New York City Employees’ Retirement System

Information about Tier 6

Melanie Whinnery, Executive Director

Pension Outreach Programs
About NYCERS

Function

NYCERS’ primary function is to administer the statutory pension benefits of its members, retirees, and beneficiaries through Defined Benefit Retirement Plans.

Defined Benefit retirement plans for public sector employees who join NYCERS are defined in law and protected by the New York State Constitution.

You must meet service and contribution requirements to receive a full pension benefit, based on your years of service and Final Average Salary.

Other benefits such as loans, disability and death benefits are also offered and specified in law.
About NYCERS

Funding

NYCERS is a cost-sharing multi-employer public retirement system.

The benefits of the system are financed by employer contributions, employee contributions and earnings on the funds’ investments by the System.

- **Employer contributions** are determined annually by the Chief Actuary for the City of New York.
- **Employee contributions** are determined based on the plan a participant is enrolled in and are paid through payroll deductions.
- **Investment earnings** from the investment portfolio are a significant component in the funding of the System.

The Comptroller of the City of New York is the custodian of the funds.

NYCERS’ Board of Trustees creates and adopts investment policies under which the funds are invested. The Administrative Code of the City of New York authorizes the investment of the system’s assets and the NYS Retirement and Social Security Law establishes the criteria for permissible investments.
What is A Tier?

A Tier is generally determined by the date you join NYCERS:

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<tbody>
<tr>
<td>NYCERS created by an Act of the State Legislature</td>
<td>Tier 1 Established</td>
<td>Tier 2 Established</td>
<td>*Tier 3 Established</td>
<td>Chapter 96 Law Created 55/25 and 57/5 Plans</td>
<td>Tier 6 Established</td>
</tr>
</tbody>
</table>

You are a Tier 4 member if you joined NYCERS after July 26, 1976, but before April 1st 2012, except for Correction Officers, Uniformed Sanitation Force and DA Investigators.

Members that joined between 7/26/76 and 9/1/83 are Tier 4 members who can elect their Tier 3 rights.*
63/5 – Basic Tier 6

- Available to members who joined for the first time on or after April 1, 2012.
- You are required to pay basic contributions on all years of service at a rate determined by annual wages earned during a “plan year.”
- You are eligible to retire for an unreduced benefit at age 63, provided you have at least 5 years of credited service.
- You can vest with at least 5 years of service.
- An early retirement provision allows you to retire as early as age 55, but with a penalty.
### 63/5 – Basic Tier 6

**Early Retirement – Age Reduction**

<table>
<thead>
<tr>
<th>Age</th>
<th>Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>63</td>
<td>None</td>
</tr>
<tr>
<td>62</td>
<td>6.5%</td>
</tr>
<tr>
<td>61</td>
<td>13%</td>
</tr>
<tr>
<td>60</td>
<td>19.5%</td>
</tr>
<tr>
<td>59</td>
<td>26%</td>
</tr>
<tr>
<td>58</td>
<td>32.5%</td>
</tr>
<tr>
<td>57</td>
<td>39%</td>
</tr>
<tr>
<td>56</td>
<td>45.5%</td>
</tr>
<tr>
<td>55</td>
<td>52%</td>
</tr>
</tbody>
</table>
## Tier 6 Basic Contributions

<table>
<thead>
<tr>
<th>Annual Wages Earned During Plan Year</th>
<th>Contribution Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $45,000</td>
<td>3%</td>
</tr>
<tr>
<td>$45,001 to $55,000</td>
<td>3.5%</td>
</tr>
<tr>
<td>$55,001 to $75,000</td>
<td>4.5%</td>
</tr>
<tr>
<td>$75,001 to $100,000</td>
<td>5.75%</td>
</tr>
<tr>
<td>Greater than $100,000</td>
<td>6%</td>
</tr>
</tbody>
</table>

**PLAN YEAR = January 1st – December 31st (Beginning Jan 1st 2016)**
## Tier 6 Basic Contributions

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

<table>
<thead>
<tr>
<th></th>
<th>1st Plan Year</th>
<th>2nd Plan Year</th>
<th>3rd Plan Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Annual Salary</td>
<td>$70,000</td>
<td>$70,000</td>
<td>$70,000</td>
</tr>
<tr>
<td>Rate Based on Projected Annual Salary</td>
<td>4.5%</td>
<td>4.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Actual Wages Earned in Plan Year</td>
<td>$72,000</td>
<td>$72,500</td>
<td>$76,000</td>
</tr>
<tr>
<td>Contributions Made in Plan Year</td>
<td>$3,240 (4.5% of $72,000)</td>
<td>$3,263 (4.5% of $72,500)</td>
<td>$3,420 (4.5% of $76,000)</td>
</tr>
</tbody>
</table>

