



# 63/10 Retirement Plan For Tier 6 Members (Tier 6 Basic Plan)

Tier 6

May 2017

This brochure describes the obligations and benefits of the 63/10 Retirement Plan for Tier 6 members. The 63/10 Retirement Plan, also referred to as the Tier 6 Basic Plan, allows participants to retire with an unreduced pension at age 63 with at least 10 years of Credited Service. Participants with 10 years of Credited Service may retire with a reduced pension earlier than age 63 but no earlier than age 55 (see the Early Service Retirement section on page 2).

## PARTICIPATION

Participation in this plan is for any employee of the City of New York or a Participating Employer who joins NYCERS on or after April 1, 2012 and is not a participant in the 22-Year Plan or a Tier 6 Special Plan.

## CONTRIBUTIONS

Participants in the 63/10 Plan 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 63/10 Plan participants is dependent upon annual wages earned during a “plan year” according to the schedule in the table below.

ANNUAL WAGES EARNED DURING PLAN YEAR	CONTRIBUTION RATE
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. See the last page for a chart illustrating the application of each method based on hypothetical wages.

These contributions are referred to as Basic Member Contributions (BMCs). They are held in 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.

BMCs must be paid until you separate from City service or retire. They are Federal tax-deferred, meaning that you do not pay Federal taxes on the contributions, only New York State and local taxes. Note, however, that contributions made while on Union Leave are not Federal tax-deferred.

## BUY-BACK

63/10 Plan participants 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% interest compounded annually from the date of your previous service until the date of payment.

## MILITARY BUY-BACK

Federal and state laws allow members to purchase service credit for time spent in U.S. Military service – the Uniformed Services Employment and Reemployment Rights Act (USERRA) and Article 20 of the New York State Retirement and Social Security Law (RSSL), respectively. Under USERRA, the cost is the equivalent of the contributions required if you had never left for military service. Under Article 20, the cost 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. No interest is charged on military buy-back.

## 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

63/10 Plan participants may borrow up to 75% of the contributions 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 NYCERS' Loan Brochure #911 for additional terms and conditions, as well as information on the consequences of a loan default.

## REFUNDS

63/10 Plan participants who leave City service with less than 10 years of Credited Service may apply for a refund of contributions inclusive of interest accrued. 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 10 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 63 even if you leave City service at a younger age. Participants in the 63/10 Plan who have 10 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 63. The Vested Retirement Benefit is computed in the same manner as the Service Retirement Benefit specified below.

## SERVICE RETIREMENT

Participants in the 63/10 Plan who have 10 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 63.

The Service Retirement Benefit payable under the 63/10 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* FAS *times* each year of Credited Service in excess of 20

## FINAL AVERAGE SALARY (FAS)

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 wages earned during the previous four years by more than 10 percent.

Some wages are excluded from the FAS calculation. 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:

- wages in excess of the annual salary paid to the Governor of the State of New York;
- lump-sum payments for deferred compensation, sick leave, accumulated vacation or other credits for time not worked;
- any form of termination pay;
- any additional compensation paid in anticipation of retirement; and
- 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 successive employer.

## EARLY SERVICE RETIREMENT

Participants in the 63/10 Plan 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 in active payroll status. However, early retirement carries a penalty of a permanent reduction in your retirement benefit at a rate of 6.5% for each year (or a proration thereof) that you have retired prior to age 63.

The following table shows the percentage reduction for various ages:

AGE REDUCTION TABLE	
AGE AT RETIREMENT	PERCENT OF BENEFIT REDUCTION
63	None
62	6.5%
61	13%
60	19.5%
59	26%
58	32.5%
57	39%
56	45.5%
55	52%



Members who have left City service prior to age 55 cannot collect an early Vested Retirement Benefit with the penalty, but must wait until age 63 to collect.

## DISABILITY RETIREMENT

As a 63/10 Plan participant, you are eligible for a Disability Retirement benefit at any age if you have 10 or more years of Credited Service and NYCERS' Medical Board determines that you are physically or mentally incapacitated to perform your job duties.

If you have less than 10 years of Credited Service, you are eligible to receive a Disability Retirement Benefit if NYCERS' Medical Board determines that you are physically or mentally incapacitated to perform your job duties AND your disability is the result of an accidental injury sustained in the performance of your duties, and not caused by your own willful negligence.

The Disability Retirement Benefit is equal to the greater of:

- 1/3 of your FAS; **OR**
- 1.67% *times* FAS *times* years of Credited Service; **OR**
- if you are eligible for a service retirement, your Service Retirement Benefit.

## SURVIVOR BENEFITS

In the event of your death prior to retirement, your NYCERS membership entitles your beneficiaries to a death benefit. There are two primary types of death benefits – Ordinary Death Benefits and Accidental Death Benefits.

An Ordinary Death Benefit (ODB) is payable to your beneficiary(ies) if you die while in active service, before retirement, whether or not death occurs as the result of an accident sustained on the job.

An ODB will be paid only if:

- A. you were being paid on payroll at the time of your death;  
**OR**
- B. you were off payroll or you were on an authorized leave without pay at the time of your death; **AND**
  1. you were on payroll, in service, and paid within the last 12 months before death; **AND**
  2. you were not gainfully employed since last on the payroll; **AND**
  3. you had credit for one or more years of continuous service since you last entered the service of your employer.

The ODB payable is a multiplication of your salary as indicated below:

- if you have at least one, but less than two years of service, a lump-sum benefit equal to one year's current salary.
- if you have at least two, but less than three years of service, a lump-sum benefit equal to two times current salary.
- if you have at least three years of service, a lump-sum benefit equal to three times current salary.

The benefit is reduced for each year a member remains in active service beyond age 60.

Your beneficiary(ies) will also receive a refund of your BMCs plus earned interest.

If you are vested (have at least 10 years of Credited Service) and die prior to age 63, your beneficiaries will receive a lump-sum death benefit based on 50% of the ODB that would have been payable if you had died on your last day in active service, plus the refund of your BMCs plus interest.

An Accidental Death Benefit (ADB) is payable to Eligible Beneficiaries, who are defined in law. Eligible Beneficiary(ies) will receive an ADB if NYCERS determines that your death was the result of an accident sustained in the performance of your duty, not caused by your own negligence.

The annual benefit equals 50% of the wages you earned during your last year of service, or your annual wage rate if you had less than one year of service. The deceased member's contributions are not refunded to the beneficiaries.



**PROJECTED WAGE METHOD (FIRST 3 PLAN YEARS ONLY)**

	1st Plan Year	2nd Plan Year	3rd Plan Year
Projected Annual Salary	\$70,000	\$70,000	\$70,000
Rate Based on Projected Annual Salary	4.5%	4.5%	4.5%
Actual Wages Earned in Plan Year	\$72,000	\$72,500	\$76,000
Contributions Made in Plan Year	\$3,240 (4.5% of \$72,000)	\$3,263 (4.5% of \$72,500)	\$3,420 (4.5% of \$76,000)

**ACTUAL WAGE METHOD (4<sup>TH</sup> PLAN YEAR AND THEREAFTER)**

	4th Plan Year	5th Plan Year
Actual Wages Earned in Plan Year	\$80,000	\$82,500
Rate Based on Actual Wages Earned Two Plan Years Prior to the Current Plan Year	4.5%	5.75%
Contributions Made in Plan Year	\$3,600 (4.5% of \$80,000)	\$4,744 (5.75% of \$82,500)