
- Tier 4 members who were mandated into a special plan and opted out of such special plan because they were over a certain age, and who were employed by New York City or a Participating Employer in an eligible position on June 28, 1995, but did not elect the 55/25 Retirement Plan (See 55/25 Plan Brochure #944).

CONTRIBUTIONS

As a Tier 4 member you are required to contribute 3% of your gross wages, including overtime, until the earlier of attaining 10 years of Credited Service or reaching your tenth anniversary of membership. These contributions are referred to as Basic Member Contributions (BMCs) and are Federal tax-deferred, meaning that you do not pay Federal taxes on the contributions, only New York State and local taxes. Contributions made while on Union leave are not Federal tax deferred.

Your BMCs are deposited into an account called the Member Contribution Accumulation Fund (MCAF) and accrue interest at the rate of 5%, compounded annually. The accrual of interest on your contributions is of value in certain ways, but should not be equated to interest accrued in a savings account. A defined benefit retirement plan formula, prescribed by law, is used to calculate your pension. Interest has more of a direct impact in areas such as loans and refunds; the amount you can borrow is based on 75% of your MCAF, which is constantly growing because of interest, and refunds include interest earned.

DEFICITS

The cumulative total of contributions that should be in your MCAF is known as your Required Amount and serves as one of the conditions to retire with an unreduced pension. Any amount less than your Required Amount is considered a deficit. If a deficit is identified prior to retirement, steps will be taken to resolve it. In the event of a deficit at retirement, an actuarial reduction can be applied to your pension benefit.

LOANS

62/5 Plan participants may borrow up to 75% of the BMCs held in the MCAF account. Any loans taken are subject to terms and conditions such as a limitation to one loan per every 12-month period and complete repayment in 5 years. Please see the 62/5 SPD or Loan Brochure #911 for additional terms and conditions, as well as information on the consequences of a loan default.



REFUNDS

62/5 Plan participants who leave City service with less than 10 years of Credited Service may apply for a refund of BMCs inclusive of interest accrued. Members with between five and 10 years of Credited Service must also submit a form to NYCERS to waive their right to a Vested Retirement Benefit before a refund can be processed. Members with 10 or more years of Credited Service are not eligible for a refund of their BMCs.

Members who leave City service with less than 5 years of Credited Service and do not return to City service within a five-year period will have their membership terminated by operation of law even if they have not applied for a refund of their BMCs.

You must be off payroll for thirty (30) or more days to qualify for a refund.

VESTED RETIREMENT BENEFIT

Vesting means that you have earned a right to receive benefits in the future; it is a way to receive benefits from NYCERS when you reach age 62 even if you leave City service at a younger age. Participants in the 62/5 Plan who have five or more years of Credited Service, at least two years of which are Membership Service, are entitled to receive a Vested Retirement Benefit at age 62. The Vested Retirement Benefit is computed in the same manner as the Service Retirement Benefit specified below.

SERVICE RETIREMENT

Participants in the 62/5 Plan who have five or more years of Credited Service, at least two years of which are Membership Service, are eligible to receive a Service Retirement Benefit at age 62.

The Service Retirement Benefit payable under the 62/5 Plan is calculated as follows:

- For a Participant with **less than 20 years** of Credited Service:
 $1.67\% \text{ times Final Average Salary* (FAS) times years of Credited Service}$
- For a Participant with **20 to 30 years** of Credited Service:
 $2\% \text{ times FAS times years of Credited Service}$
- For a Participant with **more than 30 years** of Credited Service:
 $2\% \text{ times FAS times 30 years of Credited Service, PLUS}$
 $1.5\% \text{ times FAS times years of Credited Service in excess of 30.}$

* **Final Average Salary (FAS)** is defined as the average of wages earned by a member during any three consecutive calendar years or the 36 months immediately preceding the member's retirement date. However, wages earned during any year used in an FAS calculation cannot exceed the average of the previous two years by more than 10%. See Brochure #929 for a detailed explanation.

TIER EQUITY

Under a law commonly referred to as "Tier Equity," members in the 62/5 Plan may retire earlier than age 62, but no earlier than age 55. To take advantage of Tier Equity, you must file for retirement while you are still in active payroll status. Early retirement under Tier Equity carries a penalty -- a permanent reduction in your retirement benefit. The reduction is based on your age when you file for retirement.

The following table shows the percentage reduction for various ages:

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

Members who have left City service prior to age 55 cannot collect an early Vested Retirement Benefit with the penalty, but rather must wait until age 62 to collect. However, if you are a Tier 4 Member with Tier 3 Rights (joined NYCERS after July 26, 1976 but before September 1, 1983), or a TBTA Officer, Sergeant, Lieutenant, Maintainer, or Laborer who can take advantage of Special Age Reduction provisions, you can collect a Vested Retirement Benefit prior to age 62. Please see the 62/5 SPD for detailed information.

BASIC TIER 4 BENEFITS

Participants in the 62/5 Plan are entitled to other benefits applicable to Tier 4 members, such as death benefits and disability benefits. Participants should refer to the 62/5 SPD for details.