NYC Police Pension Fund

THE PENSION PRESS

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A Newsletter Published for the Active & Retired Members of the New York Police Pension Fund

What's the Difference?: Final 12 Months vs. 3 Year Average

Members are eligible to receive what is called 'a service retirement allowance' after the completion of 20 years of Allowable Police Service. For most members (those hired 7/1/73 and later) the retirement allowance is 50% of the total pensionable compensation earned during the final 12 months immediately preceding your retirement date or the three year average, whichever is greater. Pensionable compensation consists of wages, overtime, night shift differential, worked vacation, holiday and portal to portal pay. The five and ten year longevity become pensionable at the completion of 20 years. The 15 and 20 year longevity become pensionable at the 25th year. The uniform allowance is not pensionable. It is important to remember that the compensation is credited when it is earned, not when it is paid. This can cause confusion whenever there are retroactive monies involved.

The last 12 months

Your last 12 months, for pension purposes, are your last 12 months on the active payroll, not the 12 months prior to the date you file for retirement at the Pension Fund. If your date of retirement is July 31, 2005, then your last 12 months is the period from August 1, 2004 through July 31, 2005. The amount earned during that period cannot be more than 20% above the amount earned during the preceding 12 months. (*See example chart on page 2*.)

The Three-Year Average

The three-year average can be calculated two different ways. It is either the final 36 months immediately preceding your retirement date, or your best three consecutive calendar years. If you use the three consecutive calendar years, they can be any three consecutive years during your police career. They must, however, begin on January 1s.

Whether you use the last 36 months or three consecutive calendar years, no year can be more than 20% above the preceding two-year average. (*See example chart on page 2*.)

"What's New" Cont'd on Page 2

INSIDE THIS ISSUE:

ATTENTION :ARTICLE I HAS MOVED

PLEASE BE ADVISED THAT,

EFFECTIVE SEPTEMBER 6, 2005, ARTICLE I

RELOCATED TO THE FOLLOWING ADDRESS:

NYC POLICE PENSION FUND – ARTICLE I

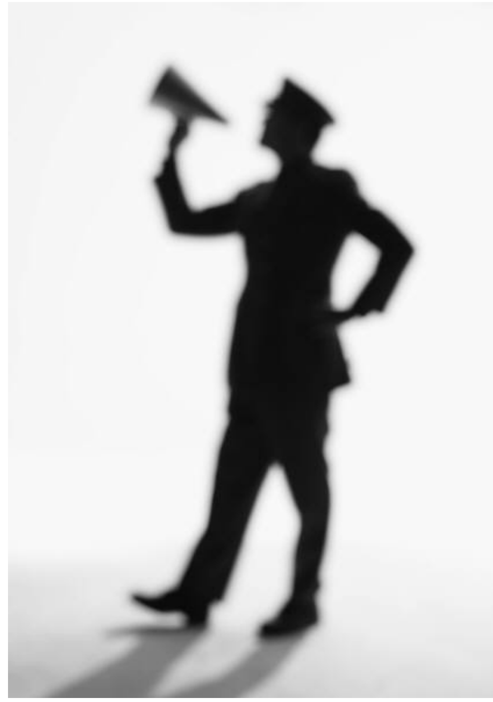
233 BROADWAY, 19TH FLOOR

NEW YORK, NY 10279

TELEPHONE NUMBER: 212.693.5980

FAX NUMBER: 212.693.2719

WEBSITE: www.nyc.gov/nycppf



"What's New" cont'd

Example #1 This example compares two NYCPPF Members that use the last 12 month period from August 1, 2004 thru July 31, 2005. Member "A" earnings are fully pensionable. Member "B" is affected by the 20% cap.

	EARNINGS 8/1/03 –7/31/04	EARNINGS LIMIT	EARNINGS 8/1/04 - 7/31/05	PENSIONABLE EARNINGS 8/1/04-7/31/05
MEMBER "A"	$60,000	$72,000	$70,000	$70,000
MEMBER "B"	$60,000	$72,000	$80,000	$72,000

Example #2 This example is of a NYCPPF Member that uses calendar years 2002, 2003 and 2004, where the 20% cap affects the Final Average Salary.

YEAR	ACTUAL EARNINGS	EARNINGS LIMIT	PENSIONABLE EARNINGS
2000	$58.000	-	-
2001	$62,000	-	-
2002	$80,000	$72,000	$72,000
2003	$84,000	$85,200	$84,000
2004	$74,000	$98,400	$74,000

PLEASE NOTE: There are other factors that can raise or reduce your 50% pension. These include 60th value, prior pension credit, ITHP value and shortages in your pension account.■

UNRETIREMENT: THE NEW RETIREMENT

Early retirement can be a wonderful opportunity to relax and enjoy leisure time; it can also be a time to expand horizons and try something new. The rethinking of retirement has been driven by both necessity and changing attitude and has come to be known as 'unretirement'.