### ACTUAL WAGE METHOD (4TH PLAN YEAR AND THEREAFTER)

<table>
<thead>
<tr>
<th></th>
<th>4th Plan Year</th>
<th>5th Plan Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual Wages Earned in Plan Year</td>
<td>$80,000</td>
<td>$82,500</td>
</tr>
<tr>
<td>Rate Based on Actual Wages Earned Two Plan Years Prior to the Current Plan Year</td>
<td>4.5%</td>
<td>5.75%</td>
</tr>
<tr>
<td>Contributions Made in Plan Year</td>
<td>$3,600 (4.5% of $80,000)</td>
<td>$4,744 (5.75% of $82,500)</td>
</tr>
</tbody>
</table>
Service Credit

All of these types of Service Credit count towards retirement:

- Membership Service
- Purchased Service
- Military Service
- Membership Reinstatement
- Transferred Service
- Union Leave
- Part-Time (Lifeguard Law)

The more Service Credit you have...

...the higher your pension
Membership Service

Full-time service is considered 1,827 hours per year.

- 70 hours in a bi-weekly pay period.
- 35 hours in a weekly pay period.

If position has a work week with more hours than 35 hours, then that is the requirement for full service (e.g. TRANSIT).

Anything less is considered part-time service (except for a few titles).

- Service is pro-rated based on the hours actually worked.
- Time is counted per pay period.
- No rollover minutes!

Members CANNOT earn more credit in a week than a week!
Buy-Back Basics

Must be a member of NYCERS to purchase previous service

Most previous public service rendered in New York State is eligible for buy-back.

When in doubt: APPLY!!!

Cost:

- 6% Basic Member Contribution Rate, plus

- Interest: 5 percent, compounded annually

Buy-back should be completed before you retire!!!
Applying for Buy-Back

When we receive your online or paper application, we will:

- Verify the service and salary information for the period claimed.
- Send you a cost letter.

Buy-back can be paid via:

- Lump sum;
- Partial lump-sum and payroll deductions;
- Payroll deductions;
- Rollover from 457 or 403(b); or
- MTA Deferred Compensation Plan: May rollover from 457 or 401(k)

**Two-Year Rule:** Any time purchased will **not** be credited to you until you have two years of membership service.
Military Buy-Back

Federal and state laws allow members to purchase service credit for times spent on active duty in the United States military.

- The Uniformed Services Employment and Reemployment Rights Act (USERRA).
- Article 20 of the New York State Retirement and Social Security Law.

For more information, visit www.nycers.org for the Military Buy-Back Brochure #902 and Form #244.
Leave Without Pay (LWOP)

Any service rendered during employment that is **UNPAID** will NOT be Credited Service.

This includes any unpaid periods for:

- [ ] FMLA
- [ ] Medical Leave
- [ ] Parental Leave
- [ ] Suspension

**Generally, members are not permitted to buy back previous service for time spent off payroll.**
Enable a member to possibly change their Tier or Plan-only way this can occur.

- Because they were a member before or currently have another membership.
Transfers and Reinstatements

- NYCERS
- Board of Education Retirement System (BERS)
- NYC Police Retirement Fund
- NYC Firefighters Pension Fund
- NYC Teachers’ Retirement System (TRS)

- New York State and Local Employees’ Retirement System (NYSLERS)
- NYS Teachers Retirement System (NYSTRS)
- NYS Police and Fire Retirement System (NYSPFRS)
Union Leave

Members may be given Credited Service for an authorized leave of absence to conduct labor relations activities on behalf of a public employee union.

➤ Employer needs to adopt a resolution and notify NYCERS with an annual certification.

➤ Members are still required to pay required contributions-sometimes submitted monthly by the union.
What If I Leave City Service Before Eligibility for Retirement?

Vest
If you have put in the service credit required, then you will be entitled to a pension benefit when you reach your plan’s payability age, even if you leave City service.

Refund
If you have less than 10 years of Credited Service, you can request a refund. If you withdraw you forfeit your right to any future benefits from NYCERS.

Transfer
If you become a member of one of the other 7 public pension systems in New York State, you can move your time and money to your new system.
Loans

Members may borrow up to 75% of their account balance.
(Chapter 96 members can also borrow up to 75% of the employee portion of their RRF Account)

- One loan permitted every 12 months
- Member must have at least one year of membership service and be on active payroll to apply for a loan
- Loan must be repaid within five years
- Cost: 6% interest rate, .02% insurance premium, plus a $30 loan processing fee per transaction.
What If I Am Sick or Hurt?

Disability Retirement

Disability is defined as an injury or illness that prevents an employee from performing the routine duties of his or her job title.

**Ordinary Disability**
Members are eligible for a benefit for disability retirement not based on a service retirement benefit formula if they have 10 or more years of *Credited Service*, of which 5 years must be *Membership Service*.