Unretirement is not associated with poor retirement planning or inadequate retirement resources but flawed expectations of retirement. As quite a few members of the service can attest, two of the main reasons our members come back to the job is they miss the camaraderie that being part of a team allows and they miss their bi-weekly paycheck. Many retirees are finding out that retirement is simply another phase of life, like adolescence and middle age. A large number of our former members retire from the NYPD and then either continue to work full or part time jobs, or start their own companies. Retirement has become not so much the end of something but rather a new beginning-a chapter two if you will. It can be a time of spiritual and interpersonal growth as well as a time to learn something new and receive another paycheck with none of the added stressors that a new job would present. Today's retirees are a diverse group with varying ages, incomes and levels of activity. A decision to return to the work force provides intellectual challenges, potential success in a second career, it feeds our self-esteem and provides a personal sense of contributing to society, not to mention those extra earnings provide mad money.

The 'Golden Years', while once a brilliant marketing strategy and a model of retirement that appealed to a lot of people for a very long time, no longer works economically or socially. There are signs that our members find the idea of retirement stifling and unsatisfying, and so for many, traditional retirement is no longer a viable option. With a little ingenuity, any hobby you have can be turned into a satisfying occupation and provide you with the opportunity to continue to be involved in life and by doing so stay young. The new dream, for many of our retirees, may be the freedom to work in new fields and in jobs that are rewarding emotionally and financially. This is unretirement –Welcome to it!

The following websites may be used as a guide to assist those of you who have thought about 'unretirement':

Job Interview tips: www.job-interview.net

Resume Writing tips: www.provenresumes.com

Career Counseling tips: www.scps.nyu.edu

**Please Note: The Police Pension Fund neither promotes or encourages retirees to seek other employment.

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NYC Police Pension Fund

233 Broadway
New York, New York 10279

(212) 693-5100

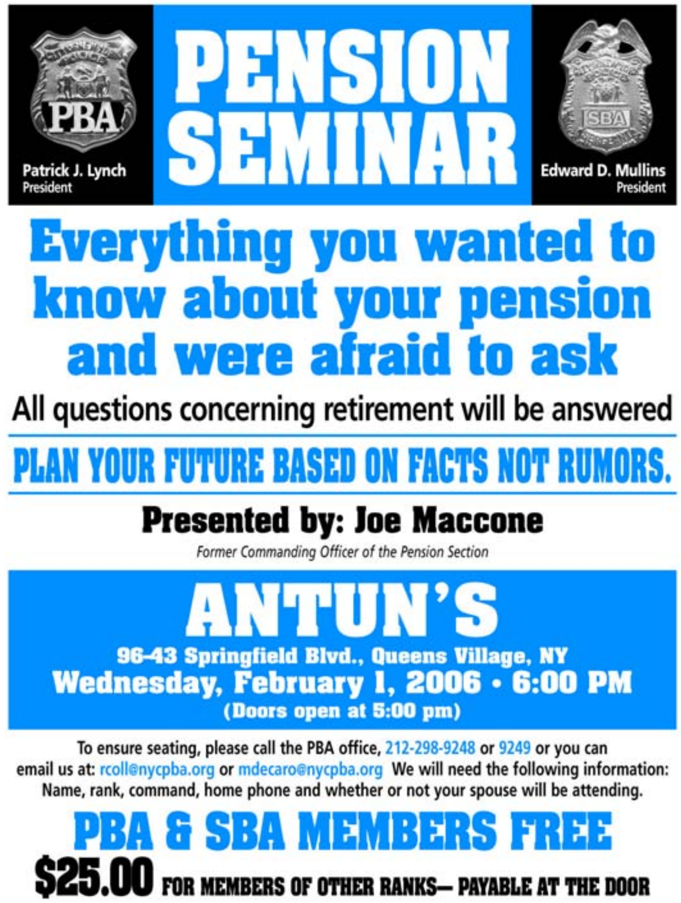
Toll Free -(866) NYC-PPF3
(Outside New York State)

The Pension Press

Editor: Marie Elena Brusco
Contributing Editor: Linda Lachick

We're on the Web!

www.nyc.gov/nycppf



TAXABLE LIABILITY

Occasionally our members are surprised to learn that they have a taxable liability at the time of their retirement even if they do not take the final loan. This article is to advise our members how this might occur.

Prior to 1989 your pension contributions were taxed before they were deducted from your check. These monies are considered to be tax free. Since 1989 regular pension contributions and member ITHP contributions have been made Federally tax deferred, and all interest on this account has never been taxed. On any outstanding loan, untaxed funds are paid back last. If upon retirement your outstanding loan (loan before final withdrawal) exceeds your tax free funds you will be responsible for taxes and penalties on the difference. For example: If two years preceding your retirement you take out a loan for $40,000 and check off 'repay in five years', you will be excluded from taxes if those monies are paid back while you are still active. However, if two years after taking the loan you decide to retire but your outstanding loan balance is $32,000 with $15,000 being tax free money, you will be responsible for taxes on the difference of $17,000 unless you deposit that money into an IRA or a 401K. Members hired after 1989 have no tax free money unless they elect to make the 50% additional contribution.

Having an excess in your account, although a good thing, does not necessarily mean it is tax free money. You should try to avoid taking any loans past your 15th anniversary unless you are certain you will not retire until the loan is paid off, at least, to the point where you will not have a taxable liability. In other words, if your untaxed contributions and untaxed interest in your account are greater than the total balance in the account, at the time of your retirement, you will have a taxable liability.■