**Accidental Disability**
Members with less than 10 years of *Credited Service*, may be eligible to apply for disability retirement based on a service connected accident which occurred in the performance of City service.
# Death Benefit

You must be a member of NYCERS for death benefit to be paid

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Lump Sum* Equals</th>
</tr>
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<tbody>
<tr>
<td>1 year but &lt; 2 years</td>
<td>One year's Salary</td>
</tr>
<tr>
<td>2 years but &lt; 3 years</td>
<td>Two years' Salary</td>
</tr>
<tr>
<td>3 years and beyond</td>
<td>Three years' Salary</td>
</tr>
</tbody>
</table>

Plus, Refund of BMCs and accrued interest
Plus, Refund of employee share of AMCs accrued interest

*Benefit is reduced for in-service deaths occurring after age 60 (5% reduction each year beyond age 60). Example: 15% reduction for in-service death at age 63.
What if a member dies and there is no beneficiary on file?

Any death benefit due is payable to the estate. Loved ones will need to go to probate court.

➢ Takes more time!

➢ Possible legal costs!
Death Benefit Process

1) Notify NYCERS:

- File an Online Death Report at [www.nycers.org](http://www.nycers.org); OR
- Call NYCERS so that a representative can file report.

2) Submit an Original Death Certificate:

- Help us pay any benefits as soon as possible.
- Keep your beneficiary data up-to-date. Submit a beneficiary form to update names and or addresses of your beneficiary(ies).
The Retirement Process

- Tell your employer.
- Establish your last day on City payroll.
- File a Retirement Application with NYCERS.
- Learn how & when you will receive advance payments.
- Select your interim Option.
The Retirement Process

- **File a Retirement Application**
  - NYCERS will need your Last Day on Payroll.
  - You can file your retirement application no earlier than 90 days prior to your retirement date. Please note: *(30-day filing requirement for Special Plan Members!)*
  - Change your mind about retiring? You must withdraw your retirement application *prior* to your retirement date.

- File NYCERS Form #380 for direct deposit.
- NYCERS will issue a receipt – Give it to your Human Resources Representative or Benefit Coordinator.
Advance Payments

- If you retire the 1st or 2nd of the month, you will receive an advance payment at the end of the month in which you retire.

- If you retire on the 3rd of the month or later, you will not receive an advance payment until the end of the following month.
How to Calculate Your Final Average Salary
Tier 6

Final Average Salary is the greater of:

The average of wages earned in any five consecutive calendar years.

or

The average of wages earned in the 60 months immediately preceding your retirement date.

The majority of NYCERS members fall into this category.
The Kingston Limitation (Tier 6)

Wages earned in any year used in the FAS computation cannot exceed more than 10% of the average of the previous four years

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<tbody>
<tr>
<td></td>
<td>55k</td>
<td>48k</td>
<td>45k</td>
<td>42k</td>
<td>40k</td>
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</table>

Four Previous Years

<table>
<thead>
<tr>
<th>Average</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>$43,750</td>
<td>$41,750</td>
<td>$39,500</td>
<td>$38,000</td>
<td>$36,250</td>
</tr>
</tbody>
</table>

Plus 10%

<table>
<thead>
<tr>
<th>Plus 10%</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>$4,375</td>
<td>$4,175</td>
<td>$3,950</td>
<td>$3,800</td>
<td>$3,625</td>
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</table>

MAX Salary for FAS

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<tr>
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</thead>
<tbody>
<tr>
<td>$48,125</td>
<td>$45,925</td>
<td>$43,450</td>
<td>$41,800</td>
<td>$39,875</td>
</tr>
</tbody>
</table>
Governor’s Salary Limit

Reportable Salary Limit for Tier 6:

➤ Reportable salary may not exceed the salary of the Governor of the State of New York, which is set by law.
➤ If the Governor's salary changes, the reportable salary limit would change accordingly.
➤ When a member reaches the reportable salary limit, contributions should not be deducted from any salary paid in excess of the limit.
➤ All salary paid, days worked and any loan and/or arrears should still be reported.
Reportable Overtime Limit (Tier 6)

- Overtime is compensation paid under a law or policy where employees are paid at a rate greater than their standard rate for additional hours worked beyond those required.
- Tier 6 members have limits on how much overtime can be included in their final average salary calculation.
- Members and employers are not required to make pension contributions on overtime pay that’s above the annual limit.
- Employers shouldn’t report overtime pay that exceeds the limit.
- The overtime reporting period changed from fiscal year to calendar year beginning January 1, 2018.
- The overtime ceiling percentage shall be increased by an amount equal to annual inflation, which will be determined based on the increase in the consumer price index (CPI) in the one year period ending on the September 30th prior to the overtime ceiling adjustment effective on the following January 1st.
Calculating Your Retirement Benefit
Tier 6

**Less Than 20 Years:**
1.67% x Years of Credited Service x Final Average Salary

**20 or more years of Credited Service:**
35% x Final Average Salary; **plus**

2% x each year of Credited Service in excess of 20 x Final Average Salary
Outstanding Loans at Retirement

- An outstanding loan at retirement will permanently reduce your annual retirement benefit.

- The average annual reduction of your retirement benefit is $70 for every $1,000 of outstanding loan.

Which is better, cash in hand with a lower monthly pension or a higher monthly pension with no cash?
Retirement Options Tiers 6

MAXIMUM RETIREMENT ALLOWANCE

OR,

- Option 1: 100% Joint-and-Survivor
- Option 2: 25%, 50%, or 75% Joint-and-Survivor
- Option 3: Five-Year Certain
- Option 4: Ten-Year Certain
- Option 5: 50% or 100% “Pop-Up”
Pension Finalization

- After you have selected an option, you are placed on the pension payroll for the full amount of your benefit.

- This will include retroactive amounts for the difference between your advance payment and finalized pension payment.

Note: If you don’t select your option timely, your advance payment could be suspended OR your pension could be finalized under the temporary option selected at retirement!
Taxation

- NYCERS benefit payments are subject to Federal Income Taxes, but are EXEMPT from New York State and local income tax.

  **Beware!** Other states may tax you on your benefits.

- Taxes are generally withheld from all benefit checks based on a member’s direction.

- A 1099R tax form is sent each January to retirees reflecting pension income received and federal income tax withheld from that income during the previous tax year.
What If I Want to Work After Retirement?

Where can I work without being subject to any limits?

For service retirees, there are no earnings limitations if you are age 65 and over OR if you are under age 65 and work for:

- The private sector;
- Federal government;
- City or State public service employment other than within New York State; OR
- Public benefit corporations.

What if I am under age 65 and want to work for NYC or NYS?

Section 212 Limit:

- You may receive income from public service employment in NYC or NYS; however, your earnings are subject to an annual limit.
- Annual Limit - $35,000

NOTE: Transit retirees can work for a NYC or NYS agency without any earnings limitations.
What If I Want to Return to City Service?...Restored Pensioner

If you return to City service in a NYCERS-eligible position, you have 90 days from the date of appointment to rejoin NYCERS if you wish to become a member again.
Understanding Your Annual Disclosure Statement (ADS)

Summary of your NYCERS membership activities for the previous calendar year, including:

- **Work history** (Membership Service) as reported by your employer
- Contributions
- Interest
- Estimated benefits
- And much more!
Benefits of Reviewing Your ADS

• Opportunity to correct inaccurate information which could potentially affect your retirement
• Information may help you manage your membership and plan for retirement

Note

Information provided in the ADS is as of December 31.
To see more recent changes to your beneficiaries, log in to your MyNYCERS account.
Important Notes About Your ADS

Service
• Credited service may differ on your ADS
• NYCERS is continuously working to ensure your service is up-to-date prior to your retirement

Pension-Related Earnings
• Account Activity Detail page lists the pension-related earnings you received as reported to NYCERS by your employer during the Annual Disclosure Statement period
• The pension-related earnings reported by your employer may not match your W2 earnings

Non-Pension Earnings
• The amount in your paycheck other than your regular salary, such as:
  • Overtime pay
  • Longevity pay
  • Retroactive pay
• Some or all of these MAY be excluded when calculating your contribution amount and/or retirement benefits

*Your union contract and your tier determines whether these are considered pensionable earnings.
Accessing Your Annual Disclosure Statement

- Delivered automatically to your MyNYCERS account during the summer
- **Only available in your MyNYCERS account** – it is not mailed to you
- View, print or download your ADS
Retiree Health Benefits

Health care benefits for retirees are NOT administered by NYCERS.

CONTACT:

- NYC Office of Labor Relations: (212) 513-0470 or www.nyc.gov/olr
Sign up for a MyNYCERS Account!

Go to www.nycers.org

➢ Follow the steps to activate your account.

➢ Your verification code will be sent immediately by text or email.

➢ Register the code for full access to MyNYCERS!
Managing your NYCERS account just got a whole lot easier!

- Schedule, cancel and manage appointments
- Print a list of your beneficiaries
- Track the status of your application
- And more – all from your MyNYCERS account!

Log in at mynycers.org and use the new features today!
Contact NYCERS!

Website: www.nycers.org

Call Center: (347) 643-3000 &

Monday – Friday: 8:00AM - 5:00PM

Mailing Address:
30-30 47th Avenue, 10th Floor
Long Island City, NY 11101